more give, less take

National Australia Bank

2014 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.

The half year consolidated report is to be read in conjunction with the Annual Financial Report 2013.

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

Results for announcement to the market

Report for the half year ended 31 March 2014

						31 March 2014 $m
Revenue from ordinary activities [1]	page 78	up	4.2%	*	to	9,204
Profit after tax from ordinary activities attributable to owners of the Company [2]	page 78	up	15.8%	*	to	2,856
Net profit attributable to owners of the Company [2] [3]	page 78	up	15.8%	*	to	2,856

** On prior corresponding period (six months ended 31 March 2013).*

[1] Required to be disclosed by ASX Listing Rule Appendix 4D. Reported as the sum of the following items from the Group's consolidated income statement: net interest income, net life insurance income and total other income. On a cash earnings basis revenue increased by 2.6%.

[2] Restated for the impact of adopting new accounting standards, as detailed in the Principal Accounting Policies on page 84.

[3] Net profit attributable to owners of the Company was up 15.8% to $2,856 million, as a result of lower charges for bad and doubtful debts partially offset by higher expenses due to UK conduct related matters.

Dividends	Amount per share cents	Franked amount per share %
Interim dividend	99	100
Record date for determining entitlements to the interim dividend		16 May 2014

Highlights [4]

Group cash earnings	up	8.5%	Cash earnings of $3,150 million for the March 2014 half year increased by $247 million or 8.5% on the March 2013 half year. Excluding foreign exchange rate movements, cash earnings increased by $167 million or 5.8%. This was driven by lower charges for bad and doubtful debts, partially offset by higher expenses due to UK conduct related matters. The difference between cash earnings and statutory net profit attributable to the owners of the Company was primarily due to fair value and hedge ineffectiveness and the effects of adjusting for treasury shares. Refer to information on cash earnings on page 2 of Section 1, of the 2014 Half Year Results.
Cash return on equity (ROE)	-	14.6%	Cash ROE was consistent with the March 2013 half year.
Diluted cash earnings per share (cents)	up to	131.3	Diluted cash earnings per share increased by 6.7%.
Banking cost to income ratio	up	380 bps	The Group’s banking cost to income ratio increased by 380 basis points to 45.4%.
Common Equity Tier 1 capital ratio	up	42 bps	The Common Equity Tier 1 capital ratio is 8.64% up 42 basis points on March 2013.
Full time equivalent employees	up	51	Full time equivalent employees have increased by 51 to 42,719 due to higher lending volumes, new clients in asset servicing, additional front line FTEs, project related FTEs supporting the transformational agenda and regulatory projects, combined with the yearly graduate intake. These increases were partially offset by efficiency savings from strategic initiatives and implementation of the organisational realignment in Australia.

[4] All growth rates are calculated on a cash earnings basis on the prior corresponding period (six months ended 31 March 2013).

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 2014 half year are references to the six months ended 31 March 2014. Other six month periods are referred to in a corresponding manner. National Australia Bank Limited's consolidated financial statements, prepared in accordance with the *Corporations Act* 2001 (Cth), are included in Section 5. See page 123 for a complete index of ASX Appendix 4D requirements.

This page has been left blank intentionally.

Table of Contents

This page has been left blank intentionally.

National Australia Bank Limited
ABN 12 004 044 937
800 Bourke Street
Docklands Victoria 3008
AUSTRALIA
www.nabgroup.com

ASX ANNOUNCEMENT

Thursday, 8 May 2014

NAB 2014 Half Year Results

Growth in earnings benefits from lower loan losses

Key Points

The March 2014 half year results are compared with March 2013 half year results unless otherwise stated.

- On a statutory basis, net profit attributable to owners of the Company was $2.86 billion, an increase of $390 million or 15.8%.
- Cash earnings[1] were $3.15 billion, an increase of $247 million or 8.5% on the March 2013 half year, reflecting improved performances from all of our banking businesses partly offset by higher UK conduct related charges. The main difference between statutory and cash earnings relates to the elimination of treasury shares coupled with the effects of fair value and hedge ineffectiveness.
- On a cash earnings basis:
    - Revenue increased by 2.6%, but decreased by 1.2% if foreign exchange movements are excluded. Group net interest margin (NIM) was 1.94%, down 9 basis points on the March 2013 half year, of which 3 basis points is attributed to increased holdings of liquid assets and marketable securities. Customer[2] NIM was flat reflecting lower deposit, funding and liquidity costs, offset by increased lending competition.
    - Expenses at a headline level rose 11.6%, largely driven by movements in foreign exchange rates and higher UK conduct related charges. Excluding these items operating expenses increased by 2.9% and compared to the September 2013 half year increased by 0.4%.
    - The charge for bad and doubtful debts (B&DDs) was $528 million, a 52% reduction from the prior corresponding period and 37% lower than the charge for the September 2013 half year. Lower loan losses in Australian Banking and the UK businesses were the main contributors to the reduction.
- For the financial year to date, the Group has raised approximately $16 billion of term wholesale funding (including approximately $3.6 billion of secured funding). The weighted average term to maturity of the funds raised by the Group for the financial year to date was 5.1 years. The stable funding index was 89.6% at 31 March 2014, a 0.4 percentage point increase on 30 September 2013.

---

[1] Refer to note on cash earnings on page 4 of this document.
[2] Customer margin comprises the following components of net interest margin: lending margin, deposits, funding and liquidity costs and liability mix. It excludes lending mix and other components of net interest margin.

- The Group's Basel III Common Equity Tier 1 (CET1) ratio was 8.64% as at 31 March 2014, an increase of 21 basis points from 30 September 2013. In light of APRA's recently released framework in relation to Domestic Systemically Important Banks (D-SIBs), NAB intends to operate a CET1 ratio between 8.75% and 9.25% from 1 January 2016. APRA's recent announcement regarding inclusion of intermediate holding companies (principally National Wealth Management Holdings Limited) within the Level 2 Approved Deposit-taking Institution (ADI) group is expected to impact CET1 capital by $1.97 billion (currently equivalent to 53 basis points). NAB is well placed to organically meet this requirement over the transitional period to December 2017 and will also explore mitigating actions to reduce the impact.
- The interim dividend is 99 cents per share fully franked, an increase of 6 cents per share on the prior interim dividend. The dividend reinvestment plan (DRP) discount remains nil, with no participation limit. NAB will not be neutralising the new shares issued from this period's DRP.

Executive Commentary

"The Group achieved a good result for the six months ended 31 March 2014, with progress on a number of fronts," National Australia Bank Group CEO, Cameron Clyne said today.

"The economic environment continued to improve during the period. This is evident in the UK where confidence and economic growth have risen again and become more broad based. In Australia, the housing sector has strengthened further, and improved business confidence, along with corporate gearing at near 20 year lows, makes us optimistic about the business sector and potential for a recovery in business credit growth. However, against this backdrop competition remains elevated in our main markets and regulatory costs are rising.

"This result shows continued momentum in our Australian franchise with good growth over the year in home lending, up 5.8%, and retail customer satisfaction increasing 120 basis points[3]. Our business customer satisfaction has also improved over the 12 months to March 2014 in small and large segments[4]. NAB Wealth's results show early signs of the new team and strategy gaining traction, with retention initiatives delivering improved insurance lapse performance over the year, and closer integration between Australian Banking and NAB Wealth driving good growth in corporate super flows.

"Also pleasing was the further improvement in the performance of our UK businesses with UK Banking continuing to benefit from the restructure undertaken in 2012 and the recovery of the UK economy. We achieved further material run-off in the NAB UK Commercial Real Estate (NAB UK CRE) portfolio during the half year and continue to look at options to accelerate that progress.

"A major contributor to this result is the significant work undertaken over the past five years to reduce risk in our business. We have reduced exposure to higher risk segments including NAB UK CRE and parts of Australian business lending, and increased home lending exposure. While not without some cost in terms of business volumes and revenue, the benefits can be seen over the 12 months to 31 March 2014 in a material reduction in our B&DD charges, down 52%, and an $8.1 billion reduction in credit risk weighted assets attributable to improved credit quality and portfolio mix.

[3] Roy Morgan Research, Aust MFIs, population aged 14+, 6 months to March 2013 and 6 months to March 2014. Customer satisfaction is based on customers who answered very/fairly satisfied.

[4] DBM Consultants Business Financial Services Monitor 6 month rolling averages, Small ($1m - $5m), Medium ($5m - $50m), and Large ($50m+) Business Segments, March 2014. Differences not statistically significant.

“This is the first result reported under the new operating structure for our Australian businesses. The model, now fully implemented, aligns our organisation to the external environment and evolving customer behaviours, and is based around the key themes of simplification and digitisation.

“The transformation across our technology environment continues to make the experience easier for customers and employees. In March we installed the Direct Banking Release, a major milestone in progress towards the future deployment of NextGen into the core NAB franchise for origination and servicing of personal banking products. In April we launched a major upgrade and simplification of our on-line business banking portal, nabConnect, now hosted on NAB’s private cloud, providing significant speed and usability benefits.”

Business Commentary

Australian Banking cash earnings were $2,474 million, an increase of 1% on March 2013, with a lower charge for B&DDs the main driver. Revenue was down 1% with weaker margins partly offset by good growth in mortgage lending. NIM declined 4 basis points to 1.63%, driven by lower earnings on capital, higher holdings of liquid assets and marketable securities, and increased competition. Customer NIM was flat. The charge for B&DDs decreased by $218 million, down 37%, primarily attributable to lower specific charges and improved default rates across the business lending portfolio.

NAB Wealth cash earnings were $174 million, flat on March 2013. Income benefitted from strong growth in funds under management as a result of investment markets performance and positive net funds flow over the last three halves. However, this was offset by higher group insurance claims and higher costs to support regulatory change initiatives. Excluding costs supporting regulatory change, operating expenses remained flat. The continuation of insurance retention and claims management initiatives implemented over the last 12 months has led to improved results in these areas.

NZ Banking local currency cash earnings rose 3% over the March 2013 half year to NZ$400 million. Good growth in business lending, tight management of costs and lower loan losses were the main contributors. Asset quality indicators improved over the period.

UK Banking cash earnings improved to £73 million, up 121% on the March 2013 half year. Lower conduct related costs and a lower charge for B&DDs, down 40% to £55 million, were the main reasons for the improvement. However, total UK conduct related costs for the period totalled £128 million including £115 million reported in the Group Corporate Centre reflecting increased provisions relating to interest rate hedging products and certain tailored business loans. There remains a wide range of uncertain factors relevant to determining the total costs associated with conduct related matters and there is risk that additional provisions will be required.

Cash earnings in the NAB UK Commercial Real Estate (CRE) run-off portfolio improved in the half year to a loss of £7 million, compared to a £149 million loss in the March 2013 half year and a loss of £90 million in the September 2013 half year. The better performance was due to a much lower charge for B&DDs, with a slowdown in the emergence of new impaired loans, recoveries on existing impaired exposures and a £25 million reduction in the UK CRE overlay to £74 million. The portfolio continues to decline with the balance reducing by a further £0.7 billion over the half to £3.3 billion. Net of provisions, the outstanding balance is now £2.9 billion.

Great Western Bank cash earnings rose by US$8 million or 14% over the March 2013 half year to US$63 million. The increase was driven by lower operating expenses and a reduction in charges for B&DDs. Asset quality indicators improved over the half.

Group Asset Quality

Group asset quality metrics improved over the six months ended March 2014. The ratio of Group 90+ days past due and gross impaired assets to gross loans and acceptances was 1.52% at 31 March 2014 compared to 1.69% at 30 September 2013.

The ratio of collective provision to credit risk weighted assets was 0.91% at 31 March 2014, 3 basis points lower than at 30 September 2013. The reduction in the ratio is the result of several factors including a £25m release from the NAB UK CRE overlay, improved asset quality across the non-retail portfolio and housing lending growth which attracts a lower collective provision. The ratio of specific provision to gross impaired assets was 34.8% at 31 March 2014 as compared to 32.0% at 30 September 2013.

For further information:

Media

Brian Walsh
M: +61 (0) 411 227 585

Meaghan Telford
M: +61 (0) 457 551 211

Investor Relations

Ross Brown
M: +61 (0) 477 302 010

Natalie Coombe
M: +61 (0) 477 327 540

Note on Cash Earnings

Full detail on how cash earnings is defined, a discussion of non-cash earnings items and a full reconciliation of statutory net profit attributable to owners for the half year ended 31 March 2014 is set out on pages 2 to 7 of the 2014 Half Year Results Announcement under the heading "Profit Reconciliation".

The Group's results and Review of Divisional Operations and Results are presented on a cash earnings basis, unless otherwise stated. Cash earnings is a key financial performance measure used by NAB, the investment community and NAB's Australian peers with a similar business portfolio. NAB also uses cash earnings for its internal management reporting, as it better reflects what NAB considers to be the underlying performance of the Group. It is not a statutory financial measure and is not presented in accordance with Australian Accounting Standards nor audited or reviewed in accordance with Australian Auditing Standards. "Cash earnings" is calculated by excluding some items which are included within the statutory net profit attributable to owners of the Company. The Group's financial statements, prepared in accordance with the *Corporations Act 2001* (Cth) and Australian Accounting Standards, and reviewed by the auditors in accordance with Australian Auditing Standards, are included in Section 5 of the 2014 Half Year Results Announcement.

Section 1

Profit Reconciliation

Information about Cash Earnings

This section provides information about cash earnings, a key performance measure used by NAB, including information on how cash earnings is calculated and reconciliations of cash earnings to net profit attributable to owners of the Company (statutory net profit).

Explanation and definition of cash earnings

Cash earnings is a non-IFRS key financial performance measure used by NAB, the investment community and NAB's Australian peers with similar business portfolios. NAB also uses cash earnings for its internal management reporting as it better reflects what NAB considers to be the underlying performance of the Group. Cash earnings is calculated by excluding some items which are included within the statutory net profit attributable to owners of the Company. Cash earnings does not purport to represent the cash flows, funding or liquidity position of the Group, nor any amount represented on a cash flow statement. It is not a statutory financial measure and is not presented in accordance with Australian Accounting Standards nor audited or reviewed in accordance with Australian Auditing Standards.

Cash earnings is defined as net profit attributable to owners of the Company, adjusted for the items NAB considers appropriate to better reflect the underlying performance of the Group. In March 2014 cash earnings has been adjusted for the following:

- Distributions
- Treasury shares
- Fair value and hedge ineffectiveness
- Deferred Acquisition Cost (DAC) discount rate variation
- Amortisation of acquired intangible assets.

In prior comparative periods, cash earnings has been adjusted for litigation expense and recovery, and provision charges relating to Payment Protection Insurance (PPI). These items either did not recur in the March 2014 half year, or were not considered sufficiently material or necessary to require an adjustment in cash earnings.

Reconciliation to Statutory Profit

Section 5 of the 2014 Half Year Results Announcement includes the Consolidated Income Statement of the Group, including statutory net profit. The Group's reviewed financial statements, prepared in accordance with the *Corporations Act* 2001 (Cth) and Australian Accounting Standards, are included in the financial report section of the 2014 Half Year Results Announcement.

Statutory net profit for the half year ended 30 September 2013 and 31 March 2013 have been restated to accommodate the impact of adopting new accounting standards as detailed in the Principal Accounting Policies on page 84.

A reconciliation of cash earnings to statutory net profit attributable to owners of the Company (statutory net profit) is set out on page 3, and full reconciliations between statutory net profit and cash earnings are included in this section on pages 5-7 of the 2014 Half Year Results Announcement.

Page 4 contains a description of each non-cash earnings item for March 2014 and for the prior comparative periods.

Underlying profit

Underlying profit is a performance measure used by NAB. It represents cash earnings before various items including income tax expense and the charge to provide for bad and doubtful debts as presented on the table on page 3. It is not a statutory financial measure and is not presented in accordance with Australian Accounting Standards nor audited or reviewed in accordance with Australian Auditing Standards.

Group Results

The Group's Results and Review of Divisional Operations and results are presented on a cash earnings basis, unless otherwise stated.

	Half Year to				
	Mar 14 $m	Sep 13 (1) $m	Mar 13 (1) $m	Mar 14 v Sep 13 %	Mar 14 v Mar 13 %
Net interest income	**6,843**	6,799	6,608	0.6	3.6
Other operating income	**2,629**	2,505	2,620	5.0	0.3
IoRE	**15**	16	15	(6.3)	-
Net operating income	**9,487**	9,320	9,243	1.8	2.6
Operating expenses	**(4,456)**	(4,214)	(3,992)	(5.7)	(11.6)
Underlying profit	**5,031**	5,106	5,251	(1.5)	(4.2)
Charge to provide for bad and doubtful debts	**(528)**	(842)	(1,092)	37.3	51.6
Cash earnings before tax and distributions	**4,503**	4,264	4,159	5.6	8.3
Income tax expense	**(1,263)**	(1,163)	(1,162)	(8.6)	(8.7)
Cash earnings before distributions	**3,240**	3,101	2,997	4.5	8.1
Distributions	**(90)**	(94)	(94)	4.3	4.3
Cash earnings	**3,150**	3,007	2,903	4.8	8.5
Non-cash earnings items (after tax):					
Distributions	**90**	94	94	(4.3)	(4.3)
Treasury shares	**(113)**	(173)	(240)	34.7	52.9
Fair value and hedge ineffectiveness	**(228)**	97	(248)	large	8.1
DAC discount rate variation	**1**	12	10	(91.7)	(90.0)
Litigation expense/recovery	**-**	56	(17)	large	large
Amortisation of acquired intangible assets	**(44)**	(41)	(36)	(7.3)	(22.2)
PPI provision	**-**	(163)	-	large	-
Net profit attributable to owners of the Company	**2,856**	2,889	2,466	(1.1)	15.8

(1) *Restated for the impact of adopting new accounting standards as detailed in the Principal Accounting Policies on page 84.*

Non-cash Earnings Items

Distributions

Distributions relating to hybrid equity instruments are treated as an expense for cash earnings purposes and as a reduction in equity (dividend) for statutory reporting purposes. The distributions on other equity instruments are set out in Section 5, Note 6 Dividends and Distributions. The effect of this in the March 2014 half year is to reduce cash earnings by $90 million.

Treasury Shares

For statutory reporting purposes, the Group eliminates the effect on statutory income of the Group's life insurance business investment in National Australia Bank Limited shares. The elimination includes unrealised mark-to-market movements arising from changes in the Company's share price, dividend income and realised profits and losses on the disposal of shares. In determining cash earnings in the March 2014 half year, a net gain of $118 million ($113 million after tax) attributable to these adjustments has been included to ensure there is no asymmetric impact on profit because the treasury shares relate to life policy liabilities which are revalued in deriving income.

Fair Value and Hedge Ineffectiveness

Fair value and hedge ineffectiveness causes volatility in statutory profit, which is excluded from cash earnings as it is income neutral over the full term of transactions. This volatility arises from fair value movements relating to trading derivatives for risk management purposes; fair value movements relating to assets, liabilities and derivatives designated in hedge relationships; and fair value movements relating to assets and liabilities designated at fair value.

In the March 2014 half year there was a reduction in statutory profit of $322 million ($228 million after tax) from fair value and hedge ineffectiveness. This was largely due to the change in the fair value of derivatives used to manage the Group's long-term funding from movements in spreads between Australian and overseas interest rates, and mark-to-market movements of assets and liabilities designated at fair value reflecting current market conditions. In particular, the narrowing of cross currency basis has resulted in mark-to-market losses on these derivatives, partially offset by favourable foreign exchange translation gains.

DAC Discount Rate Variation

The DAC discount rate variation represents the impact on earnings of the change in value of deferred acquisition costs (net of reinsurance) included in insurance policy liabilities resulting from a movement in inflation and the risk free discount rate. This item resulted in a pre-tax gain of $1 million ($1 million after tax).

Amortisation of Acquired Intangible Assets

The amortisation of acquired intangibles represents the amortisation of intangible assets arising from the acquisition of controlled entities and associates such as core deposit intangibles, mortgage servicing rights, brand names, value of business and contracts in force.

The following non-cash earnings items were reported for 30 September 2013 and 31 March 2013.

Litigation Expense and Recovery

In the half year to 30 September 2013 following the agreement to settle the Bell Resources litigation, the Group recognised an $80 million receivable ($56 million after tax) relating to settlement proceeds. The recovery was partially offset by litigation expenses of $25 million recognised during the March 2013 half year relating to the final settlement of a class action against the Group.

Payment Protection Insurance (PPI) Provision

In the half year to 30 September 2013, an additional provision of $204 million (£130 million) or $163 million after tax, was raised in Other Income in relation to UK payment protection insurance (PPI), including the estimated cost of redress and administration and expenses.

Reconciliation between Statutory Net Profit after Tax and Cash Earnings

Half Year ended 31 March 2014	Statutory Net Profit $m	NAB Wealth adj. [1] $m	Distri-butions $m	Treasury shares $m	Fair value and hedge ineffec. $m	DAC disc. rate $m	Amortisation of acquired intangible assets $m	Cash Earnings $m
Net interest income	6,824	19	-	-	-	-	-	6,843
Net life insurance income	214	(331)	-	118	-	(1)	-	-
Other operating income	2,166	121	-	-	327	-	15	2,629
IoRE	-	15	-	-	-	-	-	15
Net operating income	9,204	(176)	-	118	327	(1)	15	9,487
Operating expenses	(4,556)	60	-	-	-	-	40	(4,456)
Operating profit/(loss) pre-charge to provide for doubtful debts	4,648	(116)	-	118	327	(1)	55	5,031
Charge to provide for doubtful debts	(523)	-	-	-	(5)	-	-	(528)
Operating profit/(loss) before tax	4,125	(116)	-	118	322	(1)	55	4,503
Income tax (expense)/benefit	(1,266)	113	-	(5)	(94)	-	(11)	(1,263)
Operating profit/(loss) before distributions and non-controlling interest	2,859	(3)	-	113	228	(1)	44	3,240
Net profit - non-controlling interest	(3)	3	-	-	-	-	-	-
Distributions	-	-	(90)	-	-	-	-	(90)
Net profit/(loss) attributable to owners of the Company	**2,856**	**-**	**(90)**	**113**	**228**	**(1)**	**44**	**3,150**

(1) *Refer to Note 12 in Section 6 for further details regarding the NAB Wealth adjustment.*

Half Year ended 30 September 2013	Statutory Net Profit [1] $m	NAB Wealth adj. [2] $m	Distri-butions $m	Treasury shares [1] $m	Fair value and hedge ineffec. $m	DAC disc. rate $m	Litigation recovery $m	Amortisation of acquired intangible assets $m	Payment Protection Insurance provision $m	Cash Earnings $m
Net interest income	6,764	35	-	-	-	-	-	-	-	6,799
Net life insurance income	275	(446)	-	188	-	(17)	-	-	-	-
Other operating income	2,330	32	-	-	(80)	-	-	19	204	2,505
IoRE	-	16	-	-	-	-	-	-	-	16
Net operating income	9,369	(363)	-	188	(80)	(17)	-	19	204	9,320
Operating expenses	(4,223)	57	-	-	-	-	(80)	32	-	(4,214)
Operating profit/(loss) pre-charge to provide for doubtful debts	5,146	(306)	-	188	(80)	(17)	(80)	51	204	5,106
Charge to provide for doubtful debts	(757)	-	-	-	(85)	-	-	-	-	(842)
Operating profit/(loss) before tax	4,389	(306)	-	188	(165)	(17)	(80)	51	204	4,264
Income tax (expense)/benefit	(1,495)	301	-	(15)	68	5	24	(10)	(41)	(1,163)
Operating profit/(loss) before distributions and non-controlling interest	2,894	(5)	-	173	(97)	(12)	(56)	41	163	3,101
Net profit - non-controlling interest	(5)	5	-	-	-	-	-	-	-	-
Distributions	-	-	(94)	-	-	-	-	-	-	(94)
Net profit/(loss) attributable to owners of the Company	**2,889**	**-**	**(94)**	**173**	**(97)**	**(12)**	**(56)**	**41**	**163**	**3,007**

(1) *Restated for the impact of adopting new accounting standards as detailed in the Principal Accounting Policies on page 84.*

(2) *Refer to Note 12 in Section 6 for further details regarding the NAB Wealth adjustment.*

Half Year ended 31 March 2013	Statutory Net Profit [1] $m	NAB Wealth adj. [2] $m	Distri-butions $m	Treasury shares [1] $m	Fair value and hedge ineffec. $m	DAC disc. rate $m	Litigation expense $m	Amortisation of acquired intangible assets $m	Cash Earnings $m
Net interest income	6,587	21	-	-	-	-	-	-	6,608
Net life insurance income	204	(468)	-	279	-	(15)	-	-	-
Other operating income	2,043	184	-	-	393	-	-	-	2,620
IoRE	-	15	-	-	-	-	-	-	15
Net operating income	8,834	(248)	-	279	393	(15)	-	-	9,243
Operating expenses	(4,082)	18	-	-	-	-	25	47	(3,992)
Operating profit/(loss) pre-charge to provide for doubtful debts	4,752	(230)	-	279	393	(15)	25	47	5,251
Charge to provide for doubtful debts	(1,053)	-	-	-	(39)	-	-	-	(1,092)
Operating profit/(loss) before tax	3,699	(230)	-	279	354	(15)	25	47	4,159
Income tax (expense)/benefit	(1,230)	227	-	(39)	(106)	5	(8)	(11)	(1,162)
Operating profit/(loss) before distributions and non-controlling interest	2,469	(3)	-	240	248	(10)	17	36	2,997
Net profit - non-controlling interest	(3)	3	-	-	-	-	-	-	-
Distributions	-	-	(94)	-	-	-	-	-	(94)
Net profit/(loss) attributable to owners of the Company	**2,466**	**-**	**(94)**	**240**	**248**	**(10)**	**17**	**36**	**2,903**

(1) *Restated for the impact of adopting new accounting standards as detailed in the Principal Accounting Policies on page 84.*

(2) *Refer to Note 12 in Section 6 for further details regarding the NAB Wealth adjustment.*

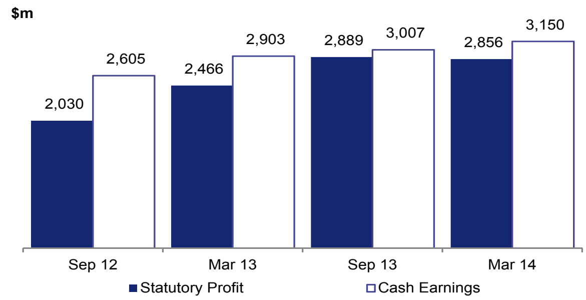
This page has been left blank intentionally.

Section 2

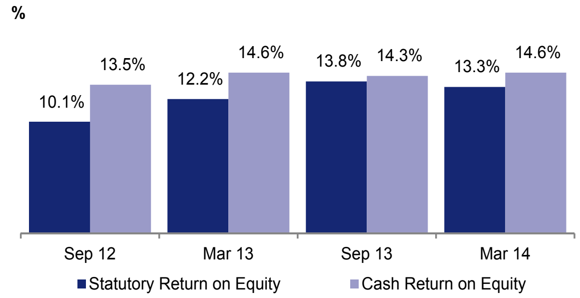
Highlights

Key Performance Measures [1]

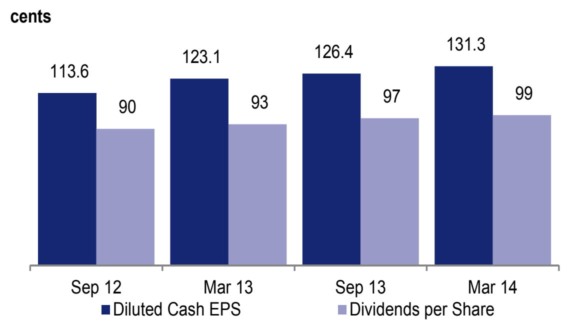
Statutory Profit and Cash Earnings - half year



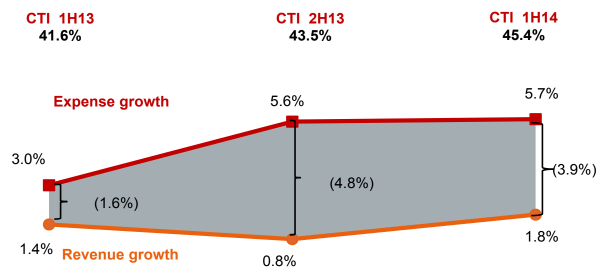
Statutory and Cash Return on Equity (ROE) - half year



Diluted Cash EPS and Dividend per Share - half year



Half Yearly 'Jaws' and banking CTI [2]



Group Performance Indicators [1]

	Half Year to		
	Mar 14	**Sep 13** [6]	**Mar 13** [6]
Key Indicators			
Statutory earnings per share (cents) - basic	**120.4**	121.9	103.7
Statutory earnings per share (cents) - diluted	**118.4**	120.5	103.1
Cash earnings per share (cents) - basic	**133.7**	127.9	124.0
Cash earnings per share (cents) - diluted	**131.3**	126.4	123.1
Statutory return on equity	**13.3%**	13.8%	12.2%
Cash return on equity (ROE)	**14.6%**	14.3%	14.6%
Profitability, performance and efficiency measures			
Dividend per share (cents)	**99**	97	93
Dividend payout ratio	**74.0%**	75.8%	75.0%
Cash earnings on average assets	**0.74%**	0.73%	0.74%
Cash earnings on risk-weighted assets	**1.72%**	1.67%	1.71%
Cash earnings per average FTE ($'000)	**150**	141	135
Banking cost to income (CTI) ratio	**45.4%**	43.5%	41.6%
Net interest margin	**1.94%**	2.02%	2.03%
Capital			
Common Equity Tier 1 ratio	**8.64%**	8.43%	8.22%
Tier 1 ratio	**10.83%**	10.35%	10.19%
Total capital ratio	**12.17%**	11.80%	11.71%
Risk-weighted assets [3] ($bn)	**367.2**	362.1	351.4
Volumes ($bn)			
Gross loans and acceptances [3][4]	**534.2**	522.1	500.9
Average interest earning assets	**707.2**	671.0	652.0
Total average assets	**854.0**	820.7	783.8
Total customer deposits [3]	**381.1**	366.0	342.4
Asset quality			
90+ days past due and gross impaired assets to gross loans and acceptances	**1.52%**	1.69%	1.74%
Collective provision to credit risk-weighted assets	**0.91%**	0.94%	0.99%
Collective provision including GRCL (top-up) to credit risk-weighted assets	**1.15%**	1.16%	1.22%
Specific provision to gross impaired assets	**34.8%**	32.0%	32.9%
Other			
Funds under management and administration [5] ($bn)	**153.8**	145.1	136.6
Annual inforce premiums ($m)	**1,672.6**	1,611.4	1,536.2
Full Time Equivalent Employees (FTE) (spot)	**42,719**	42,164	42,668
Full Time Equivalent Employees (FTE) (average)	**42,234**	42,543	43,007

(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 previous half year.*

(3) *Spot balance at reporting date.*

(4) *Including loans and advances at fair value.*

(5) *Excludes Trustee and Cash Management within NAB Wealth.*

(6) *Restated for the impact of adopting new accounting standards as detailed in the Principal Accounting Policies on page 84.*

Divisional Performance

Changes to the presentation of Divisional Financial Information

Following the Group's organisational realignment of the Australian business announced in March 2013, the presentation of divisional financial information has been amended. This includes the following changes:
- Financial information previously presented for Personal Banking, Business Banking and Wholesale Banking is now presented on a combined basis as Australian Banking
- Financial information for NAB Wealth no longer includes the NAB Private Wealth business which is now reported in Australian Banking
- Financial information presented for Corporate Functions and Other reflects changed attributions between Corporate Functions, Australian Banking and NAB Wealth.

	Half Year to				
	Mar 14 $m	**Sep 13 (1) $m**	**Mar 13 (1) $m**	**Mar 14 v Sep 13 %**	**Mar 14 v Mar 13 %**
Australian Banking	**2,474**	2,497	2,445	(0.9)	1.2
NAB Wealth	**174**	147	175	18.4	(0.6)
NZ Banking	**365**	340	309	7.4	18.1
UK Banking	**131**	74	50	77.0	large
Great Western Bank	**69**	60	53	15.0	30.2
NAB UK Commercial Real Estate	**(12)**	(149)	(226)	91.9	94.7
Corporate Functions and Other	**39**	132	191	(70.5)	(79.6)
Distributions	**(90)**	(94)	(94)	4.3	4.3
Cash earnings	**3,150**	3,007	2,903	4.8	8.5
Non-cash earnings items	**(294)**	(118)	(437)	large	32.7
Net profit attributable to owners of the Company	**2,856**	2,889	2,466	(1.1)	15.8

Divisional Performance Indicators

	Half Year to				
	Mar 14	**Sep 13 (1)**	**Mar 13 (1)**	**Mar 14 v Sep 13**	**Mar 14 v Mar 13**
Australian Banking (AU$)					
Cash earnings ($m)	**2,474**	2,497	2,445	(0.9%)	1.2%
Cash earnings on average assets	**0.74%**	0.76%	0.77%	(2 bps)	(3 bps)
Cash earnings on average risk-weighted assets	**2.00%**	2.00%	2.05%	-	(5 bps)
Net interest margin	**1.63%**	1.69%	1.67%	(6 bps)	(4 bps)
Net operating income ($m)	**6,473**	6,565	6,532	(1.4%)	(0.9%)
Cost to income ratio	**40.7%**	39.1%	38.5%	(160 bps)	(220 bps)
NAB Wealth (AU$)					
Cash earnings ($m)	**174**	147	175	18.4%	(0.6%)
Investment operating expenses to average FUM (bps)	**49**	51	53	2 bps	4 bps
Insurance cost to average inforce premium (%)	**15**	15	16	-	100 bps
Cost to income ratio	**67.9%**	72.4%	66.3%	450 bps	(160 bps)
NZ Banking (NZ$)					
Cash earnings (NZ$m)	**400**	401	387	(0.2%)	3.4%
Cash earnings on average assets	**1.26%**	1.28%	1.27%	(2 bps)	(1 bps)
Cash earnings on average risk-weighted assets	**1.77%**	1.86%	1.88%	(9 bps)	(11 bps)
Net interest margin	**2.34%**	2.33%	2.40%	1 bps	(6 bps)
Net operating income (NZ$m)	**994**	984	981	1.0%	1.3%
Cost to income ratio	**40.2%**	40.2%	40.3%	-	10 bps
UK Banking (£)					
Cash earnings (£m)	**73**	47	33	55.3%	large
Cash earnings on average assets	**0.40%**	0.25%	0.17%	15 bps	23 bps
Cash earnings on average risk-weighted assets	**0.60%**	0.38%	0.23%	22 bps	37 bps
Net interest margin	**2.25%**	2.19%	2.06%	6 bps	19 bps
Net operating income (£m)	**485**	496	490	(2.2%)	(1.0%)
Cost to income ratio	**70.3%**	73.8%	72.4%	350 bps	210 bps
Great Western Bank (US$)					
Cash earnings (US$m)	**63**	58	55	8.6%	14.5%
Cash earnings on average assets (2)	**1.49%**	1.38%	1.33%	11 bps	16 bps
Cash earnings on average risk-weighted assets	**1.84%**	1.75%	1.74%	9 bps	10 bps
Net interest margin	**3.81%**	3.74%	3.77%	7 bps	4 bps
Net operating income (US$m)	**181**	187	187	(3.2%)	(3.2%)
Cost to income ratio	**47.0%**	48.1%	49.2%	110 bps	220 bps

(1) *Restated for the impact of adopting new accounting standards as detailed in the Principal Accounting Policies on page 84.*

(2) *Average assets exclude goodwill and other intangible assets.*

Group Performance

Cameron Clyne

Restatement of prior period financial information and changes in the presentation of divisional financial information

Following the adoption of new accounting standards, as detailed in the Principal Accounting Policies on page 84, the Group's Income Statement and Balance Sheet have been restated for the half year periods ended 30 September 2013 and 31 March 2013. The restated Income Statement and Balance Sheet are presented on pages 78 and 80 respectively.

Following the Group's organisational realignment of the Australian business announced in 2013, the presentation of the Group's divisional financial information has been amended. Information about these changes is set out on page 11.

Net Profit Attributable to Owners of the Company

Net profit attributable to owners of the Company (statutory net profit) for the March 2014 half year increased by $390 million or 15.8% compared to the March 2013 half year, and decreased by $33 million or 1.1% compared to the September 2013 half year. Net profit attributable to owners of the Company is prepared in accordance with the *Corporations Act 2001 (Cth)*, and Australian Accounting Standards.

Shareholder Returns

The Group's statutory return on equity increased by 110 basis points to 13.3% compared to the March 2013 half year. The Group's cash return on equity is 14.6% consistent with the March 2013 half year, and increased by 30 basis points compared to the September 2013 half year. This was primarily due to higher earnings that were partially offset by higher levels of capital.

The interim dividend for March 2014 is 99 cents per share. This represents a dividend payout ratio of 74.0% for the March 2014 half year on a cash earnings basis.

The dividend payment is 100% franked and will be paid on 8 July 2014. Shares will be quoted ex-dividend on 14 May 2014.

Earnings per Share

Basic statutory earnings per share increased by 16.7 cents or 16.1%, and diluted earnings per share increased by 15.3 cents or 14.8%, on the March 2013 half year. This reflects the Group's increase in statutory profit.

Basic statutory earnings per share decreased by 1.5 cents or 1.2%, and diluted earnings per share decreased by 2.1 cents or 1.7%, on the September 2013 half year. This reflects the Group's decrease in statutory profit.

Basic **cash earnings per share** increased by 9.7 cents or 7.8%, and diluted cash earnings per share increased by 8.2 cents or 6.7%, on the March 2013 half year. This reflects the Group's increase in cash earnings, partially offset by an increase in the weighted average number of ordinary shares.

Basic **cash earnings per share** increased by 5.8 cents or 4.5%, and diluted cash earnings per share increased by 4.9 cents or 3.9%, on the September 2013 half year. This reflects the Group's increase in cash earnings, partially offset by an increase in the weighted average number of ordinary shares.

Strategic Highlights & Business Developments

The Group continues to pursue its overall objective of delivering sustainable, satisfactory returns to shareholders, by maintaining its focus on the Australian franchise and managing the international portfolio for value. This strategy is supported by a disciplined approach to four non-negotiables:

- Deliver total technology environment transformation
- Maintain focus on risk and compliance
- Invest in people, culture and reputation
- Build balance sheet strength.

Enhance the Australian franchise

The strategy to enhance the Australian franchise remains focused on leveraging market priorities: the economic outlook for credit growth; the evolving regulatory and funding environment; the evolving digital trends; an ageing population; and Australia's strengthening ties into Asia. There are five major initiatives:

Simplify and digitise the business

The company's operating environment continues to be simplified as does its suite of products. The development of the company's core technology capability is ongoing, with improvements to the platforms as well as its digital offerings. This has resulted in 55% of all internet banking logins originating from a mobile device and straight through processing being enabled for many of the company's services.

The company also continues to enhance and consolidate its product suite. As well as releasing many product enhancements, the company has now rationalised a large number of its legacy products.

The company is also simplifying its relationship model. It continues to reshape its footprint and now has more than 130 'open plan' stores in its network. The company has also increased the amount of time its bankers spend with customers through improvements in the technology that supports them.

Build world class customer relationships

The company continues to leverage its differentiated market position created through the Fair Value Agenda. In the retail segment, this has resulted in continued growth of new customers and improvements in its customer satisfaction scores to rank second among the majors (83.1%) compared to 68.9% in March 2009 [(1)]. The company is supporting its business bankers to enable them to spend more time with clients.

[(1)] *Roy Morgan Research, March 2014 Australian MFI pop'n aged 14+, six-month moving average. Customer Satisfaction is based on customers who answered very/fairly satisfied.*

Enhance banking services for superannuation and the ageing population

The Group is building on its position in the superannuation and retirement income markets, which includes prioritising growth in the Self-Managed Super Funds (SMSF) market. NAB is well positioned to target SMSFs, with a strong product suite and leading business bank relationships. The Group's retirement income products are also gaining traction in the market as it focuses on catering to the needs of Australia's ageing population.

Broaden services for Asia active customers

Increasingly the Group's customers are looking for support in doing business across the Australian, New Zealand, and Asian markets. NAB is improving its capability in Asian markets, and increasing the services it can offer Asian customers doing business in Australia and New Zealand. The company's improved currency and trade finance capabilities are good examples of this development, where it has introduced trade finance services in Chinese Renminbi (CNY) as well as providing new products that allow customers to potentially remove trade-related receivables from their balance sheet.

Provide DIY digital options for customers through our direct channels

The Group has invested in its digital and direct channels, particularly through its UBank and nabtrade platforms. The UBank offer continues to develop its full digital retail bank offering with USaver Ultra, the first fee free transaction account to automatically sweep your excess funds into a linked high interest savings account. nabtrade has released over 80 new features to the research offering in the last 12 months, including releasing a mobile application, and has attracted over $1 billion in cash funding since the platform's October 2012 launch.

Manage the international portfolio

Bank of New Zealand is focused on being a leader in the New Zealand economy by supporting important sectors (such as Agribusiness and small and medium enterprise (SME) customers) and promoting its New Zealanders "be good with money" campaign.

Great Western Bank is achieving good growth within its Midwestern footprint through deepening and broadening commercial, industrial and Agribusiness customer relationships.

