2012 Full Year Results

Incorporating the requirements of Appendix 4E

This full year results announcement incorporates the preliminary final report given to the Australian Securities Exchange (ASX) under Listing rule 4.3A.

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

National Australia Bank

Results for announcement to the market

Report for the year ended 30 September 2012

						30 September 2012 $m
Revenue from ordinary activities [1]	page 80	up	5.2%	*	to	17,715
Profit after tax from ordinary activities attributable to owners of the Company	page 80	down	21.8%	*	to	4,082
Net profit attributable to owners of the Company [2]	page 80	down	21.8%	*	to	4,082

** On prior corresponding period (twelve months ended 30 September 2011).*

[1] Required to be disclosed by ASX Listing Rule Appendix 4E. 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 3.6%.

[2] Net profit attributable to owners of the Company was down 21.8% to $4,082 million, reflecting higher charges for bad and doubtful debts, impairment of goodwill, restructuring costs and provisions for customer redress costs in UK Banking, offset by a strong performance in Wholesale Banking.

Dividends	**Amount per share cents**	**Franked amount per share %**
Final dividend	90	100
Interim dividend	90	100
Record date for determining entitlements to the final dividend		15 November 2012

Highlights [3]

Group cash earnings	down	0.5%	Cash earnings of $5,433 million for the September 2012 year decreased by $27 million or 0.5% on the September 2011 year. Excluding the $250 million ($175 million post tax) uplift to the economic cycle adjustment, cash earnings increased by $148 million or 2.7%. This was largely driven by higher earnings in Wholesale Banking, Personal Banking and NZ Banking, partially offset by significantly lower earnings in UK Banking as a result of higher charges for bad and doubtful debts. The difference between cash earnings and statutory net profit attributable to the owners of the Company was primarily due to charges relating to the outcomes of the UK Banking strategic review, including impairment of goodwill and capitalised software and provisions for restructuring, combined with provisions for customer redress, fair value and hedge ineffectiveness and the effects of adjusting for treasury shares. Refer to note on cash earnings on page 13.
Cash return on equity (ROE)	down to	14.2%	Cash ROE decreased by 100 basis points due to lower earnings, coupled with higher levels of capital being held as the Group continues its transition to Basel III.
Diluted cash earnings per share (cents)	down to	238.8	Diluted cash earnings per share decreased by 3.5%.
Banking cost to income ratio	down	240 bps	The Group’s banking cost to income ratio declined by 240 basis points to 41.3%.
Tier 1 capital ratio	up	57 bps	The Tier 1 capital ratio has increased to 10.27%. It remains above the Group's target.
Full time equivalent employees	down	1,309	Full time equivalent employees decreased to 43,336 driven by a continued focus on efficiency programs and convergence activities.

[3] All growth rates are calculated on a cash earnings basis on the prior corresponding period (twelve months ended 30 September 2011).

A Glossary of Terms is included in Section 7.

A reference in this Appendix 4E 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 September 2012 year are references to the twelve months ended 30 September 2012. Other twelve 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.

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Full Year Results

2012

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National Australia Bank Limited
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AUSTRALIA
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ASX ANNOUNCEMENT

Wednesday, 31 October 2012

NAB 2012 Full Year Results

Result reflects strong core business performance and challenges in the UK

Key Points

Results for the 30 September 2012 full year are compared with 30 September 2011 full year unless otherwise stated.

- On a statutory basis, net profit attributable to the owners of the Company decreased by \$1.1 billion or 21.8% to \$4.1 billion against the September 2011 full year.
- Cash earnings[1] fell by \$27 million or 0.5% on the September 2011 year to \$5.4 billion. This reflects an increased charge for bad and doubtful debts (B&DDs) mainly in the UK, and a pre-tax \$250 million increase in the economic cycle adjustment on collective provisions (ECA), partially offset by cash earnings growth in the Australian and NZ Banking franchises. The difference between statutory and cash earnings was primarily due to charges relating to the outcomes of the UK Banking strategic review, provisions for customer redress in the UK, fair value and hedge ineffectiveness and the effects of adjusting for treasury shares.
- On a cash earnings basis:
    - Revenue rose by 3.6% reflecting solid growth in Personal Banking, Wholesale Banking and NZ Banking;
    - The charge for B&DDs for the September 2012 full year was \$2.6 billion, an increase of \$793 million on the September 2011 full year. This reflects increased charges in UK Banking, particularly in the commercial real estate sector, and an increase in the ECA as a prudent response to current economic conditions. Excluding these two items, the charge for B&DDs for the year was broadly flat on September 2011; and
    - Expenses were lower, reflecting strong cost management while the Group continued to invest in key strategic projects. Positive jaws were maintained with growth in revenue exceeding growth in expenses.
- Balance sheet strength remains a priority for the Group. Sound capital, funding and liquidity positions have been maintained. During the year, the Group raised approximately \$31.3 billion of term wholesale funding (including approximately \$11.5 billion of secured funding). The weighted average term to maturity of the funds raised was 5.1 years. The Stable Funding Index (SFI) increased to 86%, with deposit growth fully funding core asset growth and contributing to balance sheet strength through reduced reliance on short term funding.
- The estimated Basel III Common Equity Tier 1 ratio (on an APRA basis) was 7.9% compared to 7.1% at 30 September 2011. The Group has introduced a Basel III Common Equity Tier 1 ratio target of above 7.5% on an APRA basis to apply from 1 January 2013, and will look to operate at an appropriate buffer to this target.
- The final dividend was 90 cents per share fully franked, consistent with the interim dividend. The total dividend for 2012 was 180 cents, an increase of 8 cents per share fully franked. In response to the strong capital growth in the last year and the forthcoming

1 Refer to note on cash earnings on page 5 of this document.

hybrid conversion, the Group will not offer a discount on the dividend reinvestment plan in respect of the 2012 final dividend.

Executive Commentary

"The Group result reflects both the strength of the core Australian and New Zealand banking businesses and ongoing challenges in the UK", National Australia Bank Group CEO, Cameron Clyne said today.

"The Australian economy has performed well relative to other advanced economies, although business conditions across sectors remain mixed reflecting the prolonged global uncertainty and weak confidence.

"The core Australian franchise performed well with Group cash earnings excluding UK Banking up 9.2% over the year. Personal Banking had a particularly strong year delivering increased returns, higher market share in mortgages and household deposits, and the highest bank customer satisfaction score of the four major Australian banks ever recorded in the Roy Morgan survey[2]. Business Banking maintained its leading market share position in business lending, Wholesale Banking performed strongly, achieving higher revenue across the Customer and Risk businesses, and NAB Wealth made significant investments in innovative capabilities.

"The Group has taken action on several key issues during the year. While the Australian and New Zealand businesses performed well, ongoing weak economic conditions in the UK led to our decision in April to restructure and re-focus UK Banking. On 5 October 2012, the vast majority of the UK commercial real estate portfolio was transferred from Clydesdale Bank PLC to National Australia Bank Limited, improving the Clydesdale Bank balance sheet structure and simplifying the business.

"Expenses were tightly managed while the Group continued to invest in areas of strategic priority. Several key milestones were achieved against the technology transformation program including the launch of our new online trading platform, nabtrade, the migration of more than 300,000 UBank customers to the new NextGen banking platform, and the introduction of everyday settlements for the majority of merchants, meaning businesses can now access funds processed on the weekend. These initiatives will improve cost efficiency and allow more flexibility to respond to customer needs.

"Balance sheet strength remains a priority and the Group made good progress against this objective, strengthening its capital, funding and liquidity positions over the year.

"At the heart of our business lie our beliefs - doing the right thing, helping others and realising potential. In 2012 the Group invested $55.7 million in the community and demonstrated leadership on financial inclusion, hosting Australia's inaugural Financial Exclusion Summit," he said.

Business Commentary

Business Banking

Cash earnings in Business Banking decreased by $36 million or 1.5% against the September 2011 year to $2.4 billion, with small growth in revenue and tightly managed expenses offset by a higher charge for B&DDs, including additional provisions on previously impaired exposures. Through continued strong focus on customer relationships, Business Banking maintained a leading market share in business lending of 24.8% [3] and a strong position in business deposits of 21.2%[4] during 2012. The ratio of 90+ days past due and gross impaired assets to gross loans and acceptances at September 2012 was 2.19% compared to 2.23% at March 2012, and watch loans were up around 2.7% in the September half.

2 August 2012, Roy Morgan Research Customer Satisfaction Report. NAB compared with ANZ, CBA and WBC.
3 August 2012, APRA Banking System
4 August 2012, APRA Banking System

Personal Banking

Personal Banking cash earnings increased by $113 million or 12.1% to $1.0 billion and its return on risk weighted assets grew by 30 basis points. Solid revenue growth and a lower charge for B&DDs were key drivers for the full year, as they were over the second half of the year, with September 2012 cash earnings up 25.2% on March 2012.

Personal Banking's differentiated customer proposition continued to deliver market share gains in both housing lending[5] and household deposits[6] in a highly competitive market.

Net interest margin decreased by 16 basis points compared to September 2011 due to funding and deposit cost pressures and changes in product mix, but it increased by two basis points on the March half, reflecting mortgage repricing.

Wholesale Banking

Cash earnings increased by $431 million or 65.2% to $1.1 billion during the September 2012 year as a result of higher revenue across the customer and risk businesses. Revenue increased by $645 million or 34.8%, reflecting an increase in both Risk income as trading conditions improved, and Customer income. Customer income increased through the successful execution of the franchise focus strategy which included higher sales of risk management products to Group customers, the development of innovative direct-to-market funding solutions for clients, a variety of deposit products delivered to customers through the Financial Institution Group franchise and the ongoing success of the Infrastructure and Natural resources business.

Customer income was lower in the second half, reflecting a more normalised level of client hedging activity. The Financial Institutions Group, Specialised Finance and Asset Servicing also performed well during the year.

Wealth

Cash earnings before IoRE[7] and non-controlling interest of $519 million increased by $15 million or 3.0% compared to September 2011, reflecting higher average funds under management (FUM) and increased revenue from both the annuities portfolio and direct asset management. This was partially offset by a deterioration in lapse experience.

Adviser numbers in the aligned channel increased by 82 and the business continued to undertake significant investment. This included the relaunch of key products in both the investments and insurance businesses, the launch of NAB's online trading platform, nabtrade, and the ongoing development of a range of innovative retirement products for Australia's retirees and pre-retirees.

NZ Banking

Cash earnings in NZ Banking increased by NZ$129 million or 21.1% to NZ$741 million compared to September 2011. Net interest margin increased, driven by continued demand for variable rate mortgages, repricing of the business lending portfolio and strong deposit growth which provided margin support relative to more expensive wholesale funding sources. Cash earnings for the September half year decreased by 7.5% compared to March 2012, reflecting an increased charge for B&DDs from low levels in the first half, slightly lower other operating income and higher expenses due to investment in business initiatives.

Customer deposits grew strongly over the year, with average volumes increasing by NZ$3.4 billion or 10.9% as the business continued to focus on growing deposits to support asset growth, reducing reliance on offshore funding markets, and further strengthening liquidity and capital positions.

5 RBA Financial System / NAB
6 APRA Banking System / NAB
7 Investment earnings on shareholders' retained profits and capital in the life business.

UK Banking

UK Banking delivered a cash earnings loss of £139 million in the September 2012 full year due to higher funding costs and an increased charge for B&DDs. The charge for B&DDs increased by £335 million, predominantly from business lending losses as a result of the prolonged economic weakness in Europe which has particularly affected the UK commercial real estate (CRE) market.

Progress has been made on implementing the outcomes of the UK Banking Strategic Review, announced on 30 April 2012, including simplifying the business model to focus on retail operations and SME business lending. The balance sheet has since been strengthened with the transfer on 5 October 2012 of the vast majority of the UK Banking CRE business (comprising assets with balances before provisions of approximately £5.6 billion) from Clydesdale Bank PLC to National Australia Bank Limited. As previously advised, some residual UK CRE assets have been retained by Clydesdale Bank.

Great Western Bank

Great Western Bank delivered growth in its core Agribusiness and SME segments during the year. Cash earnings were US$100 million, US$10 million higher than in September 2011, with a US$34 million reduction in the B&DD charge.

Specialised Group Assets

SGA delivered a cash earnings loss of $9 million loss for the September 2012 full year. Over the September half year, both income and the charge for B&DDs were lower than at March 2012 due to continued run-off in the business.

Over the year, risk weighted assets were reduced by $7.8 billion or 52% to $7.2 billion, reflecting the continued run-off of the portfolio and the removal of the economic risk related to the SCDO assets.

<u>Balance sheet commentary</u>

Capital

The Group Basel II Tier 1 capital ratio of 10.27% at 30 September 2012 is consistent with its objective of maintaining a strong capital position. The estimated Basel III Common Equity Tier 1 ratio on an APRA basis was 7.9% and includes the impact of APRA's draft counterparty credit risk capital reforms. This compares with our Board approved target of above 7.5% and the APRA's regulatory minimum of 4.5% applicable from 1 January 2013 (with APRA applying a further capital conservation buffer of 2.5% applicable from 1 January 2016, increasing APRA's effective regulatory minimum to 7.0%).

Funding and liquidity

The Group continued to explore opportunities to enhance and diversify its funding sources in the 2012 financial year, sustaining strong deposit growth and raising $31.3 billion of term wholesale funding (including secured funding). Deposit growth fully funded core asset growth and contributed to balance sheet strength with the Customer Funding Index increasing to 66%.

The Group maintains well diversified and high quality liquid asset portfolios, with total liquid assets held at 30 September 2012 of $91 billion (excluding contingent liquidity), broadly in line with 31 March 2012.

Group asset quality

Group asset quality metrics remained broadly stable during the year, despite ongoing economic challenges in the UK. The ratio of 90+ days past due and gross impaired assets to gross loans and acceptances was 1.78% at September 2012 compared to 1.73% at March 2012. Excluding UK Banking, this ratio was 1.43% compared to 1.50% at March 2012.

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Disclaimer

This announcement contains certain forward-looking statements. The words "anticipate", "believe", "expect", "project", "estimate", "likely", "intend", "should", "could", "may", "target", "plan" and other similar expressions are intended to identify forward-looking statements. Indications of, and guidance on, future earnings and financial position and performance are also forward-looking statements. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of the Group, which may cause actual results to differ materially from those expressed or implied in such statements. There can be no assurance that actual outcomes will not differ materially from these statements. Further information on important factors that could cause actual results to differ materially from those projected in such statements is contained in the Group's Annual Financial Report.

Note on Cash Earnings

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 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. 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. A definition of cash earnings is set out on page 146 of the 2012 Full Year Results Announcement. A discussion of non-cash earnings items is included on page 22 and a full reconciliation of the cash earnings to statutory net profit attributable to owners of the Company for the September 2012 full year is included on page 137 of the 2012 Full Year Results Announcement. Section 5 of the 2012 Full Year Results includes the Consolidated Income Statement of the Group, including net profit. The Group's audited financial statements, prepared in accordance with the *Corporations Act* 2001 (Cth) and Australian Accounting Standards, will be published in its 2012 Annual Financial Report on 19 November 2012.

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Section 2

Highlights

Group Performance

Cameron Clyne

Net Profit Attributable to Owners of the Company

Net profit attributable to owners of the Company (statutory net profit) for the September 2012 full year decreased by $1,137 million or 21.8% against the September 2011 full year, and $22 million or 1.1% against the March 2012 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 cash return on equity decreased by 100 basis points to 14.2% against the September 2011 full year, due to lower earnings, coupled with higher levels of capital being held as the Group continues its transition to Basel III.

The final dividend for September 2012 is 90 cents per share, consistent with the March 2012 half year. The full dividend for the September 2012 year is 180 cents per share, which is 4.7% higher than the September 2011 full year. This represents a dividend payout ratio of 74.7% for the September 2012 full year on a cash earnings basis. The dividend payment is 100% franked and will be paid on 18 December 2012. Shares will be quoted ex-dividend on 9 November 2012.

Earnings per Share

Basic **statutory** earnings per share decreased by 58.3 cents or 25% on the September 2011 year, diluted earnings per share decreased by 57.1 cents or 24.7%. This reflects the Group's decrease in statutory profit.

Basic **statutory** earnings per share decreased by 2 cents or 2.3% on the March 2012 half year, diluted earnings per share decreased by 2.1 cents or 2.4%.

Basic **cash earnings per share** decreased by 9 cents or 3.6% on the September 2011 year, diluted cash earnings per share decreased by 8.7 cents or 3.5%. This reflects an increase in the number of shares on issue combined with the decrease in cash earnings.

Basic **cash earnings per share** decreased by 11.6 cents or 9.2% on the March 2012 half year, diluted cash earnings per share decreased by 11.5 cents or 9.2%.

Strategic Highlights & Business Developments

The Group maintains its overall objective to deliver sustainable, satisfactory returns to shareholders. NAB continues to transform the way it does business through the strategic priorities announced in 2009, which are:

- Focusing on the strong Australian franchise and managing international businesses for value
- Maintaining balance sheet strength
- Reducing cost and complexity
- Enhancing the Group's reputation.

The Group's performance in 2012 reflects strength in the Australian banking business amidst a challenging operating environment that reduced the Group's cash earnings despite improvements in cost management. Personal Banking continued to grow strongly, while Business Banking and Wealth maintained strong market positions. Wholesale Banking performed particularly well in volatile markets. Internationally, the Group made some key decisions following the strategic review of the UK business. The Group improved the strength of its balance sheet. Further improvements in cost management were also seen through the year. NAB continues to differentiate itself from its peers by investing in its reputation for providing fairer banking.

The year's performance highlights on each of its strategic priorities are outlined below:

Focusing on the Strong Australian Franchise and Managing International Businesses for Value

Personal Banking performed strongly, building on NAB's differentiated customer proposition to deliver fair value for customers. Improving customer experience remained a key focus. This was reflected in NAB achieving the highest customer satisfaction score ever recorded for a major bank in the Roy Morgan survey[(1)]. NAB's housing lending was 1.6 times RBA system growth, resulting in an increase in market share of 30 basis points[(2)]. Customer deposits grew by 16.5% over the year, resulting in an additional 50 basis points in household deposits market share[(3)].

Third party channels continued to perform strongly. Homeside was recognised as the highest ranked lender in The Adviser's Third Party Banking Report - Major Lenders, 2012. UBank built on previous momentum, generating growth in deposits as well as in its new mortgage refinancing product. In 2012, UBank was awarded Direct Institution of the year by the *Financial Review Smart Investor* Blue Ribbon Awards[(4)].

Business Banking held its leading market position in business lending (24.8%) supporting its customers during challenging business conditions[(3)]. It also maintained a strong position in business deposits with 21.2% market share[(3)]. The business continues to focus on building world-class business relationships through its extensive banker footprint and its relationship management model. The model provides for quick credit and pricing decisions by bankers that know and understand their customers. Reflecting the strength of its relationships, NAB achieved improvements in business customer satisfaction, and is now ranked equal first among the major banks across the whole of market[(5)]. To support its Australian customers' increasingly international needs, NAB opened branches in India (Mumbai) and China (Shanghai) during the year.

Wholesale Banking performed strongly during 2012, delivering a 65% increase in cash earnings on the previous year. Customer income grew 10% on 2011, reflecting our continued focus on supporting our core customer franchises across Business Banking, Personal Banking, and Wealth.

(1) *Roy Morgan Research September 2012, Australians 14+, 6 month moving average, major banks include NAB, ANZ, Commonwealth Bank and Westpac.*
(2) *RBA Financial System / NAB - August 2012.*
(3) *APRA Banking System - August 2012.*
(4) *Financial Review Smart Investor Blue Ribbon Awards - 2012.*
(5) *DBM - DBM Consultants Business Financial Services Monitor, September 2012 - Whole of Market (Australian Business Banking) 6mth rolling average. Ranking based on statistically significant differences.*

Of particular note was the success achieved delivering foreign exchange and risk management solutions to business customers, and in developing and distributing innovative Basel III compliant deposit and investment products to our customers.

Risk income grew by 87% as a result of improved Treasury, risk management and trading activity. The business built on its strong capabilities in the Financial Institutions sector and its market leading position in Asset Servicing to strengthen the franchise in the superannuation, funds and insurance sectors. It arranged a number of significant project and asset finance transactions, and is the number one arranger of project finance in the Australian Renewable and Power sectors[6]. Wholesale Banking also built on its debt capital raising and distribution capability during the year, acting as sole or joint lead arranger on a number of significant customer funding transactions.

NAB Wealth maintained strong positions in investments, insurance and private wealth as well as delivering new capabilities. Key achievements during the year relating to the delivery of innovative and compelling customer solutions, include the launch of nabtrade, NAB Wealth's innovative new product for online investors. MLC Direct was piloted this year, with five MLC branded Advice stores now open in Sydney allowing customers a new channel to engage with an adviser.

NAB Wealth also announced the development of a suite of innovative new retirement products and significant enhancements to MLC Wrap, MasterKey Fundamentals and MLC Insurance.

NAB Wealth saw continued growth in aligned adviser numbers, which increased by 82 year-on-year. Including the acquisition of Meritum Advisers in 2011, this brings aligned adviser growth over the last two years to 267. NAB Wealth also maintained its strong market position in corporate superannuation funds under management[7].

Bank of New Zealand (BNZ) performed strongly during 2012 building on its ongoing commitment to delivering a differentiated customer experience and innovative products. BNZ overcame tough market competition to deliver above system growth in deposits and maintained its market share in lending during the year. BNZ's continued focus on deposits has proved successful, further strengthening its balance sheet, which has reduced its reliance on offshore funding markets and improved the liquidity and capital position of the Bank.

Challenging operating conditions have contributed to a significantly lower earnings performance for UK Banking. The Group is progressing well on the key outcomes of the strategic review of UK Banking announced in April 2012:

- Simplifying the business model to focus on retail operations and SME business lending in Scotland and Northern England
- Improving the UK Banking balance sheet structure by transferring the vast majority of its commercial real estate assets to NAB, completed in October 2012
- Placing the transferred portfolio into run-off, to be managed separately.

Great Western Bank (GWB) delivered healthy growth during the year on the basis of its strengths in Agribusiness and SME lending. Despite mixed economic conditions, GWB grew its loan book both organically and through its acquisition of First Federal Savings Bank.

Maintaining Balance Sheet Strength

The Group made progress in strengthening its capital, funding and liquidity position, as well as diversifying and extending the duration of its wholesale funding. At 30 September 2012, the Group's Core Tier 1 capital ratio was 8.29% on a Basel II basis, compared to 7.58% on the previous year.

Through the year, the Group raised $31.3 billion of term wholesale funding, fulfilling its 2012 term funding requirements and pre-funding some 2013 maturities. Term wholesale funding was raised from a range of sources, including National Australia Bank Limited raising $6.5 billion of covered bonds and $1.2 billion of subordinated debt. Deposits continue to be a key source of funding, with the Customer Funding Index improving to 66% on the back of improvements in deposit market share.

The Group's focus on balance sheet strength supports its capital, funding and liquidity transition strategy. APRA will implement its Basel III capital requirements from 1 January 2013, and the Group is well placed to meet these requirements. Examples of initiatives underway to meet the new funding and liquidity reforms to be implemented from January 2015 include improving the quality of the deposit book, improving the quality of the Group's liquid asset portfolio, and extending the duration of short-term wholesale funding.

Reducing Cost and Complexity

The Group maintained its disciplined approach to cost management during 2012 through its focus on process simplification and continuous improvement.

NAB is progressing well on its multi-year program to transform its technology and operating environment. Significant progress in the transformation of NAB's infrastructure and network was made during 2012 with the deployment of a virtual contact centre. The Next Generation Banking IT platform successfully deployed a major foundational release into UBank delivering a significant upgrade in the customer experience through enhanced functionality.

Key investments in reducing operational risk, including improvements in the robustness of NAB's overnight processing activities and IT security have enhanced NAB's day-to-day service delivery. The number of significant technology incidents experienced by the bank decreased 28% year-on-year, reducing the effect of service outages on customers.

A key focus for the Group remains the development of a customer-focused and cost-disciplined working environment. The deployment of Kaizen@nab continues to deliver improvements in the customer's experience and productivity. Throughout 2012 NAB maintained tight control of FTEs and expenses.

[6] *Infrastructure Journal MLA League Table - Australian Region, Power & Renewable Sectors, H1 2012.*
[7] *Plan for Life Australian Retail & Wholesale Investments Market share & Dynamics Report - June 2012.*

Enhancing the Group's Reputation

The Group has maintained its focus on strengthening its reputation through demonstrating a responsible approach to its customers, people, communities and the environment.

NAB remains a leader in developing a 'fairer' financial industry. Building on past initiatives to remove some of the most complained about fees, and provide more equitable products, in 2012 NAB introduced more transparent merchant fee structures. The NAB Care team continues to assist customers experiencing financial hardship. Examples include those affected by natural disasters, injuries and unemployment. NAB's ongoing commitment to reduce financial exclusion continued in 2012. During 2012, the first 'Good Money' store was opened, providing microfinance products, financial counselling and other community services to financially excluded individuals. Since 2007, NAB has written more than 50,000 Microfinance loans.

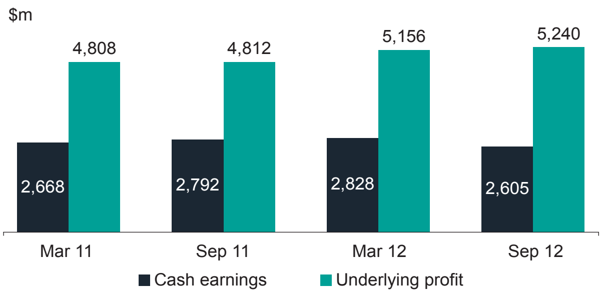
Investment in the potential of its people and creating a diverse, inclusive and engaged workplace is a key priority for the Group. NAB is well on track to achieve its gender diversity targets. NAB was recognised as an Australian Employer of Choice for Women for the sixth consecutive year. NAB is the only Australian bank to conduct a second audit of gender pay equity, in partnership with the Finance Sector Union (FSU). NAB's flexibility agenda continues to evolve. The results from the Group's employee survey "Speak Up, Step Up" indicate that over 86% of our people are able to work with a degree of flexibility.

NAB continues to support the community in which it operates, primarily through investment in the focus areas of education and inclusion. In 2012, NAB maintained its investment in education through the multi-award winning NAB Schools First program. More broadly, the Group's Environmental Agenda responds to some of the more significant environmental risks and opportunities facing the business. NAB has arranged the first two privately financed Environment Upgrade Agreements in Australia, providing an innovative new funding source for environmental retrofits of commercial buildings. Further strengthening its understanding and management of environmental issues, NAB was an inaugural signatory to the internationally recognised Natural Capital Declaration[8]. As part of its commitments, NAB is working towards integrating natural capital considerations into risk management, products and services and its transactions with customers and suppliers.

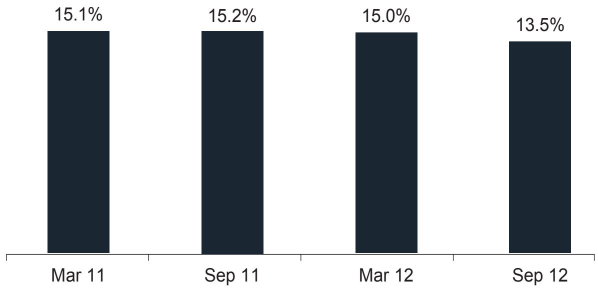
[8] *The Natural Capital Declaration is convened by the UNEP Finance Initiative, Global Canopy Program and Getúlio Vargas Foundation.*

Key Performance Measures [1]

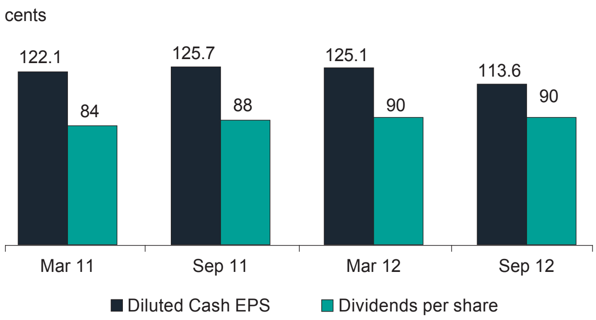
Cash Earnings and Underlying Profit - half year



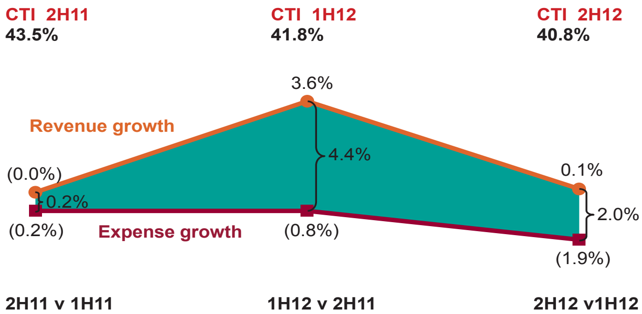
Cash Return on Equity (ROE) - half year



Diluted Cash EPS and Dividend per Share - half year



Half Yearly 'Jaws' and banking CTI [2]



Group Performance Indicators [1]

	Year to		Half Year to	
	Sep 12	**Sep 11**	**Sep 12**	**Mar 12**
Key Indicators				
Statutory earnings per share (cents)				
- basic	**175.3**	233.6	**86.8**	88.8
- diluted	**174.4**	231.5	**86.3**	88.4
Cash earnings per share (cents)				
- basic	**240.9**	249.9	**114.6**	126.2
- diluted	**238.8**	247.5	**113.6**	125.1
Cash return on equity (ROE)	**14.2%**	15.2%	**13.5%**	15.0%
Profitability, performance and efficiency measures				
Dividend per share (cents)	**180**	172	**90**	90
Dividend payout ratio	**74.7%**	68.8%	**78.5%**	71.3%
Cash earnings on average assets	**0.72%**	0.78%	**0.67%**	0.76%
Cash earnings on risk-weighted assets	**1.61%**	1.64%	**1.55%**	1.67%
Cash earnings per average FTE ($'000)	**124**	121	**120**	129
Banking cost to income (CTI) ratio	**41.3%**	43.7%	**40.8%**	41.8%
Net interest margin:				
- Group	**2.11%**	2.25%	**2.06%**	2.17%
- Business Banking	**2.53%**	2.62%	**2.50%**	2.56%
- Personal Banking	**2.03%**	2.19%	**2.04%**	2.02%
- NZ Banking	**2.39%**	2.30%	**2.38%**	2.41%
- UK Banking	**2.03%**	2.33%	**1.97%**	2.09%
- Great Western Bank	**3.75%**	4.19%	**3.73%**	3.78%
Capital				
Core Tier 1 ratio	**8.29%**	7.58%	**8.29%**	8.03%
Tier 1 ratio	**10.27%**	9.70%	**10.27%**	10.17%
Total capital ratio	**11.67%**	11.26%	**11.67%**	11.52%
Risk-weighted assets ($bn) [4]	**331.3**	341.1	**331.3**	335.6
Volumes ($bn)				
Gross loans and acceptances [3][4]	**500.9**	482.1	**500.9**	490.4
Average interest earning assets	**630.0**	580.6	**641.0**	618.9
Total average assets	**758.4**	700.7	**771.6**	745.1
Asset quality				
Gross impaired assets to gross loans and acceptances	**1.31%**	1.32%	**1.31%**	1.24%
Collective provision to credit risk-weighted assets (excluding housing)	**1.40%**	1.45%	**1.40%**	1.36%
Collective provision including GRCL on a pre-tax basis (top-up) to credit risk-weighted assets (excluding housing)	**1.73%**	1.86%	**1.73%**	1.76%
Specific provision to gross impaired assets	**30.3%**	24.2%	**30.3%**	26.8%
Other				
Funds under management and administration ($bn) [5]	**124.7**	110.3	**124.7**	123.5
Annual inforce premiums ($m)	**1,523.5**	1,466.3	**1,523.5**	1,492.9
Full Time Equivalent Employees (FTE) (spot)	**43,336**	44,645	**43,336**	43,399
Full Time Equivalent Employees (FTE) (average)	**43,753**	45,155	**43,443**	44,013

(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.*

Group Results

	Year to			Half Year to		
	Sep 12 $m	**Sep 11 $m**	**Sep 12 v Sep 11%**	**Sep 12 $m**	**Mar 12 $m**	**Sep 12 v Mar 12%**
Net interest income	**13,297**	13,092	1.6	**6,589**	6,708	(1.8)
Other operating income	**3,412**	3,016	13.1	**1,772**	1,640	8.0
NAB Wealth net operating income	**1,515**	1,486	2.0	**755**	760	(0.7)
Net operating income	**18,224**	17,594	3.6	**9,116**	9,108	0.1
Operating expenses	**(7,828)**	(7,974)	1.8	**(3,876)**	(3,952)	1.9
Underlying profit	**10,396**	9,620	8.1	**5,240**	5,156	1.6
Charge to provide for bad and doubtful debts	**(2,615)**	(1,822)	(43.5)	**(1,484)**	(1,131)	(31.2)
Cash earnings before tax, IoRE, distributions and non-controlling interest	**7,781**	7,798	(0.2)	**3,756**	4,025	(6.7)
Income tax expense	**(2,178)**	(2,142)	(1.7)	**(1,057)**	(1,121)	5.7
Cash earnings before IoRE, distributions and non-controlling interest	**5,603**	5,656	(0.9)	**2,699**	2,904	(7.1)
Net profit - non-controlling interest	**(1)**	(1)	-	**-**	(1)	large
IoRE	**38**	30	26.7	**8**	30	(73.3)
Distributions	**(207)**	(225)	8.0	**(102)**	(105)	2.9
Cash earnings [(1)]	**5,433**	5,460	(0.5)	**2,605**	2,828	(7.9)
Non-cash earnings items	**(1,351)**	(241)	large	**(575)**	(776)	25.9
Net profit attributable to owners of the Company	**4,082**	5,219	(21.8)	**2,030**	2,052	(1.1)

(1) *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 Note 17 in Section 6. A Glossary of Terms is in Section 7.*

Divisional Performance

Divisional Results

	Year to			Half Year to		
	Sep 12 $m	Sep 11 $m	Sep 12 v Sep 11 %	Sep 12 $m	Mar 12 $m	Sep 12 v Mar 12 %
Business Banking	**2,409**	2,445	(1.5)	**1,145**	1,264	(9.4)
Personal Banking	**1,045**	932	12.1	**581**	464	25.2
Wholesale Banking	**1,092**	661	65.2	**574**	518	10.8
NAB Wealth (before IoRE and after non-controlling interest)	**518**	503	3.0	**259**	259	-
NZ Banking	**575**	469	22.6	**278**	297	(6.4)
UK Banking	**(213)**	288	large	**(177)**	(36)	large
Great Western Bank	**98**	88	11.4	**50**	48	4.2
Specialised Group Assets	**(9)**	110	large	**(6)**	(3)	(100.0)
Corporate Functions and Other	**87**	159	(45.3)	**(5)**	92	large
IoRE	**38**	30	26.7	**8**	30	(73.3)
Distributions	**(207)**	(225)	8.0	**(102)**	(105)	2.9
Cash earnings	**5,433**	5,460	(0.5)	**2,605**	2,828	(7.9)
Non-cash earnings items	**(1,351)**	(241)	large	**(575)**	(776)	25.9
Net profit attributable to owners of the Company	**4,082**	5,219	(21.8)	**2,030**	2,052	(1.1)

Divisional Performance Indicators

	Year to			Half Year to		
	Sep 12	Sep 11	Sep 12 v Sep 11	Sep 12	Mar 12	Sep 12 v Mar 12
Business Banking						
Cash earnings ($m)	**2,409**	2,445	(1.5%)	**1,145**	1,264	(9.4%)
Cash earnings on average assets	**1.22%**	1.28%	(6 bps)	**1.16%**	1.29%	(13 bps)
Cash earnings on risk-weighted assets	**1.69%**	1.68%	1 bps	**1.62%**	1.78%	(16 bps)
Net interest margin	**2.53%**	2.62%	(9 bps)	**2.50%**	2.56%	(6 bps)
Net operating income ($m)	**6,062**	6,039	0.4%	**3,015**	3,047	(1.1%)
Cost to income ratio	**28.7%**	29.2%	50 bps	**28.7%**	28.7%	-
Personal Banking						
Cash earnings ($m)	**1,045**	932	12.1%	**581**	464	25.2%
Cash earnings on average assets	**0.71%**	0.72%	(1 bps)	**0.78%**	0.65%	13 bps
Cash earnings on risk-weighted assets	**2.60%**	2.30%	30 bps	**2.89%**	2.31%	58 bps
Net interest margin	**2.03%**	2.19%	(16 bps)	**2.04%**	2.02%	2 bps
Net operating income ($m)	**3,566**	3,416	4.4%	**1,835**	1,731	6.0%
Cost to income ratio	**51.5%**	52.4%	90 bps	**50.9%**	52.1%	120 bps
Wholesale Banking						
Cash earnings ($m)	**1,092**	661	65.2%	**574**	518	10.8%
Cash earnings on risk-weighted assets	**2.70%**	1.90%	80 bps	**2.73%**	2.60%	13 bps
Net operating income ($m)	**2,501**	1,856	34.8%	**1,282**	1,219	5.2%
Cost to income ratio	**37.9%**	49.3%	1,140 bps	**37.7%**	38.1%	40 bps
NAB Wealth						
Cash earnings before IoRE and non-controlling interest ($m)	**519**	504	3.0%	**259**	260	(0.4%)
Investment operating expenses to average FUM	**62 bps**	65 bps	3 bps	**61 bps**	62 bps	1 bps
Insurance cost to average inforce premium	**16%**	16%	-	**16%**	16%	-
NZ Banking ($NZ)						
Cash earnings ($NZm)	**741**	612	21.1%	**356**	385	(7.5%)
Cash earnings on average assets	**1.24%**	1.05%	19 bps	**1.18%**	1.30%	(12 bps)
Cash earnings on risk-weighted assets	**1.85%**	1.54%	31 bps	**1.77%**	1.93%	(16 bps)
Net interest margin	**2.39%**	2.30%	9 bps	**2.38%**	2.41%	(3 bps)
Net operating income ($NZm)	**1,881**	1,775	6.0%	**937**	944	(0.7%)
Cost to income ratio	**40.6%**	42.1%	150 bps	**41.4%**	39.7%	(170 bps)
UK Banking (£)						
Cash earnings (£m)	**(139)**	183	large	**(114)**	(25)	large
Cash earnings on average assets	**(0.30%)**	0.41%	(71 bps)	**(0.51%)**	(0.11%)	(40 bps)
Cash earnings on risk-weighted assets	**(0.44%)**	0.55%	(99 bps)	**(0.74%)**	(0.16%)	(58 bps)
Net interest margin	**2.03%**	2.33%	(30 bps)	**1.97%**	2.09%	(12 bps)
Net operating income (£m)	**1,145**	1,259	(9.1%)	**553**	592	(6.6%)
Cost to income ratio	**60.9%**	57.7%	(320 bps)	**63.1%**	58.8%	(430 bps)
Great Western Bank ($US)						
Cash earnings ($USm)	**100**	90	11.1%	**50**	50	-
Cash earnings on average assets [(1)]	**1.27%**	1.17%	10 bps	**1.23%**	1.27%	(4 bps)
Cash earnings on risk-weighted assets	**1.70%**	1.47%	23 bps	**1.68%**	1.75%	(7 bps)
Net interest margin	**3.75%**	4.19%	(44 bps)	**3.73%**	3.78%	(5 bps)
Net operating income ($USm)	**356**	375	(5.1%)	**183**	173	5.8%
Cost to income ratio	**50.0%**	48.3%	(170 bps)	**50.3%**	49.7%	(60 bps)
Specialised Group Assets						
Cash earnings ($m)	**(9)**	110	large	**(6)**	(3)	(100.0%)
Net operating income ($m)	**104**	167	(37.7%)	**17**	87	(80.5%)

(1) *Average assets exclude goodwill.*

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Section 3

Review of Operating Environment, Group Operations and Results

Review of Group Operating Environment

Global Business Environment

The heightened uncertainty, volatility and stress evident in global markets in late 2011 has resulted in a weakening in business confidence and slower growth in the advanced economies throughout 2012. The annualised pace of growth in the seven biggest advanced economies (G7) slowed to only 1% in the first half of 2012 with much of Western Europe falling back into recession. This was a disappointing outcome which indicated that G7 GDP had taken four years to regain its early 2008 level.

As a consequence of the poor growth record of the advanced economies, global growth over the last few years has been reliant on the emerging economies, particularly China, India and Brazil. However, these emerging economies too experienced a slowdown through 2012 as their export markets were affected by the sluggish performance of the advanced economies. At the same time, previous rounds of monetary tightening slowed domestic demand across Asia and Latin America. Growth in China, India and Brazil has slowed from around 10% in 2010 to less than 6% year-on-year in mid-2012, while the Asian 'Tiger' economies have slowed from around 8% in 2010 to about 3% year-on-year in mid-2012. These trends have caused a broad-based softening in the pace of growth that has driven global growth well below its long run trend and initial consensus forecasts for 2012. The net result is that the world economy is expected to grow by 3% this year with the emerging markets contributing over 2% of that overall expansion.

Global growth is then expected to pick-up to 3.25% in 2013. This is premised on the Euro-zone policy makers preserving the single currency, the avoidance of a 'hard landing' in China and the US authorities ensuring that their economy does not stumble over a 'fiscal cliff' of spending cuts and tax increases.

Australian Economy

Australia has been one of the best performing advanced economies over the last five years. In contrast with many of its peers, output, employment and real incomes are well above their early 2008 levels and it has not suffered their four years of lost growth. Real output in mid-2012 was around 10% above its early 2008 level, implying average annual growth of almost 2.5%. This good relative performance reflects the surge in commodity prices and mining investment, the relative strength of the financial system and government accounts, and the capacity to deliver policy stimulus that has supported local private demand.

Business conditions have been mixed across the economy, reflecting the diverse forces hitting different sectors and regions. The surge in resource prices and investment has boosted activity and incomes in mining industries and regions. However, the currency appreciation associated with the mining boom has hit employment and activity in the manufacturing and tourism industries and in the regions reliant on those sectors. Australian dollar appreciation has taken the competitiveness of locally-produced goods and services to its worst level in decades, presenting a headwind to growth. Normally, the fall in commodity prices would relieve those competitive pressures but the appetite for high rated, high yielding Australian assets is supporting elevated levels of the Australian dollar.

Caution in the household sector, reflected in the higher savings ratio and weak credit appetite, is the other major challenge. Although employment and income has continued to grow, volatile house prices and share markets have raised consumer uncertainty. Furthermore, despite subdued credit growth and increased disposable incomes, the household debt-to-income ratio remains high.

The desire to strengthen household balance sheets along with surprisingly poor levels of consumer confidence, has led to tough trading conditions in discretionary retailing. At the same time, however, service sectors like health and education have continued to create many more jobs than have been shed in manufacturing since early 2008. Consequently, the relative strength of trading conditions between sectors is not simply a question of a mining/non-mining split. Health and education account for one-fifth of the workforce and their employment is growing solidly.

The mining industry is expected to continue driving much of the economy's growth in the next few years but there will be a gradual change in the nature of its contribution from investment to export. Commodity prices are expected to gradually fall from their still very high levels, eroding margins, taking the terms of trade lower and putting downward pressure on national income. The lift in mineral output volumes, as previous expansion programs come on stream, will support industry growth.

Australian economic growth is expected to move back toward trend after the strong first half of 2012. In year-average terms, growth should soften from around 3.25% in 2012 to 2.5% in 2013. The terms of trade are expected to fall further from their recent peak but stay high by historical standards, and the boom in mining investment is forecast to peak in 2013/14. Economic conditions between sectors will remain very mixed with risk averse households and the high currency imposing structural adjustment pressures on certain sectors in the economy facing foreign competition.

New Zealand Economy

The operating environment in New Zealand is subject to many of the same challenges and opportunities as that in Australia. The economy has continued to grow, but trading conditions are very mixed between sectors. Recent high commodity prices produced the strongest terms of trade since the 1970s but these have fallen gradually since mid-2011. The exchange rate rose along with commodity prices, eroding the competitive position and sales of non-commodity exporters and import-competing manufacturing. Returns in the commodity sectors have been high, but profitability is now being depressed by the high New Zealand dollar and a decline in some primary product prices.

New Zealand households also remain cautious. Consumer sentiment and spending power has been affected by the near doubling in the jobless rate since 2007. But the situation is better than in many other advanced economies as employment has continued to increase, albeit slowly, and household disposable income has continued to increase.

After experiencing a long flat period, there are signs of improvement in parts of the economy that are driven by domestic demand. Consumer spending was around 2% higher year-on-year by mid-2012, largely driven by an upturn in spending on durable goods. House prices have been trending up since mid-2011, sales volumes are improving, property is selling faster and the surveys point to the market shifting in favour of sellers. Some of the indicators of business investment have also started to pick-up. Reconstruction in the Canterbury region is expected to have a profound impact on activity in the construction industry.

New Zealand growth is expected to be 2.2% in 2013. An upturn in private spending and the Canterbury region reconstruction are expected to be partly offset by the fiscal austerity needed to get the government's budget back to surplus by 2014-15. Commodity prices are forecast to remain high by historical standards, which should support the New Zealand dollar and keep structural pressure on other parts of the economy.

United Kingdom Economy

The UK business environment has remained weak with the economy failing to show a convincing recovery from the deep recession experienced in 2008-09. Real GDP in the September 2012 quarter remained around 3% below its early 2008 level and the economy moved back into recession with output declining steadily through late 2011 and the first half of 2012. While public sector austerity was expected to slow the growth of demand, private sector demand has also turned down across the board. Household consumption, investment and exports were all falling by mid-2012, partly reflecting special events but also more fundamental problems. GDP recovered strongly in the September quarter of 2012, but much of that upturn reflected temporary special factors.

This weakness in underlying demand reflects poor income growth, a wish to strengthen balance sheets and an absence of confidence that has led to the postponement of hiring and investment decisions. As real household incomes still remain around their early 2008 levels, house prices are falling and the savings ratio is well above its pre-recession level, it is not surprising that until recently real consumption spending remained weak. In addition to this, corporate profits remain below their early 2008 level. Recession in the Euro-zone has offset many of the trade benefits it was hoped would follow from the depreciation of Sterling. The anticipated upturn in business investment has stalled since late 2011 and firms have preferred to accumulate safe liquid assets. Commercial property prices recommenced their decline and house prices are also in decline.

While the UK recession ended in the latter half of 2012, the economy still faces numerous headwinds. Budget cuts, difficult export market conditions, limited growth in incomes and risk aversion should limit the pace of growth to only 1.3% in 2013, after the expected decline of around 0.2% in 2012. Pressure on household incomes is expected to gradually ease with employment growth supporting incomes while inflation is on a downward track. This should promote higher household spending next year.

United States of America Economy

While the Federal Reserve (FR) considers the pace of the US economic recovery to be unsatisfactory, the moderate growth achieved in the US recently is still better than that seen in many other countries. The credit cycle appears to be turning upwards with faster growth in bank lending, the housing market is picking up and repeated measures by the FR to loosen monetary policy are helping to boost financial markets and household wealth.

In 2012 growth in the United States economy is expected to reach 2.2% and to increase to 2.4% in 2013. This rate of growth is not fast enough to substantially reduce still high unemployment and there is also the risk that large tax increases and spending cuts could be implemented and weaken the economy. Conditions in Great Western Bank's region have been affected by the drought, but unemployment in those states is still well below the US average and growth is broadly in line with national levels.

System Credit Growth and Asset Quality

The disparity in the operating environment between the Group's key markets has begun to show more clearly in system credit growth. Most economies experienced a marked slowing in credit growth as de-leveraging got under way after 2008. More recently, trends in credit growth have diverged across major markets.

Australian system credit growth had increased to over 4% year-on-year by mid-2012 as business credit started recovering while housing credit growth continued softening and households repaid consumer credit. The pick-up in business credit has been muted in comparison to the surge in investment spending, reflecting the importance of bond markets as opposed to local banks in mining industry finance. The slowing in housing credit to a record low reflects the easing in lending to owner occupiers. Loan approval numbers have recently stabilised at a low level as the volume of lending has been held back by the weakness in key metropolitan housing markets. System growth is expected to accelerate further to around 8% year-on-year by late 2014.

New Zealand system credit growth remains weak but it has begun to increase as the housing market has improved and businesses have generally stopped de-leveraging. Household credit growth has increased to 2% year-on-year with housing lending picking up and households switching from the paying down of consumer credit to renewed borrowing. The early signs of an increase in business investment are reflected in the renewed growth in business credit, where farm credit growth has increased to 4% year-on-year. An acceleration in credit growth is forecast.

By contrast, the UK environment remains much tougher with no evidence yet of any growth in the stock of credit. Personal sector credit growth remains below 1%, reflecting the weakness of the housing market and consumer caution in taking on unsecured debt. The situation in business credit remains even more difficult with de-leveraging driving declines in the stock of lending.

Although system asset quality ratios were improving in Australia and New Zealand through to the first half of 2012, the multi-speed nature of their economies means that areas of difficulty remain for asset quality. The Australian impaired loan ratio peaked around 1.25% in the first half of 2010 but it had fallen under 1% by mid-2012 and the stock of impaired assets has been declining since late 2011. There are particular areas of stress in the construction and commercial property sectors and, while still low, the system impaired loan ratio for housing has been trending higher. New Zealand's system asset quality has also been improving with the impaired asset ratio peaking at 1.7% in early 2011 and falling to around 1.3% by early 2012.

UK asset quality has deteriorated through the last few years but the extent of the decline has been less severe than might have been expected, given the magnitude of the economic downturn. Bank loan write-offs stabilised through the latter half of 2011 and into early 2012. The corporate insolvency rate in England has also been fairly constant since 2010. However, particular problems persist in commercial real estate, where property prices resumed a downward trend.

Review of Group Operations and Results

Mark Joiner

Group Results

	Year to			Half Year to		
	Sep 12 $m	Sep 11 $m	Sep 12 v Sep 11 %	Sep 12 $m	Mar 12 $m	Sep 12 v Mar 12 %
Net interest income	**13,297**	13,092	1.6	**6,589**	6,708	(1.8)
Other operating income	**3,412**	3,016	13.1	**1,772**	1,640	8.0
NAB Wealth net operating income	**1,515**	1,486	2.0	**755**	760	(0.7)
Net operating income	**18,224**	17,594	3.6	**9,116**	9,108	0.1
Operating expenses	**(7,828)**	(7,974)	1.8	**(3,876)**	(3,952)	1.9
Underlying profit	**10,396**	9,620	8.1	**5,240**	5,156	1.6
Charge to provide for bad and doubtful debts	**(2,615)**	(1,822)	(43.5)	**(1,484)**	(1,131)	(31.2)
Cash earnings before tax, IoRE, distributions and non-controlling interest	**7,781**	7,798	(0.2)	**3,756**	4,025	(6.7)
Income tax expense	**(2,178)**	(2,142)	(1.7)	**(1,057)**	(1,121)	5.7
Cash earnings before IoRE, distributions and non-controlling interest	**5,603**	5,656	(0.9)	**2,699**	2,904	(7.1)
Net profit - non-controlling interest	**(1)**	(1)	-	**-**	(1)	large
IoRE	**38**	30	26.7	**8**	30	(73.3)
Distributions	**(207)**	(225)	8.0	**(102)**	(105)	2.9
Cash earnings	**5,433**	5,460	(0.5)	**2,605**	2,828	(7.9)
Non-cash earnings items (after tax):						
Distributions	**207**	225	(8.0)	**102**	105	(2.9)
Treasury shares	**(155)**	39	large	**(63)**	(92)	31.5
Fair value and hedge ineffectiveness	**(265)**	(181)	(46.4)	**(225)**	(40)	large
IoRE discount rate variation	**16**	26	(38.5)	**21**	(5)	large
Hedging costs on SCDO assets	**(99)**	(127)	22.0	**-**	(99)	large
Property revaluation	**(5)**	-	large	**(5)**	-	large
Litigation expense	**(101)**	(4)	large	**(77)**	(24)	large
Amortisation of acquired intangible assets	**(99)**	(82)	(20.7)	**(48)**	(51)	5.9
Customer redress provision	**(239)**	(117)	large	**(57)**	(182)	68.7
Impairment of goodwill and software	**(349)**	-	large	**-**	(349)	large
Restructure costs	**(174)**	-	large	**(174)**	-	large
Due diligence, acquisition and integration costs	**(88)**	(162)	45.7	**(49)**	(39)	(25.6)
Refund of tax on exchangeable capital units (ExCaps) settlement	**-**	142	large	**-**	-	-
Net profit attributable to owners of the Company	**4,082**	5,219	(21.8)	**2,030**	2,052	(1.1)

Cash Earnings [(1)]

(1) *At constant exchange rates.*

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

Review of Group Operations and Results

Note on Cash Earnings

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 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. 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. A definition of cash earnings is set out on page 146. A discussion of non-cash earnings items is included on page 22, and a full reconciliation of cash earnings to statutory net profit attributable to owners of the Company for the September 2012 year is included on page 137. Section 5 of the 2012 Full Year Results includes the Consolidated Income Statement of the Group, including net profit. The Group's audited financial statements, prepared in accordance with the *Corporations Act* 2001 (Cth) and Australian Accounting Standards, will be published in its 2012 Annual Financial Report on 19 November 2012.