The restructuring of the UK franchise is now largely complete, with focus now turning to creating value in an improving economic environment.

This page has been left blank intentionally.

Section 3

Review of Operating Environment, Group Operations and Results

Review of Group Operating Environment

Global Business Environment

Although average growth of 3% in 2013 was below trend, there was a steady global economic acceleration through the course of the year. Global growth was running at only 2.5% year-on-year in the March quarter 2013, but by the final quarter of last year it had risen to 3.6% year-on-year. Global growth should reach 3.5% in 2014, mainly reflecting the upswing already seen through 2013 rather than any marked new upward momentum.

A shift in the composition of global growth between the advanced and emerging market economies has been under way since early last year. Since 2012, growth in the emerging market economies has stagnated at between 5% and 5.5% and that should persist into 2014. Consequently, faster global growth reflects a recovery in the advanced economies, up from 0.5% year-on-year in the March 2013 quarter to 2.1% in the December quarter. This upswing follows a long period of disappointing outcomes in the advanced economies. At the end of 2013, GDP in the seven largest advanced economies was only 3% higher than it was in early 2008, their weakest peace time growth performance since the 1930s.

Economic trends in the emerging economies have been mixed. Chinese growth has slowed from a peak of 10.4% in 2010 to 7.7% in 2013, and the Chinese Government's target is for growth to slow further to 7.5% this year. Indian growth has slowed from 7.5% in 2011 to 4.7% in 2013. As East Asia and India account for the bulk of merchandise exports from Australia and New Zealand, regional growth is an important element in the overall business environment of both Australasian economies.

Mixed trends appear likely to persist across the region with some business surveys pointing to a moderate upturn in Indian growth. Growth in the Chinese economy should continue to slow gradually and the other emerging market economies of East Asia are likely to see a modest acceleration in growth throughout the year.

Australian Economy

The Australian economy is moving into the final stage of a multi-phase expansion that began with a boom in commodity prices, shifted to greatly increased investment to lift capacity in the resource sector and culminates in significant increases in mineral and energy export volumes. Non-rural commodity prices are already down by 30% from their mid-2011 peak in world currency terms. The peak in mining investment should occur in the first half of 2014 and capital spending should then fall sharply from around 6% of GDP in 2013 to 2% by 2016. Higher productive capacity is already being reflected in increased volumes of exports of resources.

The rapid expansion in mining employment and output coincided with challenging conditions elsewhere in the economy. The rise in resource commodity prices took the terms of trade to its highest level in over a century and boosted national income, but it also drove the currency upwards and imposed pressure on other parts of the economy. The stronger Australian dollar resulted in a major loss of competitiveness in other trade-exposed industries. By early 2013 the broad measures of Australia's international competitiveness were the worst recorded since the early 1970s. That loss in competitiveness is being reflected in a series of plant closures in the manufacturing sector and in pressure on some farm industries. The depreciation in the Australian dollar since early 2013 has alleviated some of the pressure but competitiveness remains poor by historical standards.

The mood of greater caution among households has been another headwind slowing the growth in domestic demand. Household savings rates rose and the appetite for borrowing faded within the advanced economies in the wake of the 2008 global financial crisis and Australia shared in this trend. The outcome was a weaker trajectory for consumer spending, especially for discretionary retail goods. Growth in retail trade volumes in the five years to 2013 was only 2.2%, barely half of the 4% annual growth averaged in the previous five years.

Recently there have been signs that household caution is easing. The savings ratio has fallen very slightly, there is more interest in real estate investment, and retail spending outcomes have been stronger with an upturn in some areas of discretionary spending. This is consistent with the stimulus to activity expected from a long period of low interest rates. However, the unemployment rate has been trending up, increasing fears over job security.

The other important domestic headwind to economic growth is the persistently subdued level of business investment outside the mining sector. Neither profits nor capital expenditure have shown strong growth outside mining in the last few years. The mood of business caution facing a more uncertain environment, together with ample supply capacity in many sectors, has dampened investment and credit demand. Lower interest rates would have been expected to boost business investment. However the volume of capital expenditure outside the mining sector was still on a downward trend throughout 2013.

Housing construction is another sector that should benefit from low interest rates and there has already been an upturn in national housing prices and dwelling approvals. However, much of the upturn in dwelling approvals is still to flow into higher levels of construction activity. It is, however, probably just a question of time and a significant increase in housing construction is expected in 2014.

The combination of the cycle in mining investment, increased resource exports, moderate growth in consumer spending and uncertainty around the strength and timing of upturns in housing construction and non-mining business investment will continue to produce very uneven trading conditions across the private sector. At the same time, the education, health care and social assistance sectors have continued to steadily expand.

New Zealand Economy

Business surveys show a broad-based upturn is under-way across many sectors and regions. There are two areas of the economy, however, which have been driving much of the current upturn – farming and construction.

Elevated commodity export prices have led to a 40-year high in the terms of trade, largely reflecting trends in the dairy market. Higher dairy prices have led to bigger milk payouts, boosting dairy farm incomes. However, the increase in the terms of trade has been accompanied by appreciation of the New Zealand dollar squeezing returns in other farm sectors. Currency appreciation has eroded competitiveness in the manufacturing industry and the bilateral rate with Australia – a key market for New Zealand manufacturers – is high by historical standards.

Construction is another area of strength, particularly as the rebuilding in Christchurch has gathered pace. The Auckland market also remains solid, buoyed by high levels of immigration. Building consents are back to the record values seen prior to the financial crisis and surveys predict that solid activity in residential construction will continue.

The same mood of consumer caution seen in Australia post the financial crisis was evident in increased household savings and a reduced appetite for borrowing in New Zealand. More recently, household sentiment has improved with savings falling in 2012/13, borrowing increasing and core retail sales growth accelerating.

United Kingdom Economy

Economic growth in the UK resumed in 2013, with GDP expanding in each quarter of the year and the momentum has continued into 2014 with 0.8% growth in the March quarter. Nevertheless, the volume of output remained 0.6% below its early 2008 level, marking six lost years of economic growth.

The composition of UK growth has been shifting. Initially it was expected that higher exports and business investment would be crucial in taking the UK out of recession. However, increases in household and government consumption spending were the main driver, aided by the wealth effects of higher house prices and a fall in the household savings ratio.

Business investment, export volumes and corporate profits were disappointingly weak through the last few years. However, the situation improved in late 2013. Corporate profits and business investment spending started to grow and the CBI quarterly business survey shows less negative sentiment toward capital spending intentions, supported by a reduction in the amount of idle capacity. Surveys of finance officers show a greater willingness to implement new projects rather than hoard cash, a marked change from the risk aversion seen in previous surveys.

Commercial property markets have also begun to strengthen, with prices rising gradually since mid-2009. Prices remain around one-third below their pre-crisis level and much of the upturn has been concentrated in the London area. Market strength remains focussed on prime London assets but surveys show a spreading in buyer interest to adjacent regions.

United States of America Economy

The US economy is continuing to experience a gradual recovery from the deep recession of 2008 and 2009. After strengthening in the second half of 2013, growth slowed sharply in early 2014. Corporate profits remain high, the labour market continues to improve, household balance sheets have strengthened and the drag on the economy from fiscal policy will be smaller in 2014. While housing sector growth has slowed since mid-2013, conditions are still conducive to strong growth.

The Great Western Bank region continues to experience growth broadly in line with the wider US economy. Regional unemployment remains well below the national rate and non-farm employment growth is solid. Farm income in the region came under pressure at the end of 2013 but was still high by historical standards.

Outlook

The solid economic upturn underway in New Zealand and the recovery in the UK has narrowed the gap that has long favoured Australian business conditions over those in other key markets. Monetary policy reflects the shifting ranking of forecast economic performance with the Reserve Bank of New Zealand already starting a cycle of policy interest rate increases, whereas neither the Reserve Bank of Australia nor the Bank of England are signalling the start of monetary tightening in the near term.

Australian growth is expected to rise from 2.4% in 2013 to 2.9% in both 2014 and 2015, but much of that expansion will be concentrated in the export sector. The average expected annual rise of only 1% in domestic demand over the two forecast years gives a more accurate picture of prospective business conditions across most of the economy.

The magnitude of the cycle in mining investment, and the uncertain ability of low interest rates and currency to foster enough growth elsewhere, mean that sustaining demand growth at the rates seen previously has become unlikely. Although low interest rates should boost dwelling investment and consumer spending, the prospective fall in mining investment throughout 2014 and 2015 appears too significant to be offset by sufficient spending in other sectors. Slower growth in domestic spending will flow into labour market conditions, driving the unemployment rate up to 6.5% by the end of 2014.

New Zealand's forecast economic growth of 4.0% in 2014 and 3.4% in 2015 outstrips that expected for Australia. Housing investment is an important contributor to the continued rapid growth in fixed investment, but surveys show profits and investment expectations also rising in other sectors. Consumer spending growth of at least 3.5% is forecast for 2014 and 2015, well above the rate averaged in the last five years. Solid expansion in domestic demand should flow into the labour market, with an expected drop in the unemployment rate to 5.4% in 2014.

The UK economic outlook is much better than experienced in recent years. GDP should rise by around 2.9% in 2014 and 2.4% in 2015 as business investment experiences a long predicted upturn, Government programs to support the housing market buoy house building and consumer spending growth remains solid. Interest rates should stay low to support domestic spending, even though the unemployment rate is already below 7%.

Further, the September referendum on Scottish independence is a potentially important factor in the outlook. Issues such as the currency system for an independent Scottish State, the negotiations required for its EU membership and the functioning of existing UK-wide financial institutions in a two-State regulatory environment are the subject of considerable debate. The outcome remains uncertain.

Review of Group Operations and Results

Craig Drummond

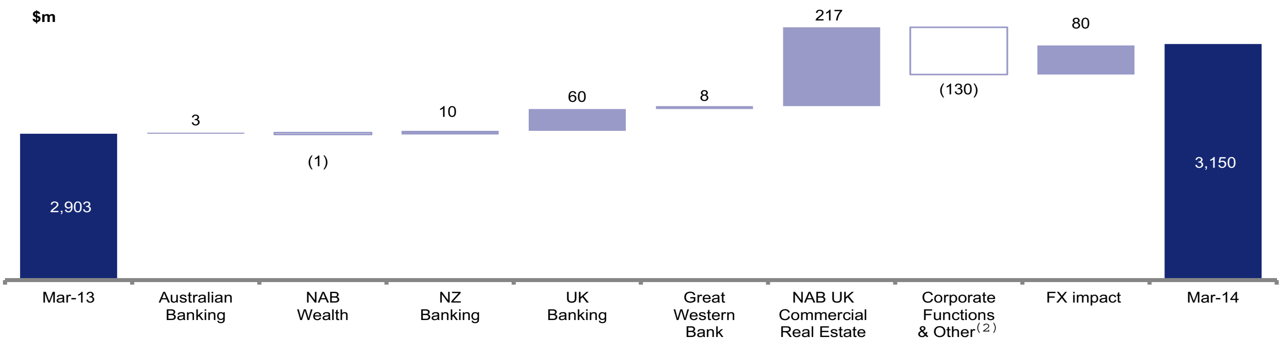
Group Results

	Half Year to				
	Mar 14 $m	**Sep 13 (1) $m**	**Mar 13 (1) $m**	**Mar 14 v Sep 13 %**	**Mar 14 v Mar 13 %**
Net interest income	**6,843**	6,799	6,608	0.6	3.6
Other operating income	**2,629**	2,505	2,620	5.0	0.3
IoRE	**15**	16	15	(6.3)	-
Net operating income	**9,487**	9,320	9,243	1.8	2.6
Operating expenses	**(4,456)**	(4,214)	(3,992)	(5.7)	(11.6)
Underlying profit	**5,031**	5,106	5,251	(1.5)	(4.2)
Charge to provide for bad and doubtful debts	**(528)**	(842)	(1,092)	37.3	51.6
Cash earnings before tax and distributions	**4,503**	4,264	4,159	5.6	8.3
Income tax expense	**(1,263)**	(1,163)	(1,162)	(8.6)	(8.7)
Cash earnings before distributions	**3,240**	3,101	2,997	4.5	8.1
Distributions	**(90)**	(94)	(94)	4.3	4.3
Cash earnings (2)	**3,150**	3,007	2,903	4.8	8.5
Non-cash earnings items	**(294)**	(118)	(437)	large	32.7
Net profit attributable to owners of the Company	**2,856**	2,889	2,466	(1.1)	15.8

(1) *Restated for the impact of adopting new accounting standards as detailed in the Principal Accounting Policies on page 84.*

(2) *Cash earnings is a key financial performance measure used by the Group, the investment community and Australian peers. It is not a statutory financial measure and is not presented in accordance with Australian Accounting Standards. For a full reconciliation between the Group's cash earnings and net profit attributable to owners of the Company refer to pages 5 - 7 in Section 1.*

Cash Earnings (1)



(1) *At constant exchange rates.*

(2) *Includes distributions and eliminations.*

Review of Group Operations and Results

Financial Analysis

March 2014 v March 2013

Net profit attributable to owners of the Company increased by $390 million or 15.8% compared to the March 2013 half year. Excluding foreign exchange rate movements, net profit increased by $313 million or 12.7% reflecting lower charges for bad and doubtful debts, partially offset by higher expenses largely due to additional charges for UK conduct related matters. Net profit attributable to owners of the Company (statutory net profit) is prepared in accordance with the *Corporations Act* 2001 (Cth), and Australian Accounting Standards.

Cash earnings increased by $247 million or 8.5% compared to the March 2013 half year. Excluding foreign exchange rate movements, cash earnings increased by $167 million or 5.8%. This was driven by lower charges for bad and doubtful debts, partially offset by higher expenses largely reflecting additional charges for UK conduct related matters.

Cash earnings on risk-weighted assets increased by one basis point, reflecting higher earnings, which were partially offset by higher risk-weighted assets.

Net interest income increased by $235 million or 3.6%. Excluding foreign exchange rate movements, net interest income decreased by $25 million or 0.4%. This was driven by lower lending margins, coupled with a lower earnings rate on capital and non-interest bearing deposits. Partially offsetting this was volume growth in housing lending and gains on economic hedges relating to the Group's funding and banking book interest rate management activities of $51 million (offset in other operating income).

Other operating income increased by $9 million or 0.3%. Excluding foreign exchange rate movements, other operating income decreased by $90 million or 3.4%. Excluding the offset in net interest income the underlying decrease was largely attributable to a reduction in the sales of risk management products to the Group's customers, following a strong performance in the March 2013 half year. NAB Wealth **Investments net income** grew by $68 million or 14.3% compared to the March 2013 half year driven by strong growth in FUM as a result of strong investment markets and increased client flows. **Insurance net income** fell by $51 million or 23.8% compared to the March 2013 half year. The decrease was driven by higher insurance claims consistent with broader industry experience and actuarial assumption changes strengthening insurance reserves.

Operating expenses increased by $464 million or 11.6%. Excluding foreign exchange rate movements, operating expenses increased by $247 million or 6.2%. This includes additional provisions of $229 million for UK conduct related matters, of which $206 million was recognised in Corporate Functions and $23 million in UK Banking. Excluding this, expenses increased due to continued investment in the business, and higher transformational and regulatory costs. These were partially offset by organisational realignment savings.

The **charge to provide for bad and doubtful debts** decreased by $564 million or 51.6% ($594 million or 54.4% excluding foreign exchange rate movements). This primarily reflects lower charges in Australian Banking and NAB UK CRE, including the release of $45 million (£25 million) of the NAB UK CRE overlay.

March 2014 v September 2013

Net profit attributable to owners of the Company decreased by $33 million or 1.1% compared to the September 2013 half year. Excluding foreign exchange rate movements, net profit decreased by $71 million or 2.5% reflecting unfavourable movements in fair value and hedge ineffectiveness, partially offset by lower charges for bad and doubtful debts, an improved performance in NAB Wealth, and lower charges for UK conduct related matters.

Cash earnings increased by $143 million or 4.8% compared to the September 2013 half year. Excluding foreign exchange rate movements, cash earnings increased by $103 million or 3.4%. This increase was largely driven by lower charges for bad and doubtful debts, an improved performance in NAB Wealth partially offset by higher charges for UK conduct related matters.

Cash earnings on risk-weighted assets increased by five basis points, largely reflecting the uplift in cash earnings in the March 2014 half year, which was partially offset by higher risk-weighted assets.

Net interest income increased by $44 million or 0.6%. Excluding foreign exchange rate movements, net interest income decreased by $104 million or 1.5% due to compressed lending margins, coupled with a lower earnings rate on capital and non-interest bearing deposits. This was partially offset by housing lending growth, lower deposit and funding costs, as well as gains on economic hedges relating to the Group's funding and banking book interest rate management activities of $27 million (offset in other operating income).

Other operating income increased by $124 million or 5.0%. Excluding foreign exchange rate movements, other operating income increased by $67 million or 2.7%. Excluding the offset in net interest income, the underlying increase was due to gains in the liquidity portfolio combined with higher net insurance income, partially offset by lower levels of sales of risk management products to the Group's customers. NAB Wealth **Investments net income** was in line with the September 2013 half year with strong revenue from growth in FUM as a result of strong market performance. This was offset by the gain on sale of the investment in AREA Property Partners in the September 2013 half year, not repeated. **Insurance net income** grew by $60 million or 58.3% compared to the September 2013 half year. The increase was driven by lower levels of actuarial assumption changes strengthening insurance reserves, combined with strong claims management, and stable lapse experience during the current period.

Operating expenses increased by $242 million or 5.7%. Excluding foreign exchange rate movements, operating expenses increased by $114 million or 2.7%. This includes additional provisions of $229 million for UK conduct related matters, of which $206 million was recognised in Corporate Functions and $23 million in UK Banking. Excluding this, expenses increased due to continued investment in the business, and higher transformational and regulatory costs. These were partially offset by the decrease in restructuring costs relating to the organisational realignment in Australia, recognised in the September 2013 half year.

The **charge to provide for bad and doubtful debts** decreased by $314 million or 37.3% ($333 million or 39.5% excluding foreign exchange rate movements). This primarily reflects lower charges in Australian Banking and NAB UK CRE reflecting improvements in asset quality.

Impact of Foreign Exchange Rate Movements

Excluding foreign exchange rate movements, cash earnings increased by $167 million or 5.8% on the March 2013 half year and rose by $103 million or 3.4% against the September 2013 half year. Foreign exchange rate movements have had a favourable effect of $80 million on the March 2013 half year, and $40 million when compared to the September 2013 half year result.

See pages 125 to 126 for the half year divisional performance summaries excluding foreign exchange rate movements.

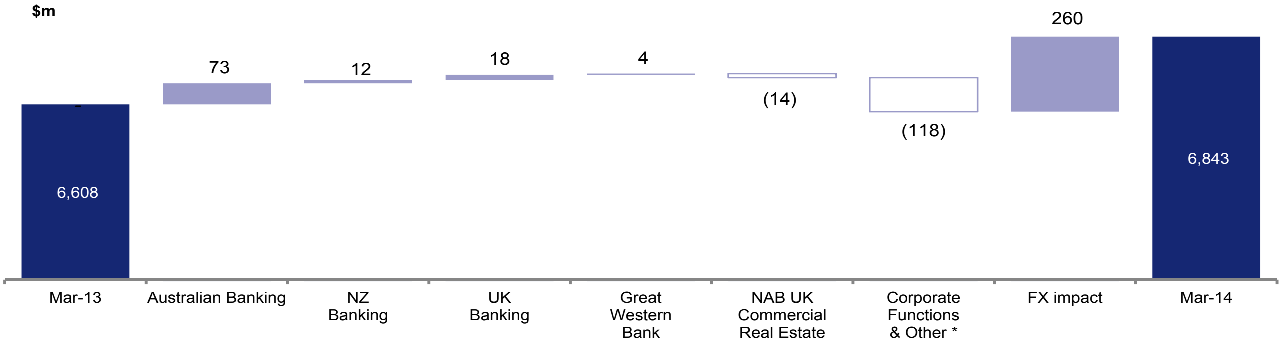
Net Interest Income

	Half Year to				
	Mar 14	Sep 13	Mar 13	Mar 14 v Sep 13 (1)	Mar 14 v Mar 13 (1)
Net interest income ($m)	**6,843**	6,799	6,608	0.6%	3.6%
Average interest earning assets ($bn) (1)	**707.2**	671.0	652.0	5.4%	8.5%
Net interest margin (%)	**1.94**	2.02	2.03	(8 bps)	(9 bps)

(1) *Prior periods have been restated for the impacts of adopting new accounting standards as detailed in the Principal Accounting Policies on page 84.*

Net interest income and margin management are key areas of focus for the divisions. 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.*
* *Corporate Functions and Other includes Group Funding, Specialised Group Assets and other supporting units.*

March 2014 v March 2013

Net interest income increased by $235 million or 3.6% over the March 2013 half year (decreased $25 million or 0.4% excluding foreign exchange). Key movements (excluding foreign exchange) in the Group's net interest income were:

- $73 million increase in Australian Banking, with $51 million of the increase relating to gains on economic hedges relating to the Group's funding and banking book interest rate management activities, offset in other operating income. The underlying increase was driven by housing lending growth, lower funding and deposit costs, combined with an increase in net interest income associated with higher interest earning assets to support Group liquidity and customer activity. These increases were partially offset by customer repricing reflecting increased competition in an environment where demand for credit remains subdued, and a lower earnings rate on non-interest bearing deposits and capital
- $12 million increase from NZ Banking driven by business lending growth, partially offset by margin compression due to competitive market pressures and the switching from variable rate to lower margin fixed rate housing lending
- $18 million increase in UK Banking due to housing lending growth and lower deposit costs, coupled with the timing of the Financial Services Compensation Scheme (FSCS) levy that will be recognised in the September 2014 half, partially offset by the effects of lower business lending volumes and a lower earnings rate on non-interest bearing deposits and capital
- $14 million decrease from NAB UK CRE due to continued run-off of the portfolio
- $118 million decrease from Corporate Functions & Other primarily driven by lower earnings on capital reflecting the declining interest rate environment, combined with lower income from the continued run-off of the SGA portfolio.

March 2014 v September 2013

Net interest income increased by $44 million or 0.6% compared to the September 2013 half year (decreased $104 million or 1.5% excluding foreign exchange). Key movements (excluding foreign exchange) in the Group's net interest income were:

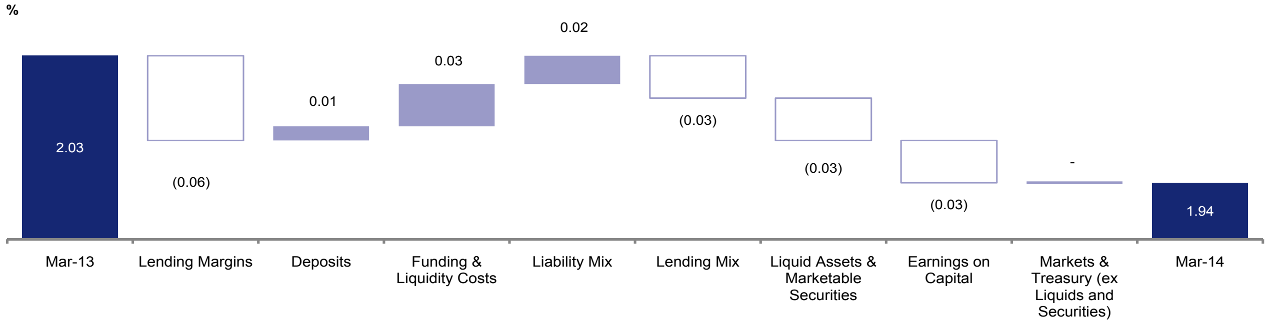
- $54 million decrease in Australian Banking. Excluding the $27 million gains on economic hedges relating to the Group's funding and banking book interest rate management activities, offset in other operating income, the underlying decrease was driven by competitive lending market pressures and a lower earnings rate on non-interest bearing deposits and capital. These decreases were partially offset by housing lending growth across the franchise combined with lower funding and deposit costs
- $11 million increase from NZ Banking driven by steady growth in business lending, partially offset by margin compression in housing lending due to competitive market pressures and the switching from variable rate to lower margin fixed rate housing lending
- $8 million decrease in NAB UK CRE due to continued run-off of the portfolio
- $53 million decrease in Corporate Functions & Other primarily driven by lower earnings on capital reflecting the declining interest rate environment, combined with lower income from the continued run-off of the SGA portfolio.

Net Interest Margin

	Half Year to				
	Mar 14 %	Sep 13 %	Mar 13 %	Mar 14 v Sep 13	Mar 14 v Mar 13
Group net interest margin	**1.94**	2.02	2.03	(8 bps)	(9 bps)
Australian Banking [1]	**1.63**	1.69	1.67	(6 bps)	(4 bps)
NZ Banking	**2.34**	2.33	2.40	1 bps	(6 bps)
UK Banking	**2.25**	2.19	2.06	6 bps	19 bps
Great Western Bank	**3.81**	3.74	3.77	7 bps	4 bps

(1) *The Australian Banking division is described on page 46.*

Group Net Interest Margin Movement: Mar 13 - Mar 14



March 2014 v March 2013

The Group's **net interest margin** has decreased by nine basis points over the March 2013 half year. Key contributions to the Group net interest margin movements were:

- A six basis point decrease in lending margin, due to competitive market pressures impacting business lending margins in Australian Banking, coupled with compressed housing margins in Australian Banking and NZ Banking
- A three basis point decrease from the balance sheet impact of holding higher levels of liquid assets and marketable securities, as part of the Group's transition to Basel III and in the normal course of business to support customer activity
- A three basis point decrease as a result of changes in lending mix, driven by stronger growth in housing lending in Australian Banking, particularly through the broker channel, compared to higher margin lending products
- A three basis point decrease due to a lower earnings rate on capital reflecting the declining interest rate environment
- A three basis point increase due to lower funding and liquidity costs reflecting reasonably stable global funding conditions, combined with the timing of the FSCS levy in UK Banking
- A two basis point increase from liability mix as a result of strong growth in customer deposits as the Group continues its focus on improving balance sheet strength
- A one basis point increase relating to deposits as a result of lower term deposit and at call deposit costs, partially offset by a lower earnings rate on non-interest bearing deposits.

March 2014 v September 2013

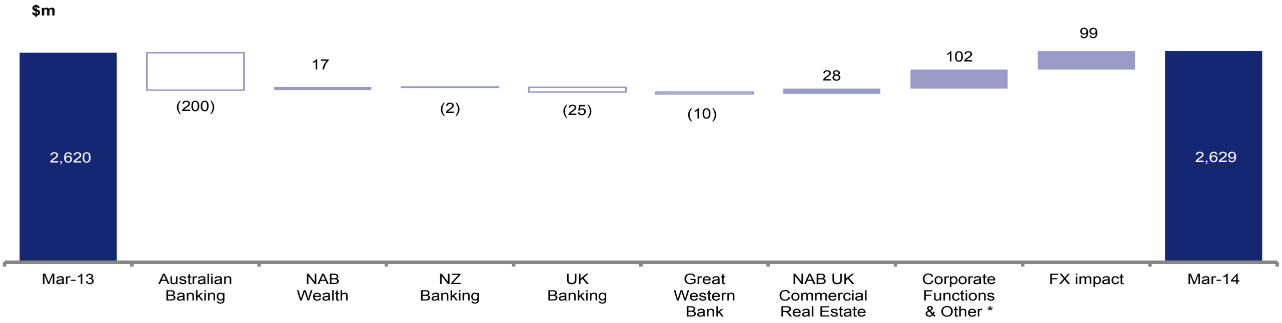
The Group's **net interest margin** has decreased by eight basis points over the September 2013 half year. Key movements in the Group net interest margin were:

- A six basis point decrease in lending margin, due to competitive market pressures impacting business lending margins in Australian Banking, coupled with compressed housing margins in Australian Banking and NZ Banking
- A three basis point decrease from the balance sheet impact of holding higher levels of liquid assets and marketable securities, as part of the Group's transition to Basel III and in the normal course of business to support customer activity
- A one basis point decrease due to a lower earnings rate on capital reflecting the declining interest rate environment
- A one basis point decrease as a result of changes in lending mix
- A one basis point decrease from Markets & Treasury
- A two basis point increase relating to deposits as a result of lower term deposit and at call deposit costs, partially offset by a lower earnings rate on non-interest bearing deposits
- A one basis point increase from lower funding and liquidity costs across the Group, mainly reflecting the decline in term funding costs
- A one basis point increase from liability mix as a result of strong growth in customer deposits as the Group continues its focus on improving balance sheet strength.

Other Operating Income

	Half Year to				
	Mar 14 $m	**Sep 13 $m**	**Mar 13 $m**	**Mar 14 v Sep 13 %**	**Mar 14 v Mar 13 %**
Fees and commissions	**1,247**	1,262	1,233	(1.2)	1.1
Trading income	**566**	490	604	15.5	(6.3)
Other	**816**	753	783	8.4	4.2
Other operating income	**2,629**	2,505	2,620	5.0	0.3

Other Operating Income - Contribution to Net Increase [(1)]



(1) At constant exchange rates.
** Includes eliminations.*

March 2014 v March 2013

Other operating income increased by $9 million or 0.3% from March 2013 (decreased by $90 million or 3.4% excluding foreign exchange).

Fees and commissions increased by $14 million or 1.1% (decreased by $49 million or 4.0% excluding foreign exchange). Excluding foreign exchange impacts, the decrease was mainly due to subdued business credit growth, fee campaigns relating to the unsecured lending portfolio, and a continued reduction in account fees to improve customer outcomes.

Trading income decreased by $38 million or 6.3% ($54 million or 8.9% excluding foreign exchange). Excluding the offset in net interest income of $51 million, the underlying increase was mainly due to gains relating to Group Funding activities largely offset by a reduction in the sales of risk management products to the Group's customers, following a strong performance in the March 2013 half year.

Other income increased by $33 million or 4.2% ($13 million or 1.7% excluding foreign exchange) mainly due to strong growth in FUM as a result of the strong performance of investment markets and increased client flows.

March 2014 v September 2013

Other operating income increased by $124 million or 5.0% ($67 million or 2.7% excluding foreign exchange) from September 2013.

Fees and commissions decreased by $15 million or 1.2% ($51 million or 4.0% excluding foreign exchange) from September 2013. The decrease was due to subdued business credit growth, fee campaigns relating to the unsecured lending portfolio, and a reduction in account fees to improve customer outcomes.

Trading income increased by $76 million or 15.5% ($73 million or 14.9% excluding foreign exchange). Excluding the offset in net interest income of $27 million, the underlying increase was mainly due to gains relating to Group Funding activities and the liquidity portfolio reflecting current market conditions. These were partially offset by a reduction in the sales of risk management products to the Group's customers.

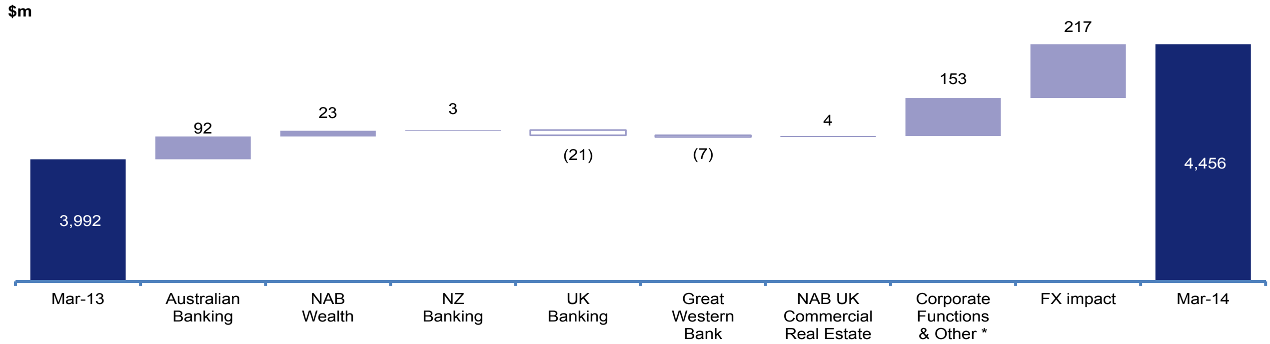
Other income increased by $63 million or 8.4% ($45 million or 6.0% excluding foreign exchange). This was mainly due to lower levels of actuarial assumption changes strengthening insurance reserves in the September 2013 half year.

Operating Expenses

	Half Year to				
	Mar 14 $m	Sep 13 (1) $m	Mar 13 (1) $m	Mar 14 v Sep 13 %	Mar 14 v Mar 13 %
Personnel expenses	**2,413**	2,427	2,328	0.6	(3.7)
Occupancy related expenses	**415**	400	384	(3.8)	(8.1)
General expenses	**1,628**	1,387	1,280	(17.4)	(27.2)
Total operating expenses	**4,456**	4,214	3,992	(5.7)	(11.6)

(1) *Restated for the impact of adopting new accounting standards as detailed in the Principal Accounting Policies on page 84.*

Operating Expenses - Contribution to Net Increase (2)



(2) *At constant exchange rates.*
* *Includes eliminations.*

March 2014 v March 2013

Operating expenses increased by $464 million or 11.6% against March 2013 ($247 million or 6.2% excluding foreign exchange) primarily due to additional provisions for UK conduct related matters, combined with continued investment in the business including customer acquisition initiatives, and transformational and regulatory projects. These increases were partially offset by savings from the organisational realignment in Australia and the restructure in the UK.

Personnel expenses increased by $85 million or 3.7%. Excluding foreign exchange, personnel expenses decreased by $5 million or 0.2%. This was largely due to savings from the organisational realignment in Australia and the restructure in the UK. This was partially offset by Enterprise Bargaining Agreement wage increases, higher performance based incentive costs, continued investment in the business including Asia, and higher transformational and regulatory spend.

Occupancy related expenses increased by $31 million or 8.1% ($9 million or 2.4% excluding foreign exchange), reflecting higher operating lease expenses, additional offices in Asia combined with the opening of a new data centre.

General expenses increased by $348 million or 27.2% ($243 million or 19.0% excluding foreign exchange) due to additional provisions of $170 million for UK conduct related matters, higher operational costs supporting transformational and regulatory projects, combined with higher marketing costs reflecting recent brand campaigns.

March 2014 v September 2013

Operating expenses increased by $242 million or 5.7% against September 2013 ($114 million or 2.7% excluding foreign exchange) primarily due to additional provisions for UK conduct related matters combined with continued investment in the business and transformational and regulatory projects. These increases were partially offset by the decrease in restructuring costs relating to the organisational realignment in Australia recognised in the September 2013 results.

Personnel expenses decreased by $14 million or 0.6% ($65 million or 2.7% excluding foreign exchange) largely due to restructuring costs relating to the organisational realignment in Australia included in the September 2013 half results. These decreases were partially offset by Enterprise Bargaining Agreement wage increases, higher performance based incentive costs, continued investment in the business including Asia, and higher transformational and regulatory spend.

Occupancy related expenses increased by $15 million or 3.8% ($2 million or 0.6% excluding foreign exchange), reflecting higher operating lease expenses and costs of additional offices in Asia. These increases were largely offset by savings associated with the consolidation of the Group's property portfolio.

General expenses increased by $241 million or 17.4% ($177 million or 12.7% excluding foreign exchange) due to additional provisions of $121 million for UK conduct related matters and increased costs associated with transformational and regulatory projects, combined with a GST recovery included in September 2013, not repeated in the March 2014 half year.

Full Time Equivalent Employees

	As at				
	31 Mar 14	30 Sep 13	31 Mar 13	Mar 14 v Sep 13 %	Mar 14 v Mar 13 %
Australian Banking [(1)]	**24,390**	23,793	24,064	(2.5)	(1.4)
NAB Wealth	**4,836**	4,960	5,121	2.5	5.6
NZ Banking	**4,719**	4,671	4,579	(1.0)	(3.1)
UK Banking	**7,103**	7,013	7,150	(1.3)	0.7
Great Western Bank	**1,457**	1,489	1,531	2.1	4.8
NAB UK Commercial Real Estate	**201**	220	201	8.6	-
Corporate Functions and Other [(2)]	**13**	18	22	27.8	40.9
Total full time equivalent employees (FTEs)	**42,719**	42,164	42,668	(1.3)	(0.1)
Average half year FTEs	**42,234**	42,543	43,007	0.7	1.8

(1) *The Australian Banking division is described on page 46.*

(2) *Corporate Functions and Other represents Specialised Group Assets. Other support function FTEs are fully attributed to the relevant business.*

March 2014 v March 2013

Total FTEs have increased by 51 since March 2013 due to higher lending volumes, new clients in asset servicing, additional front line FTEs, project related FTEs supporting the transformational agenda as well as regulatory projects, and the yearly graduate intake. These increases were partially offset by efficiency savings from strategic initiatives and implementation of the organisational realignment in Australia.

Key FTE movements in each business were as follows:

- Australian Banking increased FTEs due to higher lending volumes, new clients in asset servicing, additional front line FTEs, project related FTEs supporting the transformational agenda and regulatory projects, combined with the yearly graduate intake. These increases were partially offset by efficiency savings from the implementation of the organisational realignment
- NAB Wealth decreased FTEs due to efficiency savings from strategic initiatives and implementation of the organisational realignment
- NZ Banking increased FTEs due to project FTEs supporting the regulatory and transformational agenda and an intensified focus on growth industries such as Agribusiness
- UK Banking decreased FTEs due to efficiency savings and as part of the restructure of the business. These decreases were partially offset by higher volumes in the retail network and project related FTEs supporting the regulatory and transformational agenda
- Great Western Bank decreased FTEs due to strategic contraction of the branch network to position for other delivery channels, reduced demand in the secondary mortgage business, and efficiency savings from the restructure of the retail business.

March 2014 v September 2013

Total FTEs have increased by 555 since September 2013 due to higher lending volumes, new clients in asset servicing, additional front line FTEs, project related FTEs supporting the transformational agenda as well as regulatory projects, and the yearly graduate intake. These increases were partially offset by efficiency savings from strategic initiatives and implementation of the organisational realignment in Australia.

Key FTE movements in each business were as follows:

- Australian Banking increased FTEs due to higher lending volumes, new clients in asset servicing, additional front line FTEs, project related FTEs supporting the transformational agenda and regulatory projects, combined with the yearly graduate intake. These increases were partially offset by efficiency savings from the implementation of the organisational realignment
- NAB Wealth decreased FTEs due to efficiency savings from strategic initiatives and implementation of the organisational realignment
- NZ Banking increased FTEs due to an intensified focus on growth industries such as Agribusiness
- UK Banking increased FTEs due to higher volumes in the retail network and project related FTEs supporting the regulatory and transformational agenda. These increases were partially offset by efficiency savings as part of the restructure of the business
- Great Western Bank decreased FTEs due to the contraction of the branch network to position for other delivery channels, and reduced demand in the secondary mortgage business.

Investment Spend

	Half Year to				
	Mar 14 $m	Sep 13 $m	Mar 13 $m	Mar 14 v Sep 13 %	Mar 14 v Mar 13 %
Infrastructure	387	381	307	1.6	26.1
Compliance / Operational Risk	148	149	91	(0.7)	62.6
Efficiency and Sustainable Revenue	81	90	105	(10.0)	(22.9)
Other	28	20	22	40.0	27.3
Total Investment Spend	644	640	525	0.6	22.7

Investment spend is expenditure on projects and initiatives designed to enhance the customer experience, comply with legal and regulatory requirements, and improve capabilities and efficiencies in the Group's business processes. Investment spend in the March 2014 half year, which totalled $644 million, focused on delivering on the Group's strategic objectives and meeting the Group's compliance obligations. This represents an increase of $119 million or 22.7% ($102 million or 19.4% excluding foreign exchange) against the March 2013 half year, and an increase of $4 million or 0.6% (or a decrease of $2 million or 0.3% excluding foreign exchange) against the September 2013 half year.

March 2014 v March 2013

Investment in infrastructure projects has increased against the March 2013 half year by $80 million or 26.1% ($76 million or 24.8% excluding foreign exchange) primarily due to continued delivery of transformational programs, including NextGen, and investment in Asia.

Spend on compliance and operational risk increased by $57 million or 62.6% ($53 million or 58.2% excluding foreign exchange) against the March 2013 half year, driven by continued regulatory reforms which include Comprehensive Credit Reporting, G20 and Dodd Frank, Foreign Account Taxation Compliance, Personal Property Securities Register, Current Account Switching and Stronger Super reform.

Investment in efficiency and sustainable revenue projects decreased against the March 2013 half year by $24 million or 22.9% ($29 million or 27.6% excluding foreign exchange). The Group continues to invest in projects to drive efficiency and enhance business capabilities, including continued improvements to NAB Connect online capability.

March 2014 v September 2013

Investment in infrastructure spend increased against September 2013 half year by $6 million or 1.6% ($5 million or 1.3% excluding foreign exchange) driven by continued delivery of transformational programs, including NextGen, and investment in Asia. These were partially offset by the completion of the payments gateway, lower expenditure on the Retail Branch network combined with the completion of an information technology upgrade in UK Banking.

Spend on compliance and operational risk, excluding foreign exchange, was flat against September 2013 driven by increased spending to support continued regulatory change initiatives in Australia, offset by a decrease in trustee funded projects and lower spend in UK Banking relating to Current Account Switching regulatory reforms compared to the September 2013 half year.