Financial Analysis

September 2012 v September 2011

Net profit attributable to owners of the Company decreased by $1,137 million or 21.8% compared to the September 2011 year, reflecting higher charges for bad and doubtful debts including a $250 million uplift to the economic cycle adjustment, impairment of goodwill, restructuring costs and provisions for customer redress costs in UK Banking. This was partly offset by a strong performance in Wholesale Banking and higher earnings in Personal Banking and NZ Banking. 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 decreased by $27 million or 0.5% compared to the September 2011 year ($36 million or 0.7% excluding foreign exchange rate movements). Excluding the $250 million ($175 million post tax) uplift to the economic cycle adjustment, cash earnings increased by $148 million or 2.7%. This was largely driven by higher earnings in Wholesale Banking, Personal Banking and NZ Banking, partially offset by significantly lower earnings in UK Banking as a result of higher charges for bad and doubtful debts.

Cash earnings on risk-weighted assets decreased by 3 basis points reflecting lower earnings, partially offset by lower risk-weighted assets as a result of methodology changes and data validation.

Net interest income increased by $205 million or 1.6%. Excluding foreign exchange rate movements, net interest income increased by $230 million or 1.8%. This was largely driven by Wholesale Banking's gains on economically hedged positions relating to the Group's banking book interest rate risk of $101 million (offset in other operating income), and an increase in interest earning assets. Growth in home lending volumes in Personal Banking and NZ Banking also contributed. This increase was partly offset by higher funding and deposit costs, particularly in UK Banking following the credit rating downgrade.

Other operating income increased by $396 million or 13.1%. Excluding foreign exchange rate movements, other operating income grew by $403 million or 13.4%. This was largely due to higher risk income in Wholesale Banking. Excluding the effects of losses on economic hedges relating to the Group's banking book interest rate risk (offset in net interest income), the underlying increase in trading income was due to strong risk management and overall trading activity on external market uncertainty combined with gains in the liquidity portfolio.

NAB Wealth net operating income increased by $29 million or 2.0% as a result of growth in average funds under management and inforce premiums, together with favourable earnings on the annuities portfolio. This was partly offset by a deterioration in lapse experience.

Operating expenses decreased by $146 million or 1.8%. Excluding foreign exchange rate movements, operating expenses decreased by $127 million or 1.6%. This mainly reflects lower personnel costs as a result of a reduction in FTEs reflecting the Group's focus on productivity and efficiency initiatives, combined with disciplined management of discretionary expenditure.

The **charge to provide for bad and doubtful debts** increased by $793 million or 43.5% ($817 million or 44.8% excluding foreign exchange rate movements). Excluding the $250 million economic cycle adjustment, the increase in the charge to provide for bad and doubtful debts was $543 million or 29.8%. This mainly reflects business lending losses in UK Banking as a result of prolonged weakness in the UK economy.

September 2012 v March 2012

Net profit attributable to owners of the Company decreased by $22 million or 1.1%, reflecting higher charges for bad and doubtful debts including a $250 million uplift to the economic cycle adjustment, lower net interest income as a result of higher deposit and funding costs, and restructuring costs relating to UK Banking. This was partly offset by impairments of goodwill and capitalised software in the March 2012 half year.

Cash earnings decreased by $223 million or 7.9% compared to the March 2012 half year ($226 million or 8.0% excluding foreign exchange rate movements). Excluding the $250 million ($175 million post tax) uplift to the economic cycle adjustment, cash earnings decreased by $48 million or 1.7%. This was largely driven by lower earnings in UK Banking and Business Banking as a result of higher charges to provide for bad and doubtful debts. This was partly offset by higher earnings in Personal Banking driven by growth in home lending volumes and in Wholesale Banking as a result of higher revenue in the Risk businesses.

Cash earnings on risk-weighted assets decreased by 12 basis points reflecting lower earnings, partially offset by lower risk-weighted assets as a result of methodology changes and data validation.

Net interest income decreased by $119 million or 1.8%. Excluding foreign exchange rate movements, net interest income decreased by $142 million or 2.1%. This decrease was mainly attributable to UK Banking and Business Banking as a result of higher funding and deposit costs. Net interest income was also lower in Wholesale Banking as a result of lower gains on economically hedged positions relating to the Group's banking book interest rate risk, which are offset in other operating income. These decreases were partially offset by higher net interest income in Personal Banking as a result of repricing and sustained home lending growth.

Other operating income increased by $132 million or 8.0%. Excluding foreign exchange rate movements, other operating income increased by $126 million or 7.7%. This was largely due to Wholesale Banking as a result of higher risk income and gains in the liquidity portfolio. Excluding the offset in net interest income, the increase in Wholesale Banking's other operating income was $49 million.

NAB Wealth net operating income decreased by $5 million or 0.7% mainly due to unfavourable lapses and changes in the profile of the retail insurance book. This was partially offset by higher revenue from growth in average funds under management and inforce premiums, together with favourable earnings on the annuities portfolio.

Operating expenses decreased by $76 million or 1.9%. Excluding foreign exchange rate movements, operating expenses decreased by $91 million or 2.3%. This mainly reflects lower personnel costs as a result of productivity and efficiency initiatives combined with disciplined management of discretionary expenditure.

The **charge to provide for bad and doubtful debts** increased by $353 million or 31.2% ($343 million or 30.3% excluding foreign exchange rate movements). Excluding the $250 million economic cycle adjustment, the increase in the charge to provide for bad and doubtful debts was $103 million or 9.1%, reflecting additional provisions in Business Bank for several long standing corporate customers and business lending losses in UK Banking due to continued weakness in the UK economy. This was partly offset by lower charges in Personal Banking due to seasonal factors and improvements in collections practices.

Impact of Foreign Exchange Rate Movements

Excluding foreign exchange rate movements, cash earnings decreased by $36 million or 0.7% on the September 2011 full year and decreased by $226 million or 8.0% on the March 2012 half year. Foreign exchange movements have a favourable effect on both the September 2012 full year result ($9 million) and the September 2012 half year result ($3 million).

Pages 143 and 144 contain the September 2012 full year and September 2012 half year divisional performance summaries excluding foreign exchange rate movements.

Net Interest Income

	Year to			Half Year to		
	Sep 12	**Sep 11**	**Sep 12 v Sep 11 %**	**Sep 12**	**Mar 12**	**Sep 12 v Mar 12 %**
Net interest income ($m)	**13,297**	13,092	1.6%	**6,589**	6,708	(1.8%)
Average interest earning assets ($bn)	**629.6**	580.6	8.4%	**640.3**	618.9	3.5%
Net interest margin (%)	**2.11**	2.25	(14 bps)	**2.06**	2.17	(11 bps)
Composition of Net Interest Income						
Banking ($m)	**11,698**	11,739	(0.3%)	**5,828**	5,870	(0.7%)
Wholesale Banking ($m)	**1,519**	1,230	23.5%	**735**	784	(6.3%)
Specialised Group Assets ($m)	**80**	123	(35.0%)	**26**	54	(51.9%)
Net interest income ($m)	**13,297**	13,092	1.6%	**6,589**	6,708	(1.8%)

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, Group Business Services, other supporting units and Asia Banking.*

September 2012 v September 2011

Net interest income increased by $205 million or 1.6% over the September 2011 year ($230 million or 1.8% excluding foreign exchange).

Banking net interest income decreased by $41 million or 0.3% ($26 million or 0.2% excluding foreign exchange). This decrease was driven by increases in the cost of deposits and wholesale funding, as global economic conditions and the competitive landscape remain challenging.

The decrease was partially offset by:
- Housing and business lending growth in Australia
- Repricing of the lending portfolio for current market conditions
- Favourable mix impacts in New Zealand as customers moved from fixed rate mortgage products to higher margin variable products.

Wholesale Banking's net interest income increased by $289 million or 23.5% ($298 million or 24.2% excluding foreign exchange). Of this amount, $101 million was driven by gains on economically hedged positions relating to management of the Group's banking book interest rate risk (offset in other operating income). The underlying movement in net interest income of $188 million was driven primarily by an increase in interest earning assets to support the Group's funding and liquidity requirements as part of optimising the Bank's funding and liquidity profile.

Specialised Group Assets' net interest income decreased by $43 million or 35.0% ($42 million or 34.1% excluding foreign exchange) as a result of the run-down of the lending portfolio.

September 2012 v March 2012

Net interest income decreased by $119 million or 1.8% over the March 2012 half year ($142 million or 2.1% excluding foreign exchange).

Banking net interest income decreased by $42 million or 0.7% ($60 million or 1.0% excluding foreign exchange). This decrease reflects increased funding and deposit costs resulting in a higher average cost of funds, partially offset by repricing of the lending portfolio for current market conditions and continued housing and business lending volume growth.

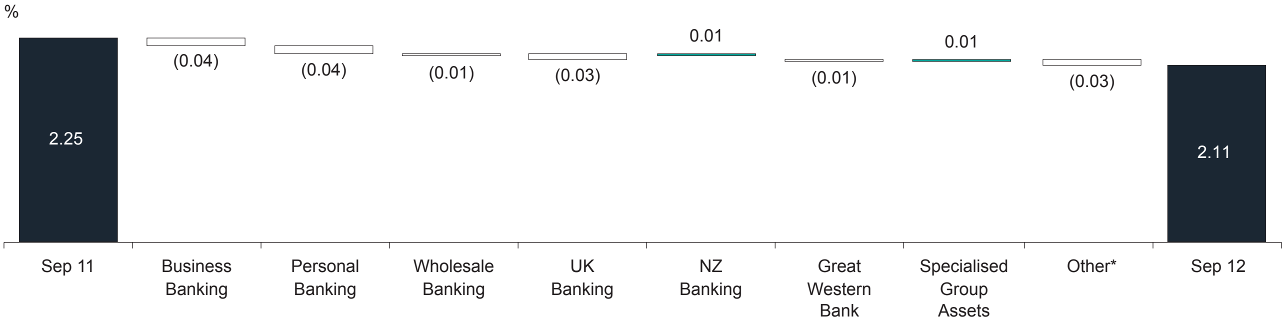
Wholesale Banking's net interest income decreased by $49 million or 6.3% ($53 million or 6.8% excluding foreign exchange). Of this net decrease in net interest income, there was a decrease of $63 million driven primarily by gains on economically hedged positions relating to management of the Group's banking book interest rate risk (offset in other operating income). The underlying increase in net interest income of $14 million was mainly driven by higher interest earning assets.

Specialised Group Assets' net interest income decreased by $28 million or 51.9% ($29 million or 53.7% excluding foreign exchange) resulting from the run-down of the lending portfolio.

Net Interest Margin

	Year to			Half Year to		
	Sep 12 %	**Sep 11 %**	**Sep 12 v Sep 11**	**Sep 12 %**	**Mar 12 %**	**Sep 12 v Mar 12**
Business Banking	**2.53**	2.62	(9 bps)	**2.50**	2.56	(6 bps)
Personal Banking	**2.03**	2.19	(16 bps)	**2.04**	2.02	2 bps
NZ Banking	**2.39**	2.30	9 bps	**2.38**	2.41	(3 bps)
UK Banking	**2.03**	2.33	(30 bps)	**1.97**	2.09	(12 bps)
Great Western Bank	**3.75**	4.19	(44 bps)	**3.73**	3.78	(5 bps)
Group net interest margin	**2.11**	2.25	(14 bps)	**2.06**	2.17	(11 bps)

Net Interest Margin



* *Includes NAB Wealth, Group Funding, other supporting units and Asia Banking.*

September 2012 v September 2011

The Group's **net interest margin** has decreased by 14 basis points over the September 2011 year. Key movements in the Group net interest margin were:

- A four basis point decrease from Business Banking, attributable to higher funding and deposit costs, partly offset by repricing of the lending portfolio to reflect current market conditions
- A four basis point decrease from Personal Banking, mainly reflective of higher funding and deposit costs exceeding the benefit gained from repricing the lending portfolio
- A one basis point decrease from Wholesale Banking due to an increase in liquid assets as part of optimising the Group's funding and liquidity profile, partly offset by gains on economically hedged positions relating to the Group's banking book interest rate risk
- A one basis point increase from NZ Banking attributable to a favourable lending product mix due to growth in higher margin variable rate housing products and progressive repricing of the portfolio
- A three basis point decrease from UK Banking due to the credit rating downgrade that occurred during the year, which resulted in higher deposit, funding, and liquidity costs
- A one basis point decrease from Great Western Bank attributable to highly competitive pricing driving lending margins lower
- A one basis point increase from SGA that has improved the Group's mix, as this lower margin portfolio reduces in size
- A three basis point decrease attributable to Other, driven by changes in portfolio mix and lower capital earnings rate, reflective of a declining interest rate environment.

September 2012 v March 2012

The Group's **net interest margin** has decreased by 11 basis points over the March 2012 half year. Key contributions to the Group net interest margin movements were:

- A two basis point decrease from Business Banking attributable to higher funding and deposit costs, partially offset by repricing the lending portfolio to reflect current market conditions
- A four basis point decrease from Wholesale Banking mainly due to lower gains, compared to the March 2012 half, on economically hedged positions relating to the Group's banking book interest rate risk
- A one basis point decrease from UK Banking reflecting higher deposit, funding and liquidity costs
- A four basis point decrease attributable to Other, driven by changes in portfolio mix and lower capital earnings rate, reflective of a declining interest rate environment.

Other Operating Income

	Year to			Half Year to		
	Sep 12 $m	Sep 11 $m	Sep 12 v Sep 11 %	Sep 12 $m	Mar 12 $m	Sep 12 v Mar 12 %
Fees and commissions	**2,468**	2,507	(1.6)	**1,234**	1,234	-
Trading income	**626**	234	large	**331**	295	12.2
Other	**318**	275	15.6	**207**	111	86.5
Other operating income	**3,412**	3,016	13.1	**1,772**	1,640	8.0
Composition of Trading Income (1)						
Wholesale Banking	**630**	265	large	**362**	268	35.1
Specialised Group Assets	**7**	(8)	large	**(14)**	21	large
Group Funding	**(96)**	(100)	4.0	**(32)**	(64)	50.0
Other	**85**	77	10.4	**15**	70	(78.6)
Trading income	**626**	234	large	**331**	295	12.2

(1) *Excluding internal funding transactions.*

Other Operating Income - Contribution to Net Increase (1)

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

September 2012 v September 2011

Other operating income increased by $396 million or 13.1% from September 2012 ($403 million or 13.4% excluding foreign exchange).

Fees and commissions decreased by $39 million or 1.6% ($33 million or 1.3% excluding foreign exchange). This decrease was largely due to lower income from fees and commissions in UK Banking.

Trading income increased by $392 million ($392 million excluding foreign exchange).

- *Wholesale Banking's* contribution to trading income increased by $365 million ($367 million excluding foreign exchange). Excluding the effects of mark-to-market losses of $101 million on economic hedges relating to the Group's banking book interest rate risk (offset in net interest income), the underlying increase of $466 million in trading income was largely driven by higher sales of risk management products to the Group's business customers, combined with gains in the liquidity portfolio.
- *Specialised Group Assets'* contribution increased by $15 million ($14 million excluding foreign exchange) largely due to favourable mark-to-market gains on the SCDO portfolio occurring prior to removal of the economic risk relating to that portfolio.

Other income increased by $43 million or 15.6% ($44 million or 16.0% excluding foreign exchange). This was largely driven by higher dividend income in Asia Banking, as well as higher performance related fees in NAB Wealth.

September 2012 v March 2012

Other operating income increased by $132 million or 8.0% from March 2012 ($126 million or 7.7% excluding foreign exchange).

Fees and commissions were flat. Excluding foreign exchange they decreased by $6 million or 0.5%. This decrease was mainly due to lower income from fees and commissions in UK Banking.

Trading income increased by $36 million or 12.2% ($37 million or 12.5% excluding foreign exchange).

- *Wholesale Banking's* contribution to trading income increased by $94 million or 35.1% ($93 million or 34.7% excluding foreign exchange). Excluding the effects of mark-to-market gains of $63 million on economic hedges relating to the Group's banking book interest rate risk (offset in net interest income), the underlying increase of $31 million in trading income is largely due to gains in the liquidity portfolio.
- *Specialised Group Assets'* contribution decreased by $35 million ($33 million excluding foreign exchange). The decrease was mainly due to favourable mark-to-market movements on the SCDO risk mitigation trades in the March 2012 half year that were not repeated in the September 2012 half year.

Other income increased by $96 million or 86.5% ($95 million or 85.6% excluding foreign exchange) largely due to higher dividend income in Asia Banking, gains arising from the sale-and-leaseback of UK Banking property and higher performance related fees in NAB Wealth.

NAB Wealth Net Operating Income

	Year to			Half Year to		
	Sep 12 $m	Sep 11 $m	Sep 12 v Sep 11 %	Sep 12 $m	Mar 12 $m	Sep 12 v Mar 12 %
Investments net operating income	1,034	999	3.5	524	510	2.7
Insurance net operating income	481	487	(1.2)	231	250	(7.6)
NAB Wealth net operating income	**1,515**	1,486	2.0	**755**	760	(0.7)

September 2012 v September 2011

Investments net operating income increased by $35 million or 3.5% against September 2011 as a result of growth in average Funds Under Management (FUM) and favourable earnings on the annuities portfolio. These gains were partially offset by changes in business mix, which included an increase in lower margin wholesale business.

Insurance net operating income decreased by $6 million or 1.2% due to an increase in lapses and unfavourable changes in the profile of the retail insurance book. These decreases were partially offset by growth in average inforce premiums and lower claims.

September 2012 v March 2012

Investments net operating income increased by $14 million or 2.7% against March 2012 as a result of growth in average FUM and favourable earnings on the annuities portfolio.

Insurance net operating income decreased by $19 million or 7.6% due to unfavourable lapses and changes in the profile of the retail insurance book. These decreases were partially offset by a growth in average inforce premiums.

Operating Expenses

	Year to			Half Year to		
	Sep 12 $m	Sep 11 $m	Sep 12 v Sep 11 %	Sep 12 $m	Mar 12 $m	Sep 12 v Mar 12 %
Personnel expenses	3,915	4,036	3.0	1,875	2,040	8.1
Occupancy related expenses	690	712	3.1	349	341	(2.3)
General expenses	2,240	2,245	0.2	1,162	1,078	(7.8)
NAB Wealth operating expenses [1]	983	981	(0.2)	490	493	0.6
Total operating expenses	7,828	7,974	1.8	3,876	3,952	1.9

(1) *Excludes banking related activities, which are included in the personnel, occupancy and general expenses categories.*

Operating Expenses - Contribution to Net Decrease [1]

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

September 2012 v September 2011

Operating expenses decreased by $146m or 1.8% against September 2011 ($127 million or 1.6% excluding foreign exchange). This mainly reflects lower personnel costs as a result of productivity and efficiency initiatives and lower performance based incentive costs, combined with disciplined management of discretionary expenditure.

Personnel expenses decreased by $121 million or 3.0% ($111 million or 2.8% excluding foreign exchange). This decrease was primarily driven by a reduction in FTEs, reflecting the Group's focus on productivity and efficiency initiatives and lower performance based incentive costs, partly offset by higher redundancy costs.

Occupancy related expenses decreased by $22 million or 3.1% ($20 million or 2.8% excluding foreign exchange) due to efficiency initiatives and disciplined cost management during the period.

General expenses decreased by $5 million or 0.2% (increased by $2 million or 0.1% excluding foreign exchange) due to disciplined management of discretionary spending.

NAB Wealth operating expenses increased by $2 million or 0.2%. This increase was mainly driven by the development of new products and services and the acquisition of the direct funds management business Antares Capital Partners Limited, formerly known as Aviva Investors Australia Limited (Antares). This was partially offset by cost synergies from the integration of the Aviva business acquired in 2009.

September 2012 v March 2012

Operating expenses decreased by $76m or 1.9% against March 2012 ($91 million or 2.3% excluding foreign exchange). This mainly reflects lower personnel costs as a result of lower redundancy and performance based incentive costs, productivity and efficiency initiatives, combined with disciplined management of discretionary expenditure.

Personnel expenses decreased by $165 million or 8.1% ($171 million or 8.4% excluding foreign exchange). This decrease was primarily driven by lower redundancy costs, lower FTEs and a reduction in performance based incentive costs.

Occupancy related expenses increased by $8 million or 2.3% ($7 million or 2.1% excluding foreign exchange) mainly due to rental increases, partly offset by efficiency initiatives.

General expenses increased by $84 million or 7.8% ($76 million or 7.1% excluding foreign exchange). The increase was due to higher professional fees associated with key strategic projects and higher non-lending losses in UK Banking, partially offset by a reduction in discretionary spending.

NAB Wealth operating expenses decreased by $3 million or 0.6% mainly due to savings as a result of Aviva synergies, partially offset by the development of new products and services and the seasonality of superannuation activities at the end of the financial year.

Full Time Equivalent Employees

	As at				
	30 Sep 12	31 Mar 12	30 Sep 11	Sep 12 v Sep 11%	Sep 12 v Mar 12%
Business Banking	**5,076**	5,081	5,427	6.5	0.1
Personal Banking	**8,348**	8,493	8,705	4.1	1.7
Wholesale Banking	**2,830**	2,819	2,889	2.0	(0.4)
NAB Wealth	**5,777**	5,635	5,909	2.2	(2.5)
NZ Banking	**4,534**	4,554	4,641	2.3	0.4
UK Banking	**7,883**	8,146	8,351	5.6	3.2
Great Western Bank	**1,569**	1,478	1,492	(5.2)	(6.2)
Specialised Group Assets	**23**	28	41	43.9	17.9
Corporate Functions and Other					
Group Business Services	**5,066**	5,001	5,065	(0.0)	(1.3)
Other [1]	**2,230**	2,164	2,125	(4.9)	(3.0)
Total full time equivalent employees (FTEs)	**43,336**	43,399	44,645	2.9	0.1
Average half year FTEs	**43,443**	44,013	45,094	3.7	1.3

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

September 2012 v September 2011

Total FTEs have decreased by 1,309 since September 2011 driven by a continued focus on efficiency programs and convergence activity that has been occurring across the Group. NAB continues to focus on productivity improvements and process simplifications as part of its Kaizen @ NAB agenda.

Key FTE movements in each business were as follows:
- Business Banking decreased FTEs by 351, mainly due to the implementation of cost management initiatives and convergence activity
- Personal Banking FTEs fell by 357 primarily as a result of productivity and convergence initiatives. This was partially offset by an increase in staff for UBank customer support centres
- Wholesale Banking FTEs decreased by 59, mainly due to efficiency savings achieved across Finance, Risk, Technology and Operations and convergence activity
- NAB Wealth reduced FTEs by 132 with the completion of integration projects and efficiency savings. This reduction was partly offset by the acquisition of Antares
- NZ Banking reduced FTEs by 107, as a result of the completion of several strategic projects
- UK Banking decreased FTEs by 468 due to the restructure of the business, productivity initiatives and natural attrition
- Corporate Functions and Other increased FTEs by 106, largely as a result of convergence activity across the Group which moved support roles from revenue generating businesses.

September 2012 v March 2012

Total FTEs have decreased by 63 against the March 2012 half year.

Key FTE movements in each business were as follows:
- Business Banking decreased FTEs by 5
- Personal Banking FTEs decreased by 145 primarily driven by productivity and convergence initiatives, which were partly offset by an increase in UBank staff
- Wholesale Banking FTEs increased by 11, mainly due to an increase in front office staff to support business growth
- NAB Wealth increased FTEs by 142 as a result of the development and roll-out of new products, services and platforms, and additional business operations staff to support the seasonality of superannuation activity at the end of the financial year
- NZ Banking reduced FTEs by 20, on completion of several strategic projects
- UK Banking reduced FTEs by 263 due to the restructure of the business, productivity initiatives and natural attrition
- Great Western Bank increased FTEs by 91 mainly due to the acquisition of First Federal Savings Bank of Iowa partly offset by retail outlet closures
- Corporate Functions and Other increased FTEs by 131 as a result of convergence activity across the Group which moved support roles from revenue generating businesses.

Investment Spend

	Year to			Half Year to		
	Sep 12 $m	Sep 11 $m	Sep 12 v Sep 11 %	Sep 12 $m	Mar 12 $m	Sep 12 v Mar 12 %
Infrastructure	610	719	(15.2)	301	309	(2.6)
Compliance / Operational Risk	133	119	11.8	76	57	33.3
Efficiency and Sustainable Revenue	278	288	(3.5)	158	120	31.7
Other	66	34	94.1	36	30	20.0
Total Investment Spend	1,087	1,160	(6.3)	571	516	10.7

Investment spend decreased by $73 million or 6.3% against the September 2011 year and increased by $55 million or 10.7% against the March 2012 half year.

Investment in infrastructure projects has decreased by $109 million or 15.2% against the September 2011 year, with the decrease largely relating to the completion of projects. Most of this investment was made in the Next Generation Banking IT Platform (NGP), and the convergence of key technology and operational infrastructure. Other core investment activities include large-scale upgrades to technology infrastructure and the ongoing refurbishment and relocation of stores and partner sites in Australia and New Zealand.

Spend on compliance and operational risk increased by $14 million or 11.8% against the September 2011 year. Initiatives include activities to support financial planning in NAB Wealth and to manage compliance with changing Australian regulations, including the Personal Property Securities Act in Australia, and the replacement of financial planning compliance systems in NAB Wealth.