Investment in efficiency and sustainable revenue projects decreased by $9 million or 10.0% ($11 million or 12.2% excluding foreign exchange) against the September 2013 half year. The Group continues to invest in projects to drive efficiency and enhance business capabilities, including continued enhancements to NAB Connect.

Taxation

	Half Year to				
	Mar 14	Sep 13 [(1)]	Mar 13 [(1)]	Mar 14 v Sep 13	Mar 14 v Mar 13
Income tax expense ($m)	1,263	1,163	1,162	(8.6%)	(8.7%)
Effective tax rate (%)	28.0	27.3	27.9	(70 bps)	(10 bps)

[(1)] *Restated for the impact of adopting new accounting standards as detailed in the Principal Accounting Policies on page 84.*

March 2014 v March 2013

Cash earnings income tax expense for the March 2014 half year was $101m or 8.7% higher than the March 2013 half year.

The **effective tax rate** of 28.0% for the March 2014 half year is comparable to the March 2013 half year of 27.9%.

March 2014 v September 2013

Cash earnings income tax expense for the March 2014 half year was $100m or 8.6% higher than the September 2013 half year.

The **effective tax rate** for the March 2014 half year is 70 basis points higher than the effective tax rate for the September 2013 half year.

Lending

	As at				
	31 Mar 14 $m	30 Sep 13 $m	31 Mar 13 $m	Mar 14 v Sep 13 %	Mar 14 v Mar 13 %
Housing					
Australian Banking [(1)]	241,080	234,376	227,793	2.9	5.8
NZ Banking	27,949	26,213	23,258	6.6	20.2
UK Banking	30,800	28,016	22,883	9.9	34.6
Great Western Bank	798	758	669	5.3	19.3
Total housing	300,627	289,363	274,603	3.9	9.5
Non-housing					
Australian Banking [(1)] [(2)]	170,886	170,156	169,391	0.4	0.9
NAB Wealth	75	55	41	36.4	82.9
NZ Banking	30,931	28,970	25,242	6.8	22.5
UK Banking	17,435	17,905	16,440	(2.6)	6.1
Great Western Bank	6,310	6,100	5,290	3.4	19.3
NAB UK Commercial Real Estate	6,004	6,960	7,281	(13.7)	(17.5)
Corporate Functions and Other	1,904	2,570	2,593	(25.9)	(26.6)
Total non-housing	233,545	232,716	226,278	0.4	3.2
Gross loans and advances including acceptances	534,172	522,079	500,881	2.3	6.6

(1) *The Australian Banking division is described on page 46.*

(2) *Prior periods have been restated for the adoption of new accounting standards as detailed in the Principal Accounting Policies on page 84.*

March 2014 v March 2013

Lending (gross loans and advances including acceptances) increased by $33.3 billion or 6.6% on March 2013. Excluding foreign exchange, lending increased by $11.3 billion or 2.3%. This increase was primarily due to the continuing momentum in housing lending, partially offset by a decline in non-housing lending in UK Banking.

Housing lending increased by $26.0 billion or 9.5% on March 2013. Excluding foreign exchange, the increase was $15.8 billion or 5.7% mainly due to:

- An increase of $13.0 billion in Australian Banking, attributable to growth in both proprietary and broker channels
- An increase of $2.0 billion in UK Banking, primarily via the broker channels with the continued strategy to focus on housing loans
- An increase of $0.7 billion in NZ Banking due to continued momentum in market growth in Auckland, although this was subdued due to regulatory limits and market competition.

Non-housing lending increased by $7.3 billion or 3.2% on March 2013. Excluding foreign exchange, non-housing lending decreased by $4.5 billion or 2.0% mainly due to:

- A decrease in the NAB UK CRE portfolio of $2.4 billion reflecting the continued run-off of the portfolio
- A decrease of $2.3 billion in UK Banking due to the subdued demand for credit, risk appetite settings and the impact of business restructuring
- An increase of $1.2 billion in NZ Banking as a result of growth in the business lending portfolio, primarily driven by Institutional Banking and Agribusiness
- Australian Banking decreased $0.2 billion when compared to the March 2013 half year, with a decline in the Australian business lending franchise of $2.2 billion reflecting subdued demand for credit, tight risk appetite settings, and intense competition being offset by growth in Asia of $2.0 billion.

March 2014 v September 2013

Lending increased by $12.1 billion or 2.3% on September 2013. Excluding foreign exchange, lending increased by $6.5 billion or 1.3%.

Housing lending increased by $11.3 billion or 3.9% on September 2013. Excluding foreign exchange, the increase was $8.6 billion or 3.0% mainly due to:

- An increase of $6.7 billion in Australian Banking, attributable to growth in both proprietary and broker channels
- An increase of $1.6 billion in UK Banking, which is consistent with the strategy to focus on housing loans
- An increase of $0.3 billion in NZ Banking due to continued momentum in market growth in Auckland, although this was subdued due to regulatory limits and market competition.

Non-housing lending increased by $0.8 billion or 0.4% on September 2013. Excluding foreign exchange, non-housing lending decreased by $2.1 billion or 0.9%, mainly due to:

- A decrease in the NAB UK CRE portfolio of $1.2 billion reflecting the continued run-off of the portfolio
- A decrease of $1.1 billion in UK Banking due to the subdued demand for credit, risk appetite settings and the impact of business restructuring
- An increase of $0.3 billion in NZ Banking as a result of growth in the business lending portfolio reflecting an improvement in the economy
- Australian Banking increased $0.5 billion when compared to the September 2013 half year, with an increase in Asia of $1.7 billion being offset by a decline in the Australian business lending franchise of $1.2 billion reflecting subdued demand for credit, tight risk appetite settings, and intense competition.

Goodwill and Other Intangible Assets

Goodwill increased by $7 million or 0.1% from September 2013, due to the effects of foreign exchange.

Intangible assets comprise capitalised software and other intangible assets. Intangible assets increased by $182 million from September 2013. The increase was attributable to continued investment in NextGen along with efficiency and compliance projects, as well as the effects of foreign exchange, partially offset by amortisation.

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

- In Australia, continued investment in the transformational agenda, including NextGen, regulatory and compliance initiatives, and enhancing the digital capabilities of the franchise
- In the UK, continued investment in regulatory and compliance initiatives, as well as investment in refreshing key banking systems
- In New Zealand, additional spend on capabilities to support the implementation of the BNZ strategic plan, including NextGen.

The movement in capitalised software is as follows:

	Half year ended		
	Mar 14 $m	**Sep 13 $m**	**Mar 13 $m**
Balance at beginning of period	**1,998**	1,646	1,454
Additions	**344**	418	336
Disposals and write-offs	**(1)**	(4)	-
Amortisation	**(143)**	(119)	(126)
Foreign currency translation adjustments	**22**	57	(18)
Capitalised software	**2,220**	1,998	1,646

Customer Deposits

	As at				
	31 Mar 14 $m	30 Sep 13 $m	31 Mar 13 $m	Mar 14 v Sep 13 %	Mar 14 v Mar 13 %
Australian Banking [1][2]	**291,741**	280,782	269,309	3.9	8.3
NZ Banking	**39,575**	36,308	30,395	9.0	30.2
UK Banking	**41,865**	41,426	36,033	1.1	16.2
Great Western Bank	**7,869**	7,467	6,664	5.4	18.1
NAB UK Commercial Real Estate	**4**	5	5	(20.0)	(20.0)
Total customer deposits	**381,054**	365,988	342,406	4.1	11.3

(1) *The Australian Banking division is described on page 46.*

(2) *Prior periods have been restated for the impact of adopting new accounting standards as detailed in the Principal Accounting Policies on page 84.*

March 2014 v March 2013

Customer deposits have increased by $38.6 billion or 11.3% since March 2013. Excluding foreign exchange, customer deposits have increased by $20.8 billion or 6.1%, as the Group continues to focus on growing quality customer deposits in line with Basel III requirements. This growth (excluding foreign exchange) was mainly due to:

- An increase of $19.2 billion or 7.1% in Australian Banking, mainly reflecting continued growth in on-demand deposits within the proprietary channel, as well as growth in UBank
- An increase of $3.5 billion or 11.4% in NZ Banking, mainly due to growth in transactional and term deposits in line with the continued focus to improve balance sheet strength.

The growth was partially offset by a decrease of $2.2 billion or 6.0% in UK Banking reflecting the managed run-off of higher cost term deposits as part of the strategy to reshape the UK balance sheet.

March 2014 v September 2013

Customer deposits have increased by $15.1 billion or 4.1% since September 2013. Excluding foreign exchange, customer deposits have increased by $10.9 billion or 3.0%. This growth (excluding foreign exchange) was driven by:

- An increase of $10.6 billion or 3.8% in Australian Banking, mainly due to continued growth in on-demand deposits within the proprietary channel, as well as growth in UBank
- An increase of $1.2 billion or 3.2% in NZ Banking, due to growth in transactional deposits in line with the strategy to strengthen the balance sheet.

These were partially offset by a decrease of $1.2 billion or 2.8% in UK Banking reflecting the managed run-off of higher cost term deposits.

Asset Quality

Asset Quality trends have been favourable across the Group's major operating regions over the March 2014 half year.

Bad and Doubtful Debt Charge

	Half Year to		
	Mar 14 $m	Sep 13 $m	Mar 13 $m
Specific charge to provide for bad and doubtful debts	**705**	1,075	1,094
Collective write-back to provide for bad and doubtful debts	**(172)**	(233)	(13)
Total (write-back)/charge on investments - held to maturity	**(5)**	-	11
Total charge to provide for bad and doubtful debts	**528**	842	1,092

	Half Year to		
	Mar 14	Sep 13	Mar 13
Bad and doubtful debts charge to gross loans and acceptances (annualised)	**0.20%**	0.32%	0.44%
Net write-offs to gross loans and acceptances (annualised)	**0.28%**	0.44%	0.39%

Provisions for Bad and Doubtful Debts

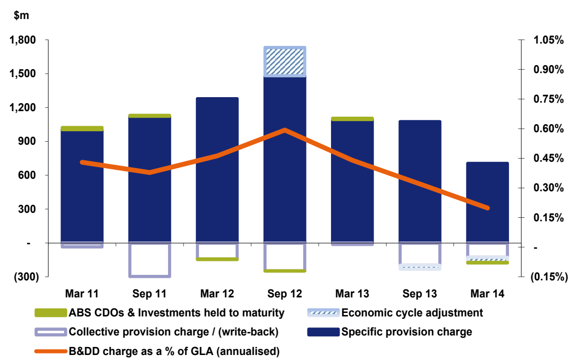
	As at		
	Mar 14 $m	Sep 13 $m	Mar 13 $m
Collective provision for bad and doubtful debts	**2,912**	2,959	3,049
Specific provision for bad and doubtful debts	**1,954**	2,030	2,010
Total provision for bad and doubtful debts (1)	**4,866**	4,989	5,059

(1) *Not included in total provisions for doubtful debts are provisions on investments - held to maturity of $61 million (September 2013 $77 million, March 2013 $89 million).*

	As at		
	Mar 14	Sep 13	Mar 13
Total provision to gross loans and acceptances	**0.91%**	0.96%	1.01%
Specific provision to gross impaired assets	**34.8%**	32.0%	32.9%
Collective provision to credit risk-weighted assets	**0.91%**	0.94%	0.99%
Collective provision including GRCL on a pre-tax basis (top-up) to credit risk-weighted assets	**1.15%**	1.16%	1.22%
Collective provision to gross loans and acceptances (excluding impaired assets)	**0.55%**	0.57%	0.62%

Bad and Doubtful Debt Charge

Half Yearly Total Bad and Doubtful Debt Charge



The total charge to provide for bad and doubtful debts (B&DDs) for the March 2014 half year was $528 million, a reduction of $314 million or 37% when compared to the September 2013 half year, and significantly below that of the March 2013 half year.

Specific provision B&DD charges decreased by $370 million when compared to the September 2013 half year to $705 million and decreased by $389 million when compared to the March 2013 half year. The six month reduction to March 2014 was primarily due to:

- Lower specific provision charges across all major operating regions, particularly for NAB UK CRE, reflecting improving operating conditions and lower levels of new impairments
- Reduced charges for Australian Banking driven by an increase in write-backs on large exposures and a reduction in the flow of new impaired assets mainly within business lending
- An increase in impaired assets returned to performing or repaid in Australian Banking, which included the re-rating of a single large exposure to performing status that had been previously impaired during the September 2013 half year.

The collective provision B&DD write-back of $172 million mainly reflects:

- A general improvement in the risk profile across the Group, particularly within the non-retail portfolio in Australian Banking
- Continued portfolio run-off and repayments within the NAB UK CRE portfolio. In addition, there has been a $45 million (£25 million) partial release from the NAB UK CRE overlay
- A re-weighting of the portfolio mix towards fully secured mortgage lending.

There has been no adjustment made to the $320 million economic cycle adjustment held centrally at the Group level since September 2012.

Provisions for Bad and Doubtful Debts

Total provisions for B&DDs fell by $123 million to $4,866 million over the six months to March 2014. Excluding foreign exchange movements, total provisions decreased by $219 million.

Specific provisions fell by $76 million to $1,954 million for the March 2014 half year. Excluding foreign exchange movements, the specific provision balance declined by $126 million, largely reflecting a slowdown of the rate of new impaired assets, coupled with an increase in the volume of assets returned to performing or repaid across Australian Banking. Notably, there has been an improvement in the underlying performance of the NAB UK CRE portfolio, as economic conditions in that sector have continued to stabilise.

The Group ratio of specific provisions to gross impaired assets has increased from 32.0% at September 2013 to 34.8% at March 2014.

Total collective provisions have decreased since September 2013 to $2,912 million. Excluding foreign exchange movements, the collective provision balance has fallen by $93 million at March 2014. The underlying reduction was mainly due to:

- A continued shift towards well secured mortgage lending that requires lower collective provisions
- Positive customer re-ratings within the non-retail performing portfolio in Australian Banking and subdued business lending activity
- A decrease in NAB UK CRE non-retail assets as a result of portfolio run-off and the partial release of the NAB UK CRE overlay
- Migration of defaulted assets, at a slower rate, to impaired status.

The collective provision to credit risk weighted assets ratio has fallen by three basis points from 0.94% at September 2013 to 0.91% at March 2014.

90+ Days Past Due and Gross Impaired Assets

	As at		
	Mar 14	**Sep 13**	**Mar 13**
90+ days past due loans ($m)	**2,526**	2,463	2,592
Gross impaired assets ($m)	**5,614**	6,347	6,102
90+ days past due and gross impaired assets ($m)	**8,140**	8,810	8,694

	As at		
	Mar 14	**Sep 13**	**Mar 13**
90+ days past due loans to gross loans and acceptances	**0.47%**	0.47%	0.52%
Gross impaired assets to gross loans and acceptances	**1.05%**	1.22%	1.22%
90+ days past due and gross impaired assets to gross loans and acceptances	**1.52%**	1.69%	1.74%

Non-Impaired Assets 90+ Days Past Due

The Group ratio of non-impaired 90+DPD loans to gross loans and acceptances remained stable at 0.47% over the six months to March 2014 and fell by five basis points when compared to March 2013. The reduction over the 12 month period was mainly driven by lower 90+DPD volumes in Australian Banking mortgages and NAB UK CRE due to a combination of the migration of defaulted assets to impaired status and lower levels of newly defaulted assets.

Excluding UK Banking and NAB UK CRE, the 90+DPD ratio at March 2014 would be eight basis points lower at 0.39%.

Gross Impaired Assets

The Group ratio of gross impaired assets to gross loans and acceptances (impaired asset ratio) fell by 17 basis points from 1.22% at September 2013 to 1.05% as at March 2014. The decrease in the ratio was due to:

- Lower levels of newly impaired assets across the Group
- An increase in assets returned to performing or repaid within Australian Banking, in particular the re-rating of a single large exposure.

These were partially offset by a reduction in write-off activities in Australian Banking and UK Banking.

Excluding UK Banking and NAB UK CRE, the impaired asset ratio at March 2014 would be 40 basis points lower at 0.65%.

Net Write-Offs

The Group's net write-offs to gross loans and acceptances annualised ratio decreased by 16 basis points to 0.28% during the March 2014 half year. A reduction in net write-offs was experienced across all the major operating regions, particularly in Australian Banking and UK Banking.

Excluding UK Banking and NAB UK CRE, the ratio would have fallen by six basis points from 0.28% to 0.22% at March 2014.

The net 12 month rolling write-off rate for the Group's retail portfolio was 0.15% at March 2014, up one basis point from September 2013. This was driven by a slight increase within the unsecured portfolio, whilst mortgage net write-offs remained stable at 0.05%.

Commercial Property Portfolio

The **Group's** commercial property portfolio[1] decreased by $0.3 billion from September 2013 to $60.4 billion as at March 2014. Excluding foreign exchange impacts the portfolio decreased by $1.0 billion, which was predominately driven by the continued run-off of the NAB UK CRE portfolio.

The reduction in commercial property assets remains in line with expectations and represents 11.3% of gross loans and acceptances, a fall of 30 basis points when compared to September 2013.

For **Australian Banking**, the commercial property portfolio increased by $0.2 billion from September 2013 to $45.0 billion as at March 2014. Asset quality has improved during the half year to March 2014. The combined 90+DPD and impaired asset ratio fell by 36 basis points to 1.57% as at March 2014.

NAB UK CRE commercial property portfolio decreased over the half year to March 2014 by £0.7 billion to £3.3 billion, as the result of continued run-off activity. Although there has been an increase in the combined 90+DPD and impaired ratio, this is mostly due to the 17.5% reduction in the portfolio over the same period in line with the strategic wind-down of the portfolio.

NZ Banking commercial property portfolio assets have remained stable at NZ$7.2 billion compared to September 2013. This portfolio represents 11.5% of the division's gross loans and acceptances as at March 2014. The combined 90+DPD and impaired asset ratio decreased by 22 basis points to 1.63% against September 2013.

Group Commercial Property by Type

	As at		
	Mar 14	**Sep 13**	**Mar 13**
Office	**26.2%**	27.3%	27.0%
Retail	**27.6%**	26.7%	26.4%
Industrial	**14.7%**	14.0%	14.0%
Residential	**12.2%**	12.0%	12.5%
Land	**7.6%**	8.3%	8.4%
Other	**7.3%**	6.8%	6.7%
Tourism & Leisure	**4.4%**	4.9%	5.0%
Total	100.0%	100.0%	100.0%

Group Commercial Property by Geography

	As at		
	Mar 14	**Sep 13**	**Mar 13**
Australia	**74.6%**	73.8%	75.2%
United Kingdom[2]	**10.5%**	12.3%	12.6%
New Zealand	**11.2%**	10.5%	9.1%
USA	**2.3%**	2.2%	2.0%
Asia	**1.4%**	1.2%	1.1%
Total	100.0%	100.0%	100.0%

(2) *United Kingdom has been adjusted to include commercial property assets previously disclosed as SGA, reflecting the geographic location of those assets.*

(1) *Measured as balances outstanding at March 2014 per APRA ARF230 Commercial Property Return.*

Capital Management and Funding

Balance Sheet Management Overview

The Group has continued to strengthen its capital, funding and liquidity positions with a focus on its balance sheet strength.

To diversify its wholesale funding sources, the Group has continued to access senior and secured debt markets, as well as the domestic retail hybrid market.

The Group remains vigilant in its evaluation of the economic and regulatory environment, and continues to ensure the balance sheet remains strong to enable it to respond to changing market and regulatory conditions.

Regulatory Reform

In December 2013, APRA released the final version of its APS 210 liquidity standard regarding the implementation of the Basel III liquidity reforms. The finalisation of this standard provides certainty in our continued transition towards compliance.

The Group's Basel III liquidity transition strategy is focused on the quality of liquid assets and the stability of the funding that underpins the Liquidity Coverage Ratio (LCR).

The qualitative aspects of this standard came into force on 1 January 2014, while compliance with the LCR is set to commence from 1 January 2015.

The availability of the Reserve Bank of Australia's Committed Liquidity Facility remains central to APRA's proposed standard, and engagement with APRA on the practical requirements and size of this facility continues.

In December 2013, APRA also released its framework in relation to Domestic Systemically Important Banks (D-SIBs) in Australia. National Australia Bank has been identified as a D-SIB and is subject to a one per cent higher loss absorbency requirement, which must be met by Common Equity Tier 1 (CET1) capital, effective from 1 January 2016. NAB was previously seeking to operate Group CET1 capital at a comfortable buffer above 7.5%. To reflect the new D-SIB requirement the Group's CET1 target has now been revised to operate between 8.75% and 9.25% from 1 January 2016.

On 5 May 2014, the Group announced that it had received notification from APRA regarding the definition of entities to be included within the composition of a Level 2 Authorised Deposit-Taking Institution (ADI) group.

The change is expected to remove, over time, the capital benefit that NAB gains from the debt on the National Wealth Management Holdings Limited (NWMH) balance sheet. As of 31 March 2014, NWMH has $1.97 billion of debt outstanding (through the issuance of notes and bank facilities) which is equivalent to 53 basis points of CET1 capital. APRA has approved a transition period which will allow for the change on capital to be progressively reduced through to December 2017. The Group is well placed to mitigate the transitional impact on capital through organic capital generation.

Other Reform Proposals

The Group also remains focused on other areas of regulatory change. Key reforms that may affect its capital and funding include:

- APRA's announcement of Level 3 Conglomerate Supervision proposals, which include a Level 3 prudential capital requirement. Final standards are still pending and in August 2013, APRA announced a 12 month industry wide transition period for the implementation of the Level 3 conglomerate proposals, with the revised implementation date of 1 January 2015
- The Basel Committee on Banking Supervision (BCBS) endorsement of the leverage ratio framework and disclosure requirements. Public disclosure is due to commence on 1 January 2015, with migration to Pillar 1 treatment from 1 January 2018. APRA is expected to consult on the Australian leverage ratio requirements during 2014
- The enhanced prudential requirements for foreign banking organisations under Title I of the US Dodd-Frank Act. The final rule has now been released and is due to take effect in July 2016
- The UK Government's Financial Services (Bank Reform) Act was approved by the UK Parliament in December 2013. The Act is due to come into force on 1 January 2019 and amongst other requirements seeks to protect deposit holders. It will affect the structure and the amount of capital held by many UK banks. As Clydesdale Bank is a retail bank, the proposed ring-fencing of retail banking (away from investment banking) is expected to be less onerous than for most large UK banks
- The European Union's final rules to implement Basel III, known as the Capital Requirements Directive IV Package (CRD IV). The UK Prudential Regulation Authority issued a Policy Statement, known as PS7/13 which implemented CRD IV in the UK from 1 January 2014. These rules have no impact on the Group's CET1 position. The UK business has noted the changes in capital under CRD IV and PS7/13 and is working with the regulator to ensure it continues to meet capital expectations.

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 balance sheet risk appetite, and ensuring investors' expectations are met. This approach is consistent across the Group's subsidiaries.

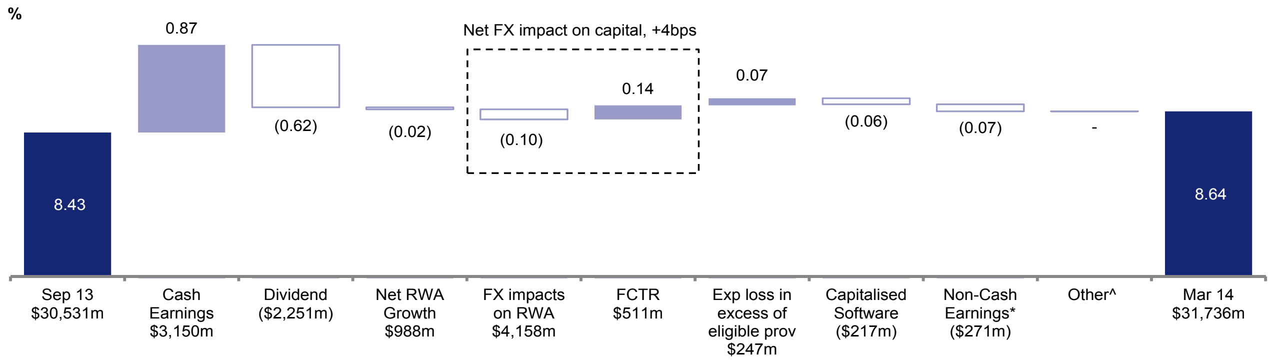
Capital ratios

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

Capital Ratios	As at 31 Mar 14 %	30 Sep 13 %	31 Mar 13 %	Mar 14 v Sep 13	Mar 14 v Mar 13
Common Equity Tier 1 ratio	8.64	8.43	8.22	21 bps	42 bps
Tier 1 ratio	10.83	10.35	10.19	48 bps	64 bps
Total capital ratio	12.17	11.80	11.71	37 bps	46 bps

Risk-weighted assets	As at 31 Mar 14 $m	30 Sep 13 $m	31 Mar 13 $m	Mar 14 v Sep 13%	Mar 14 v Mar 13%
Credit risk	318,339	314,674	307,517	1.2	3.5
Market risk	5,791	5,191	5,899	11.6	(1.8)
Operational risk	36,280	34,749	33,332	4.4	8.8
Interest rate risk in the banking book	6,814	7,464	4,643	(8.7)	46.8
Total risk-weighted assets	**367,224**	**362,078**	**351,391**	**1.4**	**4.5**

Movements in Basel III Common Equity Tier 1 Ratio



* *Non-cash earnings impact after adjusting for distributions and treasury shares.*

^ *"Other" includes movements in the Available for Sale Reserve, Deferred Tax Assets, Deconsolidated Wealth Profits and other immaterial movements.*

Capital Movements During the Period

The Group's CET1 ratio was 8.64% at 31 March 2014.

The key movements in capital in the March 2014 half year include:

- Earnings less dividend (25 basis points)
- RWA growth of $5.1 billion (12 basis points), largely driven by FX impacts on RWAs of $4.2 billion and net underlying RWA growth of $1.0 billion. This includes:
  - an increase in Credit Risk RWAs of $3.7 billion
  - an increase in Operational Risk RWAs of $1.5 billion
  - an increase in Market Risk RWAs of $0.6 billion
  - a decrease in Interest Rate Risk in the Banking Book RWAs of $0.7 billion
- Decrease in the Expected Loss less Eligible Provision deduction (7 basis points) due to credit quality improvements
- Increased Capitalised Software deduction (6 basis points)
- Unfavourable non-cash earnings mainly due to fair value and hedge ineffectiveness (7 basis points).

Dividend and Dividend Reinvestment Plan

The interim dividend has been increased to 99 cents and the Dividend Reinvestment Plan (DRP) discount remains nil, with no participation limit. The Company will not neutralise the new shares issued under the DRP.

UK Defined Benefit Pension Scheme

The Group's UK subsidiary, Clydesdale Bank PLC, participates in a defined benefit pension scheme (the Scheme). During the period September 2013 to March 2014, the Scheme's deficit decreased by £50 million to £147 million. This was primarily driven by a £65 million scheduled deficit reduction payment made on 1 October 2013, partially offset by movements in actuarial assumptions.

Tier 1 Capital initiatives

On 17 December 2013, the Company issued $1.72 billion of Convertible Preference Shares II (NAB CPS II), which will mandatorily convert into ordinary shares on 19 December 2022, provided certain conditions are met.

With the prior written approval from APRA, the Company also has the option to convert, redeem or resell the NAB CPS II on 17 December 2020 or on the occurrence of particular events, provided certain conditions are met. NAB CPS II may also convert in certain circumstances if required by prudential regulatory requirements. The issuance has supported the Group's Tier 1 and Total Capital position.

Pillar 3 Disclosures

Further disclosures with respect to capital adequacy and risk management will be made in the Pillar 3 Report as required by APS 330.

Funding

Over the half year to March 2014, the Group maintained balance sheet strength and continues to explore opportunities to enhance and diversify its funding sources.

Funding Indices

The Group employs a range of internal Board approved metrics to set its risk appetite and measure balance sheet strength. A key structural measure used is the Stable Funding Index (SFI), which is made up of the Customer Funding Index (CFI) and Term Funding Index (TFI). The CFI represents the proportion of the Group's core assets that are funded by customer deposits. Similarly, the TFI represents the proportion of the Group's core assets that are funded by term wholesale funding with a remaining term to maturity of greater than one year.

The Group's funding indices have remained relatively flat over the first half of the 2014 financial year. The Group CFI has remained flat at 69.4% since September 2013, while the Group SFI has increased from 89.2% to 89.6%. The SFI was supported by strong deposit growth in the Australian region, coupled with subdued credit growth. In addition, a weaker Australian dollar has raised the value of term wholesale funding in Australian dollar terms.

Group Funding Indices (CFI, TFI and SFI)

	Half year to		
	Mar 14	**Sep 13**	**Mar 13**
Group Funding Indicies	**%**	**%**	**%**
Customer Funding Index	**69.4**	69.4	67.3
Term Funding Index	**20.2**	19.8	18.7
Stable Funding Index	**89.6**	89.2	86.0

Customer Funding

Deposit quality continues to be an important feature of balance sheet strength and the Group has continued its strategy of focusing on stable retail and small and medium enterprise deposits. This is consistent with the Group's proactive approach to transition to Basel III, whilst taking into account current market conditions and funding requirements in a subdued credit growth environment.

Term Wholesale Funding

Global funding conditions have been supportive of term issuance during the first half of 2014. Whilst conditions are reasonably stable, markets remain sensitive to ongoing macroeconomic and financial risks.

The Group maintains a well diversified funding profile and has raised $16 billion in the first half of the 2014 financial year.

The Company has raised $13.2 billion, including $10.7 billion senior unsecured funding and $2.5 billion secured funding (through covered bonds) during the March 2014 half year. In terms of subsidiaries, Bank of New Zealand raised $1.5 billion, Clydesdale Bank raised $1.1 billion and National Wealth Management Holdings Limited raised $220 million during the March 2014 half year.

The weighted average maturity of term wholesale funding raised by the Group over the half year to 31 March 2014 was approximately 5.1 years to the first call date. The weighted average remaining maturity of the Group's term wholesale funding portfolio is 3.2 years (4.0 years for TFI qualifying debt, which only includes debt with more than 12 months remaining term to maturity). The weighted average maturity of term wholesale funding raised by the Company over the half year to 31 March 2014 was approximately 5.3 years to the first call date, compared to 4.9 years for the second half of the 2013 financial year. Term wholesale funding raised in foreign currency is swapped to Australian dollar terms at the time of issuance.

The average cost of term wholesale funding raised by the Company (including the cost of swapping back to Australian dollars and fees) during the first half of the 2014 financial year was approximately 89 basis points over BBSW, compared to an average cost of 88 basis points over BBSW in the second half of the 2013 financial year. The average cost of the Company's outstanding term funding portfolio for the first half of the 2014 financial year was 140 basis points over BBSW, compared to 144 basis points over BBSW for the second half of the 2013 financial year.

Half Year 2014 Wholesale Funding by Deal Type ($16 billion)

	As at		
Wholesale Funding by Deal Type	**Mar 14**	**Sep 13**	**Mar 13**
Senior Public Offshore	55%	34%	28%
Senior Public Domestic	11%	20%	17%
Secured Public Offshore	13%	20%	25%
Secured Public Domestic	9%	7%	7%
Private Placements	12%	15%	15%
Subordinated Debt	0%	4%	8%
Total	100%	100%	100%

Half Year 2014 Wholesale Funding by Currency ($16 billion)

	As at		
Wholesale Funding by Currency	**Mar 14**	**Sep 13**	**Mar 13**
USD	34%	38%	44%
AUD	18%	31%	33%
EUR	22%	18%	14%
GBP	9%	8%	4%
JPY	8%	0%	0%
Other	9%	5%	5%
Total	100%	100%	100%

Short-term Wholesale Funding

The Group consistently accessed international and domestic short-term wholesale funding markets over the first half of the 2014 financial year. The focus has been on maintaining the weighted average issuance maturity of short-term wholesale funding to approximately 180 days to support the Group's liquidity position.

In addition, repurchase agreements entered into are materially offset by reverse repurchase agreements with similar maturity profiles as part of normal trading activities.

Liquid Asset Portfolio

The Group maintains well diversified and high quality liquid asset portfolios to support regulatory and internal requirements in the various countries in which it operates. Total liquid assets held at 31 March 2014 were $114 billion (excluding contingent liquidity), an increase of $7 billion from 30 September 2013.

Holdings increased due to the accumulation of qualifying liquid assets to meet forthcoming regulatory changes. Specifically, this transition resulted in Australian dollar denominated high quality liquid assets increasing by $9.5 billion throughout the first half of the 2014 financial year to $39.6 billion.

The Group also holds internal securitisation pools of Residential Mortgage Backed Securities (RMBS) as a source of contingent liquidity to further support its liquid asset holdings. Internal RMBS held at 31 March 2014 were $24.5 billion (post expected RBA margin adjustment). This is a decrease of $2.9 billion from 30 September 2013 following a required pledging to support RBA's new intraday settlement processes which took effect in November 2013. This resulted in increased cash holdings in our Exchange Settlement Account with the RBA, which partially contributed to the increase in physical liquidity as noted above.

Credit Ratings

The Group monitors rating agency developments closely and regularly communicates with them. Entities in the Group are rated by Standard and Poor's (S&P), Moody's Investor Service (Moody's) and Fitch Ratings (Fitch).

There have been no movements in any of the Group's ratings or outlooks during the first half of the 2014 financial year.

The Group's current long-term debt ratings are: National Australia Bank Limited AA-/Aa2/AA- (S&P/Moody's/Fitch); BNZ AA-/Aa3/AA-; Clydesdale Bank PLC BBB+/Baa2/A; and National Wealth Management Holdings Limited A+ (S&P).

Other Matters

Corporate Responsibility (CR)

NAB's goal is to deliver sustainable and satisfactory returns to its investors. Fundamental to achieving this goal is NAB's belief in doing the right thing and helping employees and customers realise their potential. In 2013 NAB launched 'Wealth of Opportunity' – NAB's promise to create more of what matters to people, communities and the economy. It sets a path to help people have a healthy relationship with money, cultivate prosperous communities and to support a future focused nation.

The highlights of NAB's CR performance to March 2014 are outlined below. (Further information on NAB's approach and performance in CR is available on the NAB website and in the *2013 Annual Review* and *Dig Deeper* papers.)

External awards, recognition and reporting

- NAB was recognised as a sustainability leader in the banking industry and member in the 2013 Dow Jones Sustainability World Index
- FTSE Group confirms that NAB has satisfied the requirements to become a constituent of the FTSE4Good Index Series
- NAB was listed on the Ethisphere Institute's 'World's Most Ethical Companies' in 2014 for the fourth consecutive year
- For 2013, NAB has been ranked number eight globally as Lead Arranger for Finance of Global Clean Energy Assets by Bloomberg New Energy Finance and is the highest ranked Australian domestic bank
- NAB was the only Australian bank listed as a decoupling leader in the new Natural Capital Leaders Index released by Trucost and GreenBiz Group. This means NAB Group has increased revenue whilst decreasing its impact on natural capital over the last five years
- NAB was selected as a Catalyst 2014 Practices Recognition Program organisation for its program entitled *NAB Board Ready: Pathway to Potential*
- In conjunction with Good Shepherd Microfinance, NAB was awarded the 2014 'Achievements in Impact Measurement through a Partnership' award by the Social Impact Measurement Network of Australia (SIMNA)
- One of only four Australian companies to contribute to the development of the International Integrated Reporting Council's draft framework, through the publication of NAB's *2013 Annual Review.*

Customer initiatives

- For the March 2014 half year, NAB provided over 12,000 Microfinance loans to Australians with little or no access to safe and affordable credit. Since the program's inception, NAB has provided over 91,000 loans, with the total loan value exceeding $122 million
- In line with NAB's commitment to financial inclusion, it has set the goal of providing fair and affordable finance to at least one million people on low incomes by 2018
- Research has shown that NAB's Indigenous Money Mentor program is delivering significant social value and flow-on benefits, with customers stating that increased financial capability gained through the program has given them an improved standard of living and better family relationships [(1)].
- NAB has acted on its Natural Disaster Relief Framework following bushfires in New South Wales, Western Australia, and Victoria, and cyclones in Western Australia and the Philippines. NAB has provided hardship assistance for customers and employees affected by these disasters and during the March 2014 half year, NAB donated $150,000 and facilitated donations of over $380,000 to support recovery efforts
- NAB Care continues to help customers experiencing financial hardship. It has assisted over 8,000 customers experiencing financial hardship since October 2013.

Employee initiatives

- NAB has undergone a review by the Australian Network on Disability of the Year 1 actions within its Accessibility Action Plan 2012-2014
- NAB has launched the Emerging Leaders program for Indigenous employees, which aims to identify and invest in the career development of aspiring future leaders at NAB
- Over 11,400 employees have registered on NAB's Health & Wellbeing portal, receiving regular information to support their wellbeing
- For the March 2014 half year, over 6,300 volunteer days have been contributed to the community from the NAB Group.

Community investment initiatives

- NAB's sixth Reconciliation Action Plan (RAP) was launched in February 2014, detailing progress and renewed commitments in the areas of financial inclusion, business partnerships, employment and cultural understanding, as well as a new focus on innovation. NAB's RAP is still only one of a select few in Australia that has received the elite 'Elevate' status from Reconciliation Australia. It is also still the only RAP to be independently assured. For the March 2014 half year, 80 Indigenous Australians have commenced work with NAB
- NAB continues to measure the impact of its community investment initiatives. For the March 2014 half year, NAB has commenced or completed Social Return on Investment reports across many programs, including: Indigenous Money Mentors and the MLC Community Foundation partnership with Lifeline
- The MLC Community Foundation's primary focus is mental health. In the past six years, it has invested $6.5 million in grants and programs, including over $2.6 million of philanthropic capital to Lifeline Australia
- NAB and the Alannah & Madeline Foundation have developed a new campaign called 'Say Something' to address and help prevent bullying in Australian primary schools.

Environmental and supply chain initiatives

- NAB funded its fifth Environmental Upgrade Agreement (EUA) in the upgrade of a Sydney CBD commercial office building. The $2 million EUA was the first ever EUA with tenant pass-through in a multi-tenanted building. This allowed the benefits of the energy efficiency upgrade to be shared between both the owner and the tenants, breaking the split-incentive and bringing forward the investment in building improvements. This increased the National Australian

[(1)] Source: NAB Reconciliation Action Plan 2014.

Built Environment Rating System (NABERS) rating from 1 to 4 stars

- In February 2014 the funding vehicle NAB uses for delivering EUAs, The Australian Environmental Upgrade Fund (TAEUF), successfully secured an additional tranche of financing from the Clean Energy Finance Corporation. This additional capital will accelerate the upgrading of Australia's building stock to improve its energy efficiency and continues to place NAB at the forefront of EUA development in the market having been involved in five of the six privately funded EUAs to date
- In Australia, NAB hosted the fourth annual NAB Supplier Awards which was attended by approximately 220 supplier representatives, employees and interested stakeholders.

Section 4

Review of Divisional Operations and Results

Divisional Performance Summary

Half year ended 31 March 2014	Australian Banking [1] $m	NAB Wealth [2] $m	NZ Banking $m	UK Banking $m	GWB $m	NAB UK Commercial Real Estate $m	Corporate Functions & Other [3] $m	Distributions & Eliminations $m	Group Cash Earnings $m
Net interest income	5,086	-	681	682	165	22	207	-	**6,843**
Other operating income	1,387	708	225	188	33	3	115	(30)	**2,629**
IoRE	-	15	-	-	-	-	-	-	**15**
Net operating income	6,473	723	906	870	198	25	322	(30)	**9,487**
Operating expenses	(2,635)	(491)	(364)	(611)	(92)	(32)	(261)	30	**(4,456)**
Underlying profit/(loss)	3,838	232	542	259	106	(7)	61	-	**5,031**
Charge to provide for bad and doubtful debts	(375)	-	(38)	(100)	(3)	(8)	(4)	-	**(528)**
Cash earnings/(deficit) before tax and distributions	3,463	232	504	159	103	(15)	57	-	**4,503**
Income tax (expense)/benefit	(989)	(58)	(139)	(28)	(34)	3	(18)	-	**(1,263)**
Cash earnings/(deficit) before distributions	2,474	174	365	131	69	(12)	39	-	**3,240**
Distributions	-	-	-	-	-	-	-	(90)	**(90)**
Cash earnings/(deficit)	2,474	174	365	131	69	(12)	39	(90)	**3,150**
Key balance sheet items ($bn)									**Total**
Gross loans and acceptances (average)	409.3	-	57.0	47.9	7.1	6.5	2.2	-	**530.0**
Customer deposits (average)	295.6	-	38.0	41.7	7.9	-	-	-	**383.2**
Total risk-weighted assets (spot)	248.0	-	43.0	43.5	7.6	5.2	19.9	-	**367.2**

[1] *Australian Banking includes the Australian banking operations, offshore branches and New Zealand wholesale banking operations.*

[2] *Excludes Private Wealth (formerly part of NAB Wealth).*

[3] *Corporate Functions & Other includes Group Funding, Specialised Group Assets and other supporting units.*

Note: The Divisional Performance Summary excluding foreign exchange rate movements is shown on pages 125 to 126.