Investment in efficiency and sustainable revenue projects has decreased by $10 million or 3.5% since the September 2011 year. However, the Group continues to identify opportunities to better service its customers. Initiatives in Business Banking include continued improvements in NAB Connect to improve customer offerings in online channels. Initiatives in Personal Banking include improvements to retail outlets to enhance the customer experience and the relaunch of the Homeside brand. NAB Wealth continued to develop customer facing technology and back office infrastructure over the period. Wholesale Banking continued to develop software platforms for cross-sell activities and to improve employee capability. Initiatives undertaken in NZ Banking include improving the service proposition and customer experience for the small and emerging business segment.

Taxation

	Year to			Half Year to		
	Sep 12 $m	Sep 11 $m	Sep 12 v Sep 11	Sep 12 $m	Mar 12 $m	Sep 12 v Mar 12
Income tax expense ($m)	2,178	2,142	(1.7%)	1,057	1,121	5.7%
Effective tax rate (%)	28.0	27.5	(50 bps)	28.1	27.9	(20 bps)

September 2012 v September 2011

Income tax expense for the September 2012 full year was $36 million or 1.7% higher than the September 2011 full year.

The **effective income tax rate** for the September 2012 full year of 28.0% is comparable to the effective income tax rate for the September 2011 full year of 27.5%.

September 2012 v March 2012

Income tax expense for the September 2012 half year was $64 million or 5.7% lower than the March 2012 half year.

The **effective income tax rate** for the September 2012 half year of 28.1% is comparable to the effective income tax rate of the March 2012 half year of 27.9%.

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.

Treasury Shares

For statutory reporting purposes, the Group eliminates the effect on statutory net profit 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. Included in cash earnings in the September 2012 year is a net gain of $175 million ($155 million after tax) attributable to these adjustments.

Fair Value and Hedge Ineffectiveness

Fair value and hedge ineffectiveness cause volatility in statutory profit, which is excluded from cash earnings as it is income neutral over the full term of transactions. This 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 September 2012 year there was a reduction in statutory profit of $375 million ($265 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 long-term funding from movements in spreads between Australian and overseas interest rates, and the appreciation of the Australian dollar, coupled with mark-to-market movements of assets and liabilities designated at fair value reflecting current market conditions.

IoRE Discount Rate Variation

The IoRE 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. In the September 2012 year the discount rate and the inflation rate decreased. This resulted in an increase in the present value of deferred acquisition costs, resulting in a pre-tax gain of $24 million ($16 million after tax).

Hedging Costs on SCDO Assets

As announced on 22 March 2012, the Group has removed the economic risk associated with the final two SCDO assets held as part of the SGA portfolio. One fully hedged SCDO position remains on the Group's balance sheet as at 30 September 2012.

As previously disclosed, the recognition of remaining hedging costs related to the SCDO risk mitigation trades have been accelerated by expensing the carrying value of these hedge costs to non-cash earnings. During the September 2012 year $141 million ($99 million after tax) of such costs were expensed through non-cash earnings.

Property Revaluation

Property revaluation relates to revaluation losses on bank occupied properties that are carried at fair value. As there is no intention to sell these properties the revaluation movements are reflected in non-cash earnings.

Litigation Expense

The Group recognised $141 million ($101 million after tax) in non-recurring litigation expenses during the 2012 financial year, including the Bell Resources litigation.

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.

UK Banking Non-cash Earnings Items

Customer redress provisions include the following pre-tax amounts:
- $184 million (£120 million) provision for claims relating to payment protection insurance (PPI)
- $73 million (£48 million) relating to other customer redress in the UK, including claims relating to interest rate derivative products.

On 30 April 2012, the Group announced the outcome of the UK Banking strategic review. The outcomes of the review include the following non-cash earnings items:
- the write-off of $295 million (£141 million) of goodwill relating to UK Banking
- the impairment of capitalised software of $54 million (£36 million) relating to assets that will be used in a substantially reduced form from what had been planned
- $222 million restructuring costs, of which $215 million (£140 million) relates to redundancy, lease break fees and other costs in UK Banking.

Due Diligence, Acquisition and Integration Costs

Acquisition and integration costs represent expenses associated with integrating acquisitions within the NAB operating model and reporting platforms, as well as costs associated with acquisitions.

The Aviva Insurance business acquisition was completed on 1 October 2009. The integration of Aviva's insurance operations, its discretionary investment platform, Navigator, and Business Super was completed in line with expectations. Integration costs recognised for the September 2012 year amounted to $38 million.

The acquisition of 80.1% of Goldman Sachs JBWere's private wealth management business in Australia and New Zealand was completed on 1 November 2009, which was subsequently rebranded JBWere. Integration costs recognised for the September 2012 year were $69 million.

The integrations of Aviva Australia and JBWere are now complete. The integration of Advantedge was completed during the year, with $4 million of integration costs recognised.

The Great Western Bank integration costs of $7 million for the September 2012 year largely relate to the acquisition of the First Federal Savings Bank of Iowa which was completed on 22 June 2012.

	Year ended		Half year ended	
	Sep 12 $m	Sep 11 $m	Sep 12 $m	Mar 12 $m
Aviva	**38**	123	**14**	24
JBWere	**69**	59	**41**	28
Advantedge	**4**	29	**-**	4
Great Western Bank	**7**	3	**6**	1
Due diligence costs	**6**	15	**3**	3
Pre-tax total	**124**	229	**64**	60

Lending

	As at				
	30 Sep 12 $m	31 Mar 12 $m	30 Sep 11 $m	Sep 12 v Sep 11 %	Sep 12 v Mar 12 %
Housing					
Business Banking	**60,223**	60,346	60,215	0.0	(0.2)
Personal Banking	**143,330**	136,221	130,465	9.9	5.2
Wholesale Banking	**367**	421	487	(24.6)	(12.8)
NAB Wealth	**16,113**	16,087	16,104	0.1	0.2
NZ Banking	**22,485**	21,954	21,535	4.4	2.4
UK Banking	**23,894**	22,466	22,306	7.1	6.4
Great Western Bank	**703**	540	615	14.3	30.2
Corporate Functions and Other	**1,614**	1,399	1,337	20.7	15.4
Total housing	**268,729**	259,434	253,064	6.2	3.6
Non-housing					
Business Banking	**139,720**	138,309	135,856	2.8	1.0
Personal Banking	**9,076**	9,196	9,086	(0.1)	(1.3)
Wholesale Banking	**17,464**	17,144	15,464	12.9	1.9
NAB Wealth	**2,564**	2,690	2,757	(7.0)	(4.7)
UK Banking	**27,742**	29,030	31,481	(11.9)	(4.4)
NZ Banking	**24,337**	23,803	23,057	5.6	2.2
Great Western Bank	**5,193**	4,677	4,728	9.8	11.0
Specialised Group Assets	**3,183**	3,603	4,863	(34.5)	(11.7)
Corporate Functions and Other	**2,849**	2,521	1,769	61.1	13.0
Total non-housing	**232,128**	230,973	229,061	1.3	0.5
Gross loans and advances including acceptances	**500,857**	490,407	482,125	3.9	2.1
Represented by:					
Loans and advances at fair value	**63,027**	56,596	50,472	24.9	11.4
Loans at amortised cost	**400,873**	394,039	388,636	3.1	1.7
Acceptances	**36,957**	39,772	43,017	(14.1)	(7.1)
Gross loans and advances including acceptances	**500,857**	490,407	482,125	3.9	2.1

September 2012 v September 2011

Lending (gross loans and advances including acceptances) increased by $18.7 billion or 3.9% on September 2011. Excluding foreign exchange, lending increased by $20.3 billion or 4.2%. This increase was primarily due to continuing momentum in housing lending.

Housing lending increased by $15.7 billion or 6.2%. Excluding foreign exchange, the increase was $16.1 billion or 6.4%. This growth was due to the Group's strategy to remain competitive in this sector. Growth in market share was achieved in Australia and the UK as a result of the effective execution of this strategy.

Non-housing lending increased by $3.1 billion or 1.3%. Excluding foreign exchange, the increase was $4.2 billion or 1.8%. This growth was mainly due to:

- An increase of $3.9 billion or 2.8% in Business Banking, achieved despite a challenging operating environment
- An increase of $2.0 billion or 12.9% in Wholesale Banking, reflecting growth in the Infrastructure, Energy and Natural Resources sectors
- Growth of $1.3 billion or 5.6% in NZ Banking, despite weak demand for business credit
- An increase in Corporate Functions and Other of $1.1 billion due to growth in Asia Banking through the continued franchise expansion and higher retail lending
- A decline of $3.7 billion or 11.9% in UK Banking due to subdued demand for credit, together with a focus on managing down commercial property and unsecured personal lending exposures
- A decline of $1.7 billion or 34.5% in Specialised Group Assets (SGA) as the business is managed down.

September 2012 v March 2012

Lending increased by $10.5 billion or 2.1% on March 2012. Excluding foreign exchange, lending increased by $9.3 billion or 1.9% from March 2012. This growth was due to:

- **Housing lending** increasing by $9.3 billion or 3.6%. Excluding foreign exchange, the increase was $8.8 billion or 3.3%. Growth was achieved through continued momentum in Personal Banking and the UK.
- **Non-housing lending** increasing by $1.2 billion or 0.5%. Excluding foreign exchange, the increase was $0.5 billion or 0.2%, reflecting growth in Business Banking, GWB and NZ Banking, partly offset by a decline in the UK and SGA. The decline in the UK was due to the subdued demand for credit and managing down the commercial property portfolio. The decline in SGA was the result of continued efforts to manage down the business.

Goodwill and Other Intangible Assets

Goodwill decreased by $301 million, or 5.4% from September 2011, due to a $295 million impairment of UK Banking Goodwill in March, as well as a decline of $47 million due to the impact of foreign exchange effects. This was offset by an increase of $41 million from the acquisition of Antares.

Intangible assets comprise capitalised software and other intangible assets. Intangible assets increased by $127 million from September 2011. The increase from September 2011 was mainly due to investment in internally generated software. This was offset by amortisation, impairment of UK internally generated software and the effects of foreign exchange.

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

- In Australia, investment of $203 million during the year in software related to the Next Generation Banking IT Platform (NGP)
- In the UK, continued investment in software to support regulatory and compliance initiatives, as well as investment in the refreshing of key banking systems
- In Wholesale Banking, continued focus on efficiency and revenue generating projects, including the development of software platforms for FICC, Market Sales, Asset Servicing and Treasury, as well as investment in systems to improve credit risk management information and in compliance and operational risk initiatives
- In New Zealand, additional spend on capabilities to support the implementation of the BNZ strategic plan, including a new Credit Decision engine, an Asset Finance platform, and a new online capability.

The movement in capitalised software is as follows:

	Year ended		Half year ended	
	Sep 12 $m	**Sep 11 $m**	**Sep 12 $m**	**Mar 12 $m**
Balance at beginning of year	**1,252**	998	**1,291**	1,252
Additions	**516**	544	**273**	243
Disposals and write-offs	**(6)**	(18)	**(5)**	(1)
Amortisation	**(241)**	(258)	**(109)**	(132)
Impairment losses recognised	**(54)**	-	**-**	(54)
Foreign currency translation adjustments	**(13)**	(14)	**4**	(17)
Capitalised software	**1,454**	1,252	**1,454**	1,291

Customer Deposits

	As at				
	30 Sep 12 $m	**31 Mar 12 $m**	**30 Sep 11 $m**	**Sep 12 v Sep 11 %**	**Sep 12 v Mar 12 %**
Business Banking	**105,520**	103,243	97,585	8.1	2.2
Personal Banking	**87,886**	80,780	75,408	16.5	8.8
Wholesale Banking	**49,826**	45,430	50,196	(0.7)	9.7
NAB Wealth	**11,479**	11,731	10,238	12.1	(2.1)
NZ Banking	**28,777**	26,873	24,977	15.2	7.1
UK Banking	**40,272**	39,155	39,794	1.2	2.9
Great Western Bank	**6,584**	6,312	6,424	2.5	4.3
Specialised Group Assets	**3**	17	292	(99.0)	(82.4)
Corporate Functions and Other	**8,851**	6,475	7,032	25.9	36.7
Total customer deposits	**339,198**	320,016	311,946	8.7	6.0

September 2012 v September 2011

Customer deposits have increased by $27.3 billion or 8.7% since September 2011. Excluding foreign exchange, customer deposits have increased by $29.6 billion or 9.6%, driven by the Group's continued focus on attracting and retaining sustainable customer deposits as a source of funding to strengthen the balance sheet. This growth was mainly due to:

- An increase of $7.9 billion or 8.1% in Business Banking, largely driven by growth in term deposits and transaction accounts
- An increase of $12.5 billion or 16.5% in Personal Banking, due to growth in both UBank and in the retail network as a result of growth in term deposits, online savings accounts and transaction accounts
- An increase of $1.2 billion or 12.1% in NAB Wealth, all driven through growth in term deposits
- An increase of $3.8 billion or 15.2% in NZ Banking ($3.4 billion or 13.2% excluding foreign exchange), mainly due to growth in term deposits and savings deposits
- An increase of $0.5 billion or 1.2% in UK Banking ($1.5 billion or 3.8% excluding foreign exchange), mainly driven by growth in term deposits, which was partially offset by a decline in savings deposits
- An increase of $1.8 billion or 25.9% in Corporate Functions and Other ($2.3 billion or 34.8% excluding foreign exchange), mainly driven by growth in term deposits in Asia.

September 2012 v March 2012

Customer deposits have increased by $19.2 billion or 6.0% since March 2012. Excluding foreign exchange, customer deposits have increased by $18.4 billion or 5.7%. This growth was mainly attributable to:

- An increase of $2.3 billion or 2.2% in Business Banking, reflecting the continued focus on increasing customer deposits
- An increase of $7.1 billion or 8.8% in Personal Banking, through continued momentum in UBank and the retail network, driven by growth in term deposits, online savings accounts and transaction accounts
- An increase of $4.4 billion or 9.7% in Wholesale Banking through favourable movements in on-demand deposits and term deposits
- An increase of $1.9 billion or 7.1% in NZ Banking ($1.6 billion or 5.8% excluding foreign exchange), due to growth in term deposits and savings deposits
- An increase of $1.1 billion or 2.9% in UK Banking ($0.6 billion or 1.6% excluding foreign exchange), largely due to the continued focus on increasing customer deposits
- An increase of $2.4 billion or 36.7% in Corporate Functions and Other, mainly driven by growth in term deposits in Asia.

Asset Quality

Group asset quality metrics remained broadly stable during the September 2012 full year, despite challenges in the UK and Australian economies.

Bad and Doubtful Debt Charge

	Year to		Half Year to	
	Sep 12 $m	**Sep 11 $m**	**Sep 12 $m**	**Mar 12 $m**
Specific charge to provide for bad and doubtful debts	**2,760**	2,127	**1,482**	1,278
Collective (write-back)/charge to provide for bad and doubtful debts	**(139)**	(332)	**3**	(142)
Total charge on investments - held to maturity	**213**	27	**(1)**	214
Recovery from SCDO risk mitigation trades	**(219)**	-	**-**	(219)
Total charge to provide for bad and doubtful debts	**2,615**	1,822	**1,484**	1,131

	Year to		Half Year to	
	Sep 12	**Sep 11**	**Sep 12**	**Mar 12**
Bad and doubtful debts charge to gross loans and acceptances (annualised)	**0.52%**	0.38%	**0.59%**	0.46%
Net write-offs to gross loans and acceptances (annualised)	**0.45%**	0.41%	**0.44%**	0.47%

Provisions for Bad and Doubtful Debts

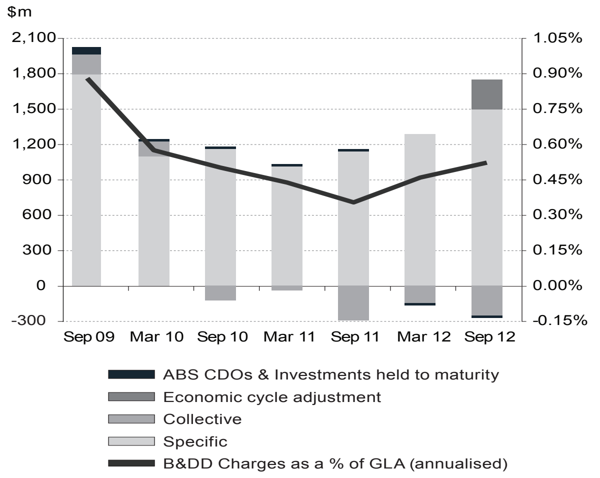
	As at		
	Sep 12 $m	**Mar 12 $m**	**Sep 11 $m**
Collective provision for bad and doubtful debts	**3,142**	3,058	3,398
Specific provision for bad and doubtful debts	**1,983**	1,634	1,546
Total provision for bad and doubtful debts [1]	**5,125**	4,692	4,944

[1] *Not included in total provisions for doubtful debts are provisions on investments - held to maturity of $80 million (March 2012 $91 million, September 2011 $204 million).*

	As at		
	Sep 12	**Mar 12**	**Sep 11**
Total provision to gross loans and acceptances	**1.02%**	0.96%	1.03%
Specific provision to gross impaired assets	**30.3%**	26.8%	24.2%
Collective provision to credit risk-weighted assets (excluding housing)	**1.40%**	1.36%	1.45%
Collective provision including GRCL on a pre-tax basis (top-up) to credit risk-weighted assets (excluding housing)	**1.73%**	1.76%	1.86%
Collective provision to gross loans and acceptances (excluding impaired assets)	**0.64%**	0.63%	0.71%

Bad and Doubtful Debt Charge

Half Yearly Total Bad and Doubtful Debt Charge



The total charge for bad and doubtful debts (B&DDs) for the September 2012 full year was $2,615 million, an increase of $793 million when compared to the September 2011 full year. The increase was primarily due to higher specific provision charges within UK Banking, combined with the effects of the increase in the economic cycle adjustment.

During the September 2012 half year, the Group considered its existing economic cycle adjustment and increased the collective provision by $250 million. This economic cycle adjustment is retained at a Group level. The increase reflects the deterioration in economic conditions in the September 2012 quarter.

Excluding the economic cycle adjustment, the B&DD charge for the September 2012 half year increased by $103 million to $1,234 million.

The factors leading to the increase in the specific provision charge during the September 2012 full year include:

- The challenging operating conditions in the UK economy, particularly in the commercial property sector, reflected in higher UK Banking specific provision charges
- Increased provisions in Business Banking reflecting both increases and new impairments for corporate customers
- Newly impaired UK related exposures within Wholesale Banking and SGA during the March 2012 half year.

The Group has removed the economic risk associated with the final two SCDO assets held as part of the SGA portfolio. One fully hedged SCDO position remains on the Group's balance sheet as at 30 September 2012.

Provisions for Bad and Doubtful Debts

Total provision for B&DDs increased by $181 million from $4,944 million at September 2011 to $5,125 million at September 2012. The increase was primarily due to higher specific provisions, combined with the increase in the Group's economic cycle adjustment.

The specific provision balance increased from $1,546 million at September 2011 to $1,983 million at September 2012 due to additional impairments in UK Banking business lending and increased provisions to existing Business Banking impairments. As a result, the Group ratio for specific provision to gross impaired assets increased from 24.2% at September 2011 to 30.3% at September 2012.

The collective provision balance decreased from $3,398 million at September 2011 to $3,142 million as at September 2012. The factors leading to the decrease were:
- The exit of the final two SCDOs and the utilisation of the $160 million conduit overlay
- Improvement in collateral matching, primarily within Business Banking
- Refinement of the Group's collective provision model parameters
- The migration of customers to impaired status
- The run-off in the SGA portfolio.

The decrease in collective provision was partially offset by an increase in the Group's economic cycle adjustment.

Since March 2012, UK Banking have utilised $27 million of the $230 million economic cycle adjustment allocated to that region in March 2012, partially offsetting losses on loans migrating to impaired status during the September 2012 half year. This economic cycle adjustment is separate from the $320 million overlay held at the Group level.

Asset Quality

	As at		
	Sep 12	**Mar 12**	**Sep 11**
90+ days past due loans ($m)	**2,357**	2,373	2,150
Gross impaired assets ($m)	**6,543**	6,088	6,386
90+ days past due and gross impaired assets ($m)	**8,900**	8,461	8,536

	As at		
	Sep 12	**Mar 12**	**Sep 11**
90+ days past due loans to gross loans and acceptances	**0.47%**	0.49%	0.45%
Gross impaired assets to gross loans and acceptances	**1.31%**	1.24%	1.32%
90+ days past due and gross impaired assets to gross loans and acceptances	**1.78%**	1.73%	1.77%

Non-Impaired Assets 90+ Days Past Due

The Group ratio of non-impaired 90+ days past due (90+ DPD) loans to gross loans and acceptances (90+ DPD ratio) increased by two basis points from 0.45% at September 2011 to 0.47% at September 2012, and was two basis points lower when compared to March 2012.

During the September 2012 full year, the increase in the Group 90+ DPD ratio was mainly driven by prolonged weakness in the UK Banking commercial property portfolio.

The decrease in the Group 90+ DPD ratio since the March 2012 half year was mainly attributable to:
- Improved loan origination quality within Personal Banking, combined with seasonality.
- Improvements in the Business Banking SME portfolio
- Continued management and run-off of the acquired TierOne assets in GWB

Partially offsetting this was the continued subdued performance of the UK commercial property sector, reflecting the prolonged weakness in the UK economy.

Gross Impaired Assets

The Group ratio of gross impaired assets to gross loans and acceptances (impaired asset ratio) decreased by one basis point from 1.32% at September 2011 to 1.31% at September 2012 and was seven basis points higher when compared to March 2012.

During the September 2012 full year, the Group impaired asset ratio remained broadly stable, despite deteriorating conditions in the UK economy. Although the Group continued to see higher UK Banking impaired volumes, overall levels of new impairments for the Group declined, down by 11% when compared to the September 2011 full year. For Business Banking, the improvement was predominately during the first half of the year, while NZ Banking impaired volumes continued to trend downwards from March 2012.

During the September 2012 half year, deterioration in the UK commercial property portfolio was the main driver of higher impaired assets for the Group. For UK Banking, the impaired asset ratio increased by 90 basis points from March 2012 to 3.79% at September 2012. Partially offsetting this was improvement across NZ Banking and GWB, while Business Banking remained broadly stable.

Net write-offs

Net write-offs for the September 2012 full year were $2,253 million, an increase of 13% when compared to the September 2011 full year. The increase in net write-offs was attributable to UK Banking, SGA, and to a lesser extent Business Banking.

The gross 12 month rolling write-off rate for the Group's retail portfolio remained steady at 0.21% during the September 2012 half year, while the mortgage loss rate increased marginally by one basis point to 0.07%.

Commercial Property Portfolio

The Group's commercial property portfolio increased by $0.3 billion to $61.2 billion at September 2012 when compared to September 2011[(1)]. The portfolio increased $1.2 billion during the September 2012 half year, largely due to a reclassification of $1.5 billion from other business lending categories. Excluding the foreign currency translation effect, the commercial property portfolios of UK Banking and SGA decreased by $0.9 billion during the September 2012 half year. The commercial property portfolio represents 12.2% of the Group's gross loans and acceptances as at September 2012, steady when compared to March 2012 and lower by 40 basis points when compared to September 2011.

For **Business Banking**, the commercial property portfolio increased by $2.1 billion during the September 2012 half year to $45.0 billion, largely due to a reclassification of $1.5 billion from other business lending categories. The commercial property portfolio represented 11.7% of gross loans and acceptances in the Australian geography. Asset quality within the portfolio remained broadly stable during the half year.

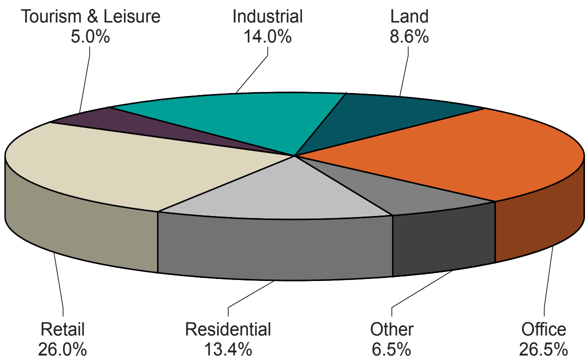
The **UK Banking** commercial property portfolio has decreased since March 2012, which is consistent with the run-off strategy announced in the UK restructure at 30 April 2012. At September 2012, the portfolio totalled £5.5 billion, representing 16.4% of the division's gross loans and acceptances. Asset quality within the UK commercial property portfolio continued to remain under stress, with the prolonged weakness in the commercial property sector negatively affecting the ratios for 90+ DPD and impaired assets during the half year.

The **NZ Banking** commercial property portfolio at September 2012 has decreased marginally to NZ$6.8 billion when compared to March 2012. This portfolio represents 11.6% of the division's gross loans and acceptances at September 2012. The commercial property 90+DPD and impaired ratio increased during the September 2012 half year, mainly driven by one large client migrating to 90+ DPD status.

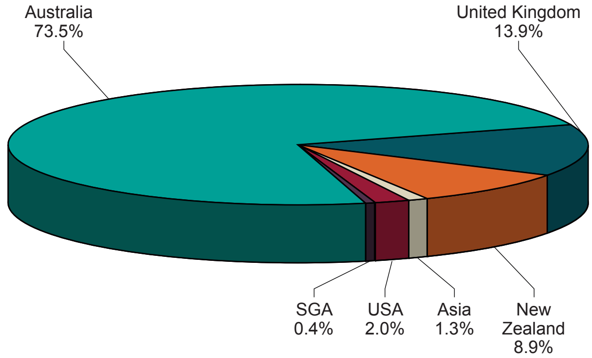
The **SGA** commercial property portfolio totals $0.3 billion as at September 2012, a decrease of $0.1 billion when compared to March 2012.

(1) *Measured as balances outstanding at September 2012 per APRA Commercial Property Return ARF230.*

Group Commercial Property by Type



Group Commercial Property by Geography



Capital Management and Funding

Balance Sheet Management Overview

The Group has continued its focus on balance sheet strength and is well positioned to meet future capital, funding and liquidity reforms. The Group's funding profile has strengthened, having funded core asset growth with deposit growth.

Market conditions improved over the second half of the September 2012 financial year, after a period of instability in the first quarter due to European sovereign debt concerns. The improvement in market conditions since the New Year has allowed the Group to maintain access to term wholesale funding markets and achieve its funding plan for the year. The Group has also pre-funded a portion of next year's funding requirement.

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

Regulatory Reform

The Basel Committee has released its reform package for both capital and liquidity (Basel III). In September 2012, the Australian Prudential Regulation Authority (APRA) released its final capital standards relating to its implementation of Basel III that will take effect from 1 January 2013. At September 2012, the reforms are estimated to have a net unfavourable impact on the Group's Core Tier 1 position of approximately 38 basis points. Other areas of its capital reform package are yet to be finalised.

APRA released its draft liquidity standard and discussion paper on the implementation of the Basel III liquidity reforms in Australia in November 2011. Consultation between APRA, industry and market participants continues.

The Group continues its transition towards compliance with the Liquidity Coverage Ratio (LCR) by January 2015 and the Net Stable Funding Ratio (NSFR) by January 2018. The Group's Basel III transition strategy is focused on the quality of liquid assets and the stability of the funding that underpins these measures.

Since the release of the draft liquidity standard, APRA has provided more detail regarding the use of the Committed Liquidity Facility (CLF), which is designed to address the shortfall of Level 1 liquid assets in Australia. Some of the practical implications of the CLF remain unclear and are subject to further discussions with APRA.

Other Reform Proposals

In addition to the Basel Committee reforms, the Group remains focused on other areas of regulatory change. Key reform proposals that may affect its capital and funding include:
- APRA's Level 3 Conglomerate Supervision proposals, on which draft Prudential Standards are expected in the first half of 2013, with an implementation date in 2014
- The US Dodd-Frank Act, with prudential requirements impacting NAB expected to be released in the December 2012 quarter
- The UK Government White Paper on Banking Reform, which continues to be developed and may affect the structure of banks and the amount of capital held in the UK business.

Capital ratios

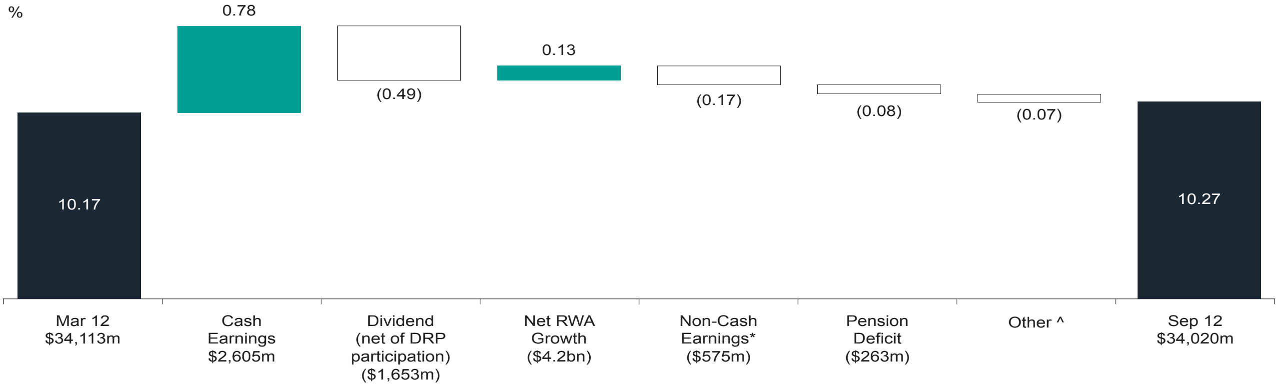
Capital ratios and risk-weighted assets (RWA) are set out below:

Basel II	Target Ratio %	As at 30 Sep 12 %	31 Mar 12 %	30 Sep 11 %	Sep 12 v Sep 11	Sep 12 v Mar 12
Core Tier 1 ratio [1]		**8.29**	8.03	7.58	71 bps	26 bps
Tier 1 ratio	above 8.00%	**10.27**	10.17	9.70	57 bps	10 bps
Total capital ratio		**11.67**	11.52	11.26	41 bps	15 bps

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

Basel II	As at 30 Sep 12 $m	31 Mar 12 $m	30 Sep 11 $m	Sep 12 v Sep 11%	Sep 12 v Mar 12%
Risk-weighted assets - credit risk	**299,871**	300,185	308,648	(2.8)	(0.1)
Risk-weighted assets - market risk	**4,436**	5,277	2,968	49.5	(15.9)
Risk-weighted assets - operational risk	**23,008**	23,810	22,255	3.4	(3.4)
Risk-weighted assets - interest rate risk in the banking book	**4,021**	6,281	7,198	(44.1)	(36.0)
Total risk-weighted assets	**331,336**	335,553	341,069	(2.9)	(1.3)

Movement in Tier 1 Ratio



* *Non-cash earnings impact after adjusting for distributions, treasury shares, and separately disclosed items.*
^ *'Other' includes Deferred Tax Assets (DTA), deconsolidated Wealth profits, Foreign Currency Translation Reserve (FCTR) and other immaterial movements.*

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.

The Group's current Basel II Tier 1 target is above 8%. From 1 January 2013, the Group will move to the Basel III Common Equity Tier 1 (CET1) ratio target of above 7.5% and will look to operate at an appropriate buffer to this target. This compares to the Group's estimated CET1 of 7.9% as at 30 September 2012. The Group will continue to regularly review capital levels.

Capital Movements During the Period

The Group's Tier 1 ratio was 10.27% at 30 September 2012.

The key movements in capital in the September 2012 half year include:

- Earnings less dividend net of Dividend Reinvestment Plan (DRP) participation (29 basis points)
- Net RWA reduction of $4.2 billion (13 basis points), which includes:
    - a decrease in Credit Risk RWAs of $0.3 billion
    - a decrease in Operational Risk RWAs of $0.8 billion
    - a decrease in Market Risk RWAs of $0.8 billion
    - a decrease in Interest Rate Risk in the Banking Book RWAs of $2.3 billion
- Unfavourable non-cash earnings (17 basis points)
- Increase in UK pension scheme deficit (eight basis points).

The Group's capital position is expected to be affected by higher Operational Risk RWAs in the December 2012 quarter due to increased regulatory requirements. As at 30 September 2012, the estimated impact of this is 22 basis points of Core Tier 1 capital.

Dividend and Dividend Reinvestment Plan

The Group periodically adjusts the DRP to reflect the capital position and outlook. The final dividend has been maintained at 90 cents and the DRP discount has been revised from 1.5% to nil, with no participation limit.

For the purposes of calculating the Group's capital ratios, DRP participation has been assumed to be 20% for the final dividend.

UK Banking Strategic Review

As outlined in NAB's 5 October 2012 update on the UK Banking strategic review, the transfer of the commercial real estate (CRE) portfolio from Clydesdale Bank PLC to the Company has been completed. The Group's capital position is expected to be reduced by six basis points in the December 2012 quarter due to a change in RWA treatment.

UK Defined Benefit Pension Scheme

The Group's UK subsidiary Clydesdale Bank PLC participates in a defined benefit pension scheme ("the Scheme"). During the September 2012 half year, the Scheme's deficit increased to £301 million from £85 million as at 31 March 2012 and £180 million as at 30 September 2011. The deterioration in the funding position of the Scheme resulted from a decrease in the discount rate of 65 basis points for the half year and 110 basis points for the full year, resulting in an actuarial loss for the half year of £214 million and £343 million for the full year recognised through other comprehensive income.

Tier 1 Capital Initiatives

On 12 September 2012, the Group completed the conversion of $300 million Tier 1 Convertible Notes and $300 million Tier 1 Stapled Securities. The Convertible Notes and Stapled Securities were converted into 23,998,944 ordinary shares with an issue price of $25.0011. The conversion has supported the Group's Core Tier 1 capital position.

The Group has announced that $500 million of Tier 1 Stapled Securities issued in 2009 will convert into ordinary shares on 30 November 2012. The 2009 Stapled Securities will convert into a variable number of NAB ordinary shares based on the average of the daily volume weighted sale price of NAB ordinary shares on the ASX during the 14 trading days (previously 10 trading days) prior to conversion, less a discount of up to 1%. The conversion of the 2009 Stapled Securities will support the Group's Core Tier 1 capital position.

Tier 2 Capital Initiatives

On 18 June 2012, the Group issued $1.2 billion of 10 year subordinated notes with a non-call period of 5 years.

These notes pay interest quarterly at a rate of 2.75% over the 90 day bank bill swap rate (BBSW).

Pillar 3 Disclosures

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

Funding

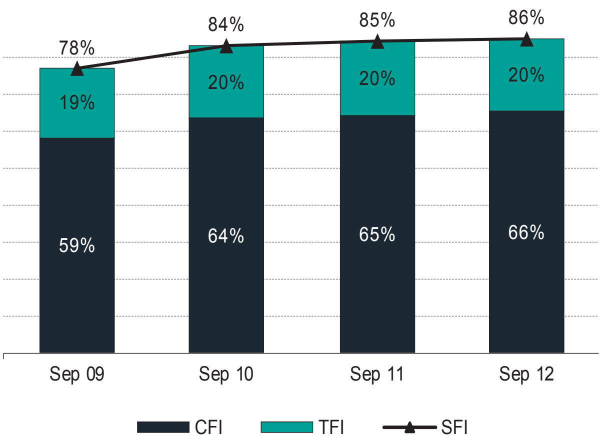
The Group continues to explore opportunities to enhance and diversify its funding sources.

Funding Indices

The Group employs a range of internal Board approved metrics to set its risk appetite and measure balance sheet strength. A key 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. To enhance transparency core assets and customer deposits have been redefined as disclosed in the Glossary of Terms and as set out in Section 6, Note 12 Asset Funding. Funding metrics for the 2012 financial year have been calculated in accordance with the redefinition. The redefinition has had an immaterial effect on the calculation of the indices.

A key driver of balance sheet strength for the year has been deposits, with core asset growth being fully funded by deposit growth. Credit growth was subdued over the financial year. This has increased Group CFI from 65% to 66% and Group SFI from 85% to 86%.

Group Funding Indices (CFI, TFI and SFI)*



** CFI and SFI are 67% and 87% respectively for September 2012 based on the old methodology.*

Customer Funding

The Group has sustained strong deposit growth in a competitive environment. Deposit quality is an important feature of balance sheet strength and therefore the Group's deposit raising strategies focus on the household and small business segments. This is consistent with the Group's proactive approach to the Basel III transition and the broader strategy to acquire more customers.

The Monthly Banking Statistics published by APRA show that for the 12 months ended August 2012, the Group has grown Australian domestic household deposits by 14.7% (versus 11.6%[1] system growth) and business deposits excluding deposits from financial corporations by 7.9% (versus 6.3% system growth).

Term Wholesale Funding

Global term funding market conditions have been relatively supportive of term issuance, following a challenging first quarter of the 2012 financial year that provided limited opportunities for global banks to issue senior unsecured debt. Market conditions remain sensitive to ongoing macroeconomic risks.

The Group raised $31.3 billion of term wholesale funding (including secured funding) in the 2012 financial year. The Company raised $24.2 billion (including $6.5 billion of secured funding largely comprising of covered bonds and $1.2 billion of subordinated debt). BNZ raised $2.8 billion (including $0.9 billion of covered bonds), Clydesdale Bank PLC raised $4.1 billion (split $2.3 billion of Residential Mortgage Backed Securities (RMBS) and $1.8 billion of covered bonds) and National Wealth Management Holdings Limited raised $0.2 billion.

The weighted average maturity of term wholesale funding raised by the Group over the 2012 financial year was approximately 5.1 years to first call, higher than the 2011 financial year of 4.5 years. The weighted average remaining maturity of the Group's term wholesale portfolio funding is 3.1 years (3.7 years for TFI qualifying debt, which only includes debt with more than 12 months remaining term to maturity). The average cost of term wholesale funding issued by the Company (including the cost of being swapped back to Australian dollars and fees) during the financial year was approximately 172 basis points over BBSW, compared to an average cost of 120 basis points over BBSW in the 2011 financial year. The average cost of the Company's outstanding term funding portfolio for the 2012 financial year was 139 basis points over BBSW, compared to 124 basis points over BBSW for the previous financial year.

The Group has a total of $10 billion of Government guaranteed wholesale funding outstanding. Of this, 1% matures in financial year 2013 and the remainder in financial year 2014. National Australia Bank Limited announced on 31 October 2012 a public tender for 5 outstanding government guaranteed securities (in AUD and USD) totalling approximately $6.8 billion. The Company is also open to repurchasing other government guaranteed securities on a bilateral basis.

Short-term Wholesale Funding

The Group continued to access international and domestic short-term wholesale markets without difficulty over the financial year. The focus has been on maintaining the longer average maturity of the short-term book to support the Group's liquidity position.

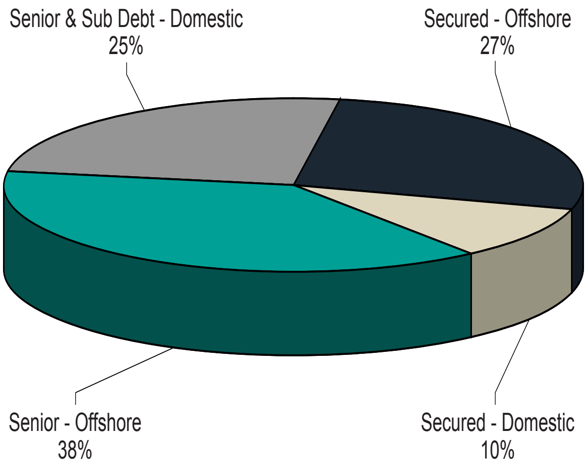
Liquid Asset Portfolio

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 30 September 2012 were $91 billion (excluding contingent liquidity), an increase of $1 billion from 31 March 2012 and a decrease of $4 billion from 30 September 2011. Liquidity holdings will be continually reassessed in light of market conditions and as the implications of proposed regulatory changes become clearer.

In addition to these liquid assets, the Group holds internal securitisation pools of RMBS as a source of contingent liquidity to further support its liquid asset holdings.

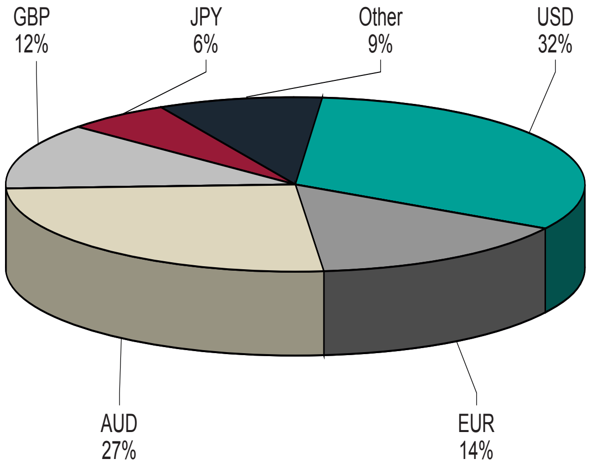
[1] *APRA Banking System / NAB .*

Full year 2012 Wholesale Funding by Deal Type ($31.3 billion)*



**16% Private Placements, 84% Public Issuance*

Full year 2012 Wholesale Funding by Currency ($31.3 billion)



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).

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+/A2/A; and National Wealth Management Holdings Limited A+ (S&P).

In May 2012, S&P affirmed the ratings of Clydesdale Bank PLC and moved the outlook from Stable to Positive.

In May 2012, Fitch affirmed the ratings of Clydesdale Bank PLC and moved the outlook from Rating Watch Negative to Stable.

In July 2012, Moody's concluded its assessment of the impact of NAB's strategic review of its UK operations. Moody's confirmed the rating of Clydesdale Bank PLC and moved the outlook from Rating Under Review to Stable.

Other Matters

Corporate Responsibility (CR)

At the heart of NAB are its beliefs – in doing the right thing, in helping others and in realising potential. These beliefs are part of who NAB is and guide how it does business. NAB knows that when it acts on those beliefs – to get the fundamentals right for customers, to make NAB a great place to work, to focus on the future prosperity of people, their communities and the environment – it can create long-term value.

The highlights of NAB's full year CR performance are outlined below. (Full disclosures are available on its website, in the 2012 Annual Review and Dig Deeper papers).

External awards, recognition and reporting

- NAB was recognised as a sustainability leader in the 2012 Dow Jones Sustainability Index
- Listed as a constituent company on the FTSE4Good Index, one of the top 20 companies globally
- Named 'Socially Responsible Bank of the Year (Listed)' in Money magazine's Consumer Finance Awards 2012
- Recognised for the sixth consecutive year as an Employer of Choice for Women by the Equal Opportunity for Women in the Workplace Agency
- The only Australian bank ranked in the global top 20 of the Bloomberg Markets Magazine's 'World's Greenest Banks'
- Ranked third globally in Newsweek's 2011 Green Rankings
- Achieved the highest carbon disclosure score of all Australian banks ranked in the Carbon Disclosure Project Global 500 sample, and were included in its Carbon Performance Leadership Index for the third consecutive year
- Received Australasian Reporting Awards' Sustainability Reporting Award (Private Sector)
- One of 80 companies globally and one of only three companies in Australia participating in the International Integrated Reporting Council Pilot Program.

Customer-led initiatives

- NAB is ranked number one in personal banking customer satisfaction among the four majors, and this year achieved the highest score for a major four bank in the history of the Roy Morgan Research Customer Satisfaction Survey[1]
- The NAB Care team continues to assist customers experiencing financial hardship. In the past year, 48% of customers' accounts affected by hardship are back in order six months after assistance was provided
- In line with NAB's commitment to financial inclusion, it has:
    - Committed $130 million in capital to help Australians who have little access to affordable credit and has written over 50,000 Microfinance loans since 2007 - total lending provided exceeds $73 million
    - Opened Australia's first community finance store, Good Money, together with the Victorian government and Good Shepherd Microfinance
    - Continued to focus on advocacy, including releasing the 'Measuring Financial Exclusion in Australia' report and the 'Small is the new big' report, each in partnership with the Centre for Social Impact; and funded the release of the 'Caught Short' report
    - Assisted more than 5,000 clients through the NAB Indigenous Money Mentor program since 2009.

Employee initiatives

- NAB's annual employee survey has shown improved performance on the key measures of engagement and enablement
- Female representation in Executive Management roles has grown from 23% in 2010 to 30% this year
- NAB is the only Australian bank to conduct a second audit of gender pay equity in partnership with the Finance Sector Union (FSU)
- Over 12,200 employees have registered on NAB's Health & Wellbeing portal, and 5,250 have completed the online health check
- NAB has one of the biggest employee volunteering programs in Australia. This year, 26,254 volunteer days have been contributed to the community from NAB. The value of this volunteering contribution is $8.9 million.

Community investment initiatives

- This year, NAB contributed $55.7 million to the community, primarily through investment in the areas of inclusion and education
- NAB continues to invest in the education of young people through the multi-award winning NAB Schools First program. The total award funding committed is now $18 million to 440 Australian schools over four years. Over 29% of Australian schools have applied
- NAB's fourth Reconciliation Action Plan was launched in March 2012, with renewed commitments in the areas of financial inclusion, employment, cultural awareness and building business partnerships. In 2012, over 140 Indigenous Australians have been involved in NAB's Indigenous employment programs
- The MLC Community Foundation's primary focus is mental health and in the past five years has invested $4.5 million in grants and programs, including over $1.8 million of philanthropic capital to Lifeline Australia.

Environmental and supply chain initiatives

- NAB Group has further integrated Environmental, Social and Governance (ESG) Risk into its enterprise risk framework through new ESG Risk Principles. An ESG module is now included in Risk Awareness training for all Australian and Asian employees
- The number of supplier signatories to NAB's Supplier Sustainability Principles, within Australia and New Zealand, has now grown to 436 from 144 in September 2011
- NAB has provided ESG Risk, Supplier Sustainability training to the Australian Procurement team and key Supplier Relationship Managers, to empower them to engage with suppliers on issues concerning sustainable business practices
- NAB was awarded 5 Star Green Star Interiors (Australian Excellence) ratings for two of its major office refurbishments
- NAB continues to be the leading financier by market share of renewable energy in Australia over the past seven years. NAB has financed close to 70% of Australian wind energy projects since 2000
- NAB arranged the first two privately financed Environmental Upgrade Agreements and continues to provide asset finance for energy efficient assets such as solar photovoltaic systems.

(1) Source: Roy Morgan Research September 2012, Australians 14+, 6 month moving average, major banks include NAB, ANZ, Commonwealth Bank and Westpac.

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Section 4

Review of Divisional Operations and Results

Divisional Performance Summary

Year ended 30 September 2012	Business Banking $m	Personal Banking $m	Wholesale Banking $m	NAB Wealth $m	NZ Banking $m	UK Banking $m	GWB $m	Specialised Group Assets $m	Corporate Functions & Other [1] $m	Distributions & Eliminations $m	Group Cash Earnings $m
Net interest income	5,026	2,967	1,519	325	1,106	1,324	272	80	678	-	**13,297**
Fees and commissions	840	551	258	31	303	410	62	8	5	-	**2,468**
Trading income	103	7	630	1	-	(1)	-	7	(121)	-	**626**
Other	93	41	94	15	51	20	12	9	76	(93)	**318**
Other operating income	1,036	599	982	47	354	429	74	24	(40)	(93)	**3,412**
NAB Wealth net operating income	-	-	-	1,515	-	-	-	-	-	-	**1,515**
Net operating income	6,062	3,566	2,501	1,887	1,460	1,753	346	104	638	(93)	**18,224**
Operating expenses	(1,741)	(1,836)	(948)	(1,143)	(592)	(1,067)	(173)	(35)	(386)	93	**(7,828)**
Underlying profit	4,321	1,730	1,553	744	868	686	173	69	252	-	**10,396**
Charge to provide for bad and doubtful debts	(893)	(242)	(67)	(12)	(76)	(966)	(25)	(85)	(249)	-	**(2,615)**
Cash earnings before tax, IoRE, distributions and non-controlling interest	3,428	1,488	1,486	732	792	(280)	148	(16)	3	-	**7,781**
Income tax (expense)/benefit	(1,019)	(443)	(394)	(213)	(217)	67	(50)	7	84	-	**(2,178)**
Cash earnings before IoRE, distributions and non-controlling interest	2,409	1,045	1,092	519	575	(213)	98	(9)	87	-	**5,603**
Net profit - non-controlling interest	-	-	-	(1)	-	-	-	-	-	-	**(1)**
IoRE	-	-	-	38	-	-	-	-	-	-	**38**
Distributions	-	-	-	-	-	-	-	-	-	(207)	**(207)**
Cash earnings	2,409	1,045	1,092	556	575	(213)	98	(9)	87	(207)	**5,433**

Key balance sheet items ($bn)											**Total**
Gross loans and acceptances (average)	198.5	145.4	17.4	18.7	45.0	51.4	5.4	4.0	3.9	-	**489.7**
Customer deposits (average)	102.2	80.4	48.9	11.2	26.7	38.9	6.3	-	7.5	-	**322.1**
Total risk-weighted assets (spot)	141.2	38.7	40.3	6.9	32.4	47.0	6.0	7.2	11.6	-	**331.3**

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

Note: The Divisional Performance Summary excluding foreign exchange rate movements on pages 143 to 144.

Divisional Performance Summary

Year ended 30 September 2011	Business Banking $m	Personal Banking $m	Wholesale Banking $m	NAB Wealth $m	NZ Banking $m	UK Banking $m	GWB $m	Specialised Group Assets $m	Corporate Functions & Other [1] $m	Distributions & Eliminations $m	Group Cash Earnings $m
Net interest income	5,033	2,826	1,230	328	1,015	1,522	285	123	730	-	**13,092**
Fees and commissions	843	556	259	34	295	447	61	13	(1)	-	**2,507**
Trading income	83	2	265	2	(2)	(2)	-	(8)	(106)	-	**234**
Other	80	32	102	(1)	52	3	20	39	29	(81)	**275**
Other operating income	1,006	590	626	35	345	448	81	44	(78)	(81)	**3,016**
NAB Wealth net operating income	-	-	-	1,486	-	-	-	-	-	-	**1,486**
Net operating income	6,039	3,416	1,856	1,849	1,360	1,970	366	167	652	(81)	**17,594**
Operating expenses	(1,764)	(1,791)	(915)	(1,128)	(572)	(1,136)	(177)	(49)	(523)	81	**(7,974)**
Underlying profit	4,275	1,625	941	721	788	834	189	118	129	-	**9,620**
Charge to provide for bad and doubtful debts	(802)	(301)	(21)	(18)	(116)	(462)	(57)	(41)	(4)	-	**(1,822)**
Cash earnings before tax, IoRE, distributions and non-controlling interest	3,473	1,324	920	703	672	372	132	77	125	-	**7,798**
Income tax (expense)/benefit	(1,028)	(392)	(259)	(199)	(203)	(84)	(44)	33	34	-	**(2,142)**
Cash earnings before IoRE, distributions and non-controlling interest	2,445	932	661	504	469	288	88	110	159	-	**5,656**
Net profit - non-controlling interest	-	-	-	(1)	-	-	-	-	-	-	**(1)**
IoRE	-	-	-	30	-	-	-	-	-	-	**30**
Distributions	-	-	-	-	-	-	-	-	-	(225)	**(225)**
Cash earnings	2,445	932	661	533	469	288	88	110	159	(225)	**5,460**
Key balance sheet items ($bn)											**Total**
Gross loans and acceptances (average)	192.9	128.9	14.3	18.4	42.9	51.5	5.1	5.4	2.5	-	**461.9**
Customer deposits (average)	91.1	70.0	50.0	10.0	23.8	38.8	6.3	0.3	6.4	-	**296.7**
Total risk-weighted assets (spot)	141.4	40.5	38.0	6.9	31.2	51.9	6.3	15.0	9.9	-	**341.1**

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

Divisional Performance Summary

Half year ended 30 September 2012	Business Banking $m	Personal Banking $m	Wholesale Banking $m	NAB Wealth $m	NZ Banking $m	UK Banking $m	GWB $m	Specialised Group Assets $m	Corporate Functions & Other [1] $m	Distributions & Eliminations $m	Group Cash Earnings $m
Net interest income	2,496	1,522	735	162	557	640	140	26	311	-	**6,589**
Fees and commissions	418	282	131	18	152	198	32	2	1	-	**1,234**
Trading income	49	-	362	-	-	(3)	-	(14)	(63)	-	**331**
Other	52	31	54	12	23	17	7	3	54	(46)	**207**
Other operating income	519	313	547	30	175	212	39	(9)	(8)	(46)	**1,772**
NAB Wealth net operating income	-	-	-	755	-	-	-	-	-	-	**755**
Net operating income	3,015	1,835	1,282	947	732	852	179	17	303	(46)	**9,116**
Operating expenses	(866)	(934)	(483)	(572)	(303)	(538)	(90)	(17)	(119)	46	**(3,876)**
Underlying profit	2,149	901	799	375	429	314	89	-	184	-	**5,240**
Charge to provide for bad and doubtful debts	(521)	(73)	(20)	(7)	(50)	(538)	(11)	(14)	(250)	-	**(1,484)**
Cash earnings before tax, IoRE, distributions and non-controlling interest	1,628	828	779	368	379	(224)	78	(14)	(66)	-	**3,756**
Income tax (expense)/benefit	(483)	(247)	(205)	(109)	(101)	47	(28)	8	61	-	**(1,057)**
Cash earnings before IoRE, distributions and non-controlling interest	1,145	581	574	259	278	(177)	50	(6)	(5)	-	**2,699**
Net profit - non-controlling interest	-	-	-	-	-	-	-	-	-	-	**-**
IoRE	-	-	-	8	-	-	-	-	-	-	**8**
Distributions	-	-	-	-	-	-	-	-	-	(102)	**(102)**
Cash earnings	1,145	581	574	267	278	(177)	50	(6)	(5)	(102)	**2,605**

Key balance sheet items ($bn)											**Total**
Gross loans and acceptances (average)	199.8	148.5	17.3	18.7	45.5	51.5	5.7	3.9	4.3	-	**495.2**
Customer deposits (average)	102.4	83.0	50.7	11.3	27.7	39.5	6.5	-	9.2	-	**330.3**
Total risk-weighted assets (spot)	141.2	38.7	40.3	6.9	32.4	47.0	6.0	7.2	11.6	-	**331.3**

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

Note: The Divisional Performance Summary excluding foreign exchange rate movements on pages 143 to 144.