Divisional Performance Summary

Half year ended 30 September 2013	Australian Banking (1) (3) $m	NAB Wealth (2) $m	NZ Banking $m	UK Banking (3) $m	GWB $m	NAB UK Commercial Real Estate $m	Corporate Functions & Other (4) $m	Distributions & Eliminations $m	Group Cash Earnings $m
Net interest income	5,120	-	623	618	155	28	255	-	**6,799**
Other operating income	1,445	648	212	183	40	8	21	(52)	**2,505**
IoRE	-	16	-	-	-	-	-	-	**16**
Net operating income	6,565	664	835	801	195	36	276	(52)	**9,320**
Operating expenses	(2,566)	(481)	(335)	(591)	(94)	(33)	(166)	52	**(4,214)**
Underlying profit	3,999	183	500	210	101	3	110	-	**5,106**
(Charge to provide for)/benefit from bad and doubtful debts	(521)	-	(36)	(108)	(10)	(196)	29	-	**(842)**
Cash earnings/(deficit) before tax and distributions	3,478	183	464	102	91	(193)	139	-	**4,264**
Income tax (expense)/benefit	(981)	(36)	(124)	(28)	(31)	44	(7)	-	**(1,163)**
Cash earnings/(deficit) before distributions	2,497	147	340	74	60	(149)	132	-	**3,101**
Distributions	-	-	-	-	-	-	-	(94)	**(94)**
Cash earnings/(deficit)	2,497	147	340	74	60	(149)	132	(94)	**3,007**
									Total
Key balance sheet items ($bn)									
Gross loans and acceptances (average)	400.8	-	52.0	43.1	6.6	7.3	2.5	-	**512.3**
Customer deposits (average)	282.7	-	33.8	39.1	7.2	-	-	-	**362.8**
Total risk-weighted assets (spot)	244.8	-	40.0	42.5	7.2	6.5	21.1	-	**362.1**

(1) *Australian Banking includes the Australian banking operations, offshore branches and New Zealand wholesale banking operations.*

(2) *Excludes Private Wealth (formerly part of NAB Wealth).*

(3) *Restated for the impact of adopting new accounting standards as detailed in the Principal Accounting Policies on page 84.*

(4) *Corporate Functions & Other includes Group Funding, Specialised Group Assets and other supporting units.*

Divisional Performance Summary

Half year ended 31 March 2013	Australian Banking [1] [3] $m	NAB Wealth [2] $m	NZ Banking $m	UK Banking [3] $m	GWB $m	NAB UK Commercial Real Estate $m	Corporate Functions & Other [4] $m	Distributions & Eliminations $m	Group Cash Earnings $m
Net interest income	4,976	-	584	559	141	33	315	-	**6,608**
Other operating income	1,556	691	199	185	39	(25)	24	(49)	**2,620**
IoRE	-	15	-	-	-	-	-	-	**15**
Net operating income	6,532	706	783	744	180	8	339	(49)	**9,243**
Operating expenses	(2,514)	(468)	(316)	(539)	(88)	(23)	(93)	49	**(3,992)**
Underlying profit/(loss)	4,018	238	467	205	92	(15)	246	-	**5,251**
Charge to provide for bad and doubtful debts	(593)	-	(45)	(139)	(13)	(281)	(21)	-	**(1,092)**
Cash earnings/(deficit) before tax and distributions	3,425	238	422	66	79	(296)	225	-	**4,159**
Income tax (expense)/benefit	(980)	(63)	(113)	(16)	(26)	70	(34)	-	**(1,162)**
Cash earnings/(deficit) before distributions	2,445	175	309	50	53	(226)	191	-	**2,997**
Distributions	-	-	-	-	-	-	-	(94)	**(94)**
Cash earnings/(deficit)	2,445	175	309	50	53	(226)	191	(94)	**2,903**

Key balance sheet items ($bn)									Total
Gross loans and acceptances (average)	395.0	-	47.4	41.7	6.0	8.1	2.7	-	**500.9**
Customer deposits (average)	272.7	-	29.7	38.2	6.7	-	-	-	**347.3**
Total risk-weighted assets (spot)	248.3	-	33.7	36.8	6.1	6.3	20.2	-	**351.4**

(1) *Australian Banking includes the Australian banking operations, offshore branches and New Zealand wholesale banking operations.*

(2) *Excludes Private Wealth (formerly part of NAB Wealth).*

(3) *Restated for the impact of adopting new accounting standards as detailed in the Principal Accounting Policies on page 84.*

(4) *Corporate Functions & Other includes Group Funding, Specialised Group Assets and other supporting units.*

Divisional Asset Quality Ratio Summary

As at 31 March 2014	Australian Banking [1] %	NZ Banking %	UK Banking %	GWB [2] %	NAB UK Commercial Real Estate %	Group %
90+DPD to gross loans and acceptances	0.40	0.40	0.80	0.23	4.26	**0.47**
Gross impaired assets to gross loans and acceptances	0.64	0.64	1.53	0.90	28.95	**1.05**
90+DPD plus gross impaired assets to gross loans and acceptances	1.04	1.04	2.33	1.13	33.21	**1.52**
Specific provision to gross impaired assets	30.4	33.4	39.8	10.2	40.6	**34.8**
Collective provision to credit risk weighted assets	0.67	0.67	1.01	0.68	5.83	**0.91**
Total provision to gross loans and acceptances	0.55	0.66	1.33	0.75	16.76	**0.91**
Net write-offs to gross loans and acceptances (annualised)	0.22	0.14	0.43	0.09	4.10	**0.28**
Total provisions to net write-offs (annualised)	252	483	307	814	409	**323**
Bad and doubtful debt charge to credit risk weighted assets (annualised)	0.34	0.20	0.57	0.06	0.35	**0.33**

(1) *Australian Banking includes the Australian banking operations, offshore branches and New Zealand wholesale banking operations.*

(2) *GWB includes loans covered by the loss share agreement with the United States of America Federal Deposit Insurance Corporation.*

As at 30 September 2013	Australian Banking [1] %	NZ Banking %	UK Banking %	GWB [2] %	NAB UK Commercial Real Estate %	Group %
90+DPD to gross loans and acceptances	0.42	0.44	0.59	0.24	3.17	**0.47**
Gross impaired assets to gross loans and acceptances	0.79	0.65	1.60	1.50	24.40	**1.22**
90+DPD plus gross impaired assets to gross loans and acceptances	1.21	1.09	2.19	1.74	27.57	**1.69**
Specific provision to gross impaired assets	26.1	36.8	36.9	9.4	40.6	**32.0**
Collective provision to credit risk weighted assets	0.71	0.69	1.06	0.76	5.23	**0.94**
Total provision to gross loans and acceptances	0.59	0.70	1.38	0.86	14.81	**0.96**
Net write-offs to gross loans and acceptances (annualised)	0.34	0.22	0.58	0.36	5.56	**0.41**
Total provisions to net write-offs (annualised)	173	322	239	239	266	**233**
Bad and doubtful debt charge to credit risk weighted assets (annualised)	0.51	0.24	0.80	0.36	8.07	**0.61**

(1) *Australian Banking includes the Australian banking operations, offshore branches and New Zealand wholesale banking operations.*

(2) *GWB includes loans covered by the loss share agreement with the United States of America Federal Deposit Insurance Corporation.*

Divisional Asset Quality Ratio Summary

As at 31 March 2013	Australian Banking [1] %	NZ Banking %	UK Banking %	GWB [2] %	NAB UK Commercial Real Estate %	Group %
90+DPD to gross loans and acceptances	0.46	0.44	0.67	0.34	3.71	**0.52**
Gross impaired assets to gross loans and acceptances	0.82	0.69	1.72	1.56	21.05	**1.22**
90+DPD plus gross impaired assets to gross loans and acceptances	1.28	1.13	2.39	1.90	24.76	**1.74**
Specific provision to gross impaired assets	32.7	42.1	32.0	12.5	31.9	**32.9**
Collective provision to credit risk weighted assets	0.74	0.74	1.11	0.84	5.55	**0.99**
Total provision to gross loans and acceptances	0.68	0.75	1.41	0.98	11.48	**1.01**
Net write-offs to gross loans and acceptances (annualised)	0.28	0.23	0.65	0.32	5.42	**0.39**
Total provisions to net write-offs (annualised)	248	325	212	304	212	**258**
Bad and doubtful debt charge to credit risk weighted assets (annualised)	0.54	0.30	0.88	0.44	8.65	**0.71**

(1) *Australian Banking includes the Australian banking operations, offshore branches and New Zealand wholesale banking operations.*

(2) *GWB includes loans covered by the loss share agreement with the United States of America Federal Deposit Insurance Corporation.*

This page has been left blank intentionally.

Australian Banking [1]

Lisa Gray, Joseph Healy, Rick Sawers, Gavin Slater

Following the organisational realignment announced in 2013, the Group's Australian Banking business was established comprising the Australian banking operations previously managed as Personal Banking, Business Banking, Private Wealth (previously included as part of NAB Wealth) and Wholesale Banking including Bank of New Zealand's wholesale banking operations.

Australian Banking offers a range of banking products and services to retail and business customers, ranging from small and medium enterprises through to Australia's largest institutions. Australian Banking comprises the Retail and Business Banking franchises, Fixed Income, Currencies and Commodities (FICC), Specialised Finance, Debt Markets, Asset Servicing and Treasury.

	Half Year to				
	Mar 14 $m	Sep 13 [2] $m	Mar 13 [2] $m	Mar 14 v Sep 13 %	Mar 14 v Mar 13 %
Net interest income	**5,086**	5,120	4,976	(0.7)	2.2
Other operating income	**1,387**	1,445	1,556	(4.0)	(10.9)
Net operating income	**6,473**	6,565	6,532	(1.4)	(0.9)
Operating expenses	**(2,635)**	(2,566)	(2,514)	(2.7)	(4.8)
Underlying profit	**3,838**	3,999	4,018	(4.0)	(4.5)
Charge to provide for bad and doubtful debts	**(375)**	(521)	(593)	28.0	36.8
Cash earnings before tax	**3,463**	3,478	3,425	(0.4)	1.1
Income tax expense	**(989)**	(981)	(980)	(0.8)	(0.9)
Cash earnings	**2,474**	**2,497**	**2,445**	**(0.9)**	**1.2**
Average Volumes ($bn)					
Housing lending	**237.4**	231.1	224.3	2.7	5.8
Business lending	**162.6**	160.2	161.3	1.5	0.8
Other lending	**9.3**	9.5	9.4	(2.1)	(1.1)
Total gross loans and acceptances	**409.3**	400.8	395.0	2.1	3.6
Interest earning assets	**625.0**	602.9	599.2	3.7	4.3
Total assets	**666.9**	652.3	639.2	2.2	4.3
Customer deposits	**295.6**	282.7	272.7	4.6	8.4
Capital ($bn)					
Risk-weighted assets - credit risk (spot)	**222.4**	217.6	221.9	2.2	0.2
Total risk-weighted assets (spot)	**248.0**	244.8	248.3	1.3	(0.1)
Performance Measures					
Cash earnings on average assets	**0.74%**	0.76%	0.77%	(2 bps)	(3 bps)
Cash earnings on average risk-weighted assets	**2.00%**	2.00%	2.05%	-	(5 bps)
Net interest margin	**1.63%**	1.69%	1.67%	(6 bps)	(4 bps)
Cost to income ratio	**40.7%**	39.1%	38.5%	(160 bps)	(220 bps)
'Jaws' [3]	**(4.1%)**	(1.6%)	n/a	(250 bps)	n/a
Cash earnings per average FTE ($'000s)	**207**	207	203	-	2.0
FTEs (spot)	**24,390**	23,793	24,064	(2.5)	(1.4)

(1) *Australian Banking includes the Australian banking operations, offshore branches and New Zealand wholesale banking operations.*

(2) *Restated for the impact of adopting new accounting standards as detailed in the Principal Accounting Policies on page 84.*

(3) *March 2013 is not available as September 2012 not restated.*

	As at		
Market Share	**Mar 14**	**Sep 13**	**Mar 13**
Business lending [1]	**22.8%**	23.8%	24.6%
Business lending [2]	**21.6%**	21.9%	22.3%
Business deposits [1]	**20.6%**	20.6%	20.5%
Housing lending [2]	**15.4%**	15.3%	15.2%
Household deposits [1]	**14.8%**	14.5%	14.6%

(1) *Source: APRA Banking System.*

(2) *Source: RBA Financial System.*

	As at		
Distribution	**Mar 14**	**Sep 13**	**Mar 13**
Number of stores and business banking centres	**861**	863	862
Number of ATMs	**3,113**	3,118	3,168
Number of internet banking customers (million)	**2.92**	2.76	2.60

Australian Banking

Financial Analysis

March 2014 v March 2013

Cash earnings increased by $29 million or 1.2% against the March 2013 half year ($3 million or 0.1% excluding foreign exchange), driven by a lower charge for bad and doubtful debts partly offset by lower net operating income and higher expenses.

Cash earnings on average assets decreased by three basis points as average asset growth outpaced the growth in cash earnings.

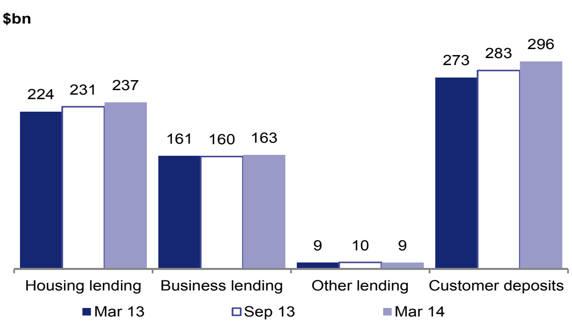
Cash earnings on risk weighted assets decreased by five basis points, reflecting the increase in average risk weighted assets due to the introduction of the Basel III regulatory framework. This was partly offset by increased cash earnings.

Net interest income increased by $110 million or 2.2% ($73 million or 1.5% excluding foreign exchange) with $51 million of the increase relating to gains on economic hedges relating to funding and banking book interest rate risk management activities, offset in other operating income. The underlying increase was largely the result of higher lending volumes, combined with lower funding and deposit costs. These effects were partly offset by a decrease in lending margins reflecting increased competition as well as a lower earnings rate on non-interest bearing deposits and capital.

Average interest earning assets increased by $26 billion or 4.3%, due to an increase in housing lending and business lending, combined with an increase in liquid assets and marketable securities to support Group liquidity and customer activity as part of the normal course of business. Business lending gross loans and acceptances increased by $1.3 billion, representing a decrease in Australian business lending of $1.4 billion, more than offset by increases in Asia ($2.7 billion).

Average customer deposits increased by $23 billion or 8.4% mainly as a result of an increase in on-demand deposits.

Australian Banking Average Volumes



Net interest margin decreased by four basis points due to lending margin compression reflecting competitive pressure on customer pricing, lower earnings on capital and non-interest bearing deposits, and the adverse portfolio mix impact of holding a higher volume of liquid assets and marketable securities. These effects were partly offset by lower funding and deposit costs.

Other operating income decreased by $169 million or 10.9% ($200 million or 12.9% excluding foreign exchange) with $51 million of the decrease offset in net interest income. The underlying decrease was mainly the result of a reduction in the sales of risk management products to the Group's customers and lower trading income following a strong March 2013 half year.

Operating expenses increased by $121 million or 4.8% ($92 million or 3.7% excluding foreign exchange). This was mainly due to higher transformational and regulatory spend, and increased investment into the business, including Asia, to support market growth, reflecting the Group's continued focus on its strategic initiatives.

The **charge to provide for bad and doubtful debts** decreased by $218 million or 36.8% ($226 million or 38.1% excluding foreign exchange) primarily driven by lower specific provisions across both business lending and housing lending products, combined with increased write-backs on large single name exposures.

March 2014 v September 2013

Cash earnings decreased by $23 million or 0.9% against the September 2013 half year ($37 million or 1.5% excluding foreign exchange), due to lower net operating income and higher expenses, partly offset by a lower charge for bad and doubtful debts.

Cash earnings on average assets decreased by two basis points reflecting lower margins in the banking businesses. These adverse effects were partly offset by a lower bad and doubtful debts charge.

Cash earnings on risk weighted assets were flat on the prior half.

Net interest income decreased by $34 million or 0.7% ($54 million or 1.1% excluding foreign exchange). Excluding $27 million relating to gains on economic hedges relating to funding and banking book interest rate risk management activities offset in other operating income, the underlying decrease was largely driven by lower lending margins as a result of competitive pressures and lower earnings on capital and non-interest bearing deposits.

Average interest earning assets increased by $22 billion or 3.7%, due to growth in both housing lending and business lending combined with an increase in liquid assets and marketable securities to support Group liquidity and customer activity. Business lending gross loans and acceptances increased by $2.4 billion, representing increases in Asia ($1.7 billion), and Australian related business lending ($0.7 billion).

Average customer deposits increased by $13 billion or 4.6%, mainly as a result of an increase in on-demand deposits.

Net interest margin decreased by six basis points as a result of competitive pressure on customer pricing, lower earnings on capital and non-interest bearing deposits and the adverse portfolio mix impact of holding a higher volume of liquid assets and marketable securities. These movements were partly offset by lower funding and deposit costs.

Other operating income decreased by $58 million or 4.0% ($76 million or 5.3% excluding foreign exchange) with $27 million of the decrease offset in net interest income. The underlying decrease was driven by a reduction in the sale of risk management products to the Group's customers, combined with lower fee income due to subdued origination activity in business lending and fee campaigns relating to unsecured lending. These effects were partly offset by gains in the liquidity portfolio.

Operating expenses increased by $69 million or 2.7%. ($54 million or 2.1% excluding foreign exchange), driven by increased transformational and regulatory spend, and increased investment in key areas to support market growth, including Asia.

The **charge to provide for bad and doubtful debts** decreased by $146 million or 28.0% ($151 million or 29.0% excluding foreign exchange), primarily driven by lower specific provisions across both business lending and housing lending.

Australian Banking

Net Interest Income

	Half year to				
	Mar 14 $m	Sep 13 $m	Mar 13 $m	Mar 14 v Sep 13 %	Mar 14 v Mar 13 %
Housing lending	**1,610**	1,604	1,510	0.4	6.6
Business lending	**1,805**	1,845	1,901	(2.2)	(5.0)
Other banking products	**445**	495	453	(10.1)	(1.8)
Customer deposits	**820**	799	838	2.6	(2.1)
NAB risk management	**406**	377	274	7.7	48.2
Total net interest income	**5,086**	5,120	4,976	(0.7)	2.2

Net Interest Margin

	Half year to				
	Mar 14 %	Sep 13 %	Mar 13 %	Mar 14 v Sep 13 %	Mar 14 v Mar 13 %
Australian Banking net interest margin	**1.63%**	1.69%	1.67%	(6 bps)	(4 bps)
Housing lending	**1.36%**	1.38%	1.35%	(2 bps)	1 bps
Business lending	**2.23%**	2.30%	2.36%	(7 bps)	(13 bps)

March 2014 v March 2013

Net interest income increased by $110 million or 2.2% compared to March 2013 half year ($73 million or 1.5% excluding foreign exchange).

Housing lending net interest income increased by $100 million or 6.6%, driven by volume increases combined with lower deposit and funding costs. This was partially offset by competitive pressure on pricing.

Housing lending net interest margin increased by one basis point driven by lower deposit and funding costs, partially offset by competitive pressure on pricing.

Business lending net interest income decreased by $96 million or 5.0%, driven by lower earnings on capital combined with competitive pressure on customer pricing. This was partly offset by increased volumes and lower deposit and funding costs.

Business lending net interest margin decreased by 13 basis points due to the factors set out above.

Other banking products net interest income decreased by $8 million or 1.8% due to lower investment income combined with lower volumes in the unsecured portfolio.

Customer deposits net interest income decreased by $18 million or 2.1% due to lower earnings on non-interest bearing deposits, partly offset by volume growth and the repricing of on-demand and term deposit products.

NAB risk management net interest income increased by $132 million or 48.2%, with $51 million of the increase relating to gains on economic hedges relating to funding and banking book interest rate risk management activities, offset in other operating income. The underlying increase was mainly the result of higher interest earning assets to support Group liquidity and customer activity, combined with favourable outcomes in interest rate risk management.

March 2014 v September 2013

Net interest income decreased by $34 million or 0.7% compared to September 2013 half year ($54 million or 1.1% excluding foreign exchange).

Housing lending net interest income increased by $6 million or 0.4%, driven by volume increases combined with lower deposit and funding costs. These effects were partly offset by competitive pressure on pricing.

Housing lending net interest margin decreased by two basis point driven by competitive pressure on pricing, partially offset by lower deposit and funding costs.

Business lending net interest income decreased by $40 million or 2.2%, driven by lower earnings on capital and competitive pressure on customer pricing. These decreases were partly offset by increased volumes and lower deposit and funding costs.

Business lending net interest margin decreased by seven basis points due to the factors set out above.

Other banking products net interest income decreased by $50 million or 10.1% mainly due to lower investment income, combined with lower margins and volumes in the unsecured portfolio.

Customer deposits net interest income increased by $21 million or 2.6% driven by increased volumes and repricing of on-demand and term deposit products. These increases were partially offset by lower earnings on non-interest bearing deposits.

NAB risk management net interest income increased by $29 million or 7.7% with $27 million of the increase relating to gains on economic hedges relating to funding and banking book interest rate risk management activities, offset in other operating income.

Australian Banking

Other Operating Income

	Half year to				
	Mar 14 $m	Sep 13 $m	Mar 13 $m	Mar 14 v Sep 13 %	Mar 14 v Mar 13 %
Fees and commissions	**841**	859	846	(2.1)	(0.6)
Trading income	**484**	485	644	(0.2)	(24.8)
Other	**62**	101	66	(38.6)	(6.1)
Total other operating income	**1,387**	1,445	1,556	(4.0)	(10.9)

March 2014 v March 2013

Other operating income decreased by $169 million or 10.9% compared to the March 2013 half year ($200 million or 12.9% excluding foreign exchange).

Fees and commissions decreased by $5 million or 0.6% ($11 million or 1.3% excluding foreign exchange) due to a reduction in fees relating to unsecured lending, mainly through fee campaigns, combined with customers' preferences for digital products.

Trading income decreased by $160 million or 24.8% ($184 million or 28.6% excluding foreign exchange). Of the decrease, $51 million was offset by gains in net interest income. The underlying decrease was driven by a reduction in the sales of risk management products to the Group's customers and lower trading revenue, following a strong performance in the March 2013 half year.

Other income decreased by $4 million or 6.1% ($5 million or 7.6% excluding foreign exchange).

March 2014 v September 2013

Other operating income decreased by $58 million or 4.0% compared to the September 2013 half year ($76 million or 5.3% excluding foreign exchange).

Fees and commissions decreased by $18 million or 2.1% ($20 million or 2.3% excluding foreign exchange) due to subdued origination activity in business lending, lower fees relating to unsecured lending, mainly through fee campaigns, customers' preference for digital products, and seasonality.

Trading income decreased by $1 million or 0.2% ($16 million or 3.3% excluding foreign exchange). Of the decrease, $27 million was offset by gains in net interest income. The underlying increase was due to gains in the liquidity portfolio combined with improved trading revenue. These were offset by a reduction in the sales of risk management products to the Group's customers.

Other income decreased by $39 million or 38.6% ($40 million or 39.6% excluding foreign exchange) due to higher levels of non-lending related income in the September 2013 half year.

Australian Banking

Operating Expenses

	Half year to				
	Mar 14 $m	Sep 13 $m	Mar 13 $m	Mar 14 v Sep 13 %	Mar 14 v Mar 13 %
Personnel expenses	**1,504**	1,476	1,486	(1.9)	(1.2)
Occupancy related expenses	**257**	246	237	(4.5)	(8.4)
General expenses	**874**	844	791	(3.6)	(10.5)
Total operating expenses	**2,635**	2,566	2,514	(2.7)	(4.8)

March 2014 v March 2013

Operating expenses increased by $121 million or 4.8% compared to the March 2013 half year ($92 million or 3.7% excluding foreign exchange).

Personnel expenses increased by $18 million or 1.2%. Excluding foreign exchange, personnel expenses were flat. This was driven by increased transformational and regulatory spend, increased investment in the business including Asia, and Enterprise Bargaining Agreement wage increases. These increases were offset by organisational realignment savings.

Occupancy related expenses increased by $20 million or 8.4% ($19 million or 8.0% excluding foreign exchange) reflecting higher operating lease expenses, additional offices in Asia and the opening of a new data centre.

General expenses increased by $83 million or 10.5% ($73 million or 9.2% excluding foreign exchange) driven by increased investment in transformational and regulatory projects, combined with higher marketing and amortisation costs.

March 2014 v September 2013

Operating expenses increased by $69 million or 2.7% compared to the September 2013 half year ($55 million or 2.1% excluding foreign exchange).

Personnel expenses increased by $28 million or 1.9% ($20 million or 1.4% excluding foreign exchange) driven by increased transformational and regulatory spend, investment in the business including Asia, and Enterprise Bargaining Agreement wage increases. This was partially offset by organisational realignment savings.

Occupancy related expenses increased by $11 million or 4.5% ($11 million or 4.5% excluding foreign exchange) reflecting higher operating lease expenses, and new offices in Asia in support of the strategic growth agenda in this region. This was partially offset by savings associated with the consolidation of the Group's property portfolio.

General expenses increased by $30 million or 3.6% ($24 million or 2.8% excluding foreign exchange) driven by higher operational costs supporting transformational and regulatory projects, combined with higher depreciation and amortisation costs.

Australian Banking

Bad and Doubtful Debt Charge

	Half Year to				
	Mar 14 $m	Sep 13 $m	Mar 13 $m	Mar 14 v Sep 13 %	Mar 14 v Mar 13 %
Specific charge to provide for bad and doubtful debts	428	604	586	29.1	27.0
Collective (write-back)/charge to provide for bad and doubtful debts	(53)	(83)	7	36.1	large
Total charge to provide for bad and doubtful debts	375	521	593	28.0	36.8
Housing lending	23	37	38	37.8	39.5
Business lending	214	364	386	41.2	44.6
Other banking products	138	120	169	(15.0)	18.3
Total charge to provide for bad and doubtful debts	375	521	593	28.0	36.8

March 2014 v March 2013

The **charge to provide for bad and doubtful debts** decreased by $218 million or 36.8% compared to the March 2013 half year. This was largely due to:

- Lower specific provision charges across business lending as a result of lower levels of new impairments
- An increase in specific provision write-backs on large corporate exposures, including the re-rating of a single name exposure to performing status
- A lower level of specific charges for mortgages, largely as a result of improvement in the 90+DPD profile
- Higher levels of collective provision write-backs, largely due to credit quality improvements and portfolio mix changes towards secured mortgage lending.

March 2014 v September 2013

The **charge to provide for bad and doubtful debts** decreased by $146 million or 28.0% compared to the September 2013 half year. This was primarily driven by:

- A lower incidence of specific provision charges across the business lending portfolio due to fewer new impairments
- Higher number of customers returning to performing status and an increase in repayments of previously impaired assets
- Lower levels of specific charges for mortgages largely as a result of improvement in 90+DPD profile.

This was marginally offset by lower collective provision write-backs in housing and business lending.

Australian Banking

Asset Quality

	Half Year to		
	Mar 14	**Sep 13**	**Mar 13**
Specific provision for doubtful debts ($m)	**798**	837	1,069
Collective provision for doubtful debts ($m)	**1,074**	1,121	1,228
Collective provision on loans at fair value ($m)	**251**	254	228
Collective provision on derivatives at fair value ($m)	**155**	164	188
90+DPD assets ($m)	**1,634**	1,713	1,827
Gross impaired assets ($m)	**2,625**	3,210	3,270
90+DPD assets to gross loans and acceptances (1)	**0.40%**	0.42%	0.46%
Gross impaired assets to gross loans and acceptances (1)	**0.64%**	0.79%	0.82%
90+DPD assets plus gross impaired assets to gross loans and acceptances (1)	**1.04%**	1.21%	1.28%
Specific provision to gross impaired assets	**30.4%**	26.1%	32.7%
Net write-offs to gross loans and acceptances (annualised) (1)	**0.22%**	0.34%	0.28%
Total provision as a percentage of net write-offs (annualised)	**252%**	173%	248%
Total provision to gross loans and acceptances (1)	**0.55%**	0.59%	0.68%
Bad and doubtful debt charge to credit risk weighted assets (annualised)	**0.34%**	0.51%	0.54%

(1) *Prior periods have been restated for the impact of adopting new accounting standards as detailed in the Principal Accounting Policies on page 84.*

For the March 2014 half year, the quality of the Australian Banking portfolio has continued to improve.

Over the March 2014 half year the ratio of 90+DPD assets plus gross impaired assets to gross loans and acceptances improved by 17 basis points to 1.04%. The reduction has been driven by lower mortgage 90+DPD loans, lower new impaired assets in the business lending portfolio and the re-rating of a single large corporate exposure to performing status.

Total provisions to gross loans and acceptances decreased by four basis points to 0.55% from the September 2013 half year and by 13 basis points against the March 2013 half year.

Collective provisions for doubtful debts have fallen marginally against the September 2013 half year. This was mainly due to a general improvement in customer risk profile across the portfolio and a continuation of portfolio mix changes in favour of well secured mortgage loans. Subdued credit growth in the business lending portfolio also contributed to the reduction.

Specific provisions for doubtful debts decreased slightly against the September 2013 half year. However specific provisions declined significantly against the March 2013 half year to $798 million. The reduction since March 2013 is due to a continuation of write-off activity combined with lower levels of specific charges raised.

The coverage of specific provisions to gross impaired assets increased by 430 basis points to 30.4% in comparison to the September 2013 half year.

During the March 2014 half year the ratio of the bad and doubtful debt charge to credit risk weighted assets (annualised) decreased by 17 basis points to 0.34% as a result of lower specific charges raised.

NAB Wealth [1]

Andrew Hagger

NAB Wealth provides superannuation, investment and insurance solutions to retail, corporate and institutional clients. NAB Wealth operates one of the largest networks of financial advisers in Australia.

	Half year to				
	Mar 14 $m	**Sep 13 $m**	**Mar 13 $m**	**Mar 14 v Sep 13 %**	**Mar 14 v Mar 13 %**
Net investments income	**545**	545	477	-	14.3
Net insurance income	**163**	103	214	58.3	(23.8)
IoRE	**15**	16	15	(6.3)	-
Net income	**723**	664	706	8.9	2.4
Operating expenses	**(491)**	(481)	(468)	(2.1)	(4.9)
Cash earnings before tax	**232**	183	238	26.8	(2.5)
Income tax expense	**(58)**	(36)	(63)	(61.1)	7.9
Cash earnings [2]	**174**	147	175	18.4	(0.6)
Represented by:					
Investments	**147**	157	113	(6.4)	30.1
Insurance	**27**	(10)	62	large	(56.5)
Cash earnings	**174**	147	175	18.4	(0.6)
Planned and Experience Analysis - Insurance					
Planned profit margins	**61**	92	81	(33.7)	(24.7)
Experience (loss)/profit	**(34)**	(102)	(19)	66.7	(78.9)
Insurance cash earnings	**27**	(10)	62	large	(56.5)

(1) *Excludes Private Wealth (formerly part of NAB Wealth).*

(2) *The March 2014 period includes actuarial assumption changes of $14 million post-tax (September 2013: $40 million post-tax).*

Performance Measures [3]					
Funds under management (spot) ($m)	**153,771**	145,104	136,636	6.0	12.5
Funds under management (average) ($m)	**149,614**	140,423	130,086	6.5	15.0
Net funds flow ($m)	**2,555**	1,294	1,323	97.4	93.1
Cost to income ratio	**67.9%**	72.4%	66.3%	450 bps	(160 bps)
Investment operating expenses to average FUM (bps)	**49**	51	53	2 bps	4 bps
Investment income to average FUM (bps)	**73.1**	77.4	73.5	(4 bps)	-
Annual inforce premiums (spot) ($m)	**1,672.6**	1,611.4	1,536.2	3.8	8.9
Annual inforce premiums (average) ($m)	**1,642.0**	1,573.8	1,529.9	4.3	7.3
Insurance operating expenses to average inforce premium (%)	**15**	15	16	-	100 bps
Cash earnings per average FTE ($'000s)	**72**	58	68	24.1	5.9
FTEs (spot)	**4,836**	4,960	5,121	2.5	5.6

(3) *FUM excludes Trustee and Cash Management. FUM is reported on the basis of nabInvest's proportional ownership interest rather than the total FUM of these businesses.*

Annual Inforce Premiums ($m)	**Mar 14 $m**	**Sep 13 $m**	**Mar 13 $m**	**Mar 14 v Sep 13 %**	**Mar 14 v Mar 13 %**
Retail	**1,247.5**	1,238.5	1,223.8	0.7	1.9
Group Risk	**425.1**	372.9	312.4	14.0	36.1
Total	**1,672.6**	1,611.4	1,536.2	3.8	8.9

NAB Wealth - Interest on Retained Earnings by Assets Class

	Half year to								
	Mar 14			**Sep 13**			**Mar 13**		
	Actual Earnings	**Weighted Asset Balance**	**Earnings Rate [4]**	**Actual Earnings**	**Weighted Asset Balance**	**Earnings Rate [4]**	**Actual Earnings**	**Weighted Asset Balance**	**Earnings Rate [4]**
IoRE by Asset Class	**$m**	**$m**	**%**	**$m**	**$m**	**%**	**$m**	**$m**	**%**
Equity	**12**	**169**	**14.2**	14	136	20.6	12	132	18.2
Fixed interest	**2**	**57**	**7.0**	1	51	3.9	1	51	3.9
Cash	**1**	**171**	**1.2**	1	140	1.4	2	135	3.0
IoRE before Tax [5]	**15**			16			15		

(4) *The earnings rate is an annualised rate.*

(5) *IoRE no longer includes interest on deferred acquisition costs and cost of debt. These items have been reallocated to Net investment income and Net insurance income.*

NAB Wealth

Financial Analysis

March 2014 v March 2013

Cash earnings were flat on the March 2013 half year, due to increased insurance claims, actuarial assumption changes strengthening insurance reserves and higher costs to support regulatory change initiatives, offset by strong growth in FUM as a result of strong investment markets and increased client flows.

Investments net income grew by $68 million or 14.3% compared to the March 2013 half year. The increase was driven by improved growth in FUM as a result of strong investment markets and increased client flows.

Insurance net income fell by $51 million or 23.8% compared to the March 2013 half year. The decrease was driven by higher insurance claims consistent with broader industry experience and actuarial assumption changes strengthening insurance reserves. This was partially offset by an improvement in lapse experience and success of retention initiatives.

Operating expenses increased by $23 million or 4.9% due to an increase in costs to support regulatory change initiatives. Excluding this, operating expenses remained flat.

Average FUM grew by $19.5 billion or 15.0%, due to strong markets performance and positive net funds flow.

Net funds flow increased by $1.2 billion compared to March 2013, driven by increased investor confidence in the wealth products offered to clients. This was the third consecutive half year of positive net funds flow.

Insurance planned profit margins and Experience Profit/(Loss)

Planned profit margins were lower in March 2014 compared to March 2013 due to higher planned claim experience assumptions.

Inforce premiums as at 31 March 2014 of $1.7 billion grew by $136 million or 8.9% compared to March 2013.

March 2014 v September 2013

Cash earnings increased by $27 million or 18.4% against the September 2013 half year, due to lower levels of actuarial assumption changes strengthening insurance reserves, growth in FUM as a result of strong investment markets and increased client flows.

Investments net income was in line with the September 2013 half year with strong revenue from growth in FUM, which was offset by the gain on sale of the investment in AREA Property Partners in the September 2013 half year, not repeated.

Insurance net income grew by $60 million or 58.3% compared to the September 2013 half year. The increase was driven by lower levels of actuarial assumption changes strengthening insurance reserves combined with strong claims management and stable lapse experience during the current period.

Operating expenses increased by $10 million or 2.1% due to an increase in costs to support regulatory change initiatives. Excluding this, operating expenses remained flat.

Average FUM grew by $9.1 billion or 6.5%, due to strong markets performance and positive net funds flows.

Net funds flow increased by $1.3 billion compared to September 2013, driven by strong investment performance of wealth products in the market and successful retention initiatives.

Insurance planned profit margins and Experience Profit/(Loss)

Planned profit margins were lower in March 2014 compared to September 2013 due to higher planned claim experience assumptions.

Inforce premiums as at 31 March 2014 of $1.7 billion grew by $61 million or 3.8% compared to September 2013.

NAB Wealth - Funds Under Management Analysis

Movement in Funds under Management and Administration ($m)	As at Mar 13	Client Inflows	Client Outflows	Market Performance	Other [1]	As at Mar 14
Retail [2]	91,853	15,689	(14,097)	10,829	(1,065)	**103,209**
Wholesale	44,783	8,339	(6,082)	5,667	(2,145)	**50,562**
Total NAB Wealth ex Trustee and Cash Management	136,636	24,028	(20,179)	16,496	(3,210)	**153,771**

Movement in Funds under Management and Administration ($m)	As at Sep 13	Client Inflows	Client Outflows	Market Performance	Other [1]	As at Mar 14
Retail [2]	98,748	7,613	(6,824)	4,020	(348)	**103,209**
Wholesale	46,356	5,126	(3,360)	2,601	(161)	**50,562**
Total NAB Wealth ex Trustee and Cash Management	145,104	12,739	(10,184)	6,621	(509)	**153,771**

(1) *Other includes trust distributions.*

(2) *Includes corporate superannuation.*

	Funds under Management					
	Dec 13		Sep 13		Dec 12	
	Rank	Market Share %	Rank	Market Share %	Rank	Market Share %
Retail (excl. Cash)	**2**	**15.2**	2	15.4	2	15.6
Total Retail Superannuation	**2**	**19.6**	2	19.9	2	19.6
Total Wholesale	**4**	**5.6**	3	5.9	3	5.9

Source: Plan for Life Australian Retail & Wholesale Investments Market Share and Dynamics Report - December 2013. (Prior periods include re-statements of funds under management made by Plan for Life.)

	Premiums in Force					
	Dec 13		Sep 13		Dec 12	
	Rank	Market Share %	Rank	Market Share %	Rank	Market Share %
Retail risk premiums	**2**	**15.8**	2	16.1	2	16.8
Group Risk	**5**	**9.8**	5	9.3	6	8.6

	Share of New Business					
	Dec 13		Sep 13		Dec 12	
	Rank	Market Share %	Rank	Market Share %	Rank	Market Share %
Retail risk premiums	**2**	**14.6**	2	14.4	3	14.3
Group Risk	**3**	**14.9**	4	15.4	5	9.8

Source: DEXX&R Life Analysis - December 2013. (Prior periods include restatements of premiums inforce and share of new business made by DEXX&R).

This page has been left blank intentionally.

NZ Banking

Andrew Thorburn

NZ Banking comprises the Retail, Business, Agribusiness, Corporate & Institutional and Insurance franchises in New Zealand, operating under the 'BNZ' brand. It excludes BNZ's wholesale banking operations which form part of Australian Banking.

Results presented in local currency. See page 61 for results in Australian dollars and page 123 for foreign exchange rates.

	Half Year to				
	Mar 14 NZ$m	Sep 13 NZ$m	Mar 13 NZ$m	Mar 14 v Sep 13 %	Mar 14 v Mar 13 %
Net interest income	746	734	732	1.6	1.9
Other operating income	248	250	249	(0.8)	(0.4)
Net operating income	994	984	981	1.0	1.3
Operating expenses	(400)	(396)	(395)	(1.0)	(1.3)
Underlying profit	594	588	586	1.0	1.4
Charge to provide for bad and doubtful debts	(41)	(43)	(56)	4.7	26.8
Cash earnings before tax	553	545	530	1.5	4.3
Income tax expense	(153)	(144)	(143)	(6.3)	(7.0)
Cash earnings	400	401	387	(0.2)	3.4
Average Volumes (NZ$bn)					
Gross loans and acceptances	62.5	61.4	59.4	1.8	5.2
Interest earning assets	64.1	62.9	61.2	1.9	4.7
Total assets	63.9	62.7	61.3	1.9	4.2
Customer deposits	41.7	39.9	37.1	4.5	12.4
Capital (NZ$bn)					
Risk-weighted assets - credit risk (spot)	41.5	41.1	38.0	1.0	9.2
Total risk-weighted assets (spot)	45.8	45.0	41.9	1.8	9.3
Performance Measures					
Cash earnings on average assets	1.26%	1.28%	1.27%	(2 bps)	(1 bps)
Cash earnings on average risk-weighted assets	1.77%	1.86%	1.88%	(9 bps)	(11 bps)
Net interest margin	2.34%	2.33%	2.40%	1 bps	(6 bps)
Cost to income ratio	40.2%	40.2%	40.3%	-	10 bps
'Jaws'	-	-	2.9%	-	(290 bps)
Cash earnings per average FTE (NZ$'000s)	171	173	170	(1.2)	0.6
FTEs (spot)	4,719	4,671	4,579	(1.0)	(3.1)

	As at		
Market Share [1]	**Mar 14**	**Sep 13**	**Mar 13**
Housing lending	15.8%	16.0%	16.2%
Cards	25.5%	25.8%	26.9%
Agribusiness	22.2%	22.1%	21.7%
Business lending	26.8%	26.8%	26.6%
Retail deposits [2]	19.0%	19.4%	18.8%

(1) *Source RBNZ: March 2014 (historical market share rebased with latest revised RBNZ published data).*

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

	As at		
Distribution	**Mar 14**	**Sep 13**	**Mar 13**
Number of retail branches	178	178	178
Number of ATMs	472	470	462
Number of internet banking customers ('000s)	631	607	591

NZ Banking

Financial Analysis (in local currency)

March 2014 v March 2013

Cash earnings increased by NZ$13 million or 3.4% to NZ$400 million, when compared to the March 2013 half year. This was driven by improvements in revenue and bad and doubtful debt charges, while expenses increased in line with revenue which resulted in a neutral 'Jaws'.