Divisional Asset Quality Ratio Summary

As at 30 September 2012	**Business Banking %**	**Personal Banking %**	**Wholesale Banking %**	**NAB Wealth %**	**NZ Banking %**	**UK Banking %**	**GWB (1) %**	**Specialised Group Assets %**	**Corporate Functions %**	**Group %**
90+ DPD to gross loans and acceptances	0.44	0.44	-	0.35	0.43	0.97	0.45	-	n/a	**0.47**
Gross impaired assets to gross loans and acceptances	1.75	0.11	0.31	0.34	0.78	3.79	1.95	9.74	n/a	**1.31**
90+ DPD plus gross impaired assets to gross loans and acceptances	2.19	0.55	0.31	0.69	1.21	4.76	2.40	9.74	n/a	**1.78**
Specific provision to gross impaired assets	27.5	25.1	52.7	21.9	40.0	34.3	11.7	32.3	n/a	**30.3**
Collective provision to gross loans and acceptances (excluding gross impaired assets)	0.52	0.22	0.43	0.09	0.49	1.49	0.71	5.15	n/a	**0.64**
Total provision to gross loans and acceptances	1.00	0.24	0.59	0.16	0.80	2.74	0.92	7.79	n/a	**1.02**
Net write-offs to gross loans and acceptances (annualised)	0.47	0.21	0.34	0.09	0.24	1.07	0.28	6.60	n/a	**0.45**
Total provisions to net write-offs (annualised)	212	115	487	176	341	257	335	118	n/a	**227**
Bad and doubtful debt charge to credit risk weighted assets (annualised)	0.65	0.68	0.23	0.18	0.26	2.32	0.43	1.18	n/a	**0.87**

(1) *GWB includes loans covered by the loss share agreement with the FDIC*

As at 31 March 2012	**Business Banking %**	**Personal Banking %**	**Wholesale Banking %**	**NAB Wealth %**	**NZ Banking %**	**UK Banking %**	**GWB (1) %**	**Specialised Group Assets %**	**Corporate Functions %**	**Group %**
90+ DPD to gross loans and acceptances	0.47	0.51	-	0.38	0.37	0.79	0.85	-	n/a	**0.49**
Gross impaired assets to gross loans and acceptances	1.76	0.09	0.24	0.26	0.91	2.89	2.10	9.71	n/a	**1.24**
90+ DPD plus gross impaired assets to gross loans and acceptances	2.23	0.60	0.24	0.64	1.28	3.68	2.95	9.71	n/a	**1.73**
Specific provision to gross impaired assets	26.8	28.7	48.8	20.8	36.4	23.9	10.5	31.1	n/a	**26.8**
Collective provision to gross loans and acceptances (excluding gross impaired assets)	0.55	0.30	0.35	0.10	0.51	1.58	0.73	5.29	n/a	**0.63**
Total provision to gross loans and acceptances	1.01	0.32	0.47	0.15	0.84	2.23	0.94	7.80	n/a	**0.96**
Net write-offs to gross loans and acceptances (annualised)	0.42	0.21	0.74	0.13	0.25	1.12	0.56	8.66	n/a	**0.47**
Total provisions to net write-offs (annualised)	243	153	179	121	334	200	159	90	n/a	**203**
Bad and doubtful debt charge to credit risk weighted assets (annualised)	0.54	0.92	0.34	0.15	0.19	1.98	0.56	1.77	n/a	**0.75**

(1) *GWB includes loans covered by the loss share agreement with the FDIC*

As at 30 September 2011	Business Banking %	Personal Banking %	Wholesale Banking %	NAB Wealth %	NZ Banking %	UK Banking %	GWB [1] %	Specialised Group Assets %	Corporate Functions %	Group %
90+ DPD to gross loans and acceptances	0.43	0.46	-	0.27	0.35	0.57	2.11	0.45	n/a	**0.45**
Gross impaired assets to gross loans and acceptances	1.86	0.11	0.25	0.28	1.16	2.55	2.70	10.04	n/a	**1.32**
90+ DPD plus gross impaired assets to gross loans and acceptances	2.29	0.57	0.25	0.55	1.51	3.12	4.81	10.49	n/a	**1.77**
Specific provision to gross impaired assets	24.0	31.5	72.5	35.2	34.5	15.9	12.1	34.2	n/a	**24.2**
Collective provision to gross loans and acceptances (excluding gross impaired assets)	0.62	0.29	0.46	0.09	0.49	1.17	0.83	8.34	n/a	**0.71**
Total provision to gross loans and acceptances	1.05	0.32	0.64	0.19	0.89	1.54	1.13	10.94	n/a	**1.03**
Net write-offs to gross loans and acceptances (annualised)	0.48	0.22	0.26	0.03	0.22	0.84	0.79	2.26	n/a	**0.41**
Total provisions to net write-offs (annualised)	219	144	598	720	405	184	144	484	n/a	**249**
Bad and doubtful debt charge to credit risk weighted assets (annualised)	0.58	0.81	0.08	0.27	0.43	1.00	1.21	0.27	n/a	**0.59**

[1] *GWB includes loans covered by the loss share agreement with the FDIC*

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Business Banking

Joseph Healy

As Australia's leading business bank based on business lending market share, Business Banking provides a diverse range of commercial banking services to business customers, ranging from small businesses through to Australia's largest institutions, including many of the ASX Top 200 listed companies. Business Banking also provides specialist industry expertise in the Agribusiness, Property, Healthcare, Natural Resources, Education and Government sectors.

	Year to			Half Year to		
	Sep 12 $m	**Sep 11 $m**	**Sep 12 v Sep 11 %**	**Sep 12 $m**	**Mar 12 $m**	**Sep 12 v Mar 12 %**
Net interest income	**5,026**	5,033	(0.1)	**2,496**	2,530	(1.3)
Other operating income	**1,036**	1,006	3.0	**519**	517	0.4
Net operating income	**6,062**	6,039	0.4	**3,015**	3,047	(1.1)
Operating expenses	**(1,741)**	(1,764)	1.3	**(866)**	(875)	1.0
Underlying profit	**4,321**	4,275	1.1	**2,149**	2,172	(1.1)
Charge to provide for bad and doubtful debts	**(893)**	(802)	(11.3)	**(521)**	(372)	(40.1)
Cash earnings before tax	**3,428**	3,473	(1.3)	**1,628**	1,800	(9.6)
Income tax expense	**(1,019)**	(1,028)	0.9	**(483)**	(536)	9.9
Cash earnings	**2,409**	2,445	(1.5)	**1,145**	1,264	(9.4)
Average Volumes ($bn)						
Gross loans and acceptances	**198.5**	192.9	2.9	**199.8**	197.2	1.3
Interest earning assets	**198.6**	192.3	3.3	**199.6**	197.6	1.0
Total assets	**196.9**	190.6	3.3	**198.0**	195.9	1.1
Customer deposits [1]	**102.2**	91.1	12.2	**102.4**	102.2	0.2

(1) *Customer deposits includes retail and institutional deposits*

	Year to			Half Year to		
Capital ($bn)						
Risk-weighted assets - credit risk (spot)	**138.1**	138.4	(0.2)	**138.1**	137.3	0.6
Total risk-weighted assets (spot)	**141.2**	141.4	(0.1)	**141.2**	140.6	0.4
Performance Measures						
Cash earnings on average assets	**1.22%**	1.28%	(6 bps)	**1.16%**	1.29%	(13 bps)
Cash earnings on risk-weighted assets	**1.69%**	1.68%	1 bps	**1.62%**	1.78%	(16 bps)
Net interest margin	**2.53%**	2.62%	(9 bps)	**2.50%**	2.56%	(6 bps)
Cost to income ratio	**28.7%**	29.2%	50 bps	**28.7%**	28.7%	-
'Jaws'	**1.7%**	4.6%	(290 bps)	**(0.1%)**	(0.6%)	50 bps
Cash earnings per average FTE ($'000s)	**466**	446	4.5	**451**	482	(6.4)
FTEs (spot)	**5,076**	5,427	6.5	**5,076**	5,081	0.1

	As at		
Market Share	**Aug 12**	**Mar 12**	**Sep 11**
Business lending APRA [1]	**24.8%**	24.6%	24.4%
Business lending RBA [2]	**22.8%**	23.0%	22.8%
Business deposits [1]	**21.2%**	21.1%	20.7%

(1) *Source: APRA Banking System.*

(2) *Source: RBA Financial System.*

Business Banking

Financial Analysis

September 2012 v September 2011

In a year characterised by challenging macroeconomic conditions, reduced demand for credit, elevated funding costs and intense competition, **Cash earnings** decreased by $36 million or 1.5% during the September 2012 year. Business lending market share improved 40 basis points to 24.8% as at August 2012.

Underlying profit increased by $46 million or 1.1%, reflective of initiatives to reprice for current market conditions, and the benefits from a focus on initiatives to drive greater efficiency. These initiatives drove productivity improvements, reflected in growth in cash earnings per FTE and a reduction in the cost to income ratio.

Cash earnings on average assets decreased by six basis points, largely reflecting the increase in the bad and doubtful debt charge.

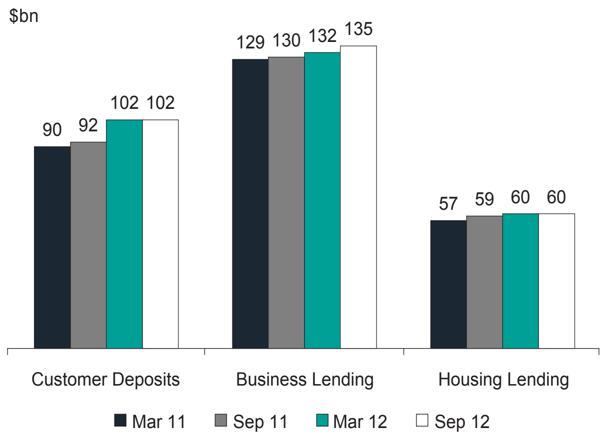
Cash earnings on risk-weighted assets increased by one basis point as a result of the reduction in average risk-weighted assets through operational initiatives, including improved collateral matching, partially offset by lower cash earnings.

Net interest income decreased by $7 million or 0.1% during the September 2012 year due to significantly higher funding and deposit costs. This was partially offset by growth in both lending and deposit volumes, together with repricing for current market conditions.

Average interest earning assets grew by $6.3 billion or 3.3%. Business lending growth was above credit system. Growth was observed across all segments, with the exception of Property as the portfolio continues to be re-aligned towards the high quality sector.

Average customer deposits grew by $11.1 billion or 12.2%, reflecting the Group's strategic priority to reduce its reliance on wholesale funding. This growth was largely in term deposits and on-demand accounts.

Business Banking Average Volumes



Net interest margin declined by nine basis points over the September 2012 year driven by rising funding and deposit costs, partially offset by the repricing for current market conditions.

Other operating income was $30 million or 3.0% higher, driven by higher sales of risk management products to business customers responding to market conditions, particularly in the March 2012 half year.

Operating expenses decreased by $23 million or 1.3%. The focus on continuous improvement, together with investment in key strategic priorities, has resulted in efficiency gains and associated FTE reductions. This has delivered a cost to income ratio of 28.7%, an improvement of 50 basis points.

The **charge to provide for bad and doubtful debts** increased by $91 million during the September 2012 year, driven by a number of top-ups on existing exposures where security values have been affected by weaker asset prices.

September 2012 v March 2012

Cash earnings decreased by $119 million or 9.4% compared to the March 2012 half year due to an increase in the bad and doubtful debts charge and lower revenue as a result of reduced demand for credit and higher funding and deposit costs.

Cash earnings on average assets decreased by 13 basis points, reflecting lower cash earnings growth.

Cash earnings on risk-weighted assets declined by 16 basis points, due to lower cash earnings and a small increase in risk-weighted assets.

Net interest income decreased by $34 million or 1.3% compared to the March 2012 half year, due to higher funding and deposit costs, partially offset by repricing for current market conditions.

Average interest earning assets grew by $2.0 billion or 1.0%, mainly in business lending products, while housing lending remained flat.

Average customer deposits grew by $0.2 billion or 0.2% as the business continued to support the Group's overall funding position.

Net interest margin decreased by six basis points on the March 2012 half year, due to higher funding and deposit costs, partially offset by repricing for current market conditions.

Other operating income increased by $2 million or 0.4% driven by slowing demand for risk management products over the September 2012 half year, following strong growth in the March 2012 half year.

Operating expenses decreased by $9 million or 1.0%, due to tight management of expenses across the business.

The **charge to provide for bad and doubtful debts** increased by $149 million on the March 2012 half year, due to higher levels of provisioning required, mainly against longstanding corporate customers where security values have been affected by weaker asset prices due to the softer economic environment.

Other Items

Asset Quality

	As at		
	Sep 12	**Mar 12**	**Sep 11**
Specific provision for doubtful debts ($m)	**961**	937	872
Collective provision for doubtful debts ($m)	**811**	879	984
Collective provision on loans at fair value ($m)	**218**	194	207
90+ DPD assets ($m)	**887**	935	852
Gross impaired assets ($m)	**3,494**	3,500	3,629
90+ DPD to gross loans and acceptances	**0.44%**	0.47%	0.43%
Impaired asset ratio	**1.75%**	1.76%	1.86%
90+ DPD plus gross impaired assets to gross loans and acceptances	**2.19%**	2.23%	2.29%
Specific provision to gross impaired assets	**27.5%**	26.8%	24.0%
Net write-offs to gross loans and acceptances (annualised)	**0.47%**	0.42%	0.48%
Total provision as a percentage of net write-offs	**212%**	243%	219%
Total provision to gross loans and acceptances	**1.00%**	1.01%	1.05%
Bad and doubtful debt charge to credit risk-weighted assets	**0.65%**	0.54%	0.58%

The proportion of 90+ DPD plus gross impaired assets to gross loans and acceptances improved by ten basis points to 2.19% over the September 2012 full year. However, the ratio of the bad and doubtful debt charge to credit risk-weighted assets increased by seven basis points to 0.65% due to higher specific provision charges raised against longstanding impaired assets with security values affected by weaker asset prices.

The volume of 90+ DPD assets increased slightly for the September 2012 full year, mainly driven by tougher trading conditions influencing the SME portfolio but it has been improving since the March 2012 half year. Within the SME portfolio, improvements were observed in both the volume of watch loans and the bad and doubtful debt charges during the September 2012 full year.

Impaired assets fell over the September 2012 full year, largely due to a lower incidence of large impaired customers.

The ratio of net write-offs to gross loans and acceptances, decreased by one basis point to 0.47%. This was mainly due to the exit of several long outstanding impaired assets during the September 2012 half year.

The cover of loan loss provisions to gross loans and acceptances fell by five basis points over the September 2012 full year to 1.00% and is largely due to a reduction in the collective provision from continued improvements in collateral matching. The cover of specific provisions to gross impaired assets increased by 350 basis points to 27.5%, largely due to an increase in specific provision charges raised against a number of longstanding customers in the large corporate and property segments.

The proportion of investment grade equivalent exposures improved over the September 2012 full year by 400 basis points to 46.8%.

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Personal Banking

Lisa Gray

Personal Banking provides quality products and services to five million retail and small business customers. These products and services are delivered through a range of distribution channels and brands including NAB, Homeside, UBank and a variety of broker and 'mortgage manager' brands operated by the Advantedge business.

	Year to			Half Year to		
	Sep 12 $m	Sep 11 $m	Sep 12 v Sep 11 %	Sep 12 $m	Mar 12 $m	Sep 12 v Mar 12 %
Net interest income	2,967	2,826	5.0	1,522	1,445	5.3
Other operating income	599	590	1.5	313	286	9.4
Net operating income	3,566	3,416	4.4	1,835	1,731	6.0
Operating expenses	(1,836)	(1,791)	(2.5)	(934)	(902)	(3.5)
Underlying profit	1,730	1,625	6.5	901	829	8.7
Charge to provide for bad and doubtful debts	(242)	(301)	19.6	(73)	(169)	56.8
Cash earnings before tax	1,488	1,324	12.4	828	660	25.5
Income tax expense	(443)	(392)	(13.0)	(247)	(196)	(26.0)
Cash earnings	1,045	932	12.1	581	464	25.2
Average Volumes ($bn)						
Gross loans and acceptances	145.4	128.9	12.8	148.5	142.3	4.4
Interest earning assets	146.2	129.0	13.3	149.2	143.3	4.1
Total assets	146.6	129.4	13.3	149.6	143.5	4.3
Customer deposits	80.4	70.0	14.9	83.0	77.8	6.7
Spot Volumes ($bn)						
Housing lending	143.3	130.5	9.9	143.3	136.2	5.2
Other personal lending	9.1	9.1	-	9.1	9.2	(1.3)
Customer deposits	87.9	75.4	16.5	87.9	80.8	8.8
Capital ($bn)						
Risk-weighted assets - credit risk (spot)	35.4	37.2	(4.8)	35.4	36.9	(4.1)
Total risk-weighted assets (spot)	38.7	40.5	(4.4)	38.7	40.4	(4.2)
Performance Measures						
Cash earnings on average assets	0.71%	0.72%	(1 bps)	0.78%	0.65%	13 bps
Cash earnings on risk-weighted assets	2.60%	2.30%	30 bps	2.89%	2.31%	58 bps
Net interest margin	2.03%	2.19%	(16 bps)	2.04%	2.02%	2 bps
Cost to income ratio	51.5%	52.4%	90 bps	50.9%	52.1%	120 bps
'Jaws'	1.9%	4.6%	(270 bps)	2.5%	(1.1%)	360 bps
Cash earnings per average FTE ($'000s)	122	105	16.2	137	108	26.9
FTEs (spot)	8,348	8,705	4.1	8,348	8,493	1.7

	As at		
Market Share	Aug 12	Mar 12	Sep 11
Housing lending [1]	14.8%	14.6%	14.5%
Household deposits [2]	14.6%	14.5%	14.1%

[1] *RBA Financial System / NAB.*

[2] *APRA Banking System / NAB.*

	As at		
Distribution	Sep 12	Mar 12	Sep 11
Number of retail outlets [1]	783	785	783
Number of ATMs	3,298	3,378	3,363
Number of internet banking customers (millions)	2.54	2.28	2.07

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

Personal Banking

Financial Analysis

September 2012 v September 2011

Cash earnings increased by $113 million or 12.1% during the September 2012 year, driven by strong growth in revenue from increased home lending volumes, despite the ongoing pressures from elevated funding and deposit costs. Bad and doubtful debt charges fell as a result of ongoing improvements in underlying asset quality and collections activities.

Cash earnings on average assets were broadly flat largely driven by lower bad and doubtful debt charges, and increased home lending volumes.

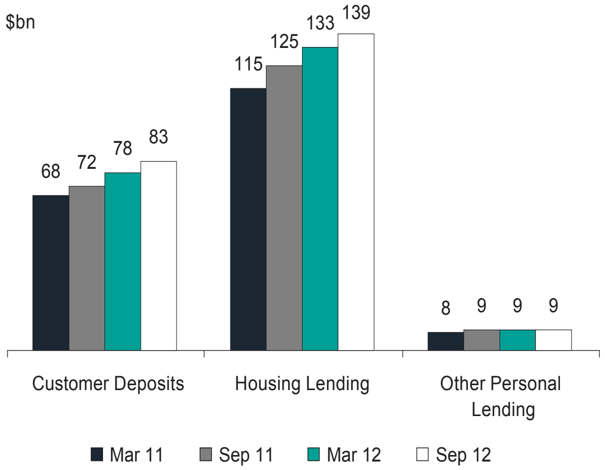
Cash earnings on risk-weighted assets increased by 30 basis points as a result of continuing improvements in underlying asset quality.

Net interest income increased by $141 million or 5.0% during the September 2012 year, driven by increased volumes and repricing, partially offset by higher funding and deposit costs.

Average interest earning assets grew by $17.2 billion or 13.3% due to sustained above system growth in mortgages.

Average customer deposits increased by $10.4 billion or 14.9% reflecting ongoing focus on this funding source, with steady growth in the retail network and continued momentum from UBank.

Personal Banking Average Volumes



Net interest margin decreased by 16 basis points during the September 2012 year. This was mainly due to the increased costs of funding, driven by market volatility and increased competition for deposits. Also contributing to this decrease were changes in product mix, as a result of sustained growth in housing lending and deposit volumes. These factors reduced margins by nine basis points.

Other operating income increased by $9 million or 1.5% driven by higher transaction levels consistent with increased customers, partially offset by the profit recognised in the September 2011 year from the sale of NAB's interest in Flybuys.

Operating expenses increased by $45 million or 2.5% due to continued investment in the UBank franchise and contractual salary increases.

The charge to provide for bad and doubtful debts decreased by $59 million or 19.6% as continued improvements in asset quality and collections practices more than offset increased volumes. There was a release of provisions taken historically for single events, e.g. natural disasters, which are now reflected in the underlying book.

September 2012 v March 2012

Cash earnings increased by $117 million or 25.2% on the March 2012 half year, driven by continued momentum in home lending volumes and repricing. Bad and doubtful debt charges decreased in line with seasonal expectations and improved asset quality.

Cash earnings on average assets increased by 13 basis points due to repricing and lower bad and doubtful debt charges in the September 2012 half year.

Cash earnings on risk-weighted assets increased by 58 basis points as a result of repricing and continued improvements in underlying asset quality.

Net interest income increased by $77 million or 5.3% on the March 2012 half year, due to repricing and sustained growth in home lending volumes.

Average interest earning assets grew by $5.9 billion or 4.1% due to continued strong growth in mortgage volumes.

Average customer deposits grew by $5.2 billion or 6.7% due to continuing solid growth in NAB term deposit products and continued momentum in UBank.

Net interest margin increased by two basis points on the March 2012 half year as a result of repricing. This was partially offset by continuing pressure from funding and deposit costs and the continued effects of changes in product mix.

Other operating income increased by $27 million or 9.4% due to higher transaction levels consistent with increased customers and increases in other non-transactional related income.

Operating expenses increased by $32 million or 3.5% as a result of higher investment spend in the September 2012 half year in relation to UBank and Nextgen readiness.

The **charge to provide for bad and doubtful debts** decreased by $96 million or 56.8% due to the seasonal reduction of credit card delinquency and continued improvements in asset quality and collections practices. There was a release of provisions taken historically for single events, e.g. natural disasters, which are now reflected in the underlying book.

Other Items

Asset Quality

	As at		
	Sep 12	**Mar 12**	**Sep 11**
Specific provision for doubtful debts ($m)	**43**	37	45
Collective provision for doubtful debts ($m)	**329**	431	407
90+ DPD assets ($m)	**674**	744	646
Gross impaired assets ($m)	**171**	129	143
90+ DPD to gross loans and acceptances	**0.44%**	0.51%	0.46%
Impaired asset ratio	**0.11%**	0.09%	0.11%
90+ DPD plus gross impaired assets to gross loans and acceptances	**0.55%**	0.60%	0.57%
Specific provision to gross impaired assets	**25.1%**	28.7%	31.5%
Net write-offs to gross loans and acceptances (annualised)	**0.21%**	0.21%	0.22%
Total provision as a percentage of net write-offs	**115%**	153%	144%
Total provision to gross loans and acceptances	**0.24%**	0.32%	0.32%
Bad and doubtful debt charge to credit risk-weighted assets	**0.68%**	0.92%	0.81%

In spite of challenging economic conditions, asset quality has continued to improve through the September 2012 half year. Unsecured lending originated over the past 12 months has performed better than the historical average. With continued improvement in collection practices, 90+ DPD plus gross impaired assets to gross loans and acceptances has decreased by five basis points compared to the March 2012 half year, which has resulted in lower collective provisioning levels.

Mortgage delinquency rates have continued to improve, despite the high growth experienced over the past couple of years. Lower write-offs of secured lending have been experienced, reflecting improved origination practices. These practices combined with risk-based pricing in the broker channel have driven a lower average loan-to-value ratio on loans acquired in 2010 and 2011. Whilst loans acquired in 2012 have a slightly higher loan-to-value ratio, the asset quality of these loans compares favourably to historic vintages. This is reflected in the broadly stable specific provision levels between September 2011 and September 2012.

Hardship assistance provided by NAB Care remained broadly stable between March 2012 and September 2012, with under employment and unemployment still the largest source of financial distress for customers.