Cash earnings on risk-weighted assets decreased by 11 basis points to 1.77%. This was driven by increased average risk-weighted assets resulting from Basel III and additional Reserve Bank of New Zealand (RBNZ) regulatory requirements.

Net interest income increased by NZ$14 million or 1.9% through steady growth in business lending volumes, while housing growth was subdued, largely due to the RBNZ loan-to-value ratio limits effective from October 2013. Volume growth was partially offset by margin compression on lending resulting from competitive pressures and customers' preference for lower margin fixed rate lending.

Average gross loans and acceptances increased by NZ$3.1 billion or 5.2%. The business lending portfolio experienced steady growth, driven by Institutional Banking and Agribusiness, with market share in the key Agribusiness sector growing by 60 basis points to 22.3%. Housing growth was subdued due to the RBNZ loan-to-value ratio limits and intense market competition.

Average customer deposits grew strongly, increasing by NZ$4.6 billion or 12.4%. This was the result of a continued focus on strengthening the balance sheet. BNZ's market share improved by 20 basis points to 19.0%.

Net interest margin decreased by six basis points to 2.34%. This was largely due to customers' preference for lower margin fixed rate lending, ahead of anticipated Official Cash Rate increases which have now commenced. The RBNZ loan-to-value ratio limits also influenced margins, as competition for mortgage customers with higher equity caused rates to decrease. This was partially offset by reduced funding costs.

Other operating income decreased by NZ$1 million or 0.4%. This was primarily due to lower lending and commitment fees in Corporate & Institutional Banking.

Operating expenses increased by NZ$5 million or 1.3%, primarily due to investment in strategic projects, increased depreciation costs from recently completed projects and costs associated with the Wellington earthquake.

The **charge to provide for bad and doubtful debts** decreased by NZ$15 million or 26.8%. This reflects an improvement in overall asset quality driven by the low interest rate environment and improved economic conditions.

March 2014 v September 2013

Cash earnings decreased by NZ$1 million or 0.2% to NZ$400 million, when compared to the September 2013 half year. This result was driven by a slight decrease in other operating income as well as higher operating expenses. Improved net interest income and bad and doubtful debt charges contributed favourably.

Cash earnings on risk-weighted assets decreased by nine basis points to 1.77% primarily due to higher average risk-weighted assets as a result of additional RBNZ regulatory requirements.

Net interest income increased by NZ$12 million or 1.6%. This was driven by steady growth in business lending volumes, while business margins were broadly stable. Housing growth was subdued largely due to RBNZ loan-to-value ratio limits while housing margins declined as a result of the portfolio mix change from floating to fixed rates.

Average gross loans and acceptances grew by NZ$1.1 billion or 1.8%. The growth was primarily in business lending as the economy improved, encouraging greater investment. BNZ's housing market share decreased due to intense competition, while market share in the Agribusiness sector grew by 20 basis points to 22.3%.

Average customer deposits grew by NZ$1.8 billion or 4.5%. Growth in customer deposits has outpaced lending, continuing to improve balance sheet strength, while pricing supported improved funding costs.

Net interest margin increased by one basis point to 2.34%. Margin improvement was largely driven by lower wholesale funding and customer deposit costs. This was partially offset by a decline in lending margins from customers switching from floating to fixed rate mortgages, as well as increased competitive pressures.

Other operating income decreased by NZ$2 million or 0.8%. This was primarily due to lower lending and commitment fees in Corporate & Institutional Banking.

Operating expenses increased by NZ$4 million or 1.0% mainly due to investment in strategic projects including NextGen.

The **charge to provide for bad and doubtful debts** decreased by NZ$2 million or 4.7%.

Other Items

Asset Quality

	As at		
	Mar 14	**Sep 13**	**Mar 13**
Specific provision for doubtful debts (NZ$m)	**119**	114	141
Collective provision for doubtful debts (NZ$m)	**158**	167	165
Specific provision on loans at fair value (NZ$m)	**14**	35	35
Collective provision on loans at fair value (NZ$m)	**121**	117	115
90+DPD assets (NZ$m)	**252**	273	263
Gross impaired assets (NZ$m)	**398**	405	418
90+DPD to gross loans and acceptances	**0.40%**	0.44%	0.44%
Gross impaired assets to gross loans and acceptances	**0.64%**	0.65%	0.69%
90+DPD plus gross impaired assets to gross loans and acceptances	**1.04%**	1.09%	1.13%
Specific provision to gross impaired assets	**33.4%**	36.8%	42.1%
Net write-offs to gross loans and acceptances (annualised)	**0.14%**	0.22%	0.23%
Total provision as a percentage of net write-offs (annualised)	**483%**	322%	325%
Total provision to gross loans and acceptances	**0.66%**	0.70%	0.75%
Bad and doubtful debt charge to credit risk weighted assets (annualised)	**0.20%**	0.24%	0.30%

Asset quality has improved over the half year to March 2014, with impaired assets as a percentage of gross loans and acceptances falling by one basis point and 90+DPD as a percentage of gross loans and acceptances decreasing by four basis points. The mortgage portfolio improved materially over 2013, with further improvement over the half to March 2014. Rolling 12 month write-offs also fell from seven basis points to four basis points, primarily due to the stable housing credit environment and improved collection processes implemented in Retail Banking in 2013. The Agribusiness portfolio has also improved over the half year, assisted by high commodity prices.

Bad and doubtful debt charges for the March 2014 half year were similar to those in the September 2013 half year, and lower than those in the March 2013 half year. Retail banking provisioning charges continued to fall.

Net write-offs have decreased by eight and nine basis points respectively, on the September 2013 and March 2013 halves, with reductions across all asset classes.

Over the March 2014 half year, the cover of total provisions to gross loans and acceptances decreased by four basis points to 0.66%, with a write-back in industry related reserves reducing collective provisions. Specific provisions also decreased in line with the reduction in impaired assets.

Capital and Funding Position

BNZ maintains a robust capital structure, with a strong balance sheet that is well funded through diversified stable funding sources.

BNZ's core funding ratio (CFR) was above 85% as at 31 March 2014, comfortably exceeding the RBNZ minimum requirement of 75%. BNZ's Common Equity Tier 1, Tier 1 and Total capital ratios of 9.13%, 10.58% and 12.13% as at 31 March 2014 were well above the RBNZ minimum requirements of 7.00%, 8.50% and 10.50% respectively.

Over the past three years, BNZ has pursued a strategy of growing customer deposits and reducing its reliance on wholesale funding, particularly short-term wholesale borrowings. The success of this strategy has resulted in a funding mix that supports sustainable balance sheet growth.

In February 2014, BNZ established a U.S. Rule 144A program, enabling BNZ to raise term funding in the U.S. market and further broadening BNZ's wholesale funding base. BNZ completed a successful inaugural US$750 million five year MTN issuance under the program. For the 2014 financial year to date, BNZ has also completed term debt issuance in the Swiss, Japanese and domestic market, demonstrating BNZ's commitment to maintaining a diversified funding base.

Collectively, BNZ's funding and capital position is supportive of BNZ's long-term AA-/Aa3/AA- (S&P/Moody's/Fitch) credit rating.

NZ Banking

Results presented in Australian dollars. See page 58 for results in local currency.

	Half Year to				
	Mar 14 $m	Sep 13 $m	Mar 13 $m	Mar 14 v Sep 13 %	Mar 14 v Mar 13 %
Net interest income	**681**	623	584	9.3	16.6
Other operating income	**225**	212	199	6.1	13.1
Net operating income	**906**	835	783	8.5	15.7
Operating expenses	**(364)**	(335)	(316)	(8.7)	(15.2)
Underlying profit	**542**	500	467	8.4	16.1
Charge to provide for bad and doubtful debts	**(38)**	(36)	(45)	(5.6)	15.6
Cash earnings before tax	**504**	464	422	8.6	19.4
Income tax expense	**(139)**	(124)	(113)	(12.1)	(23.0)
Cash earnings	**365**	340	309	7.4	18.1

Impact of foreign exchange rate movements

Favourable/ (unfavourable) March 14	Half year since Sep 13 $m	Mar 14 v Sep 13 Ex FX %	Half year since Mar 13 $m	Mar 14 v Mar 13 Ex FX %
Net interest income	**47**	1.8	**85**	2.1
Other operating income	**15**	(0.9)	**28**	(1.0)
Operating expenses	**(24)**	(1.5)	**(45)**	(0.9)
Charge to provide for bad and doubtful debts	**(3)**	2.8	**(5)**	26.7
Income tax expense	**(9)**	(4.8)	**(17)**	(8.0)
Cash earnings	**26**	(0.3)	**46**	3.2

UK Banking

David Thorburn

UK Banking operates under the Clydesdale Bank and Yorkshire Bank brands offering a range of banking services for both personal and business customers. These services are delivered through a network of retail branches, business and private banking centres, direct banking and broker channels. Historic comparatives have been restated in line with the adoption of the amendments to *AASB 119 'Employee Benefits'*.

Results presented in local currency. See page 65 for results in Australian dollars and page 123 for foreign exchange rates.

	Half Year to				
	Mar 14 £m	Sep 13 (1) £m	Mar 13 (1) £m	Mar 14 v Sep 13 %	Mar 14 v Mar 13 %
Net interest income	**380**	383	368	(0.8)	3.3
Other operating income	**105**	113	122	(7.1)	(13.9)
Net operating income	**485**	496	490	(2.2)	(1.0)
Operating expenses	**(341)**	(366)	(355)	6.8	3.9
Underlying profit	**144**	130	135	10.8	6.7
Charge to provide for bad and doubtful debts	**(55)**	(67)	(91)	17.9	39.6
Cash earnings before tax	**89**	63	44	41.3	large
Income tax expense	**(16)**	(16)	(11)	-	(45.5)
Cash earnings	**73**	**47**	**33**	**55.3**	**large**
Average Volumes (£bn)					
Gross loans and acceptances	**26.7**	26.7	27.4	-	(2.6)
Interest earning assets	**33.9**	34.9	35.9	(2.9)	(5.6)
Total assets	**36.3**	37.3	39.0	(2.7)	(6.9)
Customer deposits	**23.3**	24.1	25.0	(3.3)	(6.8)
Capital (£bn)					
Risk-weighted assets - credit risk (spot)	**19.2**	19.8	20.8	(3.0)	(7.7)
Total risk-weighted assets (spot)	**24.1**	24.5	25.5	(1.6)	(5.5)
Performance Measures					
Cash earnings on average assets	**0.40%**	0.25%	0.17%	15 bps	23 bps
Cash earnings on average risk-weighted assets	**0.60%**	0.38%	0.23%	22 bps	37 bps
Net interest margin	**2.25%**	2.19%	2.06%	6 bps	19 bps
Cost to income ratio	**70.3%**	73.8%	72.4%	350 bps	210 bps
'Jaws' (2)	**4.6%**	(1.9%)	n/a	large	n/a
Cash earnings per average FTE (£'000s)	**21**	13	9	61.5	large
FTEs (spot)	**7,103**	7,013	7,150	(1.3)	0.7

(1) *Restated for the impact of adopting new accounting standards as detailed in the Principal Accounting Policies on page 84.*

(2) *March 2013 is not available as September 2012 not restated.*

	As at		
Distribution	**Mar 14**	**Sep 13**	**Mar 13**
Number of retail branches	**322**	323	330
Number of ATMs	**859**	838	860
Number of internet banking customers ('000s)	**701**	657	634

UK Banking

Financial Analysis (in local currency)

March 2014 v March 2013

Cash earnings increased by £40 million to £73 million when compared to the March 2013 half year.

Cash earnings on risk-weighted assets increased by 37 basis points to 0.60%. This was mainly due to reduced expenses and lower bad and doubtful debt charges, which led to an improvement in cash earnings, and a reduction in credit risk-weighted assets.

Net interest income increased by £12 million or 3.3%. This was driven by higher housing lending income reflecting growth in this product and lower deposit costs. The increase also reflects the timing of the Financial Services Compensation Scheme (FSCS) levy, which has changed as a result of applying *Interpretation 21 'Levies'*. This was partially offset by lower business lending income as a result of portfolio attrition, and lower returns on non-interest bearing deposits.

The **net interest margin** increased by 19 basis points. This was primarily the result of an improvement in the retail deposit mix, a reduction in low yielding liquid assets and the impact of the timing of the FSCS levy.

Average gross loans and acceptances decreased by £0.7 billion or 2.6%. Business lending balances declined at a faster pace than system, falling by £1.9 billion or 17.8% during the year. This was mainly driven by the subdued demand for credit, risk appetite settings and the impact of business restructuring. Housing lending growth of 6.4% was significantly higher than system growth which was relatively flat in the period[(1)].

Average customer deposits decreased by £1.7 billion or 6.8%. This reflected the managed rebalancing of the retail deposit book with reductions in higher cost term deposits and was partially offset by growth in current, savings and non-interest bearing accounts.

Other operating income decreased by £17 million or 13.9%. Fees and commissions were £7 million lower, due to subdued business credit growth and a continued reduction in account fees to improve customer outcomes and competitive positioning. Insurance income was £10 million lower due to the restructuring of the Wealth Management business.

Operating expenses decreased by £14 million or 3.9%. Costs related to legacy conduct related matters continue to have an impact on expenses, with £13 million of additional provisions raised in the half year, a decline of £9 million compared to the March 2013 half year. Excluding this, underlying operating expenses fell £5 million or 1.5%. Personnel costs were lower due to a reduction in FTEs, and lower occupancy costs following property rationalisation. This was partially offset by an increase in marketing costs to support customer acquisition strategies, an increase in project related expenditure and higher performance related remuneration.

The **charge to provide for bad and doubtful debts** decreased by £36 million or 39.6%. This was primarily driven by a reduction in business lending and housing lending losses, reflecting improving economic conditions and the change in risk profile as part of the re-positioning of this business.

March 2014 v September 2013

Cash earnings increased by £26 million to £73 million when compared to the September 2013 half year.

Cash earnings on risk-weighted assets increased by 22 basis points to 0.60%. This was mainly due to reduced expenses and lower bad and doubtful debt charges, which led to an improvement in cash earnings, and a reduction in credit risk-weighted assets.

Net interest income decreased by £3 million or 0.8%. This was the result of lower business lending income and lower returns on non-interest bearing deposits and capital. It was partially offset by higher mortgage lending income and lower deposit costs.

The **net interest margin** increased by six basis points. This was due to an improved retail deposit mix and a reduction in low yielding liquid assets, partially offset by a decline in the earnings rate on non-interest bearing deposits and capital.

Average gross loans and acceptances have remained flat in the period at £26.7 billion. Business lending balances decreased by £0.8 billion or 8.3%, driven by the subdued demand for credit, risk appetite settings and the impact of business restructuring. Mortgage growth of 5.1% was higher than system growth of 0.6% in the period[(1)].

Average customer deposits decreased by £0.8 billion or 3.3%. This reflected a change in deposit mix driven by the managed reduction of higher cost term deposits.

Other operating income decreased by £8 million or 7.1%. This was due to the impact of subdued business credit growth and a reduction in account fees to improve customer outcomes and competitive positioning.

Operating expenses decreased by £25 million or 6.8%. Costs related to legacy conduct related matters decreased by £15 million compared to the prior half year. Excluding this, underlying operating expenses decreased by £10 million or 3.0%. Personnel costs were lower due to a reduction in pension and contractor costs, with marketing costs also lower due to non-recurring costs associated with the brand re-launch in the September 2013 half year.

The **charge to provide for bad and doubtful debts** decreased by £12 million or 17.9%. Business lending and housing lending losses were lower in the period as a result of improving economic conditions and the change in risk profile as part of the re-positioning of this business. These decreases were partially offset by the impact of the retail unsecured debt sale which delivered benefits of £6 million in the second half of 2013, not repeated in this half.

(1) *Source: Bank of England - March 2014.*

Other Items

Asset Quality

	As at		
	Mar 14	**Sep 13**	**Mar 13**
Specific provision for doubtful debts (£m)	**134**	133	127
Collective provision for doubtful debts (£m)	**145**	155	171
Specific provision on loans at fair value (£m)	**29**	23	21
Collective provision on loans at fair value (£m)	**49**	54	60
90+DPD assets (£m)*	**213**	157	182
Gross impaired assets (£m)	**410**	423	463
90+DPD to gross loans and acceptances	**0.80%**	0.59%	0.67%
Gross impaired assets to gross loans and acceptances	**1.53%**	1.60%	1.72%
90+DPD plus gross impaired assets to gross loans and acceptances	**2.33%**	2.19%	2.39%
Specific provision to gross impaired assets	**39.8%**	36.9%	32.0%
Net write-offs to gross loans and acceptances (annualised)	**0.43%**	0.58%	0.65%
Total provision as a percentage of net write-offs (annualised)	**307%**	239%	212%
Total provision to gross loans and acceptances	**1.33%**	1.38%	1.41%
Bad and doubtful debt charge to credit risk-weighted assets (annualised)	**0.57%**	0.80%	0.88%

** March 2014 balance includes UK mortgage defaulted customers not previously disclosed as past due, where the contractual repayment date has passed but customers continue to pay interest due, or where an agreed arrangement is in place, or where the customer is deceased, totalling £57 million. The March 2014 disclosure reflects changes in Group and regulatory practices. However, prior period comparatives have not been restated.*
For information, the comparative period 90+DPD balance at September 2013 and March 2013 would have been £222 million and £245 million respectively, with the 90+DPD to gross loans and acceptances ratio calculated at 0.84% and 0.91% respectively.

While the UK economy has returned to growth through the first half of the 2014 financial year, it remains in the early stages of recovery.

Retail asset quality continues to improve with continued lower default rates observed across all unsecured lending. Mortgage impaired loan levels have remained subdued against a growing portfolio due to the prolonged period of low interest rates and recovery in residential property prices. The underlying level of home loan 90+DPD shows a steady reduction with continued improvements in the unsecured portfolios.

The non-retail portfolio remains sensitive to economic conditions which, whilst improving, are fragile with the balance of non-retail 90+DPD remaining higher than the long-term trend. Despite the growth in market confidence and the overall decline in gross impaired assets to £410 million as at March 2014, the level of non-retail impaired assets remain elevated.

The overall collective provision for doubtful debts continues to decrease, reflecting the reduction in the business lending portfolio and stabilisation in non-retail asset quality. The personal lending collective provision continues to fall, driven by the improved delinquency profile of these portfolios.

Net write-offs to gross loans and acceptances fell by 15 basis points to 0.43% over the March 2014 half year, due to lower levels of write-offs from both the non-retail and retail portfolios.

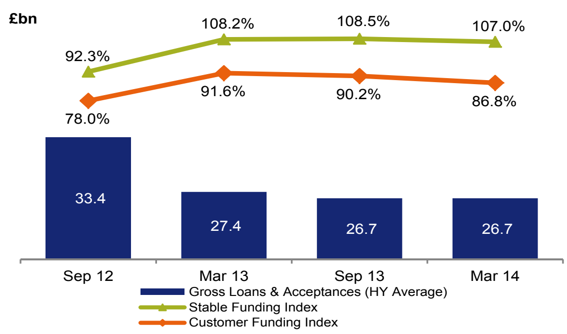
The ratio of total provisions to gross loans and acceptances decreased by five basis points, to 1.33%, in the six months to March 2014. The reduction since September 2013 reflects changes to the portfolio mix, with a reduced business lending portfolio and growth in the mortgage portfolio which has a lower provisioning requirement.

Capital and Funding Position

The Clydesdale Bank PLC Common Equity Tier 1 (CET1) ratio increased from 10.4% in March 2013 to 13.4% in March 2014. In December 2013, Clydesdale Bank PLC refinanced £300 million of Tier 1 capital from the NAB Group that was not compliant with Basel III requirements for loss absorbency, with ordinary equity from its immediate parent, National Australia Group Europe (NAGE). NAGE issued Basel III compliant Additional Tier 1 securities to NAB to fund its investment. Furthermore, Clydesdale Bank PLC issued an additional £300 million of Ordinary Shares to the NAB Group via NAGE in March 2014, in part to respond to the changing regulatory environment.

Clydesdale Bank PLC has maintained its ability to raise term funding through Covered Bond and Securitisation programs with £600 million raised in March 2014, and remains diversified in terms of type of instrument, product, currency, counterparty, term structure and market.

Stable Funding and Customer Funding Indices



Clydesdale Bank PLC's customer deposits have been managed lower during the year to achieve an efficient customer balance sheet position. The Customer Funding Index (CFI) fell from 90.2% in September 2013 to 86.8% at March 2014 and the Stable Funding Index (SFI) fell from 108.5% to 107.0% in the same period.

Clydesdale Bank PLC continues to hold £100 million of Floating Rate Notes issued by the European Investment Bank and has no direct exposure to any Eurozone Sovereigns.

UK Banking

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

	Half Year to				
	Mar 14 $m	Sep 13 (1) $m	Mar 13 (1) $m	Mar 14 v Sep 13 %	Mar 14 v Mar 13 %
Net interest income	**682**	618	559	10.4	22.0
Other operating income	**188**	183	185	2.7	1.6
Net operating income	**870**	801	744	8.6	16.9
Operating expenses	**(611)**	(591)	(539)	(3.4)	(13.4)
Underlying profit	**259**	210	205	23.3	26.3
Charge to provide for bad and doubtful debts	**(100)**	(108)	(139)	7.4	28.1
Cash earnings before tax	**159**	102	66	55.9	large
Income tax expense	**(28)**	(28)	(16)	-	(75.0)
Cash earnings	**131**	**74**	**50**	**77.0**	**large**

(1) *Restated for the impact of adopting new accounting standards as detailed in the Principal Accounting Policies on page 84.*

Impact of foreign exchange rate movements

Favourable/ (unfavourable) March 14	Half year since Sep 13 $m	Mar 14 v Sep 13 Ex FX %	Half year since Mar 13 $m	Mar 14 v Mar 13 Ex FX %
Net interest income	**67**	(0.5)	**105**	3.2
Other operating income	**18**	(7.1)	**28**	(13.5)
Operating expenses	**(60)**	6.8	**(93)**	3.9
Charge to provide for bad and doubtful debts	**(10)**	16.7	**(15)**	38.8
Income tax expense	**(3)**	10.7	**(4)**	(50.0)
Cash earnings	**12**	60.8	**21**	large

Great Western Bank

Andrew Thorburn

Great Western Bank (GWB) provides a range of retail, commercial, Agribusiness, and wealth management banking services through a community bank model across the Western/Midwestern United States. GWB maintains a fully deposit funded position and is the sixth largest bank lender of Agribusiness loans in the United States as at 31 December 2013[(1)]. In addition to Agribusiness, GWB's diversified lending portfolio includes small and medium business, commercial property and consumer product offerings.

Results presented in local currency. See page 69 for results in Australian dollars and page 123 for foreign exchange rates.

	Half Year to				
	Mar 14 US$m	**Sep 13 US$m**	**Mar 13 US$m**	**Mar 14 v Sep 13 %**	**Mar 14 v Mar 13 %**
Net interest income	**150**	148	147	1.4	2.0
Other operating income	**31**	39	40	(20.5)	(22.5)
Net operating income	**181**	187	187	(3.2)	(3.2)
Operating expenses	**(85)**	(90)	(92)	5.6	7.6
Underlying profit	**96**	97	95	(1.0)	1.1
Charge to provide for bad and doubtful debts	**(2)**	(9)	(13)	77.8	84.6
Cash earnings before tax	**94**	88	82	6.8	14.6
Income tax expense	**(31)**	(30)	(27)	(3.3)	(14.8)
Cash earnings	**63**	58	55	8.6	14.5
Average Volumes (US$bn)					
Gross loans and acceptances	**6.5**	6.3	6.2	3.2	4.8
Interest earning assets	**7.9**	7.9	7.8	-	1.3
Total assets *	**8.5**	8.4	8.3	1.2	2.4
Customer deposits	**7.1**	6.9	7.0	2.9	1.4
Capital (US$bn)					
Risk-weighted assets - credit risk (spot)	**6.3**	6.0	5.9	5.0	6.8
Total risk-weighted assets (spot)	**7.0**	6.7	6.4	4.5	9.4
Performance Measures					
Cash earnings on average assets	**1.49%**	1.38%	1.33%	11 bps	16 bps
Cash earnings on average risk-weighted assets	**1.84%**	1.75%	1.74%	9 bps	10 bps
Net interest margin	**3.81%**	3.74%	3.77%	7 bps	4 bps
Cost to income ratio	**47.0%**	48.1%	49.2%	110 bps	220 bps
'Jaws'	**2.4%**	2.2%	2.2%	20 bps	20 bps
Cash earnings per average FTE (US$'000s)	**86**	77	71	11.7	21.1
FTEs (spot)	**1,457**	1,489	1,531	2.1	4.8

* *Total assets exclude goodwill and other intangible assets.*

(1) *Federal Deposit Insurance Corporation Call & Thrift Filings as of and for the quarter ended 31 December 2013.*

Great Western Bank

Financial Analysis (in local currency)

March 2014 v March 2013

Cash earnings increased by US$8 million or 14.5% to US$63 million. The increase was driven by lower operating expenses and a reduction in charges for bad and doubtful debts, partially offset by a decrease in other operating income driven largely by reduced demand in the US home mortgage market.

Cash earnings on risk-weighted assets increased by ten basis points, reflecting increased earnings partially offset by growth in average risk-weighted assets driven by growth and mix of the lending portfolio.

Net interest income increased by US$3 million or 2.0%, driven by the reduced cost of deposit funding and continued growth in average gross loans and acceptances, partially offset by a decline in available for sale securities.

Net interest margin increased by four basis points as the execution of deposit pricing and portfolio composition initiatives that reduced the cost of deposits were partially offset by competitive pressures driving lending margins downward.

Average gross loans and acceptances grew by US$0.3 billion or 4.8%, driven by strong organic growth in the Agribusiness and SME segments.

Average customer deposits increased by US$0.1 billion or 1.4%, reflecting growth in transaction accounts driven by improved product offerings, partially offset by reductions in higher cost term deposits.

Other operating income decreased by US$9 million or 22.5%, mainly driven by a reduction in fee income derived from home loans sold into the secondary market as a result of lower demand and reductions in other deposit-related fees.

Operating expenses decreased by US$7 million or 7.6%, driven by process improvement initiatives across the bank and focused headcount reductions primarily related to the closure of redundant and underperforming retail branch locations.

The **charge to provide for bad and doubtful debts** decreased by US$11 million or 84.6%, reflecting continued improvement in the overall credit quality of the loan portfolio, including lower net write-offs.

March 2014 v September 2013

Cash earnings increased by US$5 million or 8.6%. The increase was driven by a reduction in charges for bad and doubtful debts and lower operating expenses, partially offset by lower other operating income.

Cash earnings on risk-weighted assets increased nine basis points as the increase in cash earnings was partially offset by the rise in average risk-weighted assets due to loan portfolio size and composition, while average risk-weighted assets related to interest rate risk in the banking book decreased.

Net interest income increased by US$2 million or 1.4%, driven by continued growth in gross loans and incremental progress in reducing the cost of deposits.

Net interest margin increased by seven basis points as asset margins increased marginally and overall cost of deposits continued to decrease.

Average gross loans and acceptances grew by US$0.2 billion or 3.2%, as organic growth in the portfolio continued to outpace the run-off of non-core acquired loans.

Average customer deposits grew by US$0.2 billion or 2.9%, driven by organic growth in customer deposits.

Other operating income decreased by US$8 million or 20.5% mainly driven by a reduction in fee income derived from home loans sold in the secondary market as a result of lower demand.

Operating expenses decreased by US$5 million or 5.6%, driven by lower personnel and operating costs primarily related to the closure of redundant and underperforming retail branch locations.

The **charge to provide for bad and doubtful debts** decreased by US$7 million or 77.8% as the overall credit quality of the loan portfolio improved with fewer specific charges.

Other Items

Asset Quality

Excluding covered loans [1]	As at Mar 14	Sep 13	Mar 13
Specific provision for doubtful debts (US$m)	**6**	9	12
Collective provision for doubtful debts (US$m)	**37**	40	44
Collective provision on loans at fair value (US$m)	**6**	6	5
Gross impaired assets (US$m)	**39**	73	69
Gross impaired assets to non-covered gross loans and acceptances	**0.62%**	1.21%	1.20%
Specific provision to gross impaired assets	**15.4%**	12.3%	17.4%
Total provision to non-covered gross loans and acceptances	**0.78%**	0.91%	1.06%

Including covered loans [1]	As at Mar 14	Sep 13	Mar 13
90+DPD assets (US$m)	**15**	15	21
Specific provision for doubtful debts (US$m)	**6**	9	12
Collective provision for doubtful debts (US$m)	**37**	40	44
Collective provision on loans at fair value (US$m)	**6**	6	5
Gross impaired assets (US$m)	**59**	96	96
90+DPD to gross loans and acceptances	**0.23%**	0.24%	0.34%
Gross impaired assets to gross loans and acceptances	**0.90%**	1.50%	1.56%
90+DPD plus gross impaired assets to gross loans and acceptances	**1.13%**	1.74%	1.90%
Specific provision to gross impaired assets	**10.2%**	9.4%	12.5%
Net write-offs to gross loans and acceptances (annualised)	**0.09%**	0.36%	0.32%
Total provision to gross loans and acceptances	**0.75%**	0.86%	0.98%

[1] *Refers to loans covered by the loss share agreement with the FDIC.*

Economic conditions in the key states within the GWB footprint continue to be favourable when compared to those across the broader United States with lower unemployment, normalisation in the housing market, and less volatile commercial real estate. Farm income remains high by historical standards, although it has declined over the last two quarters and may come under further pressure due to lower crop prices. GWB continues to focus on growing a portfolio that is diversified across asset classes and selected geographies. Overall, the US economy is expected to grow at a faster pace in 2014 compared to 2013.

The acquired TierOne loan portfolio, predominantly covered by the Federal Deposit Insurance Corporation (FDIC) loss share agreement, continues to perform and run-off in line with expectations.

Approximately US$330 million of assets with loss share coverage, including loans and foreclosed property, remained in the portfolio as of 31 March 2014. Coverage on the commercial assets in the portfolio expires in June 2015, while consumer loans are covered through to June 2020.

Assets included in 90+DPD, which relate to the acquired TierOne loans, remained stable compared to September 2013, while gross impaired assets declined significantly as a percentage of gross loans and acceptances.

Total provision to gross loans and acceptances declined 11 basis points over the half year as net write-offs were negligible and the overall credit quality of the portfolio continued to improve.

Capital and Funding Position

GWB has continued to maintain a strong core funding position, with customer deposit balances well in excess of loan balances. Excess funds are invested in a liquid portfolio.

GWB's US regulatory capital position has remained strong and has consistently exceeded the requirements of a 'well capitalised' institution under the guidelines of the FDIC.

Great Western Bank

Results presented in Australian dollars. See page 66 for results in local currency.

	Half Year to				
	Mar 14 $m	**Sep 13 $m**	**Mar 13 $m**	**Mar 14 v Sep 13 %**	**Mar 14 v Mar 13 %**
Net interest income	**165**	155	141	6.5	17.0
Other operating income	**33**	40	39	(17.5)	(15.4)
Net operating income	**198**	195	180	1.5	10.0
Operating expenses	**(92)**	(94)	(88)	2.1	(4.5)
Underlying profit	**106**	101	92	5.0	15.2
Charge to provide for bad and doubtful debts	**(3)**	(10)	(13)	70.0	76.9
Cash earnings before tax	**103**	91	79	13.2	30.4
Income tax expense	**(34)**	(31)	(26)	(9.7)	(30.8)
Cash earnings	**69**	60	53	15.0	30.2

Impact of foreign exchange rate movements

Favourable/ (unfavourable) March 14	**Half year since Sep 13 $m**	**Mar 14 v Sep 13 Ex FX %**	**Half year since Mar 13 $m**	**Mar 14 v Mar 13 Ex FX %**
Net interest income	**7**	1.9	**20**	2.8
Other operating Income	**1**	(20.0)	**4**	(25.6)
Operating expenses	**(3)**	5.3	**(11)**	8.0
Charge to provide for bad and doubtful debts	**(1)**	80.0	**(1)**	84.6
Income tax expense	**(1)**	(6.5)	**(4)**	(15.4)
Cash earnings	**3**	10.0	**8**	15.1

NAB UK Commercial Real Estate

Bruce Munro

The NAB UK Commercial Real Estate Group (NAB UK CRE) portfolio business was created on 5 October 2012 with the transfer of £5.6 billion of Commercial Real Estate loan assets from Clydesdale Bank PLC to National Australia Bank Limited, managed via its London Branch. Circa 4,600 customers were transferred from being managed across 70+ locations to being managed across three locations (London, Glasgow and Leeds). A team of around 200 dedicated loan specialists are responsible for the orderly wind-down of the portfolio, and for meeting both bank and customer obligations, including the requirement for fair treatment of customers.

Results presented in local currency. *See page 123 for foreign exchange rates.*

	Half Year to				
	Mar 14 £m	**Sep 13 £m**	**Mar 13 £m**	**Mar 14 v Sep 13 %**	**Mar 14 v Mar 13 %**
Net interest income	**13**	17	22	(23.5)	(40.9)
Other operating income	**1**	5	(16)	(80.0)	large
Net operating income	**14**	22	6	(36.4)	large
Operating expenses	**(18)**	(20)	(16)	10.0	(12.5)
Underlying (loss)/profit	**(4)**	2	(10)	large	60.0
Charge to provide for bad and doubtful debts	**(5)**	(119)	(185)	95.8	97.3
Cash deficit before tax	**(9)**	(117)	(195)	92.3	95.4
Income tax benefit	**2**	27	46	(92.6)	(95.7)
Cash deficit	**(7)**	(90)	(149)	92.2	95.3
Average Volumes (£bn)					
Gross loans and acceptances	**3.6**	4.5	5.3	(20.0)	(32.1)
Interest earning assets	**3.8**	4.7	5.4	(19.1)	(29.6)
Spot Volumes (£bn)					
Gross loans and acceptances	**3.3**	4.0	5.0	(17.5)	(34.0)
Interest earning assets	**3.5**	4.2	5.1	(16.7)	(31.4)
Capital (£bn)					
Risk-weighted assets - credit risk (spot)	**2.9**	3.8	4.3	(23.7)	(32.6)

Results presented in Australian dollars.

	Half Year to				
	Mar 14 $m	**Sep 13 $m**	**Mar 13 $m**	**Mar 14 v Sep 13 %**	**Mar 14 v Mar 13 %**
Net interest income	**22**	28	33	(21.4)	(33.3)
Other operating income	**3**	8	(25)	(62.5)	large
Net operating income	**25**	36	8	(30.6)	large
Operating expenses	**(32)**	(33)	(23)	3.0	(39.1)
Underlying (loss)/profit	**(7)**	3	(15)	large	53.3
Charge to provide for bad and doubtful debts	**(8)**	(196)	(281)	95.9	97.2
Cash deficit before tax	**(15)**	(193)	(296)	92.2	94.9
Income tax benefit	**3**	44	70	(93.2)	(95.7)
Cash deficit	**(12)**	(149)	(226)	91.9	94.7

NAB UK Commercial Real Estate

Financial Analysis (in local currency)

March 2014 v March 2013

The **cash earnings deficit** of £7 million decreased by £142 million or 95.3% compared to the March 2013 half year. This reduction was driven by a lower bad and doubtful debt charge.

Net operating income of £14 million has increased by £8 million or 133.3%. This increase has been driven by an improvement in other operating income of £17 million largely due to a £16 million charge taken in the March 2013 half year relating to a customer derivative transaction not repeated in the current half year. This has been partially offset by a reduction in net interest income of £9 million due to a 32.1% reduction in average gross loans and acceptances.

Operating expenses of £18 million have increased by £2 million or 12.5% largely due to increased personnel and costs related to security valuations.

The **charge to provide for bad and doubtful debts** of £5 million has decreased by £180 million or 97.3%. This reduction reflects the improvement in the economic environment in the UK and stabilisation in the commercial real estate sector. Included within the half year result to March 2014 is a £25 million release of the NAB UK CRE overlay and recoveries against previously provided for debt of £28 million.

The **interest earning assets spot** balance was £3.5 billion at 31 March 2014, a net reduction of £1.6 billion. The spot gross loans and acceptances balance of £3.3 billion is a net reduction of £1.7 billion over the period. Net of provisions for doubtful debts, spot gross loans and acceptances stand at £2.9 billion at 31 March 2014.

Risk-weighted assets of £2.9 billion have reduced by £1.4 billion during the period. This is primarily due to the reduction in gross loans and acceptances.

March 2014 v September 2013

The **cash earnings deficit** decreased by £83 million or 92.2% compared to the September 2013 half year. This reduction was primarily due to reduced bad and doubtful debt charges, partially offset by lower net interest income due to a 20.0% reduction in the average gross loans and acceptances balance.

Net operating income decreased by £8 million or 36.4% compared to the September 2013 half year. This reduction was due to a decrease in net interest income of £4 million or 23.5% as a result of a 20.0% reduction in average gross loans and acceptances and a reduction in other operating income of £4 million or 80.0%, primarily due to movements in provisions on derivative exposures.

Operating expenses decreased by £2 million or 10.0%, largely due to the UK Bank Levy of £2 million charged in the September 2013 half year.

The **charge to provide for bad and doubtful debts** of £5 million was £114 million or 95.8% lower than the September 2013 half year, primarily due to the improvement in the UK economic environment and stabilisation of the commercial real estate sector. During the March 2014 half year, £25 million of the NAB UK CRE overlay was released, an increase of £5 million compared to the September 2013 half year.

The **interest earning assets spot** balance is £0.7 billion lower at 31 March 2014 at £3.5 billion, with spot gross loans and acceptances also £0.7 billion lower at £3.3 billion. This is in line with the strategic aim of exiting the NAB UK CRE portfolio.

Risk-weighted assets have reduced by £0.9 billion in the half year to 31 March 2014. This is primarily due to the reduction in gross loans and acceptances.

Other Items

Asset Quality

	As at		
	Mar 14	**Sep 13**	**Mar 13**
Specific provision for doubtful debts (£m)	**332**	328	289
Collective provision for doubtful debts (£m)	**122**	148	183
Specific provision on loans at fair value (£m)	**59**	69	46
Collective provision on loans and derivatives at fair value (£m)	**45**	49	56
90+DPD assets (£m)	**142**	127	185
Gross impaired assets (£m)	**964**	979	1,051
90+DPD to gross loans and acceptances	**4.26%**	3.17%	3.71%
Gross impaired assets to gross loans and acceptances	**29.0%**	24.4%	21.1%
90+DPD plus gross impaired assets to gross loans and acceptances	**33.2%**	27.6%	24.8%
Specific provision to gross impaired assets	**40.6%**	40.6%	31.9%
Net write-offs to gross loans and acceptances (annualised)	**4.10%**	5.56%	5.42%
Total provision as a percentage of net write-offs (annualised)	**409%**	266%	212%
Total provision to gross loans and acceptances	**16.8%**	14.8%	11.5%
Bad and doubtful debt charge to credit risk-weighted assets (annualised)	**0.35%**	8.07%	8.65%

The economic environment in the UK has improved over the half year to March 2014, although recovery remains imbalanced. The commercial real estate sector has also shown signs of improvement, although much of this is concentrated in the London area. The risk to asset quality will persist if commercial real estate prices remain at depressed levels, especially given the geographical concentration and quality of property secured against the NAB UK CRE portfolio.

Despite the nominal levels of total gross impaired and 90+DPD assets remaining consistent at £1.1 billion over the March 2014 half year, most asset quality metrics have deteriorated mainly due to the 17.5% reduction in gross loans and acceptances over the same period. This is in line with the strategic wind-down of the portfolio.

Corporate Functions and Other [1]

The Group's 'Corporate Functions' business includes functions that support all businesses including Group Funding, Other Corporate Functions activities and the results of Specialised Group Assets (SGA). 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 Enterprise Services and Transformation, Australian Investment Committee and Support Units (which include Office of the CEO, Risk, Finance and Strategy and People, Communications and Governance).

	Half Year to				
	Mar 14 $m	**Sep 13 $m**	**Mar 13 $m**	**Mar 14 v Sep 13 %**	**Mar 14 v Mar 13 %**
Net operating income	**322**	276	339	16.7	(5.0)
Operating expenses	**(261)**	(166)	(93)	(57.2)	large
Underlying profit	**61**	110	246	(44.5)	(75.2)
(Charge to provide for)/benefit from bad and doubtful debts	**(4)**	29	(21)	large	81.0
Cash earnings before tax	**57**	139	225	(59.0)	(74.7)
Income tax expense	**(18)**	(7)	(34)	large	47.1
Cash earnings	**39**	132	191	(70.5)	(79.6)

(1) *Operating expenses for Enterprise Services and Transformation, Australian Investment Committee and Support Units are now largely attributed to Australian Banking and NAB Wealth. Prior period results for Corporate Functions have been restated to reflect these changes.*

Financial Analysis

March 2014 v March 2013

Cash earnings decreased by $152 million or 79.6% against March 2013 mainly as a result of additional provisions for UK conduct related matters.