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Wholesale Banking

Rick Sawers

Wholesale Banking has seven key lines of business: Corporate & Business Sales (CBRMS), Fixed Income, Currencies and Commodities (FICC), Global Capital Markets, Treasury, Asset Servicing, Specialised Finance and the Financial Institutions Group (FIG). Operating as a global business, Wholesale Banking has approximately 2,800 employees in Australia, New Zealand, Asia, the UK and the US.

Results presented at actual exchange rates.

	Year to			Half Year to		
	Sep 12 $m	**Sep 11 $m**	**Sep 12 v Sep 11 %**	**Sep 12 $m**	**Mar 12 $m**	**Sep 12 v Mar 12 %**
Net interest income	**1,519**	1,230	23.5	**735**	784	(6.3)
Other operating income	**982**	626	56.9	**547**	435	25.7
Net operating income	**2,501**	1,856	34.8	**1,282**	1,219	5.2
Operating expenses	**(948)**	(915)	(3.6)	**(483)**	(465)	(3.9)
Underlying profit	**1,553**	941	65.0	**799**	754	6.0
Charge to provide for bad and doubtful debts	**(67)**	(21)	large	**(20)**	(47)	57.4
Cash earnings before tax	**1,486**	920	61.5	**779**	707	10.2
Income tax expense	**(394)**	(259)	(52.1)	**(205)**	(189)	(8.5)
Cash earnings	**1,092**	661	65.2	**574**	518	10.8
Average Volumes ($bn)						
Gross loans and acceptances	**17.4**	14.3	21.7	**17.3**	17.5	(1.1)
Interest earning assets	**189.8**	164.4	15.5	**194.8**	184.9	5.4
Total assets	**234.3**	201.4	16.3	**241.3**	227.2	6.2
Customer deposits	**48.9**	50.0	(2.2)	**50.7**	47.2	7.4
Capital ($bn)						
Risk-weighted assets - credit risk (spot)	**28.9**	26.0	11.2	**28.9**	28.0	3.2
Total risk-weighted assets (spot)	**40.3**	38.0	6.1	**40.3**	42.5	(5.2)
Performance Measures						
Cash earnings on risk-weighted assets	**2.70%**	1.90%	80 bps	**2.73%**	2.60%	13 bps
Cost to income ratio	**37.9%**	49.3%	large	**37.7%**	38.1%	40 bps
'Jaws'	**31.2%**	(3.8%)	large	**1.3%**	40.6%	large
Cash earnings per average FTE ($'000s)	**385**	221	74.2	**406**	364	11.5
FTEs (spot)	**2,830**	2,889	(2.0)	**2,830**	2,819	0.4

Impact of foreign exchange rate movements

Favourable (unfavourable) September 12	**Year since Sep 11 $m**	**Sep 12 v Sep 11 Ex FX %**	**Half year since Mar 12 $m**	**Sep 12 v Mar 12 Ex FX %**
Net interest income	**(9)**	24.2	**4**	(6.8)
Other operating income	**(3)**	57.3	**2**	25.3
Total income	**(12)**	35.4	**6**	4.7
Operating expenses	**4**	(4.0)	**(1)**	(3.7)
Charge to provide for bad and doubtful debts	**1**	large	**(1)**	59.6
Income tax expense	**2**	(52.9)	**(1)**	(7.9)
Cash earnings	**(5)**	66.0	**3**	10.2

Wholesale Banking

Financial Analysis

September 2012 v September 2011

Cash earnings increased by $431 million or 65.2% to $1,092 million during the September 2012 year. Excluding foreign exchange rate movements, cash earnings were up by 66.0%, driven by higher revenue across all businesses.

Cash earnings on risk-weighted assets increased by 80 basis points.

Net operating income increased by $645 million or 34.8% to $2,501 million. Excluding foreign exchange rate movements, income increased by $657 million or 35.4%.

Customer income increased by $125 million to $1,381 million, due to improved performance in the sales delivery of risk management products to the Group's customers, particularly in the March 2012 half year.

Specialised Finance income improved as a result of higher deal flow and FIG income also increased through strong growth in deposit and lending volumes.

Risk income increased by $520 million to $1,120 million mainly due to improved Treasury income, with gains in the liquidity portfolio and more sub-benchmark funding opportunities. Income in FICC also increased through strong risk management and overall trading activity on external market uncertainty.

Within net operating income, net interest income increased by $289 million or 23.5%. Of this increase, $101 million was driven by gains on economically hedged positions relating to the Group's banking book interest rate risk (offset in other operating income). The underlying increase in net interest income of $188 million was driven primarily by higher interest earning assets to support the Group's funding and liquidity requirements as part of optimising the Bank's funding and liquidity profile.

Other operating income increased by $356 million or 56.9%. Excluding the offset in net interest income of $101 million, the underlying increase in other operating income of $457 million is mainly the result of strong risk management and overall trading activity on external market uncertainty combined with gains in the liquidity portfolio.

Operating expenses increased by $33 million or 3.6% to $948 million. Excluding foreign exchange rate movements, the increase was $37 million or 4.0%. This was largely due to higher performance based compensation, reflecting improved performance. Excluding performance based compensation, expenses increased by $16 million as a result of investment in strengthening core systems and processes. This was partly offset by operational efficiencies. The cost to income ratio improved significantly to 37.9%.

The **charge to provide for bad and doubtful debts** increased by $46 million. The increase was due to a small number of specific impairments incurred during the year, with no significant impairments experienced in the prior year.

Average interest earning assets increased by $25.4 billion or 15.5%, to $189.8 billion. Excluding the foreign exchange impact, the increase was $26.1 billion or 15.9%, which was mainly due to an increase in liquid assets to support Group liquidity throughout the year.

Average customer deposits decreased by $1.1 billion or 2.2%, due to lower Treasury corporate deposits. Excluding Treasury, underlying customer deposits increased by $4 billion driven by continued innovation in product offerings to meet the funding needs of the Group.

September 2012 v March 2012

Cash earnings increased by $56 million. Excluding foreign exchange rate movements, cash earnings increased by $53 million. The increase was mainly due to higher revenue within the Risk businesses and a lower bad and doubtful debts charge.

Cash earnings on risk-weighted assets increased by 13 basis points.

Net operating income increased by $63 million or 5.2%. Excluding foreign exchange rate movements, the increase was $57 million or 4.7%.

Customer income decreased by $67 million, primarily from lower client hedging activity in the second half.

FIG benefited from strong growth in customer deposit volumes.

Risk income increased by $131 million to $626 million mainly due to strong risk management and trading activity against the backdrop of continued external market uncertainty. Treasury income improved as a result of gains in the liquidity portfolio.

Within net operating income, net interest income decreased by $49 million or 6.3%. Of this net decrease in net interest income, there was a decrease of $63 million driven primarily by gains on economically hedged positions relating to the Group's banking book interest rate risk (offset in other operating income). The underlying increase in net interest income of $14 million was mainly driven by higher interest earning assets.

Other operating income increased by $112 million or 25.7%. Excluding the offset in net interest income of $63 million, the underlying increase in other operating income of $49 million was mainly driven by gains on the liquidity portfolio.

Operating expenses increased by $18 million or 3.9%, mainly due to the UK bank levy. Excluding foreign exchange rate movements, the increase was $17 million or 3.7%.

The **charge to provide for bad and doubtful debts** decreased by $27 million, with fewer specific impairments than in the March 2012 half year.

Average interest earning assets increased by $9.9 billion or 5.4%. Excluding foreign exchange movements, the increase was $9.2 billion or 4.9%. This was mainly the result of growth in average liquid asset holdings to support Group liquidity over the September 2012 half year.

Average customer deposits increased by $3.5 billion or 7.4% to $50.7 billion, driven by continued innovation in product offerings to meet the funding needs of the Group.

Other Items

Asset Quality

	As at		
	Sep 12	**Mar 12**	**Sep 11**
Specific provision for doubtful debts ($m)	**29**	21	29
Collective provision for doubtful debts ($m)	**76**	61	72
Collective provision on loans at fair value ($m)	**1**	1	1
Collective provision on derivatives at fair value ($m)	**191**	150	149
Gross impaired assets ($m)	**55**	43	40
Gross impaired assets to gross loans and acceptances	**0.31%**	0.24%	0.25%
Specific provision to gross impaired assets	**52.7%**	48.8%	72.5%
Net write-offs to gross loans and acceptances	**0.34%**	0.74%	0.26%

Asset quality remained sound, with provisioning coverage ratios continuing to be adequate.

The ratio of gross impaired assets to gross loans and acceptances increased from 0.24% at March 2012 to 0.31% at September 2012. The increase was a result of one specific default, otherwise the credit portfolio is stable.

Investment grade equivalent exposures also remained stable and represent over 90% of the Wholesale Banking portfolio.

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NAB Wealth

Steve Tucker

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

	Year to			Half Year to		
	Sep 12 $m	Sep 11 $m	Sep 12 v Sep 11 %	Sep 12 $m	Mar 12 $m	Sep 12 v Mar 12 %
Net interest income	**325**	328	(0.9)	**162**	163	(0.6)
Other operating income	**47**	35	34.3	**30**	17	76.5
NAB Wealth net operating income	**1,515**	1,486	2.0	**755**	760	(0.7)
Net income	**1,887**	1,849	2.1	**947**	940	0.7
Operating expenses	**(1,143)**	(1,128)	(1.3)	**(572)**	(571)	(0.2)
Underlying profit	**744**	721	3.2	**375**	369	1.6
Charge to provide for bad and doubtful debts	**(12)**	(18)	33.3	**(7)**	(5)	(40.0)
Cash earnings before tax and IoRE	**732**	703	4.1	**368**	364	1.1
Income tax expense	**(213)**	(199)	(7.0)	**(109)**	(104)	(4.8)
Cash earnings before IoRE and non-controlling interest	**519**	504	3.0	**259**	260	(0.4)
Net profit - non-controlling interest	**(1)**	(1)	-	**-**	(1)	large
IoRE [(1)]	**38**	30	26.7	**8**	30	(73.3)
Cash earnings	**556**	533	4.3	**267**	289	(7.6)

(1) The impact of changes in the IoRE discount rate variation has been excluded from cash earnings, as noted in Section 7 - Glossary of Terms.

	Sep 12 $m	Sep 11 $m	Sep 12 v Sep 11 %	Sep 12 $m	Mar 12 $m	Sep 12 v Mar 12 %
Represented by:						
Investments & Private Bank	**350**	324	8.0	**183**	167	9.6
Insurance	**169**	180	(6.1)	**76**	93	(18.3)
Cash earnings before IoRE and non-controlling interest	**519**	504	3.0	**259**	260	(0.4)
Capital ($bn)						
Risk-weighted assets - credit risk (spot)	**6.5**	6.6	(1.5)	**6.5**	6.5	-
Total risk-weighted assets (spot)	**6.9**	6.9	-	**6.9**	6.9	-
Performance Measures						
Cost to income ratio (%)	**60.6%**	61.0%	40 bps	**60.4%**	60.7%	30 bps
'Jaws'	**0.8%**	(0.9%)	170 bps	**0.5%**	3.7%	(320 bps)
Cash earnings before IoRE and non-controlling interest per average FTE ($'000s)	**90**	86	4.7	**90**	90	-
BAU FTEs	**4,577**	4,695	2.5	**4,577**	4,510	(1.5)
Project FTEs	**419**	385	(8.8)	**419**	351	(19.4)
Salaried planners FTEs	**781**	829	5.8	**781**	774	(0.9)
FTEs (spot)	**5,777**	5,909	2.2	**5,777**	5,635	(2.5)
Financial advisers - salaried channels [(1)]	**802**	850	(5.6)	**802**	796	0.8
Financial advisers - aligned channels [(1)]	**1,096**	1,014	8.1	**1,096**	1,046	4.8

(1) Financial advisers - salaried and aligned channels are based on headcount.

Interest on Retained Earnings by Asset Class

	Year to					
	Sep 12			Sep 11		
IoRE by Asset Class	Actual Earnings $m	Weighted Asset Balance $m	Earnings Rate %	Actual Earnings $m	Weighted Asset Balance $m	Earnings Rate %
Equity	**20**	**170**	**11.8%**	(10)	193	(5.3%)
Fixed interest	**10**	**128**	**7.8%**	17	218	7.9%
Cash and others [(1)]	**96**	**2,069**	**4.6%**	110	2,089	5.3%
Debt	**(74)**	**1,324**	**(5.6%)**	(67)	1,109	(6.1%)
Income tax	**(14)**			(20)		
IoRE	**38**			30		

	Half Year to					
	Sep 12			Mar 12		
IoRE by Asset Class	Actual Earnings $m	Weighted Asset Balance $m	Earnings Rate [2] %	Actual Earnings $m	Weighted Asset Balance $m	Earnings Rate [2] %
Equity	(2)	145	(2.8%)	22	195	22.6%
Fixed interest	5	71	14.1%	5	185	5.4%
Cash and others [1]	49	2,048	4.8%	47	2,090	4.5%
Debt	(37)	1,387	(5.3%)	(37)	1,261	(5.9%)
Income tax	(7)			(7)		
IoRE	8			30		

[1] *Cash and others includes interest on deferred acquisition costs (net of reinsurance) included in insurance policy liabilities resulting from the unwind of discounting.*

[2] *The earnings rate is an annualised rate allowing for simple interest.*

NAB Wealth

Financial Highlights

September 2012 v September 2011

Cash earnings before IoRE and non-controlling interest of $519 million increased by $15 million or 3.0% compared to September 2011. This result was due to the growth in average FUM, an increase in revenue from direct asset management and favourable earnings in the annuities portfolio. This was partially offset by an increase in insurance lapses and changes in business mix.

Net interest income fell by $3 million or 0.9% due to an increase in funding costs, partially offset by higher volumes.

Other operating income increased by $12 million due to an increase in revenue from direct asset management and distribution of wholesale banking products.

NAB Wealth net operating income increased by $29 million or 2.0% as a result of growth in average FUM and inforce premiums, together with favourable earnings on the annuities portfolio. This was partially offset by unfavourable lapses and changes in the profile of the retail insurance book.

Average FUM as at 30 September 2012 of $120.8 billion increased by $4.5 billion or 3.8% compared to September 2011 as a result of acquisitions in the direct funds management business and stronger investment earnings.

Net funds flow declined by $1.9 billion compared to September 2011, influenced by ongoing investment market uncertainty which continues to dampen investor confidence.

Market share has declined slightly in Retail Investments and Insurance over the period, reflecting a competitive environment. NAB Wealth continues to manage the trade-off between volume growth and profitability and has recently refreshed its offering with re-pricing and the launch of new products to ensure it continues to attract advisers and customers.

Inforce premiums as at 30 September 2012 of $1.5 billion grew by $57 million or 3.9% compared to September 2011.

Operating expenses increased by $15 million or 1.3% to support the development of new products and services and the acquisition of the direct funds management business, Antares Capital Partners Limited on 1 October 2011. Cost synergies from the integration of the Aviva business partially offset the increase in operating expenses.

Adviser numbers increased significantly in the aligned channel as the business continued to attract advisers from competitors. Salaried advisers decreased over the year as advisers with lower productivity left the business.

September 2012 v March 2012

Cash earnings before IoRE and non-controlling interest of $259 million was flat compared to the prior half. The effects of unfavourable lapses and changes in the profile of the retail insurance book were offset by higher revenue from growth in average FUM and inforce premiums, an increase in revenue from direct asset management and annuity experience profits.

Net interest income remained relatively flat compared to the prior half.

Other operating income increased by $13 million due to an increase in revenue from direct asset management and distribution of wholesale banking products.

NAB Wealth net operating income decreased by $5 million or 0.7% mainly due to unfavourable lapses and changes in the profile of the retail insurance book. This was partially offset by higher revenue from growth in average FUM and inforce premiums together with favourable earnings on the annuities portfolio.

Average FUM increased by $2.4 billion or 2.0% compared to the prior half as a result of positive investment earnings.

Inforce premiums as at 30 September 2012 of $1.5 billion grew by $31 million or 2.0% compared to March 2012.

Operating expenses were relatively flat compared to the prior half.

NAB Wealth - Investments inclusive of Private Wealth

	Year to			Half Year to		
	Sep 12 $m	Sep 11 $m	Sep 12 v Sep 11 %	Sep 12 $m	Mar 12 $m	Sep 12 v Mar 12 %
Net interest income	**325**	328	(0.9)	**162**	163	(0.6)
Other operating income	**47**	35	34.3	**30**	17	76.5
Gross income	**1,589**	1,543	3.0	**805**	784	2.7
Volume related expenses	**(555)**	(544)	(2.0)	**(281)**	(274)	(2.6)
Net income	**1,406**	1,362	3.2	**716**	690	3.8
Operating expenses	**(903)**	(895)	(0.9)	**(450)**	(453)	0.7
Underlying profit	**503**	467	7.7	**266**	237	12.2
Charge to provide for bad and doubtful debts	**(12)**	(18)	33.3	**(7)**	(5)	(40.0)
Cash earnings before tax	**491**	449	9.4	**259**	232	11.6
Income tax expense	**(141)**	(125)	(12.8)	**(76)**	(65)	(16.9)
Cash earnings before IoRE	**350**	324	8.0	**183**	167	9.6

Average Volumes - Private Bank ($bn)						
Gross loans and acceptances	**18.7**	18.4	1.6	**18.7**	18.7	-
Interest earning assets	**18.7**	18.4	1.6	**18.7**	18.7	-

Performance Measures [1]						
Funds under management (spot) ($m)	**124,743**	110,289	13.1	**124,743**	123,547	1.0
Funds under management (average) ($m) [2]	**120,828**	116,375	3.8	**122,026**	119,629	2.0
Net funds flow ($m)	**(2,351)**	(491)	large	**(871)**	(1,480)	41.1
Net interest margin	**1.74%**	1.78%	(4 bps)	**1.73%**	1.74%	(1 bps)
Cost to income ratio	**64.2%**	65.7%	150 bps	**62.9%**	65.7%	280 bps
Investment operating expenses to average FUM (bps) [2]	**62**	65	3 bps	**61**	62	1 bps
Investment income to average FUM (bps) [2]	**86**	86	-	**86**	85	1 bps

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

(2) *Average FUM for September 2011 has been re-stated to reflect a change in the basis of reporting nabInvest. FUM is now reported on the basis of nabInvest's proportional ownership interest rather than total FUM for these businesses.*

	Funds Under Management					
	Jun 12		Dec 11		Jun 11	
	Rank	Market Share %	Rank	Market Share %	Rank	Market Share %
Retail (excl. Cash)	**2**	**15.5%**	2	15.6%	2	16.0%
Total Retail Superannuation	**2**	**19.2%**	2	19.5%	2	20.1%
Total Wholesale	**1**	**12.1%**	1	11.9%	1	11.1%

Source: Plan for Life Australian Retail & Wholesale Investments Market share and Dynamics Report - June 2012. (Prior periods include re-statements of funds under management made by Plan for Life.)

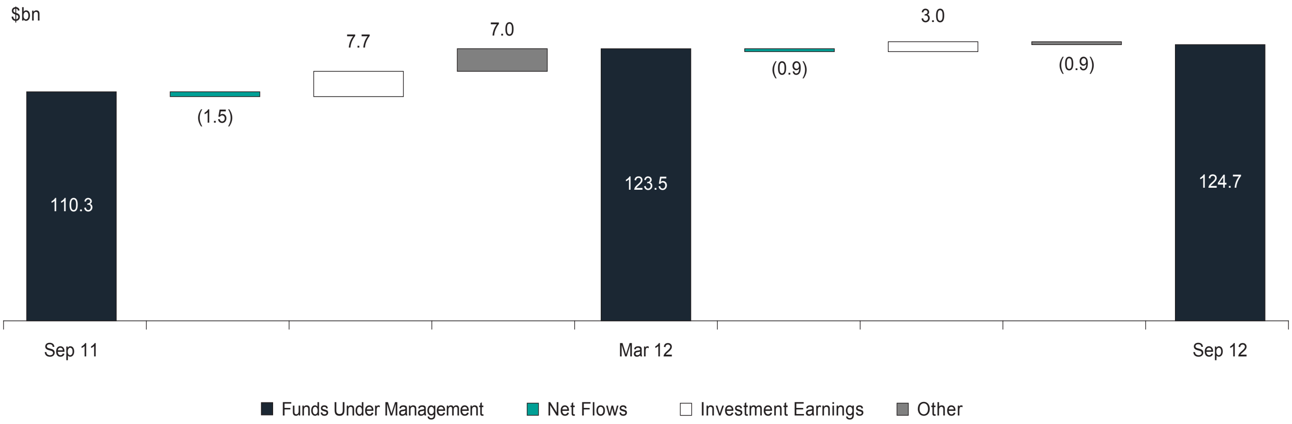
Funds Under Management

Movement in Funds under Management and Administration ($m)	As at Sep 11	Inflows	Outflows	Investment earnings	Other [1]	As at Sep 12
Master Funds (Platforms)	74,712	10,350	(13,318)	7,960	(934)	**78,770**
Other Retail	4,144	39	(408)	130	(44)	**3,861**
Total Retails Funds (Excl. Cash)	78,856	10,389	(13,726)	8,090	(978)	**82,631**
Wholesale	31,433	5,112	(4,126)	2,558	7,135	**42,112**
Total NAB Wealth ex Trustee and Cash Management	**110,289**	**15,501**	**(17,852)**	**10,648**	**6,157**	**124,743**
Trustee	6,439	1,605	(735)	-	-	**7,309**

Movement in Funds under Management and Administration ($m)	As at Mar 12	Inflows	Outflows	Investment earnings	Other	As at Sep 12
Master Funds (Platforms)	78,687	5,576	(6,991)	2,001	(503)	**78,770**
Other Retail	3,989	18	(213)	80	(13)	**3,861**
Total Retails Funds (Excl. Cash)	82,676	5,594	(7,204)	2,081	(516)	**82,631**
Wholesale	40,871	3,010	(2,271)	905	(403)	**42,112**
Total NAB Wealth ex Trustee and Cash Management	**123,547**	**8,604**	**(9,475)**	**2,986**	**(919)**	**124,743**
Trustee	6,724	1,083	(498)	-	-	**7,309**

(1) *Other includes trust distributions and nabInvest acquisitions (including Antares Capital Partners Limited: $4.6 billion).*

Funds Under Management



FUM by Asset Class	As at Sep 12	Mar 12	Sep 11
Australian equities	**31%**	32%	31%
International equities	**24%**	24%	25%
Australian fixed interest	**20%**	20%	20%
International fixed interest	**9%**	8%	8%
Australian cash	**8%**	8%	8%
International direct property	**4%**	4%	4%
International listed property	**2%**	2%	2%
Australian listed property	**2%**	2%	2%

NAB Wealth - Investments inclusive of Private Wealth

Financial Analysis

September 2012 v September 2011

Cash earnings before IoRE of $350 million grew by $26 million or 8.0% compared to September 2011 as a result of growth in average FUM, an increase in revenue from direct asset management and favourable earnings on the annuities portfolio.

Net interest income fell by $3 million or 0.9% due to an increase in funding costs, partially offset by higher volumes.

Other operating income increased by $12 million due to an increase in revenue from direct asset management and distribution of wholesale banking products.

Gross income was up by 3.0% compared to September 2011, broadly in line with the increase in average FUM. Margins have remained flat, with favourable earnings on the annuities portfolio offsetting changes in business mix, which included an increase in lower margin wholesale business.

Average FUM as at 30 September 2012 of $120.8 billion increased by $4.5 billion or 3.8% compared to September 2011 as a result of acquisitions in the direct funds management business and stronger investment earnings. This was partially offset by negative net flows for Retail.

Net funds flow declined by $1.9 billion compared to September 2011, influenced by ongoing investment market uncertainty which continues to dampen investor confidence.

Volume related expenses, which include commission payments and investment costs, increased by 2.0% compared to September 2011. This growth rate was below that of the growth in average FUM due to an increase in wholesale business.

Operating expenses increased by $8 million, or 0.9% compared to September 2011 due to the acquisition of the direct funds management business, Antares Capital Partners Limited and the development of new products and services such as nabtrade and the retirement solutions products.

The charge to provide for bad and doubtful debts reduced by $6 million predominantly as a result of a single specific provision in the September 2011 year.

September 2012 v March 2012

Cash earnings before IoRE of $183 million grew by $16 million or 9.6% compared to March 2012 as a result of growth in average FUM, an increase in revenue from direct asset management and favourable earnings on the annuities portfolio.

Net interest income remained relatively flat compared to the prior half.

Other operating income increased by $13 million due to an increase in revenue from direct asset management and distribution of wholesale banking products.

Gross income grew by 2.7% compared to March 2012, broadly in line with the increase in average FUM. Margins were slightly higher as a result of favourable earnings on the annuities portfolio.

Average FUM increased by $2.4 billion or 2.0% compared to the prior half, driven by positive investment earnings.

Net funds flow improved by $609 million as a result of improved net flows from the wholesale business.

Volume related expenses, which include commission payments and investment costs, increased by 2.6% compared to March 2012, broadly in line with average FUM.

Operating expenses were $3 million or 0.7% lower compared to March 2012 as a result of disciplined cost management, which offset expenses associated with end of financial year activities.

Other Items

Asset Quality

	As at		
	Sep 12	**Mar 12**	**Sep 11**
Specific provision for doubtful debts ($m)	**14**	10	19
Collective provision for doubtful debts ($m)	**16**	19	17
90+ DPD assets ($m)	**65**	73	50
Gross impaired assets ($m)	**64**	48	54
90+ DPD plus gross impaired assets to gross loans and acceptances	**0.69%**	0.64%	0.55%
Specific provision to gross impaired assets	**21.9%**	20.8%	35.2%
Net write-offs to gross loans and acceptances (annualised)	**0.09%**	0.13%	0.03%
Total provision as a percentage of net write-offs	**176%**	121%	720%
Total provision to gross loans and acceptances	**0.16%**	0.15%	0.19%
Bad and doubtful debt charge to credit risk-weighted assets	**0.18%**	0.15%	0.27%

Asset quality measures across NAB Wealth for the twelve months to September 2012 have shown some deterioration in the 90+ DPD portfolio. They have, however, improved on the March 2012 half year. The year-on-year deterioration was attributable to the migration of a small number of larger exposures moving into the 90+ DPD category. This has improved over the September 2012 half year with the focus on asset sales or refinancing. While total provision to gross loans and acceptances has reduced since September 2011, it saw a slight increase compared to the March 2012 half year due to a small number of larger exposures during the period.