Net operating income decreased by $17 million or 5.0% primarily due to lower earnings on capital as interest rates declined combined with lower income in SGA as a result of the continued run-down of the portfolio. This was partially offset by gains relating to Group Funding activities.

Operating expenses increased by $168 million primarily due to additional provisions of $182 million for UK conduct related matters held centrally.

The **charge to provide for bad and doubtful debts** decreased by $17 million due to the collective provision held centrally for hardship experience in Australia included in March 2013. This was partially offset by provision write-backs in SGA included in March 2013, not being repeated in the March 2014 half year.

The **income tax expense** of $18 million includes the benefit of concessional taxation treatment of offshore funding activities and other centrally managed activities.

March 2014 v September 2013

Cash earnings decreased by $93 million or 70.5% against September 2013 primarily due to additional provisions for UK conduct related matters partially offset by restructuring costs included in the September 2013 half not repeated in the March 2014 half year.

Net operating income increased by $46 million or 16.7% primarily due to gains relating to Group Funding activities, combined with higher income on the SGA portfolio due to the sale of an equity investment consistent with managing down the portfolio. This was partially offset by lower earnings on capital, reflective of the continued low interest rate environment.

Operating expenses increased by $95 million or 57.2% driven by additional provisions of $142 million for UK conduct related matters held centrally, combined with a GST recovery included in September 2013 not repeated. This was partially offset by restructuring costs relating to the organisational realignment in Australia included in the September 2013 half year.

The **charge to provide for bad and doubtful debts** increased by $33 million due to the reversal of the collective provision held centrally for hardship experience in Australia included in September 2013.

The **income tax expense** of $18 million includes the benefit of concessional taxation treatment of offshore funding activities and other centrally managed activities.

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 2014.

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 Committee and management, the processes, controls and procedures which are in place to maintain the integrity of the Group's financial statements. Further details on the role of the Board of Directors and its Committees can be found in the Corporate Governance section of the Group's 2013 Annual Financial Report or on the Group's website at www.nab.com.au.

The Chairman of the Company, Michael Chaney, announced on 3 April 2014 that Cameron Clyne has advised the Board that he will retire as Group Chief Executive Officer and Managing Director in August this year.

The Board has appointed Andrew Thorburn as Group Chief Executive Officer and Managing Director, effective 1 August 2014, and he will be invited to join the Board of the Company at this time. His appointment is subject to regulatory approvals.

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
Managing Director and Group Chief Executive Officer since January 2009

Daniel T Gilbert
Director since September 2004

Dr Kenneth R Henry
Director since November 2011

Mark A Joiner
Director from March 2009 to January 2014

Geraldine McBride
Director since March 2014

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

John A Waller
Director since February 2009

Anthony KT 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 Group Operations

The March 2014 half year results reflect solid momentum in the Australian franchise and a strengthening international portfolio.

Australian Banking delivered a sound result with continued momentum in housing lending growth and the active management of the quality of its portfolios, in an environment where credit growth remains subdued and competitive pressures intensified.

NAB Wealth showed strong investments results, maintaining second place in market share of retail investments excluding cash[1] and assuming top position in the Corporate Superannuation[1] segment. The nabtrade platform has delivered solid results in attracting new customers, continues to release improved research functionality and has released a mobile application which offers dynamic market data and news wires in real time.

The Group's New Zealand franchise, Bank of New Zealand (BNZ), continues to build a strong position in the New Zealand market by effectively executing against its strategy. The restructuring of the Group's UK franchise, Clydesdale Bank, is largely complete, with the focus turning to creating value in an improving economic environment.

The Group is maintaining its focus on four non-negotiables: delivering a total technology environment transformation; building on balance sheet strength; maintaining its focus on risk and compliance; and investing in people, culture and reputation.

(1) *Plan For Life Australian Retail & Wholesale Investments Market Share and Dynamics Report – Dec 2013*

Review of Group Results

Net profit attributable to owners of the Company for the half year ended 31 March 2014 increased by $390 million or 15.8% to $2,856 million compared to the March 2013 half year. This result largely reflects the lower charge for bad and doubtful debts, partially offset by higher expenses largely reflecting additional charges for UK conduct related matters.

Net interest income increased by $237 million or 3.6% driven by housing lending volume growth and gains on economic hedges relating to the Group's funding and banking book interest rate management activities (offset in other operating income). These increases were offset by lower business lending margins coupled with lower earnings on capital and non-interest bearing deposits.

Net life insurance income increased by $10 million or 4.9% due to higher premium revenue and decreases in policy liabilities and external unitholders' liability, offset by lower investment revenue.

Total other income increased by $123 million or 6.0% mainly due to an increase in fee income driven by higher funds under management in the Wealth business as a result of strong investment market performance and gains on financial instruments at fair value reflecting current market conditions.

Operating expenses increased by $474 million or 11.6%. This reflects additional charges for UK conduct related matters and increased personnel costs. The bad and doubtful debt charge decreased by $530 million or 50.3% reflecting lower charges in Australian Banking and NAB UK Commercial Real Estate, including the release of $45 million (£25 million) of the NAB UK CRE overlay.

Total assets increased by $82,186 million or 10.8%, driven by continued momentum in housing lending particularly in the Australian Banking and UK Banking businesses, trading securities, and investments relating to the life insurance business as a result of improved global equity markets during the period. Total liabilities increased by $79,165 million or 11.0% mainly as a result of growth in customer deposits, short-term and term wholesale funding and life insurance liabilities.

The Board has received assurance from the Group Chief Executive Officer and the Group Executive, Finance and Strategy that the Company's half year financial report for the period ended 31 March 2014 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 financial reporting risks.

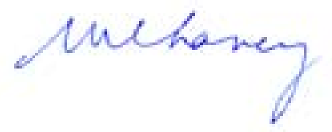
The Group Chief Executive Officer and the Group Executive, Finance and Strategy have also reported that the Company's risk management and internal control systems have been designed and implemented to manage the Company's material business risks and that those risks are being managed effectively.

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

8 May 2014

Ernst & Young
8 Exhibition Street
Melbourne VIC 3000 Australia
GPO Box 67 Melbourne VIC 3001

Tel: +61 3 9288 8000
Fax: +61 3 8650 7777
ey.com/au

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 2014, 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

Ernst & Young

Andrew Price
Partner
Melbourne

8 May 2014

This page has been left blank intentionally.

Income Statement

	Note	Half Year to Mar 14 $m	Sep 13 [(1)] $m	Mar 13 [(1)] $m
Interest income		**15,269**	15,411	15,878
Interest expense		**(8,445)**	(8,647)	(9,291)
Net interest income		**6,824**	6,764	6,587
Premium and related revenue		**771**	777	734
Investment revenue		**3,759**	5,887	5,562
Fee income		**288**	281	265
Claims expense		**(461)**	(477)	(432)
Change in policy liabilities		**(3,032)**	(4,737)	(4,335)
Policy acquisition and maintenance expense		**(444)**	(471)	(457)
Investment management expense		**(10)**	(1)	(3)
Movement in external unitholders' liability		**(657)**	(984)	(1,130)
Net life insurance income		**214**	275	204
Gains less losses on financial instruments at fair value	3	**249**	557	212
Other operating income	3	**1,917**	1,773	1,831
Total other income		**2,166**	2,330	2,043
Personnel expenses	4	**(2,292)**	(2,236)	(2,158)
Occupancy-related expenses	4	**(323)**	(309)	(291)
General expenses	4	**(1,941)**	(1,678)	(1,633)
Total operating expenses		**(4,556)**	(4,223)	(4,082)
Charge to provide for doubtful debts	8	**(523)**	(757)	(1,053)
Profit before income tax expense		**4,125**	4,389	3,699
Income tax expense	5	**(1,266)**	(1,495)	(1,230)
Net profit for the period		**2,859**	2,894	2,469
Attributable to:				
Owners of the Company		**2,856**	2,889	2,466
Non-controlling interest in controlled entities		**3**	5	3
Net profit for the period		**2,859**	2,894	2,469
		cents	**cents**	**cents**
Basic earnings per share		**120.4**	121.9	103.7
Diluted earnings per share		**118.4**	120.5	103.1

(1) *Restated for the impact of adopting new accounting standards as detailed in Note 1, Principal Accounting Policies on page 84.*

Statement of Comprehensive Income

	Note	Half Year to Mar 14 $m	Sep 13 [(1)] $m	Mar 13 [(1)] $m
Net profit for the period		**2,859**	2,894	2,469
Other comprehensive income				
Items that will not be reclassified to profit or loss				
Actuarial (losses)/gains on defined benefit superannuation plans	11	**(55)**	(146)	197
Fair value changes on financial liabilities designated at fair value attributable to the Group's own credit risk		**(20)**	-	-
Revaluation of land and buildings	11	**-**	6	-
Exchange differences on translation of other contributed equity		**48**	222	(1)
Tax on items transferred directly to/(from) equity		**18**	(18)	(50)
Total items that will not be reclassified to profit or loss		**(9)**	64	146
Items that will be reclassified subsequently to profit or loss				
Cash flow hedges:				
Losses on cash flow hedging instruments	11	**(160)**	(255)	(183)
Losses transferred to the income statement	11	**6**	6	5
Exchange differences on translation of foreign operations		**489**	1,406	(248)
Investments - available for sale:				
Revaluation gains/(losses)	11	**205**	(9)	(9)
Gains from sale transferred to the income statement	11	**(35)**	(26)	(12)
Impairment transferred to the income statement	11	**-**	10	3
Tax on items transferred directly (from)/to equity		**(38)**	8	53
Total items that will be reclassified subsequently to profit or loss		**467**	1,140	(391)
Other comprehensive income for the period, net of income tax		**458**	1,204	(245)
Total comprehensive income for the period		**3,317**	4,098	2,224
Attributable to:				
Owners of the Company		**3,314**	4,093	2,221
Non-controlling interest in controlled entities		**3**	5	3
Total comprehensive income for the period		**3,317**	**4,098**	**2,224**

(1) *Restated for the impact of adopting new accounting standards as detailed in Note 1, Principal Accounting Policies on page 84.*

Balance Sheet

	Note	As at 31 Mar 14 $m	30 Sep 13 (1) $m	31 Mar 13 (1) $m
Assets				
Cash and liquid assets		**38,095**	35,666	30,130
Due from other banks		**50,246**	43,193	42,018
Trading derivatives		**41,784**	39,214	36,027
Trading securities		**38,782**	32,996	29,494
Investments - available for sale		**37,558**	34,886	29,247
Investments - held to maturity		**3,708**	4,758	5,714
Investments relating to life insurance business		**81,282**	77,587	72,411
Other financial assets at fair value		**80,268**	75,756	68,463
Hedging derivatives		**4,276**	3,926	2,349
Loans and advances		**423,711**	412,301	395,048
Due from customers on acceptances		**25,917**	29,319	33,157
Current tax assets		**50**	63	79
Property, plant and equipment		**1,951**	1,993	1,908
Goodwill and other intangible assets		**7,830**	7,641	7,246
Deferred tax assets		**1,332**	1,624	1,743
Other assets		**9,224**	8,947	8,794
Total assets		**846,014**	809,870	763,828
Liabilities				
Due to other banks		**44,881**	34,623	28,128
Trading derivatives		**43,895**	41,749	40,375
Other financial liabilities at fair value		**27,287**	26,431	22,829
Hedging derivatives		**3,245**	3,431	5,404
Deposits and other borrowings	10	**462,297**	445,042	425,144
Liability on acceptances		**12**	3,228	6,273
Life policy liabilities		**67,630**	64,509	58,902
Current tax liabilities		**338**	922	514
Provisions		**1,405**	1,636	1,127
Bonds, notes and subordinated debt		**115,779**	110,717	100,999
Other debt issues		**4,663**	2,944	2,775
Defined benefit superannuation plan liabilities		**278**	354	123
External unitholders' liability		**14,690**	14,077	14,316
Other liabilities		**12,136**	13,831	12,462
Total liabilities		**798,536**	763,494	719,371
Net assets		**47,478**	46,376	44,457
Equity				
Contributed equity	11	**28,151**	27,944	27,991
Reserves	11	**(960)**	(1,420)	(2,850)
Retained profits	11	**20,269**	19,793	19,266
Total equity (parent entity interest)		**47,460**	46,317	44,407
Non-controlling interest in controlled entities		**18**	59	50
Total equity		**47,478**	46,376	44,457

(1) *Restated for the impact of adopting new accounting standards as detailed in Note 1, Principal Accounting Policies on page 84.*

Condensed Cash Flow Statement

	Note	Half Year to Mar 14 $m	Sep 13 [1] $m	Mar 13 [1] $m
Cash flows from operating activities				
Cash flows from operating activities before changes in operating assets and liabilities		**1,080**	7,715	3,332
Changes in operating assets and liabilities arising from cash flow movements		**(3,463)**	(12,885)	3,002
Net cash (used in)/provided by operating activities		**(2,383)**	(5,170)	6,334
Net cash (used in)/provided by investing activities		**(2,013)**	(4,346)	1,594
Cash flows from financing activities				
Repayments of bonds, notes and subordinated debt		**(11,327)**	(12,441)	(12,001)
Proceeds from issue of bonds, notes and subordinated debt, net of costs		**16,020**	13,709	12,068
Proceeds from issue of ordinary shares, net of costs		**7**	18	2
Repayments of BNZ income securities, net of costs		**-**	-	(380)
Proceeds from other debt issues, net of costs		**1,699**	-	1,496
Purchase of shares for dividend reinvestment plan neutralisation		**(309)**	(300)	-
Dividends and distributions paid (excluding dividend reinvestment plan)		**(1,990)**	(1,767)	(1,713)
Net cash provided by/(used in) financing activities		**4,100**	(781)	(528)
Net (decrease)/increase in cash and cash equivalents		**(296)**	(10,297)	7,400
Cash and cash equivalents at beginning of period		**37,341**	42,174	36,212
Effects of exchange rate changes on balance of cash held in foreign currencies		**1,413**	5,464	(1,438)
Cash and cash equivalents at end of period	12	**38,458**	37,341	42,174

(1) *Restated for the impact of adopting new accounting standards as detailed in Note 1, Principal Accounting Policies on page 84.*

Statement of Changes in Equity

Group	Contributed equity [(1) (3)] $m	Reserves [(1)] $m	Retained profits [(1) (3)] $m	Total [(3)] $m	Non-controlling interest in controlled entities $m	Total equity [(3)] $m
Balance at 1 October 2012	27,373	(2,319)	18,702	43,756	47	**43,803**
Restated for adoption of new accounting standards	(187)	-	9	(178)	-	**(178)**
Net profit for the period	-	-	2,466	2,466	3	**2,469**
Other comprehensive income for the period	-	(392)	147	(245)	-	**(245)**
Total comprehensive income for the period	-	(392)	2,613	2,221	3	**2,224**
Transactions with owners, recorded directly in equity:						
Contributions by and distributions to owners						
Issue of ordinary shares	403	-	-	403	-	**403**
Exercise of executive share options	2	-	-	2	-	**2**
Conversion of other debt issues	500	-	-	500	-	**500**
Buyback of BNZ Income Securities	(380)	-	-	(380)	-	**(380)**
Transfer from equity-based compensation reserve	177	(177)	-	-	-	**-**
Treasury shares adjustment relating to life insurance business	103	-	-	103	-	**103**
Transfer (to)/from retained profits	-	(58)	58	-	-	**-**
Equity-based compensation	-	96	-	96	-	**96**
Dividends paid	-	-	(2,022)	(2,022)	-	**(2,022)**
Distributions on other equity instruments	-	-	(94)	(94)	-	**(94)**
Balance at 31 March 2013	27,991	(2,850)	19,266	44,407	50	**44,457**
Net profit for the period	-	-	2,889	2,889	5	**2,894**
Other comprehensive income for the period	-	1,368	(164)	1,204	-	**1,204**
Total comprehensive income for the period	-	1,368	2,725	4,093	5	**4,098**
Transactions with owners, recorded directly in equity:						
Contributions by and distributions to owners						
Issue of ordinary shares	440	-	-	440	-	**440**
Exercise of executive share options	18	-	-	18	-	**18**
Transfer from equity-based compensation reserve	18	(18)	-	-	-	**-**
Treasury shares adjustment relating to life insurance business	(223)	-	-	(223)	-	**(223)**
On market purchase of shares for dividend reinvestment plan neutralisation	(300)	-	-	(300)	-	**(300)**
Transfer (to)/from retained profits	-	(9)	9	-	-	**-**
Equity-based compensation	-	89	-	89	-	**89**
Dividends paid	-	-	(2,113)	(2,113)	-	**(2,113)**
Distributions on other equity instruments	-	-	(94)	(94)	-	**(94)**
Changes in ownership interests [(2)]						
Movement of non-controlling interest in controlled entities	-	-	-	-	4	**4**
Balance at 30 September 2013	27,944	(1,420)	19,793	46,317	59	**46,376**
Net profit for the period	-	-	2,856	2,856	3	**2,859**
Other comprehensive income for the period	-	515	(57)	458	-	**458**
Total comprehensive income for the period	-	515	2,799	3,314	3	**3,317**
Transactions with owners, recorded directly in equity:						
Contributions by and distributions to owners						
Issue of ordinary shares	309	-	-	309	-	**309**
Exercise of executive share options	7	-	-	7	-	**7**
Transfer from equity-based compensation reserve	167	(167)	-	-	-	**-**
Treasury shares adjustment relating to life insurance business	33	-	-	33	-	**33**
On market purchase of shares for dividend reinvestment plan neutralisation	(309)	-	-	(309)	-	**(309)**
Transfer from/(to) retained profits	-	24	(24)	-	-	**-**
Equity-based compensation	-	88	-	88	-	**88**
Dividends paid	-	-	(2,209)	(2,209)	-	**(2,209)**
Distributions on other equity instruments	-	-	(90)	(90)	-	**(90)**
Changes in ownership interests						
Movement of non-controlling interest in controlled entities	-	-	-	-	(44)	**(44)**
Balance at 31 March 2014	28,151	(960)	20,269	47,460	18	**47,478**

(1) Refer to Note 11 Contributed Equity and Reserves for detail.

(2) Change in ownership interests in controlled entities that does not result in a loss of control.

(3) Prior periods have been restated for the impact of adopting new accounting standards as detailed in Note 1, Principal Accounting Policies on page 84.

This page has been left blank intentionally.

1. Principal Accounting Policies

This report is a general purpose financial report for the half year reporting period ended 31 March 2014 and has been prepared in accordance with the Australian Securities Exchange (ASX) Listing Rules, the *Corporations Act 2001 (Cth)* and AASB 134 'Interim Financial Reporting'.

This interim financial report complies with Australian Accounting Standards issued by the Australian Accounting Standards Board as they relate to interim financial reports, which also ensures compliance with International Financial Reporting Standards issued by the International Accounting Standards Board.

This report has been prepared under the historical cost convention, as modified by the application of fair value measurements required or allowed by relevant Accounting Standards.

This interim financial report does not contain all disclosures of the type normally found within an 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. This report should be read in conjunction with the annual financial report for the year ended 30 September 2013 and any public announcements made up until the date this interim financial report is signed by the Group in accordance with continuous disclosure obligations under the *Corporations Act 2001 (Cth)* and the ASX Listing Rules.

This interim financial report has been prepared on the basis of accounting policies consistent with those applied in the 30 September 2013 annual financial report, except as disclosed below.

a) New and amended standards and interpretations

The Group applied for the first time certain standards and amendments that required a restatement of comparatives provided in previous financial statements. The nature and impact of each new standard and amendment is described below. The Group published a restatement document on 24 April 2014 illustrating the financial impacts of the restatement to comparative information.

Amended AASB 119 'Employee Benefits' (and consequential amendment AASB 2011-10)

The amended accounting standard requires the amounts recorded in profit or loss to be limited to current and past service costs, gains or losses, settlements and net interest income (expense). All other changes in the net defined benefit asset (liability), including actuarial gains and losses, will be recognised in other comprehensive income with no subsequent recycling to profit or loss. The expected return on plan assets is no longer recognised in profit or loss. Instead, interest income is now measured using the same discount rate used to measure the defined benefit obligation.

The impact was a decrease in net profit of $14 million for the six month period ended 30 September 2013 and $12 million for the six month period ended 31 March 2013.

When combined with an offsetting increase to other comprehensive income for the same amount, there was no overall impact to retained earnings.

AASB 10 'Consolidated Financial Statements' (and consequential amendments AASB 2011-7 and 2012-10)

This standard introduces a single control model to determine which investees should be consolidated. It defines control as consisting of three elements: power, exposure to variable returns, and an investor's ability to use power to affect its amount of variable returns. This requires an analysis of all facts and circumstances and the application of judgement in making the control assessment.

The impact from the adoption of this new standard has resulted in the Group consolidating some entities that were previously not consolidated and others that are no longer required to be consolidated. Entities that are newly consolidated are primarily due to instances where the Group has reassessed its involvement with a managed investment scheme, for example through their role as responsible entity, trustee or in some instances, fund manager.

The overall net impact for 30 September 2013 was an increase in total assets of $1,443 million (31 March 2013: $1,434 million), an increase in total liabilities of $1,687 million (31 March 2013: $1,678 million) and a decrease in total equity of $244 million (31 March 2013: $244 million).

There was a reduction in net profit for the six month period ended 30 September 2013 of $29 million (31 March 2013: $42 million). This was mainly attributable to the elimination of mark-to-market movements arising from changes in the Company's share price, dividend income and realised profits and losses on the disposal of shares that relate to treasury shares that arose from consolidating new entities.

AASB 12 'Disclosure of Interests in Other Entities'

AASB 12 includes all disclosures relating to the Group's interests in subsidiaries, joint arrangements, associates and structured entities. New disclosures have been introduced about the judgements made by management to determine whether control exists, and to require summarised information about joint arrangements, associates, structured entities and subsidiaries with non-controlling interests. These disclosures will be incorporated into the annual financial report. There has been no impact for the interim financial report.

AASB 13 'Fair Value Measurement' (and consequential amendment AASB 2011-8)

AASB 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. AASB 13 applies to both financial instrument items and non-financial instrument items for which other accounting standards require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions, leasing transactions, and measurements that have some similarities to fair value but are not fair value (e.g. value in use for impairment assessment purposes).

AASB 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under AASB 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, AASB 13 includes extensive disclosure requirements.

The application of AASB 13 has not had any material impact on the amounts recognised in the consolidated financial statements, however additional disclosures have been incorporated in Note 14 'Fair value of Financial Instruments'. In accordance with the transitional provisions, comparatives have not been presented.

Interpretation 21 'Levies'

This interpretation confirms that a liability to pay a levy is only recognised when the activity that triggers the payment occurs. The Group has early adopted this interpretation from 1 October 2013. There is no material impact to the financial statements as a result of this early adoption.

AASB 9 'Financial Instruments' – Own credit risk

The Group has elected to early adopt the 'own credit' provisions in AASB 9 from 1 October 2013. These provisions require the Group to present in other comprehensive income the fair value gains and losses attributable to changes in the Group's own credit risk for financial liabilities designated and measured at fair value through profit or loss. Comparatives have not been restated in accordance with the transition requirements of these provisions.

The credit risk adjustment for the six month period ended 31 March 2014 was a $14 million (after tax) loss.

Other new standards and interpretations

The Group has adopted the following new and amended standards and interpretations as of 1 October 2013 with no material impact:

- AASB 2012-2 'Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities' has been amended to clarify the conditions for offsetting financial assets and liabilities. These amendments do not impact the Group's current accounting practice for offsetting arrangements, however additional disclosures will be required in the annual financial report
- AASB 11 'Joint Arrangements' (and consequential amendments AASB 2011-7, 2010-10 and amendments to AASB 128) introduces a revised model for accounting for joint arrangements
- AASB 1053 'Application of Tiers of Australian Accounting Standards' establishes a differential financial reporting framework consisting of two tiers of reporting requirements for preparing general purpose financial statements. The Group is considered Tier 1
- AASB 2011-4 'Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements' removes the requirements to include individual key management personnel disclosures in the notes to the financial statements, although does not change the *Corporations Act 2001 (Cth)* requirements in respect of the Remuneration report
- AASB 2012-5 'Amendments to Australian Accounting Standards arising from annual improvements 2009-2011 cycle' provides clarification of the requirements for comparative information and other financial instrument presentation changes
- AASB 2012-9 'Amendment to AASB 1048 arising from the withdrawal of Australian Interpretation 1039' amends AASB 1048 Interpretation of Standards to evidence the withdrawal of Australian Interpretation 1039 Substantive Enactment of Major Tax Bills in Australia
- AASB 2013-9 'Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments'. Part A of the amendment makes consequential amendments arising from the issuance of AASB CF 2013-1 'Amendment to the Australian Conceptual Framework' which replaces the guidance in the Framework on the objective of general purpose financial reporting and the qualitative characteristics of useful financial information, as an integral part of the Framework and it also withdraws Statement of Accounting Concepts SAC 2 Objective of General Purpose Financial Reporting.

b) Critical accounting assumptions and estimates

The preparation of this report requires the use of 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 reporting date (such as the calculation of provisions for doubtful debts, defined benefit obligations and fair value adjustments), are based on best estimates at that date. Although the Group has internal control systems in place to ensure that estimates are reliably measured, actual amounts may differ from those estimates.

c) Currency of presentation

All amounts are expressed in Australian dollars unless otherwise stated.

2. Segment Information

The Group evaluates reportable segments' performance on the basis of cash earnings. Cash earnings represents the net profit attributable to owners of the Company, adjusted for certain items.

Following the Group's organisational realignment of the Australian business announced in March 2013, the presentation of Segment Information for the half years ended 30 September 2013 and 31 March 2013 have been amended. The Group's business now consists of the following reportable segments: Australian Banking; NAB Wealth; and NZ Banking. In addition, information on the following segments that do not meet the threshold to be reportable segments is also included in this note to reconcile to Group information: UK Banking; Great Western Bank; NAB UK Commercial Real Estate and Corporate Functions & Other. This includes the following changes:

- Financial information previously presented for Personal Banking, Business Banking and Wholesale Banking is now presented on a combined basis as Australian Banking
- Financial information for NAB Wealth no longer includes the NAB Private Wealth business which is now reported in Australian Banking
- Financial information presented for Corporate Functions and Other reflects changed attributions between Corporate Functions, Australian Banking and NAB Wealth.

Major Customers

Revenues from no one single customer amount to greater than 10% of the Group's revenues.

	Half Year ended 31 March 2014			
Segment Information	**Cash earnings $m**	**Net interest income $m**	**Total other income $m**	**Total assets $m**
Australian Banking	2,474	5,086	1,387	676,490
NAB Wealth	174	-	723	93,484
NZ Banking	365	681	225	61,148
UK Banking	131	682	188	67,211
Great Western Bank	69	165	33	10,077
NAB UK Commercial Real Estate	(12)	22	3	5,591
Corporate Functions & Other	39	207	115	17,559
Distributions/Eliminations	(90)	-	(30)	(85,546)
Total	3,150	6,843	2,644	846,014

	Half Year ended 30 September 2013 (1)			
Segment Information	**Cash earnings $m**	**Net interest income $m**	**Total other income $m**	**Total assets $m**
Australian Banking	2,497	5,120	1,445	633,591
NAB Wealth	147	-	664	89,648
NZ Banking	340	623	212	56,856
UK Banking	74	618	183	64,314
Great Western Bank	60	155	40	9,829
NAB UK Commercial Real Estate	(149)	28	8	6,600
Corporate Functions & Other	132	255	21	28,974
Distributions/Eliminations	(94)	-	(52)	(79,942)
Total	3,007	6,799	2,521	809,870

	Half Year ended 31 March 2013 (1)			
Segment Information	**Cash earnings $m**	**Net interest income $m**	**Total other income $m**	**Total assets $m**
Australian Banking	2,445	4,976	1,556	620,340
NAB Wealth	175	-	706	83,762
NZ Banking	309	584	199	50,588
UK Banking	50	559	185	55,266
Great Western Bank	53	141	39	8,597
NAB UK Commercial Real Estate	(226)	33	(25)	6,956
Corporate Functions & Other	191	315	24	23,581
Distributions/Eliminations	(94)	-	(49)	(85,262)
Total	2,903	6,608	2,635	763,828

(1) *Restated for the impact of adopting new accounting standards as detailed in Note 1, Principal Accounting Policies on page 84.*

Reconciliation information presented on a cash earnings to statutory net profit basis.

	Half Year to		
Reconciliation of cash earnings to net profit attributable to owners of the Company	**Mar 14 $m**	**Sep 13 $m**	**Mar 13 $m**
Group cash earnings [1][2]	**3,150**	3,007	2,903
Non-cash earnings items (after tax):			
Distributions	**90**	94	94
Treasury shares [2]	**(113)**	(173)	(240)
Fair value and hedge ineffectiveness	**(228)**	97	(248)
DAC discount rate variation	**1**	12	10
Litigation expense	**-**	56	(17)
Amortisation of acquired intangible assets	**(44)**	(41)	(36)
PPI provision	**-**	(163)	-
Net profit attributable to owners of the Company	**2,856**	2,889	2,466

	Half Year to		
Reconciliation of net interest income	**Mar 14 $m**	**Sep 13 $m**	**Mar 13 $m**
Net interest income on a cash earnings basis	**6,843**	6,799	6,608
NAB Wealth net adjustment [3]	**(19)**	(35)	(21)
Net interest income on a statutory basis	**6,824**	6,764	6,587

	Half Year to		
Reconciliation of other operating income	**Mar 14 $m**	**Sep 13 $m**	**Mar 13 $m**
Total other income on a cash earnings basis [1]	**2,644**	2,521	2,635
NAB Wealth net adjustment [3]	**195**	398	269
Treasury shares [2]	**(118)**	(188)	(279)
Fair value and hedge ineffectiveness	**(327)**	80	(393)
DAC discount rate variation	**1**	17	15
Amortisation of acquired intangible assets	**(15)**	(19)	-
PPI provision	**-**	(204)	-
Total other income and Net life insurance income on a statutory basis	**2,380**	2,605	2,247

(1) *Includes eliminations and distributions.*

(2) *Prior periods have been restated for the impact of adopting new accounting standards as detailed in Note 1, Principal Accounting Policies on page 84.*

(3) *The NAB Wealth net adjustment represents a reallocation of the income statement of the NAB Wealth business prepared on a cash earnings basis into the appropriate statutory income lines.*

3. Other Income

	Half Year to		
	Mar 14 $m	**Sep 13 $m**	**Mar 13 $m**
Gains less losses on financial instruments at fair value			
Trading securities	**88**	(11)	173
Trading derivatives:			
Trading and risk management purposes	**485**	746	645
Assets, liabilities and derivatives designated in hedge relationships [(1)]	**(201)**	263	(170)
Assets and liabilities designated at fair value	**(140)**	(490)	(410)
Impairment of investments - available for sale	**-**	(10)	(3)
Other	**17**	59	(23)
Total gains less losses on financial instruments at fair value	**249**	557	212
Other operating income			
Dividend revenue	**4**	5	5
Gains from sale of investments - available for sale	**35**	26	12
Banking fees	**467**	477	492
Money transfer fees	**335**	332	322
Fees and commissions	**887**	902	832
Investment management fees	**115**	108	96
Fleet management fees	**15**	15	14
Rentals received on leased vehicle assets	**5**	6	6
Other income [(2)]	**54**	(98)	52
Total other operating income	**1,917**	1,773	1,831
Total other income	**2,166**	2,330	2,043

(1) *Represents hedge ineffectiveness of designated hedging relationships, plus economic hedges of long-term funding that do not meet the requirements for hedge accounting.*

(2) *Other income includes the charge for an additional provision in relation to UK payment protection insurance of $204 million for the September 2013 half year.*

4. Operating Expenses

	Half Year to		
	Mar 14 $m	**Sep 13 $m**	**Mar 13 $m**
Personnel expenses			
Salaries and related on-costs	**1,704**	1,634	1,608
Superannuation costs - defined contribution plans	**135**	134	132
Superannuation costs - defined benefit plans [1]	**30**	30	33
Performance-based compensation:			
Cash	**193**	147	165
Equity-based compensation	**83**	84	90
Total performance-based compensation	**276**	231	255
Other expenses	**147**	207	130
Total personnel expenses	**2,292**	2,236	2,158
Occupancy-related expenses			
Operating lease rental expense	**249**	231	216
Other expenses	**74**	78	75
Total occupancy-related expenses	**323**	309	291
General expenses			
Fees and commission expense	**141**	148	137
Depreciation and amortisation of property, plant and equipment	**153**	149	152
Amortisation of intangible assets	**185**	162	168
Depreciation on leased vehicle assets	**4**	2	6
Operating lease rental expense	**12**	13	17
Advertising and marketing	**112**	119	86
Charge to provide for operational risk event losses	**252**	80	66
Communications, postage and stationery	**154**	155	140
Computer equipment and software	**308**	271	288
Data communication and processing charges	**55**	72	62
Transport expenses	**47**	44	42
Professional fees	**218**	224	149
Travel	**43**	45	34
Loss on disposal of property, plant and equipment and other assets	**1**	10	6
Impairment losses recognised	**-**	6	2
Other expenses	**256**	178	278
Total general expenses	**1,941**	1,678	1,633
Total operating expenses	**4,556**	4,223	4,082

[1] *Prior periods have been restated for the impact of adopting new accounting standards as detailed in Note 1, Principal Accounting Policies on page 84.*

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 14 $m	**Sep 13 $m**	**Mar 13 $m**
Profit before income tax expense [(1)]	**4,125**	4,389	3,699
Deduct profit before income tax expense attributable to the statutory funds of the life insurance business and their controlled trusts	**(285)**	(433)	(452)
Total profit excluding that attributable to the statutory funds of the life insurance business and their controlled trusts, before income tax expense	**3,840**	3,956	3,247
Prima facie income tax at 30%	**1,152**	1,187	974
Add/(deduct): Tax effect of amounts not deductible/(assessable):			
Assessable foreign income	**1**	4	4
Foreign tax rate differences [(1)]	**(3)**	12	18
Foreign branch income not assessable	**(50)**	(55)	(48)
(Over)/under provision in prior years	**(14)**	(11)	(2)
Offshore banking unit income	**(17)**	(32)	(17)
Restatement of deferred tax balances for UK tax rate changes	**(2)**	14	(1)
Treasury shares adjustment [(1)]	**30**	42	44
Other	**10**	-	(30)
Total income tax expense on profit excluding that attributable to the statutory funds of the life insurance business and their controlled trusts	**1,107**	1,161	942
Income tax expense/(benefit) attributable to the statutory funds of the life insurance business and their controlled trusts	**159**	334	288
Total income tax expense	**1,266**	1,495	1,230
Effective tax rate, excluding statutory funds attributable to the life insurance business and their controlled trusts	**28.8%**	29.3%	29.0%

(1) *Prior periods have been restated for the impact of adopting new accounting standards as detailed in Note 1, Principal Accounting Policies on page 84.*

6. Dividends and Distributions

The Group has recognised the following dividends on ordinary shares:

	Half Year to					
	31 Mar 14		30 Sep 13		31 Mar 13	
Dividends on ordinary shares	Amount per share cents	Total amount $m	Amount per share cents	Total amount $m	Amount per share cents	Total amount $m
Dividends declared	97	2,279	93	2,179	90	2,070
Deduct: Bonus shares in lieu of dividend	n/a	(28)	n/a	(27)	n/a	(26)
Dividends paid by the Company	n/a	2,251	n/a	2,152	n/a	2,044
Deduct: Dividends on treasury shares [(1)]	n/a	(50)	n/a	(46)	n/a	(42)
Total dividends paid by the Group	n/a	2,201	n/a	2,106	n/a	2,002

(1) *Prior periods have been restated for the impact of adopting new accounting standards as detailed in Note 1, Principal Accounting Policies on page 84.*

All dividends have been fully franked and have nil foreign income per share.

Interim dividend

On 8 May 2014, the directors declared the following dividend:

Dividends on ordinary shares	Amount per share cents	Franked amount per share %	Foreign income per share %	Total amount $m
Interim dividend declared in respect of the year ending 30 September 2014	99	100	Nil	2,330

The record date for determining entitlements to the 2014 interim dividend is 16 May 2014. The interim dividend has been declared by the directors of the Company and is payable on 8 July 2014. The financial effect of this dividend has not been brought to account in the financial statements for the half year ended 31 March 2014 and will be recognised in subsequent financial reports.

	Half Year to					
	31 Mar 14		30 Sep 13		31 Mar 13	
Dividends on preference shares	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	-	-	-	-	2.89	13
BNZ Income Securities 2	3.08	8	2.69	7	2.69	7
Total dividends on preference shares		8		7		20

(1) *$A equivalent.*

	Half Year to					
	31 Mar 14		30 Sep 13		31 Mar 13	
Distributions on other equity instruments	Amount per security $	Total amount $m	Amount per security $	Total amount $m	Amount per security $	Total amount $m
National Income Securities	1.95	39	2.00	40	2.40	48
Trust Preferred Securities [(1)]	50.00	20	45.00	18	42.50	17
Trust Preferred Securities II [(1)]	30.00	24	28.75	23	26.25	21
National Capital Instruments	875.00	7	1,625.00	13	1,000.00	8
Total distributions on other equity instruments		90		94		94

(1) *$A equivalent.*

Dividend and distribution plans

The dividend is paid in cash or as part of a dividend plan. Cash dividends are paid by way of direct credit or cash equivalents. The dividend plans in operation are the Dividend Reinvestment Plan and the Bonus Share Plan (closed to new participants).

The last date for receipt of election notices for the Dividend Reinvestment Plan and the Bonus Share Plan is 5pm (Australian Eastern Standard time) on 19 May 2014.

7. Loans and Advances including Acceptances

	As at		
	31 Mar 14 $m	30 Sep 13 $m	31 Mar 13 $m
Housing loans	**300,627**	289,363	274,603
Other term lending [1]	**165,882**	160,845	150,141
Asset and lease financing	**12,563**	13,069	13,626
Overdrafts	**12,060**	13,534	13,193
Credit card outstandings	**8,007**	7,867	7,926
Other	**8,643**	7,395	7,201
Fair value adjustment	**473**	687	1,034
Gross loans and advances	**508,255**	492,760	467,724
Acceptances	**25,917**	29,319	33,157
Gross loans and advances including acceptances	**534,172**	522,079	500,881
Represented by:			
Loans and advances at fair value [2]	**79,522**	75,012	66,920
Loans and advances at amortised cost [1]	**428,733**	417,748	400,804
Acceptances	**25,917**	29,319	33,157
Gross loans and advances including acceptances	**534,172**	522,079	500,881
Unearned income and deferred net fee income	**(1,181)**	(1,429)	(1,581)
Provision for doubtful debts	**(3,841)**	(4,018)	(4,175)
Net loans and advances including acceptances	**529,150**	516,632	495,125
Securitised loans and loans supporting covered bonds [3]	**34,665**	30,340	25,376

(1) *Prior periods have been restated for the impact of adopting new accounting standards as detailed in Note 1, Principal Accounting Policies on page 84.*

(2) *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.*

(3) *Loans supporting securitisations and covered bonds 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 2014						
Housing loans	238,822	30,800	27,949	798	2,258	**300,627**
Other term lending	106,124	21,402	27,154	7,312	3,890	**165,882**
Asset and lease financing	10,881	1,669	8	-	5	**12,563**
Overdrafts	5,575	4,403	2,060	6	16	**12,060**
Credit card outstandings	6,020	673	1,284	30	-	**8,007**
Other	3,906	894	889	-	2,954	**8,643**
Fair value adjustment	428	163	(112)	(6)	-	**473**
Gross loans and advances	371,756	60,004	59,232	8,140	9,123	**508,255**
Acceptances	25,905	12	-	-	-	**25,917**
Gross loans and advances including acceptances	397,661	60,016	59,232	8,140	9,123	**534,172**
Represented by:						
Loans and advances at fair value	50,635	4,587	23,346	954	-	**79,522**
Loans and advances at amortised cost [1]	321,121	55,417	35,886	7,186	9,123	**428,733**
Acceptances	25,905	12	-	-	-	**25,917**
Gross loans and advances including acceptances	397,661	60,016	59,232	8,140	9,123	**534,172**

By product and geographic location	Australia $m	Europe $m	New Zealand $m	United States $m	Asia $m	Total Group $m
As at 30 September 2013						
Housing loans	232,251	28,016	26,213	758	2,125	**289,363**
Other term lending (1)	102,819	22,498	25,268	7,003	3,257	**160,845**
Asset and lease financing	11,293	1,761	10	-	5	**13,069**
Overdrafts	6,556	4,821	2,111	17	29	**13,534**
Credit card outstandings	5,972	687	1,184	24	-	**7,867**
Other	3,833	921	793	-	1,848	**7,395**
Fair value adjustment	523	251	(81)	(6)	-	**687**
Gross loans and advances	363,247	58,955	55,498	7,796	7,264	**492,760**
Acceptances	29,311	8	-	-	-	**29,319**
Gross loans and advances including acceptances	392,558	58,963	55,498	7,796	7,264	**522,079**
Represented by:						
Loans and advances at fair value	47,359	5,353	21,397	903	-	**75,012**
Loans and advances at amortised cost (1)	315,888	53,602	34,101	6,893	7,264	**417,748**
Acceptances	29,311	8	-	-	-	**29,319**
Gross loans and advances including acceptances	392,558	58,963	55,498	7,796	7,264	**522,079**

By product and geographic location	Australia $m	Europe $m	New Zealand $m	United States $m	Asia $m	Total Group $m
As at 31 March 2013						
Housing loans	226,034	22,883	23,258	669	1,759	**274,603**
Other term lending (1)	97,345	21,620	22,258	6,079	2,839	**150,141**
Asset and lease financing	11,959	1,650	9	-	8	**13,626**
Overdrafts	6,798	4,582	1,791	5	17	**13,193**
Credit card outstandings	6,193	601	1,115	17	-	**7,926**
Other	4,975	745	259	2	1,220	**7,201**
Fair value adjustment	545	476	(8)	21	-	**1,034**
Gross loans and advances	353,849	52,557	48,682	6,793	5,843	**467,724**
Acceptances	33,150	7	-	-	-	**33,157**
Gross loans and advances including acceptances	386,999	52,564	48,682	6,793	5,843	**500,881**
Represented by:						
Loans and advances at fair value	42,600	5,495	18,116	709	-	**66,920**
Loans and advances at amortised cost (1)	311,249	47,062	30,566	6,084	5,843	**400,804**
Acceptances	33,150	7	-	-	-	**33,157**
Gross loans and advances including acceptances	386,999	52,564	48,682	6,793	5,843	**500,881**

(1) *Restated for the impact of adopting new Accounting Standards as detailed in Note 1, Principal Accounting Policies on page 84.*

8. Provision for Doubtful Debts

	As at		
	31 Mar 14 $m	30 Sep 13 $m	31 Mar 13 $m
Specific provision for doubtful debts	**1,782**	1,840	1,884
Collective provision for doubtful debts	**2,059**	2,178	2,291
Total provision for doubtful debts	**3,841**	4,018	4,175
Specific provision on loans at fair value (1)	**172**	190	126
Collective provision on loans and derivatives at fair value (1)(2)	**853**	781	758
Total provision for doubtful debts and provisions held on assets at fair value (3)	**4,866**	4,989	5,059

(1) *Included within the carrying value of other financial assets at fair value.*

(2) *Included within this amount is a collective provision relating to derivatives of $173 million, (September 2013 $176 million, March 2013 $208 million).*

(3) *Not included in total provisions for doubtful debts are provisions on investments - held to maturity of $61 million (September 2013 $77 million, March 2013 $89 million).*

Movement in provisions for doubtful debts

	Half Year to Mar 14			Half Year to Sep 13		
	Specific $m	Collective $m	Total $m	Specific $m	Collective $m	Total $m
Opening balance	1,840	2,178	**4,018**	1,884	2,291	**4,175**
Transfer to/(from) specific/collective provision	675	(675)	**-**	990	(990)	**-**
Bad debts recovered	112	-	**112**	73	-	**73**
Bad debts written-off	(864)	-	**(864)**	(1,235)	-	**(1,235)**
Charge to income statement	-	528	**528**	-	757	**757**
Foreign currency translation and other adjustments	19	28	**47**	128	120	**248**
Total provision for doubtful debts	1,782	2,059	**3,841**	1,840	2,178	**4,018**

	Half Year to Mar 13		
	Specific $m	Collective $m	Total $m
Opening balance	1,875	2,346	**4,221**
Transfer to/(from) specific/collective provision	1,055	(1,055)	**-**
Bad debts recovered	87	-	**87**
Bad debts written off	(1,063)	-	**(1,063)**
Charge to income statement	-	1,042	**1,042**
Foreign currency translation and other adjustments	(70)	(42)	**(112)**
Total provision for doubtful debts	1,884	2,291	**4,175**

Charge to provide for doubtful debts

	Half Year to		
Total charge for doubtful debts by geographic location	Mar 14 $m	Sep 13 $m	Mar 13 $m
Australia	**327**	452	594
Europe	**149**	257	375
New Zealand	**34**	35	58
United States	**3**	11	11
Asia	**15**	2	4
Total charge to provide for doubtful debts excluding investments - held to maturity	**528**	757	1,042
Total (write-back)/charge on investments - held to maturity	**(5)**	-	11
Total charge to provide for doubtful debts	**523**	757	1,053

9. Asset Quality

Impaired assets consist of retail loans (excluding unsecured portfolio managed facilities) which are contractually past due 90 days with security insufficient to cover principal and 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 loans when they become 180 days past due (if not written-off).

	As at		
Summary of total impaired assets	**31 Mar 14 $m**	**30 Sep 13 $m**	**31 Mar 13 $m**
Impaired assets [(1)]	**5,432**	6,221	5,988
Restructured loans [(2)]	**182**	126	114
Gross total impaired assets [(3)]	**5,614**	6,347	6,102
Specific provisions - total impaired assets	**(1,954)**	(2,030)	(2,010)
Net total impaired assets	**3,660**	4,317	4,092

(1) *Impaired assets do not include impaired conduit assets classified as investments - held to maturity of $213 million (September 2013 $273 million, March 2013 $269 million).*

(2) *These loans represent facilities which have been classified as restructured for reasons relating to the financial difficulty of the counterparty. The restructured loans include $81 million of restructured fair value assets (September 2013 $22 million, March 2013 $nil).*

(3) *Gross impaired assets include $390 million of gross impaired other financial assets at fair value (September 2013 $533 million, March 2013 $341 million).*

Movement in gross impaired assets	**Australia $m**	**Europe $m**	**New Zealand $m**	**United States $m**	**Asia $m**	**Total Group $m**
Balance as at 30 September 2012	3,739	2,300	368	129	7	**6,543**
New	977	1,055	114	9	-	**2,155**
Written-off	(463)	(353)	(60)	(23)	-	**(899)**
Returned to performing or repaid	(1,043)	(389)	(89)	(23)	-	**(1,544)**
Foreign currency translation adjustments	-	(156)	2	1	-	**(153)**
Balance as at 31 March 2013	3,210	2,457	335	93	7	**6,102**
New	1,384	933	187	27	-	**2,531**
Written-off	(678)	(290)	(76)	(7)	-	**(1,051)**
Returned to performing or repaid	(763)	(808)	(122)	(24)	-	**(1,717)**
Foreign currency translation adjustments	-	433	36	12	1	**482**
Balance as at 30 September 2013	3,153	2,725	360	101	8	**6,347**
New	557	734	141	10	61	**1,503**
Written-off	(498)	(269)	(71)	(10)	-	**(848)**
Returned to performing or repaid	(856)	(543)	(76)	(40)	-	**(1,515)**
Foreign currency translation adjustments	-	107	20	1	(1)	**127**
Gross impaired assets as at 31 March 2014	**2,356**	**2,754**	**374**	**62**	**68**	**5,614**

Gross impaired assets to gross loans & acceptances - by geographic location	As at 31 Mar 14 %	30 Sep 13 %	31 Mar 13 %
Australia	**0.59**	0.80	0.83
Europe	**4.59**	4.62	4.67
New Zealand	**0.63**	0.65	0.69
United States	**0.76**	1.30	1.37
Asia	**0.75**	0.11	0.12
Total gross impaired assets to gross loans & acceptances	**1.05**	1.22	1.22
Group coverage ratios			
Net impaired assets to total equity (parent entity interest) (1)	**7.7**	9.3	9.2
Specific provision to gross impaired assets	**34.8**	32.0	32.9
Collective provision to credit risk-weighted assets (2)	**0.91**	0.94	0.99
Collective provision including GRCL (top-up) to credit risk-weighted assets (2)	**1.15**	1.16	1.22
90+ days past due plus gross impaired assets to gross loans and acceptances	**1.52**	1.69	1.74
Net write-offs to gross loans and acceptances (annualised)	**0.28**	0.41	0.39
Total provision as a percentage of net write-offs (annualised) (3)	**323**	233	258
Total provision to gross loans and acceptances (3)	**0.91**	0.96	1.01

(1) *Net impaired assets include $218 million of net impaired other financial assets at fair value (September 2013 $344 million, March 2013 $215 million).*

(2) *Includes economic cycle adjustment, collective provision against loans at amortised cost and collective provisions held on assets at fair value.*

(3) *Includes economic cycle adjustment, total 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 14 $m	30 Sep 13 $m	31 Mar 13 $m
Total non-impaired assets past due 90 days or more with adequate security	**2,268**	2,217	2,389
Total non-impaired portfolio managed facilities past due 90 to 180 days	**258**	246	203
Total non-impaired 90+ days past due loans	**2,526**	2,463	2,592
Total non-impaired 90+ days past due loans to gross loans and acceptances (%)	**0.47**	0.47	0.52

Non-impaired loans 90+ days past due - by geographic location	As at 31 Mar 14 $m	30 Sep 13 $m	31 Mar 13 $m
Australia	**1,634**	1,707	1,824
Europe (1)	**640**	491	535
New Zealand	**236**	243	211
United States	**16**	17	20
Asia	**-**	5	2
Total non-impaired 90+ day past due loans	**2,526**	2,463	2,592

(1) *March 2014 balance includes UK mortgage defaulted customers, not previously disclosed as past due, where the contractual repayment date has passed but customers continue to pay interest due, or where an agreed arrangement is in place, or where the customer is deceased, totalling $102 million. March 2014 disclosure reflects changes in Group and regulatory practices. However, prior period comparatives have not been restated. The comparative period 90+ days past due balance at September 2013 and March 2013 would have been $604 million and $627 million respectively.*

10. Deposits and Other Borrowings

	As at		
	31 Mar 14 $m	**30 Sep 13 $m**	**31 Mar 13 $m**
Term deposits [(1)]	**165,420**	169,385	165,333
On-demand and short-term deposits	**184,553**	167,458	150,436
Certificates of deposit	**59,454**	62,684	68,374
Deposits not bearing interest	**31,095**	28,917	26,396
Total deposits	**440,522**	428,444	410,539
Borrowings [(1)]	**18,842**	16,884	13,341
Securities sold under agreements to repurchase	**11,880**	7,551	8,681
Fair value adjustment	**(12)**	228	241
Total deposits and other borrowings	**471,232**	453,107	432,802
Represented by:			
Total deposits and other borrowings at fair value [(2)]	**8,935**	8,065	7,658
Total deposits and other borrowings at amortised cost [(1)]	**462,297**	445,042	425,144
Total deposits and other borrowings	**471,232**	453,107	432,802

[(1)] *Prior periods have been restated for the impact of adopting new accounting standards as detailed in Note 1, Principal Accounting Policies on page 84.*

[(2)] *Included within the carrying value of 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 2014						
Term deposits	114,691	14,305	23,190	3,086	10,148	**165,420**
On-demand and short-term deposits	128,763	29,112	14,797	11,591	290	**184,553**
Certificates of deposit	34,508	17,024	1,968	5,954	-	**59,454**
Deposits not bearing interest	23,991	3,165	2,475	1,381	83	**31,095**
Total deposits	301,953	63,606	42,430	22,012	10,521	**440,522**
Borrowings	346	-	3,139	15,357	-	**18,842**
Securities sold under agreements to repurchase	2,373	3,881	-	5,626	-	**11,880**
Fair value adjustment	-	(21)	8	1	-	**(12)**
Total deposits and other borrowings	304,672	67,466	45,577	42,996	10,521	**471,232**
Represented by:						
Total deposits and other borrowings at fair value	-	561	8,373	1	-	**8,935**
Total deposits and other borrowings at amortised cost	304,672	66,905	37,204	42,995	10,521	**462,297**
Total deposits and other borrowings	304,672	67,466	45,577	42,996	10,521	**471,232**

By product and geographic location	**Australia $m**	**Europe $m**	**New Zealand $m**	**United States $m**	**Asia $m**	**Total Group $m**
As at 30 September 2013						
Term deposits [(1)]	116,351	14,173	22,243	4,076	12,542	**169,385**
On-demand and short-term deposits	120,560	30,081	12,610	3,867	340	**167,458**
Certificates of deposit	29,752	24,565	1,534	6,833	-	**62,684**
Deposits not bearing interest	22,422	2,893	2,302	1,296	4	**28,917**
Total deposits	289,085	71,712	38,689	16,072	12,886	**428,444**
Borrowings [(1)]	563	-	3,400	12,921	-	**16,884**
Securities sold under agreements to repurchase	2,091	1,500	-	3,960	-	**7,551**
Fair value adjustment	-	221	6	1	-	**228**
Total deposits and other borrowings	291,739	73,433	42,095	32,954	12,886	**453,107**
Represented by:						
Total deposits and other borrowings at fair value	-	933	7,131	1	-	**8,065**
Total deposits and other borrowings at amortised cost [(1)]	291,739	72,500	34,964	32,953	12,886	**445,042**
Total deposits and other borrowings	291,739	73,433	42,095	32,954	12,886	**453,107**

[(1)] *Prior periods have been restated for the impact of adopting new accounting standards as detailed in Note 1, Principal Accounting Policies on page 84.*

By product and geographic location	Australia $m	Europe $m	New Zealand $m	United States $m	Asia $m	Total Group $m
As at 31 March 2013						
Term deposits [1]	115,228	13,894	18,075	6,047	12,089	**165,333**
On-demand and short-term deposits	110,170	24,209	11,153	4,579	325	**150,436**
Certificates of deposit	28,354	28,492	1,658	9,870	-	**68,374**
Deposits not bearing interest	20,533	2,512	1,942	1,406	3	**26,396**
Total deposits	274,285	69,107	32,828	21,902	12,417	**410,539**
Borrowings [1]	496	-	3,485	9,360	-	**13,341**
Securities sold under agreements to repurchase	2,216	3,281	-	3,184	-	**8,681**
Fair value adjustment	-	232	7	2	-	**241**
Total deposits and other borrowings	276,997	72,620	36,320	34,448	12,417	**432,802**
Represented by:						
Total deposits and other borrowings at fair value	-	942	6,714	2	-	**7,658**
Total deposits and other borrowings at amortised cost [1]	276,997	71,678	29,606	34,446	12,417	**425,144**
Total deposits and other borrowings	276,997	72,620	36,320	34,448	12,417	**432,802**

(1) Prior periods have been restated for the impact of adopting new accounting standards as detailed in Note 1, Principal Accounting Policies on page 84.

11. Contributed Equity and Reserves

Contributed equity	As at 31 Mar 14 $m	As at 30 Sep 13 $m	As at 31 Mar 13 $m
Issued and paid-up ordinary share capital			
Ordinary shares, fully paid [(1)]	**23,617**	23,410	23,457
Issued and paid-up preference share capital			
BNZ Income Securities 2	**203**	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	**28,151**	27,944	27,991

[(1)] *Prior periods have been restated for the impact of adopting new accounting standards as detailed in Note 1, Principal Accounting Policies on page 84.*

Movements in contributed equity	Half Year to Mar 14 $m	Half Year to Sep 13 $m	Half Year to Mar 13 $m
Ordinary share capital			
Balance at beginning of period	**23,410**	23,457	22,459
Restated for adoption of new accounting standards	**-**	-	(187)
Shares issued:			
Dividend reinvestment plan	**309**	440	403
Exercise of executive share options	**7**	18	2
Conversion of other debt issues	**-**	-	500
Transfer from equity-based compensation reserve	**167**	18	177
Treasury shares adjustment relating to life insurance business [(1)]	**33**	(223)	103
On market purchase of shares for dividend reinvestment plan neutralisation	**(309)**	(300)	-
Balance at end of period	**23,617**	23,410	23,457

[(1)] *Prior periods have been restated for the impact of adopting new accounting standards as detailed in Note 1, Principal Accounting Policies on page 84.*

Preference share capital	Mar 14 $m	Sep 13 $m	Mar 13 $m
Balance at beginning of period	**203**	203	583
Buyback of BNZ Income Securities	**-**	-	(380)
Balance at end of period	**203**	203	203

Reserves	As at 31 Mar 14 $m	As at 30 Sep 13 $m	As at 31 Mar 13 $m
Asset revaluation reserve	**79**	79	75
Foreign currency translation reserve	**(1,990)**	(2,501)	(4,075)
Cash flow hedge reserve	**(20)**	105	308
Equity-based compensation reserve	**217**	296	228
General reserve for credit losses	**563**	539	544
Available for sale investments reserve	**191**	62	70
Total reserves	**(960)**	(1,420)	(2,850)

Movements in reserves	Half Year to Mar 14 $m	Half Year to Sep 13 $m	Half Year to Mar 13 $m
Asset revaluation reserve			
Balance at beginning of period	**79**	75	75
Revaluation of land and buildings	**-**	6	-
Transfer to retained profits	**-**	(1)	-
Tax on revaluation adjustments	**-**	(1)	-
Balance at end of period	**79**	79	75

Movements in reserves	Half Year to Mar 14 $m	Sep 13 $m	Mar 13 $m
Foreign currency translation reserve			
Balance at beginning of period	**(2,501)**	(4,075)	(3,828)
Currency translation adjustments	**537**	1,628	(249)
Tax on foreign currency translation reserve	**(26)**	(54)	2
Balance at end of period	**(1,990)**	(2,501)	(4,075)
Cash flow hedge reserve			
Balance at beginning of period	**105**	308	446
Losses on cash flow hedging instruments	**(160)**	(255)	(183)
Losses transferred to the income statement	**6**	6	5
Tax on cash flow hedging instruments	**29**	46	40
Balance at end of period	**(20)**	105	308
Equity-based compensation reserve			
Balance at beginning of period	**296**	228	319
Equity-based compensation	**88**	90	95
Transfer to contributed equity	**(167)**	(18)	(177)
Transfer of options and rights lapsed to retained earnings	**-**	(3)	(10)
Tax on equity-based compensation	**-**	(1)	1
Balance at end of period	**217**	296	228
General reserve for credit losses			
Balance at beginning of period	**539**	544	592
Transfer from/(to) retained profits	**24**	(5)	(48)
Balance at end of period	**563**	539	544
Available for sale investments reserve			
Balance at beginning of period	**62**	70	77
Revaluation gains/(losses)	**205**	(9)	(9)
Gains from sale transferred to the income statement	**(35)**	(26)	(12)
Impairment transferred to the income statement	**-**	10	3
Tax on available for sale investments reserve	**(41)**	17	11
Balance at end of period	**191**	62	70

Reconciliation of movement in retained profits	Mar 14 $m	Sep 13 $m	Mar 13 $m
Balance at beginning of period	**19,793**	19,266	18,702
Restated for adoption of new accounting standards	**-**	-	9
Actuarial (losses)/gains on defined benefit superannuation plans (1)	**(55)**	(146)	197
Fair value changes on financial liabilities designated at fair value attributable to the Group's own credit risk	**(20)**	-	-
Tax on items taken directly to/(from) equity (1)	**18**	(18)	(50)
Net profit attributable to owners of the Company (1)	**2,856**	2,889	2,466
Transfer (to)/from general reserve for credit losses	**(24)**	5	48
Transfer from asset revaluation reserve	**-**	1	-
Transfer of options and rights lapsed from equity-based compensation reserve	**-**	3	10
Dividends paid (1)	**(2,209)**	(2,113)	(2,022)
Distributions on other equity instruments	**(90)**	(94)	(94)
Balance at end of period	**20,269**	19,793	19,266

(1) *Prior periods have been restated for the impact of adopting new accounting standards as detailed in Note 1, Principal Accounting Policies on page 84.*

12. Notes to the Condensed Cash Flow Statement

Reconciliation of cash and cash equivalents

Cash and cash equivalents as shown in the condensed cash flow statement is reconciled to the related items on the balance sheet as follows:

	As at		
Cash and cash equivalents	**31 Mar 14 $m**	**30 Sep 13 $m**	**31 Mar 13 $m**
Assets			
Cash and liquid assets	**38,095**	35,666	30,130
Treasury and other eligible bills	**179**	81	28
Due from other banks (excluding mandatory deposits with supervisory central banks)	**43,282**	33,809	38,083
	81,556	69,556	68,241
Liabilities			
Due to other banks	**(43,098)**	(32,215)	(26,067)
Total cash and cash equivalents	**38,458**	37,341	42,174

13. Contingent Liabilities

(i) Legal proceedings

Entities within the Group are defendants from time to time in legal proceedings arising from the conduct of their business.

There are contingent liabilities in respect of claims, potential claims and court proceedings against entities of the Group. Where appropriate, provisions have been made. The aggregate of potential liability in respect thereof cannot be accurately assessed.

(ii) Contingent liability - class actions

On 16 December 2011, Steven Farey and Others commenced a class action proceeding against the Group in relation to the payment of exception fees, along with similar actions against other financial institutions. The quantum of the claim against the Group has not yet been identified in the proceeding. The Group has not been required to file a defence as the proceeding has been stayed until 1 December 2014 pending the resolution of the exception fees class action against ANZ Banking Group Limited (ANZ). The ANZ action was commenced in September 2010 and is effectively a “test case” for exception fee claims against Australian banks. The proceeding will be vigorously defended.

In March 2013, a potential representative action against New Zealand banks (including, potentially, the Company’s subsidiary, Bank of New Zealand (BNZ)) was announced in relation to certain fees. Litigation Lending Services (NZ) Limited is funding the actions. Subsequently, in 2013, representative proceedings were filed against two New Zealand banks. In March 2014, it was announced that the threatened representative action against BNZ would be put on hold. No proceedings have been served against BNZ at this stage.

(iii) Contingent liability - United Kingdom Financial Services Compensation Scheme

The United Kingdom (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 in the UK, claims were triggered against the FSCS, initially to pay interest on borrowings which the FSCS has raised from the UK Government to support the protected deposits.

During 2013, the FSCS also invoiced institutions for the first of three annual levies to cover capital repayments to the UK Government. The principal of these borrowings, which remains after the three annual levies have been paid, is anticipated to be repaid from the realisation of the assets of the defaulted institutions. The FSCS has however confirmed that the size of the future levies will be kept under review in light of developments from the insolvent estates.

The FSCS has estimated levies due to 31 March 2014 and an accrual of $13 million (£7 million) is held for the Group’s calculated liability to that date. The ultimate FSCS levy as a result of the failures is uncertain.

(iv) Claims for potential mis-selling of payment protection insurance

In common with the wider UK retail banking sector, Clydesdale Bank PLC (Clydesdale) continues to deal with complaints and redress issues arising out of historic sales of payment protection insurance (PPI). Clydesdale remains in regular dialogue with the Financial Conduct Authority (FCA) regarding its approach to dealing with these issues, and is making modifications to its approach to PPI complaint handling, where appropriate, to reflect operational experience and ongoing input from the FCA, the Financial Ombudsman Service and third party professional advisers. A provision of $227 million (£126 million) is currently held in respect of the estimated cost of redress and administration expenses for this matter. In the period to March 2014 the Group has experienced a slower decline in complaint volumes being received than had previously been anticipated and increased pressure on administration costs but at this stage the Group has determined that no adjustment to the existing provision is necessary at 31 March.

The provision is based on a number of assumptions derived from a combination of past experience, estimated future experience, industry comparison and the exercise of subjective judgement. There remain risks and uncertainties in relation to these assumptions and consequently in relation to the ultimate costs of redress and related costs, including the number of PPI claims (including the extent to which this is influenced by the activity of claims management companies), the number of those claims that ultimately will be upheld, the amount that will be paid in respect of those claims as well as the outcome of ongoing dialogue with the FCA, which will require Clydesdale to revisit a significant number of complaints. These factors mean that the eventual costs of PPI redress and complaint handling may therefore differ materially from that estimated and further provision could be required. Accordingly, the final amount required to settle the Group’s potential PPI liabilities remains uncertain.

The Group will continue to reassess the adequacy of the provision for this matter and the assumptions underlying the provision calculation at each reporting date based upon experience and other relevant factors at that time.

(v) Review of sales of certain interest rate hedging products

On 29 June 2012 the UK Financial Services Authority (FSA) announced that it had reached agreement with a number of UK banks in relation to a review and redress exercise on sales of certain interest rate hedging products to small and medium businesses. Clydesdale Bank PLC (Clydesdale) agreed to participate in this exercise, as announced by the FSA on 23 July 2012, and has embarked on a program to identify small and medium sized customers that may have been affected and where due, pay financial redress. The exercise incorporates certain of the Group’s tailored business loan products as well as the standalone hedging products identified in the FSA’s notice. Clydesdale is also dealing with a number of claims by customers in relation to certain tailored business loans not currently in scope of the review.

A provision of $273 million (£152 million) is held for these matters. This includes $206 million (£115 million) provided for in March 2014. The increase in the provision is driven by a number of factors relating to offers of redress, compensation, offers of alternative products and administrative costs. These factors continue to be uncertain and could result in the total cost of the review and redress exercise and associated administrative costs varying materially from the Group's estimate. The final amount required to settle the Group's potential liabilities in this matter is therefore uncertain and further provision could be required.

The Group will continue to reassess the adequacy of the provision for this matter and the assumptions underlying the provision calculation at each reporting date based upon experience and other relevant factors at that time.

(vi) Other UK conduct related matters

Since 1 April 2013, Clydesdale Bank PLC has been regulated by the Financial Conduct Authority (FCA) and the Prudential Regulation Authority (PRA). The FCA is a proactive regulator, and this may impact upon the manner in which the Group's UK operations deal with, and the ultimate extent of, conduct related customer redress and associated costs. The current provision held in respect of UK conduct related matters, other than payment protection insurance and interest rate hedging products (including out of scope tailored business loans), is $120 million (£67 million). The total cost associated with these and other conduct related matters is uncertain.

14. Fair Value of Financial Instruments

(a) Fair value of financial instruments carried at amortised cost

The table below shows a comparison of the carrying amounts, as reported on the balance sheet, and the fair values of those financial assets and liabilities that are measured at amortised cost where the carrying value recorded in the balance sheet does not approximate to fair value.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The estimated fair values are based on relevant information available at the reporting date and involves judgement.

There are various limitations inherent in this fair value disclosure particularly where prices may not represent the underlying value due to dislocation in the market. Not all of the Group's financial instruments can be exchanged in an active trading market. The Group obtains the fair values for investment 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. The difference to fair value is relevant in a trading environment, but is not relevant to assets held to maturity and loans and advances.

	As at 31 March 2014	
	Carrying value $m	Fair value $m
Financial assets		
Investments - held to maturity	3,708	3,640
Loans and advances	423,711	425,898
Financial liabilities		
Deposits and other borrowings	462,297	462,652
Bonds, notes and subordinated debt	115,779	118,071

The fair value estimates are based on the methodologies and assumptions consistent with those applied in the 30 September 2013 annual financial report.

(b) Fair value measurements recognised on the balance sheet

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, using a hierarchy that reflects the significance of inputs used in measuring the fair value. The level in the fair value hierarchy within which a fair value measurement is categorised is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. The fair value hierarchy is as follows:

- Level 1 fair value measurements - quoted prices (unadjusted) in active markets for identical financial assets or liabilities
- Level 2 fair value measurements - inputs other than quoted prices within Level 1 that are observable for the financial asset or liability, either directly (as prices) or indirectly (derived from prices)
- Level 3 fair value measurements - inputs for the financial asset or liability that are not based on observable market data (unobservable inputs).

	Fair value measurement as at 31 March 2014			
	Quoted market prices (Level 1) $m	Valuation techniques (observable inputs) (Level 2) $m	Valuation techniques (significant non-observable inputs) (Level 3) $m	Total $m
Financial assets				
Trading derivatives	152	41,612	20	41,784
Trading securities	16,198	22,584	-	38,782
Investments - available for sale	5,559	31,694	305	37,558
Investments relating to life insurance business	3,486	74,674	3,122	81,282
Other financial assets at fair value	-	75,658	4,610	80,268
Hedging derivatives	-	4,276	-	4,276
Total financial assets measured at fair value	**25,395**	**250,498**	**8,057**	**283,950**
Financial liabilities				
Trading derivatives	117	43,772	6	43,895
Other financial liabilities at fair value	732	26,362	193	27,287
Hedging derivatives	-	3,245	-	3,245
Life investment contract liabilities	-	65,105	-	65,105
External unitholders' liability	-	14,690	-	14,690
Total financial liabilities measured at fair value	**849**	**153,174**	**199**	**154,222**

There were no transfers between Level 1 and 2 in the period.

Reconciliation of assets and liabilities measured at fair value based on valuation techniques for which any significant input is not based on observable market data (Level 3):

	Half Year to 31 March 2014					
	Assets				Liabilities	
	Trading derivatives $m	Investments - available for sale $m	Investments relating to life insurance business [4] $m	Other financial assets at fair value $m	Trading derivatives $m	Other financial liabilities at fair value $m
Balance at the beginning of period	70	157	2,873	5,375	6	208
Total gains/(losses):						
In profit or loss [1]	(9)	-	257	(72)	1	(4)
In other comprehensive income [2]	-	(12)	-	-	-	-
Purchases and issues	-	159	167	-	-	-
Sales and settlements	-	-	(110)	(905)	(1)	(19)
Transfers into Level 3 [3]	17	-	-	-	-	-
Transfers out of Level 3 [3]	(59)	-	(65)	-	-	-
Foreign currency translation adjustments	1	1	-	212	-	8
Balance at the end of period	**20**	**305**	**3,122**	**4,610**	**6**	**193**
Total gains/(losses) for the reporting period related to assets and liabilities held at the end of the reporting period:						
In profit or loss	(9)	-	246	(98)	1	(4)
In other comprehensive income	-	(12)	-	-	-	-

(1) *Net gains or losses were recorded in other operating income, interest income or interest expense and impairment losses as appropriate.*

(2) *Net gains or losses were recorded in available for sale investments reserve.*

(3) *Transfers into Level 3 were due to the lack of observable inputs for valuation of certain financial instruments. Transfers out of Level 3 were due to the valuation inputs becoming observable during the period.*

(4) *The gains and losses associated with the changes in the fair value of the investments relating to life insurance business are offset by the movements in the fair value of the life investment contract liabilities which are classified as Level 2.*

Transfers between levels are deemed to have occurred at the beginning of the reporting period in which the instruments were transferred.

Quantitative information about significant unobservable inputs in Level 3 valuations
Investments relating to life insurance business include private equity investments not traded in active markets. The fair value of these investments is estimated on the basis of the actual and forecasted financial position and results of the underlying assets or net assets taking into consideration their risk profile and other factors. Given the bespoke nature of the fair value estimate, where the fair value of the underlying investment or net asset value represents fair value of the Group's investment, it is not practical to disclose the range of key unobservable inputs.

The fair value of other financial assets at fair value is calculated using discounted expected cash flows based on the maturity of the assets. The discount rates applied are based on the market interest rates at reporting date and the fair value incorporates future expectations of credit losses and the prepayment rate, which are unobservable inputs. The expected average lifetime default rates on non-defaulted assets are estimated in the range between 5.7% and 10.9%. The impact of prepayment risk on the fair value at the reporting date is not material.

Sensitivity of Level 3 fair value measurements to reasonably possible alternative assumptions
Where valuation techniques use non-observable inputs that are significant to a fair value measurement in its entirety, changing these inputs will change the resultant fair value measurement.

The most significant exposure to Level 3 fair value measurements for the Group is in respect of the UK Tailored Business Loans (TBL) fair value loans and private equity investments included in investments relating to life insurance business.

The most significant inputs impacting the carrying value of the UK TBL fair value loans other than interest rates are future expectations of credit losses and the expected payment profile of the loans. If the loans were to be repaid six months earlier than currently predicted, the loan carrying value would decline by $16 million. If lifetime expected losses were 20% greater than predicted, the carrying value of the loans would decrease by $63 million. If lifetime expected losses were 20% lower, the carrying value of the loans would increase by $63 million. There are interdependencies between a number of the key assumptions which add to the complexity of the judgements the Group has exercised which mean that no single factor is likely to move independent of others, however, the sensitivities disclosed above assume all other assumptions remain unchanged.

Investments relating to the life insurance business largely comprise of private equity investments. Changing one or more of the inputs for measurement of these private equity investments using reasonable alternative assumptions would result in a change by the same amount to both the fair value of investments relating to life insurance business and life investment contract liabilities. Life investment contract liabilities are classified as Level 2 fair value measurements as the liabilities are not directly matched with individual underlying assets in the same statutory fund, and underlying assets with significant non-observable inputs are not significant to the fair value measurement of life investment contract liabilities in a statutory fund in their entirety.

Other than these significant Level 3 measurements, the Group has a limited remaining exposure to Level 3 fair value measurements, and changing one or more of the inputs for fair value measurements in Level 3 to reasonably alternative assumptions would not change the fair value significantly with respect to profit or loss, total assets, total liabilities or equity in relation to these remaining Level 3 measurements.

15. Events Subsequent to Reporting Date

No matter, item, transaction or event of a material or unusual nature has arisen in the interval between the end of the half year reporting period (31 March 2014) and the date of this report, that in the opinion of the directors, has significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future periods.

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, as set out on pages 78 to 106, 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 give a true and fair view of the financial position of the Group as at 31 March 2014, and of the performance of the Group for the six months ended 31 March 2014.

Dated this 8th day of May, 2014 and signed in accordance with a resolution of the directors.

Michael A Chaney
Chairman

Cameron Clyne
Group Chief Executive Officer

Ernst & Young
8 Exhibition Street
Melbourne VIC 3000 Australia
GPO Box 67 Melbourne VIC 3001

Tel: +61 3 9288 8000
Fax: +61 3 8650 7777
ey.com/au

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 2014, the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated condensed cash flow statement for the half year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the Company and the entities it controlled (the "Group") at the half year 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 of the half year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the half year financial report that is free from material misstatement, whether due to fraud or error.

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 a Financial Report 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 Group's financial position as at 31 March 2014 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 National Australia Bank Limited 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:

a) giving a true and fair view of the Group's financial position as at 31 March 2014 and of its performance for the half year ended on that date; and

b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Ernst & Young

Ernst & Young

Andrew Price
Partner
Melbourne

8 May 2014

This page has been left blank intentionally.

Section 6

Supplementary Information

1. Net Interest Margins and Spreads

Group	Half Year to Mar 14 %	Sep 13 %	Mar 13 %	Mar 14 v Sep 13	Mar 14 v Mar 13
Net interest spread (1)	**1.65**	1.70	1.67	(5 bps)	(2 bps)
Benefit of net free liabilities, provisions and equity	**0.29**	0.31	0.36	(2 bps)	(7 bps)
Net interest margin - statutory basis (2)	**1.94**	2.01	2.03	(7 bps)	(9 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 (NIM) is net interest income as a percentage of average interest earning assets.*

Half year ended March 2014 v Half year ended March 2013

Contribution to Group Margin	Impact of Change in NIM (3) (4)	Impact of Change in Mix (5)	Impact on Group NIM
Australian Banking	(2 bps)	-	**(2 bps)**
NZ Banking	(1 bps)	1 bps	**-**
UK Banking	1 bps	-	**1 bps**
Great Western Bank	-	-	**-**
NAB UK Commercial Real Estate	-	-	**-**
Other (1)	-	(2 bps)	**(2 bps)**
Group (excluding Liquid Assets, and Markets & Treasury)	(2 bps)	(1 bps)	**(3 bps)**
Total Liquid Assets and Marketable Securities (2)		(3 bps)	**(3 bps)**
Markets & Treasury	(2 bps)	(1 bps)	**(3 bps)**
Total Group - cash earnings basis	(4 bps)	(5 bps)	**(9 bps)**
NAB Wealth net interest income	-	-	**-**
Group - statutory basis	(4 bps)	(5 bps)	**(9 bps)**

(1) *Includes Specialised Group Assets, other supporting units and eliminations.*

(2) *Liquid asset and marketable securities volume impact only.*

(3) *The increase/(decrease) in net interest margin assuming no change in mix of average interest earning assets (AIEA).*

(4) *Impact of Change in NIM represents the effect of each division's NIM movement on the Group's NIM. These amounts do not reflect each individual division's NIM movement.*

(5) *The increase/(decrease) in net interest margin caused by changes in divisional mix of AIEA.*

Half year ended March 2014 v Half year ended September 2013

Contribution to Group Margin	Impact of Change in NIM (3) (4)	Impact of Change in Mix (5)	Impact on Group NIM
Australian Banking	(3 bps)	-	**(3 bps)**
NZ Banking	-	-	**-**
UK Banking	-	-	**-**
Great Western Bank	-	-	**-**
NAB UK Commercial Real Estate	-	-	**-**
Other (1)	-	-	**-**
Group (excluding Liquid Assets, and Markets & Treasury)	(3 bps)	-	**(3 bps)**
Total Liquid Assets and Marketable Securities (2)		(3 bps)	**(3 bps)**
Markets & Treasury	2 bps	(4 bps)	**(2 bps)**
Total Group - cash earnings basis	(1 bps)	(7 bps)	**(8 bps)**
NAB Wealth net interest income	1 bps	-	**1 bps**
Group - statutory basis	-	(7 bps)	**(7 bps)**

(1) *Includes Specialised Group Assets, other supporting units and eliminations.*

(2) *Liquid asset and marketable securities volume impact only.*

(3) *The increase/(decrease) in net interest margin assuming no change in mix of average interest earning assets (AIEA).*

(4) *Impact of Change in NIM represents the effect of each division's NIM movement on the Group's NIM. These amounts do not reflect each individual division's NIM movement.*

(5) *The increase/(decrease) in net interest margin caused by changes in divisional mix of AIEA.*

2. Loans and Advances by Industry and Geography

As at 31 March 2014	Australia $m	Europe $m	New Zealand $m	United States $m	Asia $m	Total $m
Real estate - mortgage	238,822	30,800	27,949	798	2,258	**300,627**
Other commercial and industrial	50,683	9,224	6,649	4,150	3,451	**74,157**
Commercial property services	46,599	3,723	7,151	14	381	**57,868**
Agriculture, forestry, fishing and mining	18,797	3,071	11,621	1,835	14	**35,338**
Financial, investment and insurance	11,820	2,916	825	892	2,159	**18,612**
Asset and lease financing	10,881	1,669	8	-	5	**12,563**
Instalment loans to individuals and other personal lending (including credit cards)	9,080	3,244	1,677	82	-	**14,083**
Manufacturing	7,137	1,216	2,416	-	855	**11,624**
Real estate - construction	1,668	4,049	758	208	-	**6,683**
Government and public authorities	2,174	104	178	161	-	**2,617**
Gross loans and advances including acceptances [(1)]	397,661	60,016	59,232	8,140	9,123	**534,172**
Deduct:						
Unearned income and deferred net fee income	(986)	(150)	(4)	(11)	(30)	**(1,181)**
Provisions for doubtful debts	(1,994)	(1,513)	(260)	(51)	(23)	**(3,841)**
Total net loans and advances including acceptances	394,681	58,353	58,968	8,078	9,070	**529,150**

(1) *Includes loans at fair value.*

As at 30 September 2013	Australia $m	Europe $m	New Zealand $m	United States $m	Asia $m	Total $m
Real estate - mortgage	232,251	28,016	26,213	758	2,125	**289,363**
Other commercial and industrial	51,162	9,257	6,368	3,968	2,337	**73,092**
Commercial property services	46,301	4,104	6,643	15	333	**57,396**
Agriculture, forestry, fishing and mining	19,494	3,133	10,980	1,695	12	**35,314**
Financial, investment and insurance [(2)]	11,945	3,043	642	778	1,620	**18,028**
Asset and lease financing	11,293	1,761	10	-	5	**13,069**
Instalment loans to individuals and other personal lending (including credit cards)	9,051	3,305	1,550	82	1	**13,989**
Manufacturing	7,259	1,388	2,236	-	830	**11,713**
Real estate - construction	1,696	4,894	679	368	1	**7,638**
Government and public authorities	2,106	62	177	132	-	**2,477**
Gross loans and advances including acceptances [(1)]	392,558	58,963	55,498	7,796	7,264	**522,079**
Deduct:						
Unearned income and deferred net fee income	(1,196)	(187)	(11)	(11)	(24)	**(1,429)**
Provisions for doubtful debts	(2,164)	(1,529)	(250)	(56)	(19)	**(4,018)**
Total net loans and advances including acceptances	389,198	57,247	55,237	7,729	7,221	**516,632**

(1) *Includes loans at fair value.*

(2) *Prior periods have been restated for the impact of adopting new accounting standards as detailed in the Principal Accounting Policies on page 84.*

As at 31 March 2013	Australia $m	Europe $m	New Zealand $m	United States $m	Asia $m	Total $m
Real estate - mortgage	226,034	22,883	23,258	669	1,759	**274,603**
Other commercial and industrial	51,015	8,975	5,286	3,565	2,441	**71,282**
Commercial property services	47,210	4,067	5,874	14	293	**57,458**
Agriculture, forestry, fishing and mining	19,052	2,703	9,535	1,426	12	**32,728**
Financial, investment and insurance (2)	11,024	2,915	680	610	558	**15,787**
Asset and lease financing	11,959	1,650	9	-	8	**13,626**
Instalment loans to individuals and other personal lending (including credit cards)	9,316	3,059	1,389	72	1	**13,837**
Manufacturing	7,766	1,268	1,882	6	771	**11,693**
Real estate - construction	1,860	4,992	553	318	-	**7,723**
Government and public authorities	1,763	52	216	113	-	**2,144**
Gross loans and advances including acceptances (1)	386,999	52,564	48,682	6,793	5,843	**500,881**
Deduct:						
Unearned income and deferred net fee income	(1,326)	(198)	(24)	(10)	(23)	**(1,581)**
Provisions for doubtful debts	(2,545)	(1,309)	(246)	(60)	(15)	**(4,175)**
Total net loans and advances including acceptances	383,128	51,057	48,412	6,723	5,805	**495,125**

(1) *Includes loans at fair value.*

(2) *Prior periods have been restated for the impact of adopting new accounting standards as detailed in the Principal Accounting Policies on page 84.*

3. Average Balance Sheet and Related Interest

The following tables show the major categories of interest earning assets and interest bearing liabilities, together with their respective interest rates earned or incurred by the Group. Averages are predominantly daily averages. Amounts classified as Other International represent interest earning assets and interest bearing liabilities of the controlled entities and overseas branches domiciled in New Zealand, the United States and Asia. Impaired assets are included within loans and advances in interest earning assets.

Average assets and interest income

	Half Year to Mar 14			Half Year to Sep 13			Half Year to Mar 13		
	Average balance $m	Interest $m	Average rate %	Average balance $m	Interest $m	Average rate %	Average balance $m	Interest $m	Average rate %
Average interest earning assets									
Due from other banks									
Australia	**11,711**	**108**	**1.8**	7,568	79	2.1	13,583	164	2.4
Europe	**25,742**	**83**	**0.6**	29,651	80	0.5	26,521	72	0.5
Other International	**21,403**	**49**	**0.5**	18,647	47	0.5	16,777	37	0.4
Marketable debt securities (1)									
Australia	**54,869**	**1,021**	**3.7**	49,050	927	3.8	41,062	793	3.9
Europe	**8,373**	**65**	**1.6**	7,860	64	1.6	12,452	80	1.3
Other International	**13,811**	**135**	**2.0**	11,514	103	1.8	11,562	96	1.7
Loans and advances - housing									
Australia	**235,087**	**5,633**	**4.8**	229,057	5,837	5.1	222,517	6,077	5.5
Europe	**29,866**	**501**	**3.4**	25,565	434	3.4	23,652	399	3.4
Other International	**30,022**	**776**	**5.2**	27,471	714	5.2	25,165	670	5.3
Loans and advances - non-housing (1)									
Australia	**159,477**	**4,874**	**6.1**	158,896	5,180	6.5	161,117	5,511	6.8
Europe	**30,218**	**652**	**4.3**	30,810	658	4.3	31,962	703	4.4
Other International	**44,006**	**1,104**	**5.0**	38,991	1,030	5.3	34,813	949	5.5
Other interest earning assets									
Australia	**9,358**	**171**	**n/a**	7,510	181	n/a	4,308	252	n/a
Europe	**22,561**	**59**	**n/a**	20,331	48	n/a	18,010	34	n/a
Other International	**10,666**	**38**	**n/a**	8,112	29	n/a	8,511	41	n/a
Total average interest earning assets and interest income by:									
Australia	**470,502**	**11,807**	**5.0**	452,081	12,204	5.4	442,587	12,797	5.8
Europe	**116,760**	**1,360**	**2.3**	114,217	1,284	2.2	112,597	1,288	2.3
Other International	**119,908**	**2,102**	**3.5**	104,735	1,923	3.7	96,828	1,793	3.7
Total average interest earning assets and interest income	**707,170**	**15,269**	**4.3**	671,033	15,411	4.6	652,012	15,878	4.9
Average non-interest earning assets									
Investments relating to life insurance business (1)(2)									
Australia	**79,735**			73,951			70,889		
Other International	**64**			55			46		
Other assets (1)	**70,961**			79,716			64,899		
Total average non-interest earning assets	**150,760**			153,722			135,834		
Provision for doubtful debts									
Australia	**(2,078)**			(2,363)			(2,534)		
Europe	**(1,522)**			(1,390)			(1,139)		
Other International	**(333)**			(321)			(328)		
Total average assets	**853,997**			820,681			783,845		

(1) *Prior periods have been restated for the impact of adopting new accounting standards as detailed in the Principal Accounting Policies on page 84.*

(2) *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.*

Average liabilities and interest expense

	Half Year to Mar 14			Half Year to Sep 13			Half Year to Mar 13		
	Average balance $m	Interest $m	Average rate %	Average balance $m	Interest $m	Average rate %	Average balance $m	Interest $m	Average rate %
Average interest bearing liabilities									
Due to other banks									
Australia	**25,991**	**294**	**2.3**	22,414	258	2.3	19,096	254	2.7
Europe	**11,473**	**15**	**0.3**	11,451	16	0.3	8,789	13	0.3
Other International	**4,600**	**32**	**1.4**	3,127	23	1.5	3,785	29	1.5
On-demand and short-term deposits									
Australia	**124,801**	**1,483**	**2.4**	114,996	1,459	2.5	109,983	1,546	2.8
Europe (2)	**28,153**	**41**	**0.3**	24,649	38	0.3	22,310	35	0.3
Other International	**29,212**	**165**	**1.1**	24,049	151	1.3	22,288	138	1.2
Certificates of deposit									
Australia	**33,975**	**443**	**2.6**	30,284	440	2.9	29,233	472	3.2
Europe	**24,657**	**33**	**0.3**	26,315	36	0.3	29,056	48	0.3
Other International	**8,461**	**40**	**0.9**	9,812	46	0.9	14,088	53	0.8
Term deposits (1)									
Australia	**116,415**	**2,215**	**3.8**	115,555	2,447	4.2	114,822	2,670	4.7
Europe (2)	**16,847**	**170**	**2.0**	18,088	197	2.2	18,369	230	2.5
Other International	**37,599**	**535**	**2.9**	37,698	507	2.7	33,716	460	2.7
Other borrowings (1)									
Australia	**2,412**	**28**	**2.3**	1,803	27	3.0	2,591	39	3.1
Europe	**7,752**	**19**	**0.5**	7,715	17	0.4	6,224	10	0.3
Other International	**24,965**	**21**	**0.2**	25,301	26	0.2	23,828	33	0.3
Bonds, notes and subordinated debt (1)									
Australia	**100,962**	**2,222**	**4.4**	94,640	2,307	4.9	92,852	2,545	5.5
Europe	**5,485**	**73**	**2.7**	4,945	59	2.4	4,765	59	2.5
Other International	**21,794**	**286**	**2.6**	18,747	253	2.7	15,058	217	2.9
Other interest bearing liabilities									
Australia	**3,305**	**167**	**n/a**	5,355	200	n/a	7,317	285	n/a
Europe	**715**	**4**	**n/a**	928	1	n/a	801	18	n/a
Other International	**1,651**	**159**	**n/a**	1,677	139	n/a	1,535	137	n/a
Total average interest bearing liabilities and interest expense by:									
Australia	**407,861**	**6,852**	**3.4**	385,047	7,138	3.7	375,894	7,811	4.2
Europe	**95,082**	**355**	**0.7**	94,091	364	0.8	90,314	413	0.9
Other International	**128,282**	**1,238**	**1.9**	120,411	1,145	1.9	114,298	1,067	1.9
Total average interest bearing liabilities and interest expense	**631,225**	**8,445**	**2.7**	599,549	8,647	2.9	580,506	9,291	3.2

(1) *Prior periods have been restated for the impact of adopting new accounting standards as detailed in the Principal Accounting Policies on page 84.*

(2) *Prior periods have been restated for a reclassification from on-demand and short-term deposits to term deposits.*

Average liabilities

	Half Year to		
	Mar 14 $m	**Sep 13 $m**	**Mar 13 $m**
Average non-interest bearing liabilities			
Deposits not bearing interest:			
Australia	**23,340**	21,627	19,889
Europe	**3,141**	2,798	2,602
Other International	**3,727**	3,402	3,209
Life insurance policy liabilities:			
Australia	**66,185**	61,673	57,468
Other International	**1**	3	2
Other liabilities [(1)]	**80,088**	86,743	76,570
Total average non-interest bearing liabilities	**176,482**	176,246	159,740
Total average liabilities	**807,707**	775,795	740,246
Average equity			
Contributed equity [(1)]	**27,950**	27,335	27,853
Reserves	**(1,034)**	(1,856)	(2,493)
Retained profits [(1)]	**19,356**	19,387	18,190
Parent entity interest	**46,272**	44,866	43,550
Non-controlling interest in controlled entities	**18**	20	49
Total average equity	**46,290**	44,886	43,599
Total average liabilities and equity	**853,997**	820,681	783,845

(1) *Prior periods have been restated for the impact of adopting new accounting standards as detailed in the Principal Accounting Policies on page 84.*

4. Capital Adequacy - Basel III

The APRA Basel III capital standards have been in effect since 1 January 2013. Under APRA's Prudential Standards, Wealth Management activities are de-consolidated from the Group for the purposes of calculating capital adequacy and excluded from the risk based capital adequacy framework. Under Basel III the investment in Wealth Management entities is deducted from Common Equity Tier 1 capital. Additionally, any profits from these activities included in the Group's results are excluded from Common Equity Tier 1 capital to the extent that they have not been remitted to the company. The principal Wealth Management entities are separately regulated and need to meet APRA's prudential standards. The Group conservatively manages the Wealth Management capital adequacy and solvency position separately from the banking business, with a conservative capital buffer in excess of minimum regulatory requirements.

	As at		
Reconciliation to shareholders' funds	**31 Mar 14 $m**	**30 Sep 13 (1) $m**	**31 Mar 13 (1) $m**
Contributed equity	**28,151**	28,139	28,208
Reserves	**(960)**	(1,420)	(2,850)
Retained profits	**20,269**	19,842	19,293
Non-controlling interest in controlled entities	**18**	59	50
Total equity per consolidated balance sheet	**47,478**	46,620	44,701
Equity-accounted Additional Tier 1 capital before application of Basel III transitional arrangements	**(4,535)**	(4,535)	(4,534)
Non-controlling interest in controlled entities	**(18)**	(59)	(50)
Treasury shares	**1,790**	1,528	1,155
Eligible deferred fee income	**39**	93	142
General reserve for credit losses	**(563)**	(539)	(544)
Deconsolidation of Wealth Management equity	**(376)**	(412)	(250)
Common Equity Tier 1 Capital before regulatory adjustments	**43,815**	42,696	40,620
Banking goodwill and other intangibles	**(1,346)**	(1,353)	(1,264)
Wealth Management goodwill and other intangibles	**(4,108)**	(4,119)	(4,150)
Investment in non-consolidated controlled entities (net of intangible component)	**(1,843)**	(1,826)	(1,795)
DTA in excess of DTL	**(1,547)**	(1,637)	(1,464)
Capitalised expenses	**(161)**	(117)	(87)
Capitalised software (excluding Wealth Management)	**(2,170)**	(1,953)	(1,620)
Defined benefit pension scheme surplus	**(19)**	(19)	(16)
Change in own creditworthiness	**188**	188	148
Cash flow hedge reserve	**10**	(120)	(308)
Equity exposures	**(642)**	(510)	(563)
Expected loss in excess of eligible provisions	**(421)**	(668)	(604)
Other	**(20)**	(31)	(30)
Common Equity Tier 1 Capital	**31,736**	30,531	28,867
Transitional Additional Tier 1 Capital:	**4,845**	5,450	5,450
Basel III eligible Additional Tier 1 Capital instruments	**3,196**	1,496	1,497
Eligible Additional Tier 1 Capital non-controlling interest	**-**	3	3
Regulatory adjustments to Additional Tier 1 Capital	**(3)**	-	-
Additional Tier 1 Capital	**8,038**	6,949	6,950
Tier 1 Capital	**39,774**	37,480	35,817
Collective provision for doubtful debts - Standardised approach	**554**	565	523
IRB approach surplus provisions on non-defaulted exposures	**45**	129	133
Transitional Tier 2 Capital:	**4,498**	4,776	4,872
Eligible Tier 2 Capital non-controlling interest	**-**	1	1
Regulatory adjustments to Tier 2 Capital	**(192)**	(218)	(185)
Tier 2 Capital	**4,905**	5,253	5,344
Total Capital	**44,679**	42,733	41,161
Risk-weighted assets			
Credit risk	**318,339**	314,674	307,517
Market risk	**5,791**	5,191	5,899
Operational risk	**36,280**	34,749	33,332
Interest rate risk in the banking book	**6,814**	7,464	4,643
Total risk-weighted assets	**367,224**	362,078	351,391
Risk-based regulatory capital ratios			
Common Equity Tier 1	**8.64%**	8.43%	8.22%
Tier 1	**10.83%**	10.35%	10.19%
Total Capital	**12.17%**	11.80%	11.71%

(1) *Prior periods have not been restated for the impact of adopting new accounting standards as detailed in the Principal Accounting Policies on page 84.*

	Risk-Weighted Assets as at			Exposures as at		
	31 Mar 14 $m	**30 Sep 13 $m**	**31 Mar 13 $m**	**31 Mar 14 $m**	**30 Sep 13 $m**	**31 Mar 13 $m**
Credit risk (1)						
IRB approach						
Corporate (including SME) (2)	**106,555**	105,115	105,166	**225,909**	211,440	201,813
Sovereign	**1,690**	1,452	1,127	**62,204**	43,846	34,561
Bank	**12,998**	11,785	10,755	**71,436**	60,092	61,091
Residential Mortgage	**60,301**	59,527	58,062	**307,538**	298,529	287,324
Qualifying revolving retail	**3,649**	3,725	4,022	**11,167**	11,095	11,199
Retail SME	**6,476**	6,731	6,873	**16,603**	16,876	17,083
Other retail	**3,467**	3,343	3,446	**4,748**	4,547	4,463
Total IRB approach	**195,136**	191,678	189,451	**699,605**	646,425	617,534
Specialised lending (SL)	**52,514**	53,193	54,192	**62,918**	65,211	66,309
Standardised approach						
Australian and foreign governments	**68**	66	55	**2,955**	4,071	3,585
Bank	**156**	265	235	**12,701**	10,458	9,359
Residential mortgage	**18,790**	17,463	14,945	**42,116**	38,023	31,170
Corporate	**23,971**	23,973	21,771	**49,973**	45,928	49,023
Other	**3,172**	3,206	2,803	**3,728**	3,744	3,279
Total standardised approach	**46,157**	44,973	39,809	**111,473**	102,224	96,416
Other						
Securitisation	**5,868**	7,018	7,633	**17,245**	18,690	16,344
Credit value adjustment	**10,221**	10,035	10,343	**-**	-	-
Central counterparty default fund contribution guarantee	**220**	263	197	**-**	-	-
Other (3)	**8,223**	7,514	5,892	**9,968**	9,127	9,658
Total other	**24,532**	24,830	24,065	**27,213**	27,817	26,002
Total credit risk	**318,339**	314,674	307,517	**901,209**	841,677	806,261
Market risk	**5,791**	5,191	5,899			
Operational risk	**36,280**	34,749	33,332			
Interest rate risk in the banking book	**6,814**	7,464	4,643			
Total risk-weighted assets & exposures	**367,224**	362,078	351,391			

(1) Risk-Weighted Assets (RWA) which are calculated in accordance with APRA's requirements under the Basel Accord, are required to incorporate a scaling factor of 1.06 to assets that are not subject to specific risk weights.

(2) Corporate (including SME) consists of corporations, partnerships or proprietorships not elsewhere classified and includes non-banking entities held by banks.

(3) 'Other' includes non-lending asset exposures and, from September 2013, an RBNZ overlay adjustment required to maintain a minimum risk profile of the NZ Agri portfolio.

5. Earnings per Share

	Half Year to					
	Mar 14		Sep 13		Mar 13	
Earnings per Share	**Basic**	**Diluted**	**Basic**	**Diluted**	**Basic**	**Diluted**
Earnings ($m)						
Net profit attributable to owners of the Company [1]	**2,856**	**2,856**	2,889	2,889	2,466	2,466
Distributions on other equity instruments	**(98)**	**(98)**	(101)	(101)	(114)	(114)
Potential dilutive adjustments (after tax)						
Interest expense on convertible notes	**-**	**-**	-	-	-	6
Interest expense on convertible preference shares	**-**	**54**	-	34	-	2
Adjusted earnings	**2,758**	**2,812**	2,788	2,822	2,352	2,360
Weighted average ordinary shares (no. '000)						
Weighted average ordinary shares (net of treasury shares) [1]	**2,290,451**	**2,290,451**	2,286,402	2,286,402	2,267,138	2,267,138
Potential dilutive weighted average ordinary shares						
Performance options and performance rights	**-**	**6,865**	-	5,476	-	5,864
Partly paid ordinary shares	**-**	**49**	-	62	-	63
Employee share plans	**-**	**4,752**	-	5,274	-	6,285
Convertible notes	**-**	**-**	-	-	-	7,120
Convertible preference shares	**-**	**72,525**	-	44,882	-	3,287
Total weighted average ordinary shares	**2,290,451**	**2,374,642**	2,286,402	2,342,096	2,267,138	2,289,757
Earnings per share (cents)	**120.4**	**118.4**	121.9	120.5	103.7	103.1

[1] *Prior periods have been restated for the impact of adopting new accounting standards as detailed in the Principal Accounting Policies on page 84.*

	Half Year to					
	Mar 14		Sep 13		Mar 13	
Cash Earnings per Share	**Basic**	**Diluted**	**Basic**	**Diluted**	**Basic**	**Diluted**
Earnings ($m)						
Cash earnings [1][2]	**3,150**	**3,150**	3,007	3,007	2,903	2,903
Distributions on other equity instruments	**(8)**	**(8)**	(7)	(7)	(20)	(20)
Potential dilutive adjustments (after tax)						
Interest expense on convertible notes	**-**	**-**	-	-	-	6
Interest expense on convertible preference shares	**-**	**54**	-	34	-	2
Adjusted cash earnings	**3,142**	**3,196**	3,000	3,034	2,883	2,891
Weighted average ordinary shares (no. '000)						
Weighted average ordinary shares	**2,349,304**	**2,349,304**	2,344,757	2,344,757	2,325,101	2,325,101
Potential dilutive weighted average ordinary shares						
Performance options and performance rights	**-**	**6,865**	-	5,476	-	5,864
Partly paid ordinary shares	**-**	**49**	-	62	-	63
Employee share plans	**-**	**4,752**	-	5,274	-	6,285
Convertible notes	**-**	**-**	-	-	-	7,120
Convertible preference shares	**-**	**72,525**	-	44,882	-	3,287
Total weighted average ordinary shares	**2,349,304**	**2,433,495**	2,344,757	2,400,451	2,325,101	2,347,720
Cash earnings per share (cents)	**133.7**	**131.3**	127.9	126.4	124.0	123.1

[1] *Refer to Profit Reconciliation section for reconciliation of cash earnings to net profit attributable to owners of the Company.*

[2] *Prior periods have been restated for the impact of adopting new accounting standards as detailed in the Principal Accounting Policies on page 84.*

6. Net Interest Income / Other Operating Income Analysis - Australian Banking (cash earnings basis)

	Half year ended Mar 14			Half year ended Sep 13			Half year ended Mar 13		
	NII $m	OOI $m	Total revenue $m	NII $m	OOI $m	Total revenue $m	NII $m	OOI $m	Total revenue $m
NAB risk management	**406**	**108**	**514**	377	79	456	274	169	443
Customer risk management	**-**	**376**	**376**	-	415	415	-	454	454
Banking products	**4,680**	**903**	**5,583**	4,743	951	5,694	4,702	933	5,635
Total revenue	**5,086**	**1,387**	**6,473**	5,120	1,445	6,565	4,976	1,556	6,532

7. Net Tangible Assets

	As at		
	Mar 14	Sep 13	Mar 13
Net tangible assets per ordinary share ($) (1)(2)	14.91	14.53	13.93

(1) *Represents 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 half year.*

(2) *Prior periods have been restated for the impact of adopting new accounting standards as detailed in the Principal Accounting Policies on page 84.*

8. Asset Funding

	As at				
Core assets	**Mar 14 $m**	**Sep 13 $m**	**Mar 13 $m**	**Mar 14 vs Sep 13 %**	**Mar 14 vs Mar 13 %**
Gross loans and advances (1)	428,733	417,748	400,804	2.6	7.0
Loans at fair value	79,522	75,012	66,920	6.0	18.8
Other financial assets at fair value	21	28	1,515	(25.0)	(98.6)
Due from customers on acceptances	25,917	29,319	33,157	(11.6)	(21.8)
Investments held to maturity (1)	3,708	4,758	5,714	(22.1)	(35.1)
Total core assets	537,901	526,865	508,110	2.1	5.9
Customer deposits					
On-demand and short-term deposits	184,264	167,193	150,235	10.2	22.7
Term deposits (1)	161,869	166,748	163,263	(2.9)	(0.9)
Deposits not bearing interest	31,095	28,917	26,396	7.5	17.8
Customer deposits at fair value	3,826	3,130	2,512	22.2	52.3
Total customer deposits	381,054	365,988	342,406	4.1	11.3
Wholesale funding					
Bonds, notes and subordinated debt (1)	115,779	110,717	100,999	4.6	14.6
Other debt issues	4,663	2,944	2,775	58.4	68.0
Preference shares and other contributed equity	4,534	4,534	4,534	-	-
Certificates of deposit	57,486	61,150	66,713	(6.0)	(13.8)
Securities sold under repurchase agreements	11,880	7,551	8,681	57.3	36.9
Due to other banks - Securities sold under repurchase agreements	26,970	15,068	13,611	79.0	98.1
Due to other banks	17,911	19,555	14,517	(8.4)	23.4
Other borrowings (1)	15,703	13,483	9,856	16.5	59.3
Liability on acceptances	12	3,228	6,273	large	large
Other financial liabilities at fair value	23,461	23,301	20,317	0.7	15.5
Total wholesale funding	278,399	261,531	248,276	6.4	12.1
Total funding liabilities	659,453	627,519	590,682	5.1	11.6
Total equity excluding preference shares and other contributed equity (1)	42,944	41,842	39,923	2.6	7.6
Life insurance liabilities (1)(2)	82,320	78,586	73,218	4.8	12.4
Other liabilities (1)	61,297	61,923	60,005	(1.0)	2.2
Total liabilities and equity	846,014	809,870	763,828	4.5	10.8
Wholesale funding by maturity (1)					
Short-term funding	98,465	105,580	105,139	(6.7)	(6.3)
Securities sold under repurchase agreements	38,850	22,619	22,292	71.8	74.3
Term funding:					
less than 1 year residual maturity	32,714	29,147	26,037	12.2	25.6
greater than 1 year residual maturity	108,370	104,185	94,808	4.0	14.3
Total wholesale funding by maturity	278,399	261,531	248,276	6.4	12.1
Funding liabilities (1)					
Customer deposits	57.8%	58.3%	57.9%		
Short-term funding less than 1 year residual maturity	14.9%	16.8%	17.9%		
Securities sold under repurchase agreements	5.9%	3.6%	3.8%		
Term funding:					
less than 1 year residual maturity	5.0%	4.6%	4.4%		
greater than 1 year residual maturity	16.4%	16.7%	16.0%		
Total funding liabilities	100.0%	100.0%	100.0%		

(1) *Prior periods have been restated for the impact of adopting new accounting standards as detailed in the Principal Accounting Policies on page 84.*

(2) *Comprises life policy liabilities and external unitholders' liability.*

9. Number of Ordinary Shares

	Half Year to		
	Mar 14 No. '000	Sep 13 No. '000	Mar 13 No. '000
Ordinary shares, fully paid			
Balance at beginning of period	**2,348,903**	2,342,509	2,297,247
Shares issued:			
Dividend reinvestment plan	**9,017**	15,190	17,088
Bonus share plan	**821**	963	1,112
Conversion of other debt issues	**-**	-	21,242
Employee share plans	**2,974**	55	5,538
Performance options and performance rights	**1,054**	530	275
Paying up of partly paid shares	**20**	8	7
On market purchase of shares for dividend reinvestment plan neutralisation	**(9,017)**	(10,352)	-
	2,353,772	2,348,903	2,342,509
Ordinary shares, partly paid to 25 cents			
Balance at beginning of period	**89**	97	104
Paying up of partly paid shares	**(20)**	(8)	(7)
	69	89	97
Total number of ordinary shares on issue at end of period (including treasury shares)	**2,353,841**	2,348,992	2,342,606
Less: Treasury shares (1)	**(57,762)**	(61,264)	(55,446)
Total number of ordinary shares on issue at end of period (excluding treasury shares)	**2,296,079**	2,287,728	2,287,160

(1) *Prior periods have been restated for the impact of adopting new accounting standards as detailed in the Principal Accounting Policies on page 84.*

10. Exchange Rates

	Income Statement - average			Balance Sheet - spot		
	Half Year to			As at		
One Australian dollar equals	Mar 14	Sep 13	Mar 13	Mar 14	Sep 13	Mar 13
British Pounds	**0.5573**	0.6182	0.6582	**0.5545**	0.5764	0.6856
Euros	**0.6679**	0.7253	0.7938	**0.6706**	0.6903	0.8128
United States Dollars	**0.9119**	0.9538	1.0387	**0.9224**	0.9315	1.0427
New Zealand Dollars	**1.0965**	1.1775	1.2529	**1.0661**	1.1255	1.2458

11. ASX Appendix 4D

Cross Reference Index	**Page**
Results for Announcement to the Market (4D Item 2)	Inside front cover
Dividends (4D Item 5)	91
Dividend dates (4D Item 5)	Inside front cover
Dividend Reinvestment Plan (4D Item 6)	91
Net tangible assets per ordinary share (4D Item 3)	122
Details of entities over which control has been gained or lost (4D Item 4)	n/a
The Group has not gained or lost control over any material entities during the half year ended 31 March 2014.	
Details of associates and joint venture entities (4D Item 7)	n/a
The Group held no material investments in associates or joint venture entities as at 31 March 2014.	

12. NAB Wealth Reconciling Items

Half Year ended 31 March 2014	Life Reclassification [a] Policyholder tax (i) $m	Life Reclassification [a] Other NLII reclass-ifications (ii) $m	Non-life reclass-ifications (b) $m	NAB Wealth adj. $m
Net Interest income	-	1	18	19
Net life insurance income	(112)	(219)	-	(331)
Other operating income	-	342	(221)	121
IoRE	-	15	-	15
Net income	(112)	139	(203)	(176)
Operating expenses	-	(140)	200	60
Operating loss before tax	(112)	(1)	(3)	(116)
Income tax benefit	112	1	-	113
Operating loss - before non-controlling interest	-	-	(3)	(3)
Net profit - non-controlling interest	-	-	3	3
Net profit attributable to the owners of the Company	-	-	-	-

Half Year ended 30 September 2013	Life Reclassification [a] Policyholder tax (i) $m	Life Reclassification [a] Other NLII reclass-ifications (ii) $m	Non-life reclass-ifications (b) $m	NAB Wealth adj. $m
Net Interest income	-	5	30	35
Net life insurance income	(296)	(150)	-	(446)
Other operating income	-	284	(252)	32
IoRE	-	16	-	16
Net income	(296)	155	(222)	(363)
Operating expenses	-	(159)	216	57
Operating loss before tax	(296)	(4)	(6)	(306)
Income tax benefit	296	4	1	301
Operating loss - before non-controlling interest	-	-	(5)	(5)
Net profit - non-controlling interest	-	-	5	5
Net profit attributable to the owners of the Company	-	-	-	-

Half Year ended 31 March 2013	Life Reclassification [a] Policyholder tax (i) $m	Life Reclassification [a] Other NLII reclass-ifications (ii) $m	Non-life reclass-ifications (b) $m	NAB Wealth adj. $m
Net Interest income	-	(4)	25	21
Net life insurance income	(224)	(244)	-	(468)
Other operating income	-	419	(235)	184
IoRE	-	15	-	15
Net income	(224)	186	(210)	(248)
Operating expenses	-	(189)	207	18
Operating loss before tax	(224)	(3)	(3)	(230)
Income tax benefit	224	3	-	227
Operating loss - before non-controlling interest	-	-	(3)	(3)
Net profit - non-controlling interest	-	-	3	3
Net profit attributable to the owners of the Company	-	-	-	-

(a) *Reclassification of Net Life Insurance Income ("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) *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 of NLII and tax for these amounts.

(ii) *Other NLII Reclassification:*

These are all other components of NLII, not adjusted for above, which are included in net Investments / Insurance income, operating expenses, IORE 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, net other income and operating expenses are reclassified to MLC Net Investments / Insurance income for Management reporting purposes.

13. Divisional Performance Summary Excluding Foreign Currency Movements

Half year ended 31 March 2014 at 31 March 2013 FX rate	Australian Banking [1] $m	NAB Wealth [2] $m	NZ Banking $m	UK Banking $m	GWB $m	NAB UK Commercial Real Estate $m	Corporate Functions & Other [3] $m	Distributions & Eliminations $m	Group Cash Earnings $m
Net interest income	5,049	-	596	577	145	19	197	-	**6,583**
Other operating income	1,356	708	197	160	29	3	106	(29)	**2,530**
IoRE	-	15	-	-	-	-	-	-	**15**
Net operating income	6,405	723	793	737	174	22	303	(29)	**9,128**
Operating expenses	(2,606)	(491)	(319)	(518)	(81)	(27)	(226)	29	**(4,239)**
Underlying profit/(loss)	3,799	232	474	219	93	(5)	77	-	**4,889**
Charge to provide for doubtful debts	(367)	-	(33)	(85)	(2)	(7)	(4)	-	**(498)**
Cash earnings/(deficit) before tax and distributions	3,432	232	441	134	91	(12)	73	-	**4,391**
Income tax (expense)/benefit	(984)	(58)	(122)	(24)	(30)	3	(21)	-	**(1,236)**
Cash earnings/(deficit) before distributions	2,448	174	319	110	61	(9)	52	-	**3,155**
Distributions	-	-	-	-	-	-	-	(85)	**(85)**
Cash earnings/(deficit)	2,448	174	319	110	61	(9)	52	(85)	**3,070**

(1) *Australian Banking includes the Australian banking operations, offshore branches and New Zealand wholesale banking operations.*

(2) *Excludes Private Wealth (formerly part of NAB Wealth).*

(3) *Corporate Functions & Other includes Group Funding, Specialised Group Assets and other supporting units.*

Half year ended 31 March 2014 at 30 September 2013 FX rate	Australian Banking [1] $m	NAB Wealth [2] $m	NZ Banking $m	UK Banking $m	GWB $m	NAB UK Commercial Real Estate $m	Corporate Functions & Other [3] $m	Distributions & Eliminations $m	Group Cash Earnings $m
Net interest income	5,066	-	634	615	158	20	202	-	**6,695**
Other operating income	1,369	708	210	170	32	3	110	(30)	**2,572**
IoRE	-	15	-	-	-	-	-	-	**15**
Net operating income	6,435	723	844	785	190	23	312	(30)	**9,282**
Operating expenses	(2,620)	(491)	(340)	(551)	(89)	(29)	(238)	30	**(4,328)**
Underlying profit/(loss)	3,815	232	504	234	101	(6)	74	-	**4,954**
Charge to provide for doubtful debts	(370)	-	(35)	(90)	(2)	(8)	(4)	-	**(509)**
Cash earnings/(deficit) before tax and distributions	3,445	232	469	144	99	(14)	70	-	**4,445**
Income tax (expense)/benefit	(985)	(58)	(130)	(25)	(33)	3	(19)	-	**(1,247)**
Cash earnings/(deficit) before distributions	2,460	174	339	119	66	(11)	51	-	**3,198**
Distributions	-	-	-	-	-	-	-	(88)	**(88)**
Cash earnings/(deficit)	2,460	174	339	119	66	(11)	51	(88)	**3,110**

(1) *Australian Banking includes the Australian banking operations, offshore branches and New Zealand wholesale banking operations.*

(2) *Excludes Private Wealth (formerly part of NAB Wealth).*

(3) *Corporate Functions & Other includes Group Funding, Specialised Group Assets and other supporting units.*

Section 7

Glossary of Terms

Terms	Description
AASB	Australian Accounting Standards Board.
ABS CDO	Asset-backed securities collateralised debt obligation.
APRA	Australian Prudential Regulation Authority.
APS	Prudential Standards issued by APRA applicable to Authorised Deposit-taking Institutions.
ASX	Australian Securities Exchange.
Australian Banking	Australian Banking includes the Australian banking operations, offshore branches and Bank of New Zealand's wholesale banking operations.
Average assets	Represents the average of assets over the period adjusted for disposed operations. Disposed operations include any 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.
Average interest earning assets	The average balance of assets held by the Group that generate interest income.
Banking	Banking operations include the Group's: - Retail and Non-Retail deposits, lending and other banking services in Australian Banking, UK Banking, NAB UK Commercial Real Estate, NZ Banking, NAB Wealth and Great Western Bank; - Wholesale operations comprising Global Capital Markets and Treasury, Specialised Finance and Financial Institutions business within Australian Banking; and - Specialised Group Assets (SGA) operations and Group Funding within Corporate Functions and Other.
Banking Cost to Income Ratio	Represents banking operating expenses (before inter-segment eliminations) as a percentage of banking operating revenue (before inter-segment eliminations).
Basel III	Basel III is a global regulatory framework designed to increase the resilience of banks and banking systems and is effective for Australian Banks from 1 January 2013.
BBSW	Bank bill swap rate.
BNZ	Bank of New Zealand.
Business Lending	Lending to non-retail customers including overdrafts, asset and lease financing, term lending, bill acceptances, foreign currency loans, international and trade finance, securitisation and specialised finance.
Cash earnings	Refer to page 2, Section 1 - Profit Reconciliation for information about, and the definition of cash earnings.
Cash earnings on risk-weighted assets	Calculated as cash earnings (annualised) divided by average risk-weighted assets. Average risk-weighted assets are calculated as the average of the current and previous two quarters' risk-weighted assets.
Cash earnings per share - basic	Calculated as cash earnings adjusted for distributions on other equity instruments, divided by the weighted average number of ordinary shares adjusted to include treasury shares held by the Group's life insurance business.
Cash earnings per share - diluted	Calculated as cash earnings adjusted for distributions on other equity instruments and interest expense on dilutive potential ordinary shares. This adjusted cash earnings is divided by the weighted average number of ordinary shares, adjusted to include treasury shares held by the Group's life insurance business and dilutive potential ordinary 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.
CBI	The Confederation of British Industry (CBI) is a UK business lobbying organisation, that provides a voice for employers at a national and internal level.
Common Equity Tier 1 (CET1) Capital	Common Equity Tier 1 (CET1) Capital is recognised as the highest quality component of capital. It is subordinated to all other elements of funding, absorbs losses as and when they occur, has full flexibility of dividend payments and has no maturity date. It is predominately comprised of common shares; retained earnings; undistributed current year earnings; as well as other elements as defined under APS111 - Capital Adequacy: Measurement of Capital.
Common Equity Tier 1 Ratio	Common Equity Tier 1 as defined by APRA divided by risk-weighted assets.
Company	National Australia Bank Limited.
Conduit	Special Purpose Entity (SPE) used to fund assets through the issuance of asset-backed commercial paper or medium-term notes.
Core Assets	Represents gross loans and advances including acceptances, financial assets at fair value, and investments held to maturity.
Customer Deposits	Interest bearing, non-interest bearing and term deposits (including retail and corporate deposits).
Customer Funding Index (CFI)	Customer Deposits (excluding certain short dated wholesale deposits used to fund liquid assets) divided by Core Assets.
Customer Risk Management	Activities to assist customers to manage their financial risks (predominantly foreign exchange and interest rate risks).
Deferred Acquisition Cost (DAC) discount	The profit impact of a change in value of deferred acquisition costs (net of reinsurance) included in insurance policy liabilities resulting from a movement in the inflation adjusted risk-free discount rate.
Distributions	Payments to holders of other equity instrument issues such as National Income Securities, Trust Preferred Securities, Trust Preferred Securities II and National Capital Instruments.
Dividend payout ratio	Dividends paid on ordinary shares divided by cash earnings per share.
Earnings Per Share	Basic and diluted 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.
FCA	United Kingdom Financial Conduct Authority.
FDIC	United States of America Federal Deposit Insurance Corporation.
FSA	United Kingdom Financial Services Authority. Effective from 1 April 2013, the FSA has been abolished and replaced with two successor organisations. The Prudential Regulation Authority (PRA) will ensure the stability of financial services firms and the Financial Conduct Authority (FCA) will provide oversight and regulate conduct in the financial services industry.
Full-time equivalent employees (FTEs)	Includes all full-time staff, part-time, fixed term and casual staff equivalents, as well as agency temps and external contractors either self-employed or employed by a third party agency. Note: This does not include consultants, IT professional services, outsourced service providers and non-executive directors.
FUM	Funds Under Management.

GDP	Gross Domestic Product (GDP) is the market value of the finished goods and services produced within a country in a given period of time.
General Reserve for Credit Losses (GRCL)	The general reserve for credit losses (GRCL) is an estimate of the reasonable and prudent expected credit losses over the remaining life of the portfolio and on non-defaulted assets. The reserve is a compliance requirement under APS 220 - Credit Quality. The GRCL is calculated as a collective provision for doubtful debts, excluding securitisation and provision on default no-loss assets. The difference between the GRCL and accounting collective provision is covered with an additional top-up, created through a transfer from retained earnings to a reserve, to reflect losses expected as a result of future events that are not recognised in the Group's collective provision for accounting purposes.
Group	The Company and its controlled entities.
GWB	Great Western Bank.
Housing Lending	Mortgages secured by residential properties as collateral.
IFRS	International Financial Reporting Standards.
Impaired Assets	Consist of: - Retail loans (excluding unsecured 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).
Insurance	Includes the provision of personal and Group insurance by NAB Wealth.
Investment earnings on Retained Earnings (IoRE)	Investment earnings (gross of tax) on shareholders' retained earnings, comprising investment earnings on surplus assets which are held in the Statutory Funds to meet capital adequacy requirements under the Life Insurance Act 1995 (Cth).
IRB approach	The internal ratings based (IRB) approach refers to the processes employed by the Group to estimate credit risk. This is achieved through the use of internally developed models to assess the potential credit losses using the outputs from the probability of default, loss given default and exposure at default models.
'Jaws'	The difference between the percentage growth in revenue on the preceding period and the percentage growth in the expenses on the preceding period, calculated on a cash earnings basis.
Liquidity Coverage Ratio (LCR)	LCR is a new measure announced as part of the Basel III liquidity reforms that will apply from January 2015. The ratio measures the amount of high quality liquid assets held that can be converted to cash easily and immediately in private markets, to total net cash flows required to meet its liquidity needs for a 30 day calendar liquidity stress scenario.
Marketable debt securities	Comprises trading securities, investments - available for sale and investments - held to maturity.
NAB	The Company and its controlled entities.
NAB UK Commercial Real Estate (NAB UK CRE)	NAB UK CRE was created on 5 October 2012 following the transfer of certain commercial real estate loan assets from Clydesdale Bank PLC to the Company. These loan assets are managed by the NAB London Branch.
NAB Risk Management	Management of interest rate risk in the banking book, wholesale funding and liquidity requirements and trading market risk to support the Group’s franchises.
Net interest margin (NIM)	Net interest income as a percentage of average interest earning assets.
Net profit attributable to non-controlling interest	Reflects the allocation of profit to non-controlling interests in the Group.
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 owners.
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 Lending	Non-retail transactions broadly refer to transactions with business customers. It excludes retail lending defined below.
Other Banking Products	Personal lending, credit cards (consumer and commercial), investment securities and margin lending.
PRA	United Kingdom Prudential Regulation Authority.
RBA	Reserve Bank of Australia.
Retail Lending	For the purposes of segmenting the customer base and managing transactions, two broad categories are used: Retail and Non-Retail. This reflects the different approaches to managing sales and distribution channels. Retail broadly refers to products provided to personal customers.
Risk-weighted assets (RWA)	A quantitative measure of the Group’s risk, required by the APRA risk-based capital adequacy framework, covering credit risk for on- and off-balance sheet exposures, market risk, operational risk and interest rate risk in the banking book.
Securitisation	Structured finance technique which involves pooling and packaging cash-flow converting financial assets into securities that can be sold to investors.
SGA	Specialised Group Assets.
Stable Funding Index (SFI)	Term Funding Index (TFI) plus Customer Funding Index (CFI).
Statutory Funds	A Statutory Fund is a fund that: - is established in the records of a life company; and - relates solely to the life insurance business of the Company or a particular part of that business.
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 Capital	Tier 1 Capital comprises the highest quality components of capital that fully satisfy all of the characteristics outlined under APRA's prudential framework. It provides a permanent and unrestricted commitment of funds, are freely available to absorb losses, do not impose any unavoidable servicing charge against earnings and rank behind the claims of depositors and other creditors in the event of winding-up.
Tier 1 Capital ratio	Tier 1 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’ securities 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	Shares in the Company held by the Group’s life insurance business and in trust by a controlled entity of the Group to meet the requirements of employee incentive schemes. The unrealised mark-to-market movements arising from changes in the share price, dividend income and realised profit and losses arising from the sale of shares held by the Group’s life insurance business are eliminated for statutory reporting purposes.
Weighted Average Number of Shares	Calculated in accordance with the requirements of AASB 133 'Earnings per Share'.