NAB Wealth - Insurance

	Year to			Half Year to		
	Sep 12 $m	Sep 11 $m	Sep 12 v Sep 11 %	Sep 12 $m	Mar 12 $m	Sep 12 v Mar 12 %
Gross income	**1,615**	1,564	3.3	**814**	801	1.6
Volume related expenses	**(1,134)**	(1,077)	(5.3)	**(583)**	(551)	(5.8)
Net operating income	**481**	487	(1.2)	**231**	250	(7.6)
Operating expenses	**(240)**	(233)	(3.0)	**(122)**	(118)	(3.4)
Cash earnings before tax and IoRE	**241**	254	(5.1)	**109**	132	(17.4)
Income tax expense	**(72)**	(74)	2.7	**(33)**	(39)	15.4
Cash earnings before IoRE	**169**	**180**	**(6.1)**	**76**	**93**	**(18.3)**
Planned and Experience Profit						
Planned margins	**175**	166	5.4	**88**	87	1.1
Experience (loss)/profit	**(6)**	14	large	**(12)**	6	large
Cash earnings before IoRE	**169**	180	(6.1)	**76**	93	(18.3)
Performance Measures						
Annual inforce premiums (spot) ($m)	**1,523.5**	1,466.3	3.9	**1,523.5**	1,492.9	2.0
Annual inforce premiums (average) ($m)	**1,494.9**	1,436.5	4.1	**1,508.2**	1,479.6	1.9
New business premiums ($m)	**314.7**	286.1	10.0	**164.0**	150.7	8.8
Insurance cost to average inforce premiums (%)	**16%**	16%	-	**16%**	16%	-

Annual Inforce Premiums ($m)	As at Sep 11	Sales	Lapses	As at Sep 12	Sep 11 v Sep 12 %
Retail	1,165.2	246.9	(200.4)	**1,211.7**	4.0
Group Risk	301.1	67.8	(57.1)	**311.8**	3.6
Total	1,466.3	314.7	(257.5)	**1,523.5**	3.9

Annual Inforce Premiums ($m)	As at Mar 12	Sales	Lapses	As at Sep 12	Mar 12 v Sep 12 %
Retail	1,184.5	129.8	(102.6)	**1,211.7**	2.3
Group Risk	308.4	34.2	(30.8)	**311.8**	1.1
Total	1,492.9	164.0	(133.4)	**1,523.5**	2.0

	Premiums in Force					
	Jun 12		Dec 11		Jun 11	
	Rank	Market Share %	Rank	Market Share %	Rank	Market Share %
Retail risk premiums	**2**	**17.3%**	2	17.8%	2	18.4%
Group Risk	**6**	**9.0%**	6	9.5%	6	9.8%

	Share of New Business					
	Jun 12		Dec 11		Jun 11	
	Rank	Market Share %	Rank	Market Share %	Rank	Market Share %
Retail risk premiums	**3**	**15.2%**	2	15.4%	2	16.8%
Group Risk	**5**	**6.6%**	6	6.0%	4	11.8%

Source: DEXX&R Life Analysis - June 2012. (Prior periods include re-statements of premiums inforce and share of new business made by DEXX&R.)

NAB Wealth - Insurance

Financial Analysis

September 2012 v September 2011

Cash earnings before IoRE of $169 million decreased by $11 million or 6.1% compared to the September 2011 year. This result was largely driven by an increase in lapses and unfavourable changes in the profile of the retail insurance book, partially offset by growth in average inforce premiums and an improvement in claims.

Gross income increased by $51 million or 3.3% as a result of growth in average inforce premiums, partially offset by lower earnings on the assets backing the insurance policy liabilities.

Volume related expenses include commission payments, claims and changes in insurance policy liabilities. These costs increased by $57 million or 5.3% as a result of the increase in premiums inforce, an increase in lapses and unfavourable changes in the profile of the retail insurance book. These effects were partially offset by lower claims.

Operating expenses grew by $7 million or 3.0% to support the development of new products and services.

Planned Margins and Experience Profit/(Loss)

Planned margins were $175 million for the September 2012 year, up by $9 million compared to the September 2011 year mainly due to volume growth.

Experience losses, compared to planned margins, arose as a result of unfavourable lapses and changes in the mix of retail business and were partially offset by favourable claims.

September 2012 v March 2012

Cash earnings before IoRE of $76 million decreased by $17 million or 18.3% compared to the March 2012 half year. This result was largely driven by an increase in lapses and unfavourable changes in the profile of the retail insurance book, partially offset by growth in average inforce premiums.

Gross income increased by $13 million or 1.6% in line with growth in average inforce premiums.

Volume related expenses increased by $32 million or 5.8%, driven by unfavourable lapses, changes in the profile of the retail insurance book and growth in average inforce premiums.

Operating expenses grew by $4 million compared to the March 2012 half year to support the development of new products and services.

NZ Banking

Andrew Thorburn

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

Results presented in local currency. See page 65 for results in $AUDm.

	Year to			Half Year to		
	Sep 12 NZ$m	Sep 11 NZ$m	Sep 12 v Sep 11 %	Sep 12 NZ$m	Mar 12 NZ$m	Sep 12 v Mar 12 %
Net interest income	1,425	1,324	7.6	714	711	0.4
Other operating income	456	451	1.1	223	233	(4.3)
Net operating income	1,881	1,775	6.0	937	944	(0.7)
Operating expenses	(763)	(747)	(2.1)	(388)	(375)	(3.5)
Underlying profit	1,118	1,028	8.8	549	569	(3.5)
Charge to provide for bad and doubtful debts	(98)	(151)	35.1	(64)	(34)	(88.2)
Cash earnings before tax	1,020	877	16.3	485	535	(9.3)
Income tax expense	(279)	(265)	(5.3)	(129)	(150)	14.0
Cash earnings	741	612	21.1	356	385	(7.5)
Average Volumes (NZ$bn)						
Gross loans and acceptances	57.9	55.9	3.6	58.3	57.5	1.4
Interest earning assets	59.6	57.6	3.5	60.0	59.1	1.5
Total assets	59.7	58.1	2.8	60.2	59.3	1.5
Customer deposits	34.5	31.1	10.9	35.4	33.5	5.7
Capital (NZ$bn)						
Risk-weighted assets - credit risk (spot)	37.0	35.3	4.8	37.0	36.3	1.9
Total risk-weighted assets (spot)	40.6	39.8	2.0	40.6	40.2	1.0
Performance Measures						
Cash earnings on average assets	1.24%	1.05%	19 bps	1.18%	1.30%	(12 bps)
Cash earnings on risk-weighted assets	1.85%	1.54%	31 bps	1.77%	1.93%	(16 bps)
Net interest margin	2.39%	2.30%	9 bps	2.38%	2.41%	(3 bps)
Cost to income ratio	40.6%	42.1%	150 bps	41.4%	39.7%	(170 bps)
'Jaws'	3.9%	4.0%	(10 bps)	(4.2%)	4.5%	(870 bps)
Cash earnings per average FTE (NZ$'000s)	162	134	20.9	157	167	(6.0)
FTEs (spot)	4,534	4,641	2.3	4,534	4,554	0.4

	As at		
Market Share [(1)]	Aug 12	Mar 12	Sep 11
Housing	16.1%	16.2%	16.2%
Cards	26.8%	27.4%	27.8%
Agribusiness	21.9%	21.1%	20.8%
Retail deposits [(2)]	18.8%	18.7%	18.0%

[(1)] *Source RBNZ August 12 (historical market share rebased with latest RBNZ revised published data).*

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

	As at		
Distribution	Sep 12	Mar 12	Sep 11
Number of retail branches	178	179	179
Number of ATMs	460	449	445
Number of internet banking customers ('000s)	566	553	534

NZ Banking

Financial Analysis (in local currency)

September 2012 v September 2011

Cash earnings increased by $129 million or 21.1% to NZ$741 million, when compared to the September 2011 year. This increase was driven by improved margins, higher income from the sale of risk management products and lower bad and doubtful debt charges. Business lending volume has also contributed to the improved result.

Net interest income increased by NZ$101 million or 7.6% through higher lending and deposit volumes and improved net interest margin. Margin improvement was supported by the continued favourable housing portfolio mix, as well as progressive repricing of the business lending portfolio.

Average volumes of **gross loans and acceptances** increased by NZ$2.0 billion or 3.6%. The business lending portfolio experienced solid growth over the year, while housing loans saw more modest growth. Personal credit was largely stable. BNZ increased market share in agribusiness by 109 basis points to 21.9% whilst housing market share decreased slightly to 16.1% from 16.2%.

Average volumes of **customer deposits** grew strongly over the prior year, increasing by NZ$3.4 billion or 10.9%. BNZ remains focused on growing deposits to support asset growth and continues to build its market share, which increased by 76 basis points to 18.8%.

Net interest margin improved by 9 basis points to 2.39%. The increase in margin was driven by customers' preference for variable rate mortgages and repricing of the business lending portfolio, together with strong deposit growth, which provided margin support relative to more expensive wholesale funding sources. This was partially offset by an increase in wholesale funding and liquidity costs.

Other operating income increased by NZ$5 million or 1.1%. The increase was driven by greater demand for risk management products as well as higher insurance premium revenue. This was partially offset by a decrease in lending fees from reduced fixed rate lending.

Operating expenses increased by NZ$16 million or 2.1% primarily due to increased investment spend, higher personnel costs and claims expense from insurance operations.

The **charge to provide for bad and doubtful debts** decreased by NZ$53 million or 35.1% from the prior year. The improvement was due to lower collective provisions as customers benefited from historically low interest rates, and improved conditions, which resulted in slightly lower specific provisions on business exposures.

Cash earnings on risk-weighted assets improved by 31 basis points to 1.85%. This was due to strong cash earnings growth and ongoing management focus on risk returns in the portfolio.

September 2012 v March 2012

Cash earnings decreased by NZ$29 million or 7.5% to NZ$356 million when compared to the March 2012 half year, driven by higher bad and doubtful debt charges, slightly lower revenue and increased expenses.

Net interest income increased slightly by NZ$3 million or 0.4%. The increase was mainly due to volume growth in both lending and deposits, offset by margin pressure from increased wholesale funding costs and deposits.

Average volumes of **gross loans and acceptances** grew by NZ$0.8 billion or 1.4%. Lending growth over the half was driven by strong demand from the agricultural sector, which supported overall business lending growth. Housing volumes grew slightly, while personal credit remained stable. BNZ increased its market share in agricultural lending by 76 basis points to 21.9% while housing market share decreased slightly by 11 basis points to 16.1% due to increased competition.

Average volumes of **customer deposits** grew by NZ$1.9 billion or 5.7% over the March 2012 half year, as BNZ continued to successfully grow deposits to further strengthen the balance sheet. Market share increased by 10 basis points to 18.8%.

Net interest margin decreased slightly by 3 basis points to 2.38% compared to the March 2012 half year. Margin pressure on customer deposits continued as competition intensified. Lending portfolio margins and wholesale funding costs remained largely stable.

Other operating income decreased by NZ$10 million or 4.3%. The decrease was driven by lower demand for risk management products in the September half year as markets stabilised and lower investment returns from insurance operations.

Operating expenses increased by NZ$13 million or 3.5% compared to the prior half year due to increased investment spend in strategic growth initiatives and personnel costs.

The **charge to provide for bad and doubtful debts** increased by NZ$30 million. The significant increase over the half was driven by increased specific provisions on business exposures. This increase follows an exceptionally low charge in the first half of 2012.

Cash earnings on risk-weighted assets decreased by 16 basis points to 1.77%. The lower cash earnings result in the current half year, combined with an increase in risk-weighted assets on the back of lending growth drove the decrease.

Other Items

Asset Quality

	As at		
	Sep 12	**Mar 12**	**Sep 11**
Specific provision for doubtful debts (NZ$m)	**131**	138	170
Collective provision for doubtful debts (NZ$m)	**172**	198	207
Specific provision on loans at fair value (NZ$m)	**53**	55	57
Collective provision on loans at fair value (NZ$m)	**114**	97	72
90+ DPD assets (NZ$m)	**250**	214	202
Gross impaired assets (NZ$m)	**460**	530	658
90+ DPD to gross loans and acceptances	**0.43%**	0.37%	0.35%
Impaired asset ratio	**0.78%**	0.91%	1.16%
90+ DPD plus gross impaired asset to gross loans and acceptances	**1.21%**	1.28%	1.51%
Specific provision to gross impaired assets	**40.0%**	36.4%	34.5%
Net write-offs to gross loans and acceptances	**0.24%**	0.25%	0.22%
Total provision as a percentage of net write-offs	**341%**	334%	405%
Total provision to gross loans and acceptances	**0.80%**	0.84%	0.89%
Bad and doubtful debt charge to credit risk-weighted assets	**0.26%**	0.19%	0.43%

Despite the economic challenges and slower than expected growth, the quality of BNZ's lending portfolio has continued to improve. Compared with September 2011, the level of 90+ DPD and gross impaired assets to gross loans and acceptances has improved by 30 basis points from 1.51% to 1.21%, with improvement in impairment rates across both business and retail exposures. The increase in 90+ DPD assets is primarily related to business exposures. The improvement in asset quality in the housing portfolio has continued. Asset quality in unsecured consumer lending (credit card and personal loans) also continues to improve, and as with housing, is benefiting from a proactive approach in dealing with distressed customers.

While bad and doubtful debt charges have increased in the second half of the year, predominantly as the result of large corporate exposures, the full year charge is well below that of the prior year. BNZ continues to have strong provisioning coverage, reflecting the improvement in asset quality, with lower specific provisions in particular.

BNZ continues to actively manage its lending portfolio which includes a dynamic approach to the adjustment of risk settings, a comprehensive program of oversight and early intervention activities for distressed credit.

Capital and Funding Position

During the year BNZ further strengthened its balance sheet by improving its capital position, actively growing its customer deposit base, maintaining a consistent presence in wholesale funding markets, and holding prudent levels of liquidity.

Actively targeting customer deposits has seen BNZ strongly expand its deposit base above levels of previous years. Customer deposit funding is a core driver of balance sheet strength, and a key factor supporting BNZ's AA-/ Aa3 credit rating. The rebalancing of BNZ's funding base towards stable customer deposits remains an ongoing focus.

BNZ's Core Funding Ratio (CFR) is substantially above the upcoming 1 January 2013, Reserve Bank of New Zealand (RBNZ) minimum CFR requirement of 75% (current RBNZ CFR minimum at 70%).

Improving investor sentiment has driven increased activity in term wholesale funding over the year, with BNZ successfully accessing both domestic and offshore bond markets. In July 2012 BNZ completed its largest ever Euro-Yen senior bond issue, raising JPY25.5 billion of 5 year funding. In September 2012 BNZ completed its third Swiss retail bond issue of the year, raising CHF275 million of 7 year funding, and taking funds raised from the Swiss market this year to CHF675 million. This issuance demonstrates the strength and diversity of BNZ's investor base, and supports BNZ's CFR.

In May 2012 BNZ's ordinary share capital was boosted by a NZ$400 million share subscription from the NAB Group, as part of pre-positioning for Basel III. BNZ Banking Group's current regulatory capital ratios are comfortably above the RBNZ's proposed Basel III capital ratio requirements (including conservation buffer). As at 30 September 2012, BNZ Banking Group's Tier 1 capital ratio was 11.26% and its Total capital ratio was 13.29% (current RBNZ minimum 8%).

NZ Banking

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

	Year to			Half Year to		
	Sep 12 $m	Sep 11 $m	Sep 12 v Sep 11%	Sep 12 $m	Mar 12 $m	Sep 12 v Mar 12%
Net interest income	1,106	1,015	9.0	557	549	1.5
Other operating income	354	345	2.6	175	179	(2.2)
Net operating income	1,460	1,360	7.4	732	728	0.5
Operating expenses	(592)	(572)	(3.5)	(303)	(289)	(4.8)
Underlying profit	868	788	10.2	429	439	(2.3)
Charge to provide for bad and doubtful debts	(76)	(116)	34.5	(50)	(26)	(92.3)
Cash earnings before tax	792	672	17.9	379	413	(8.2)
Income tax expense	(217)	(203)	(6.9)	(101)	(116)	12.9
Cash earnings	**575**	**469**	**22.6**	**278**	**297**	**(6.4)**

Impact of foreign exchange rate movements

Favourable/ (unfavourable) September 12	Year since Sep 11 $m	Sep 12 v Sep 11 Ex FX %	Half year since Mar 12 $m	Sep 12 v Mar 12 Ex FX %
Net interest income	14	7.6	6	0.4
Other operating income	5	1.2	2	(3.4)
Operating expenses	(8)	(2.1)	(3)	(3.8)
Charge to provide for bad and doubtful debts	(1)	35.3	(1)	(88.5)
Income tax expense	(3)	(5.4)	(2)	14.7
Cash earnings	7	21.1	2	(7.1)

UK Banking

David Thorburn

UK Banking operates under the Clydesdale Bank and Yorkshire Bank brands. It offers a range of banking services for both personal and business customers through retail branches, business and private banking centres, direct banking and brokers. As announced on 30 April 2012, UK Banking has undertaken a strategic review in response to the challenging economic and operating conditions in the region. These conditions have included further deterioration in the commercial real estate market and credit rating downgrades across the banking sector. Both of these issues have had a material impact on UK Banking's financial performance. The main outcomes of the strategic review were to simplify the business model to focus on retail operations and SME business lending in Scotland and Northern England, improve the balance sheet structure by transferring the vast majority of UK Banking's commercial real estate assets to NAB in the first half of the 2013 financial year and place the transferred portfolio into run-off to be managed separately. This transfer took place on 5 October 2012. Delivery of the strategic review outcomes is progressing well with restructuring activity ahead of plan.

Results presented in local currency. See page 69 for results in $AUDm.

	Year to			Half Year to		
	Sep 12 £m	**Sep 11 £m**	**Sep 12 v Sep 11 %**	**Sep 12 £m**	**Mar 12 £m**	**Sep 12 v Mar 12 %**
Net interest income	**864**	972	(11.1)	**414**	450	(8.0)
Other operating income	**281**	287	(2.1)	**139**	142	(2.1)
Net operating income	**1,145**	1,259	(9.1)	**553**	592	(6.6)
Operating expenses	**(697)**	(726)	4.0	**(349)**	(348)	(0.3)
Underlying profit	**448**	533	(15.9)	**204**	244	(16.4)
Charge to provide for bad and doubtful debts	**(631)**	(296)	large	**(349)**	(282)	(23.8)
Cash earnings before tax	**(183)**	237	large	**(145)**	(38)	large
Income tax benefit/(expense)	**44**	(54)	large	**31**	13	large
Cash earnings	**(139)**	**183**	**large**	**(114)**	**(25)**	**large**
Average Volumes (£bn)						
Gross loans and acceptances	**33.6**	33.0	1.8	**33.4**	33.7	(0.9)
Interest earning assets	**42.5**	41.7	1.9	**42.1**	43.0	(2.1)
Total assets	**45.6**	44.9	1.6	**44.9**	46.4	(3.2)
Customer deposits	**25.3**	24.8	2.0	**25.6**	25.1	2.0
Capital (£bn)						
Risk-weighted assets - credit risk (spot)	**27.2**	29.5	(7.8)	**27.2**	28.5	(4.6)
Total risk-weighted assets (spot)	**30.2**	32.5	(7.1)	**30.2**	31.4	(3.8)
Performance Measures						
Cash earnings on average assets	**(0.30%)**	0.41%	(71 bps)	**(0.51%)**	(0.11%)	(40 bps)
Cash earnings on risk-weighted assets	**(0.44%)**	0.55%	(99 bps)	**(0.74%)**	(0.16%)	(58 bps)
Net interest margin	**2.03%**	2.33%	(30 bps)	**1.97%**	2.09%	(12 bps)
Cost to income ratio	**60.9%**	57.7%	(320 bps)	**63.1%**	58.8%	(430 bps)
'Jaws'	**(5.1%)**	0.9%	(600 bps)	**(6.9%)**	(4.0%)	(290 bps)
Cash earnings per average FTE (£'000s)	**(17)**	21	large	**(29)**	(6)	large
FTEs (spot)	**7,883**	8,351	5.6	**7,883**	8,146	3.2

	As at		
Distribution	**Sep 12**	**Mar 12**	**Sep 11**
Number of retail branches	**333**	337	337
Number of ATMs	**882**	884	887
Number of internet banking customers (no. '000s)	**605**	587	562

UK Banking

Financial Analysis (in local currency)

September 2012 v September 2011

Cash earnings was a loss of £139 million compared to a profit of £183 million in the year to September 2011. This predominantly reflected higher charges to provide for bad and doubtful debts, together with a reduction in net interest income which was primarily due to higher funding costs.

Cash earnings on average risk-weighted assets decreased from 0.55% to a negative return of 0.44%. Average risk-weighted assets remained relatively stable.

Net interest income decreased by £108 million or 11.1%, driven by higher funding and liquidity costs; partially offset by higher lending margins. The credit rating downgrade that occurred during the year resulted in lower margin money market and retail deposits being replaced by more expensive longer term wholesale funding and retail term deposits. This resulted in higher funding costs, coupled with higher liquidity costs from the increase in average 3 month LIBOR over the year. This was partially offset by higher lending income. The **net interest margin** declined by 30 basis points driven by the higher funding costs.

Average gross loans and acceptances increased by £0.6 billion or 1.8%, primarily due to growth in mortgages. Mortgage growth of 9.8% was substantially higher than system growth of 0.6%[(1)]. However, system growth was adversely affected by the active de-leveraging of some lenders. Business lending balances declined by 2.8%, compared to business lending system decline of 5.1%[(1)], and the unsecured personal lending book reduced by 11.1%.

Average customer deposits increased by £0.5 billion or 2.0%. This reflected the success of the campaign to acquire term deposits.

Other operating income decreased by £6 million or 2.1%, driven by lower fees and commissions due to economic conditions and the impact of subdued demand for credit.

Operating expenses decreased by £29 million or 4.0% as the business took steps to proactively manage its cost base. The reduction was driven by lower personnel costs as a result of a reduction in FTEs and lower performance related remuneration.

The **charge to provide for bad and doubtful debts** increased by £335 million over the September 2011 year to £631 million. The increase was predominantly from business lending losses as a result of prolonged economic and market uncertainty which affected all sectors, in particular, the commercial real estate market. This was partly offset by continued improvement in unsecured retail portfolio delinquency, driving lower unsecured retail lending losses, and a reduction in mortgage lending losses.

September 2012 v March 2012

Cash earnings was a loss of £114 million in the half to September 2012 compared to £25 million in the half year to March 2012. This reflected an increase in the charge to provide for bad and doubtful debts and a reduction in income.

Cash earnings on average risk-weighted assets decreased from a negative return of 0.16% to a negative return of 0.74%. Average risk-weighted assets remained relatively stable.

Net interest income decreased by £36 million or 8.0%, which was driven by higher wholesale and retail funding costs, partially offset by higher lending income. The credit rating downgrade that occurred in the first half resulted in an increase in retail term deposits which replaced short term money market and corporate deposits. The second half increase in funding costs reflected ongoing retail term deposit acquisition and term funding issuances during the second half. The **net interest margin** declined by 12 basis points

Average gross loans and acceptances decreased by £0.3 billion or 0.9%. This was driven by a reduction in business lending, which was partially offset by above system growth in mortgages.

Average customer deposits increased by £0.5 billion or 2.0%. This reflected the success of the campaign to acquire term deposits.

Other operating income decreased by £3 million or 2.1%. This was mainly due to the timing of insurance profit share which is received in the first half of each financial year. Lower fees and commissions were partially offset by one-off income.

Operating expenses increased by £1 million or 0.3%. The increase included higher marketing costs and the charge for the UK Government Bank Levy which occurs in the second half of the financial year. These were broadly offset by lower personnel costs from the reduction in FTEs.

The **charge to provide for bad and doubtful debts** increased by £67 million over the March 2012 half year to £349 million. The increase was predominantly from further business lending losses as the weakness in the economy affected all sectors, in particular, the commercial real estate market.

(1) *Source: Bank of England – August 2012.*

Other Items

Asset Quality

	As at		
	Sep 12	Mar 12	Sep 11
Specific provision for doubtful debts (£m)	**390**	206	120
Collective provision for doubtful debts (£m)	**353**	383	243
Specific provision on loans at fair value (£m)	**42**	25	16
Collective provision on loans at fair value (£m)	**126**	133	141
90+ DPD assets (£m)	**322**	265	194
Gross impaired assets (£m)	**1,260**	968	858
90+ DPD to gross loans and acceptances	**0.97%**	0.79%	0.57%
Impaired asset ratio	**3.79%**	2.89%	2.55%
90+ DPD plus gross impaired assets to gross loans and acceptances	**4.76%**	3.68%	3.12%
Specific provision to gross impaired assets	**34.3%**	23.9%	15.9%
Net write-offs to gross loans and acceptances (annualised)	**1.07%**	1.12%	0.84%
Total provision as a percentage of net write-offs	**257%**	200%	184%
Total provision to gross loans and acceptances	**2.74%**	2.23%	1.54%
Bad and doubtful debt charge to credit risk-weighted assets	**2.32%**	1.98%	1.00%

Continued weakness in economic and market conditions resulted in deteriorating asset quality in the business lending portfolio over the year to September 2012. This was particularly evident within the commercial property sector, which experienced a further decline in commercial property values.

Total 90+ DPD balances increased through the year to September 2012 to £322 million, compared with £194 million at September 2011. This increase was in the business portfolio, with the commercial real estate book accounting for the majority of the increase. However, there was also an increase in the trading book 90+ DPD balance, reflecting the prolonged weakness of the UK economy. There were continued improvements in the home loan and unsecured portfolios.

The level of impaired assets increased to £1,260 million in the year to September 2012. Commercial real estate related lending remains the largest component of the impaired asset portfolio, which is as a result of the continued weak market conditions in this sector. The vast majority of UK Banking's commercial real estate assets were transferred to NAB on 5 October 2012 and will be managed as a run-off portfolio. The overall collective provision for doubtful debts increased over the year, reflecting the deterioration of the business lending portfolio. However, there was a continued reduction in the personal lending collective provision driven by improvements in the delinquency profile and a reduction in unsecured personal lending balances.

The ratio of total provisions to gross loans and acceptances increased to 2.74% in September 2012. The majority of the provisions growth was in commercial real estate related exposures.

Capital and Funding Position

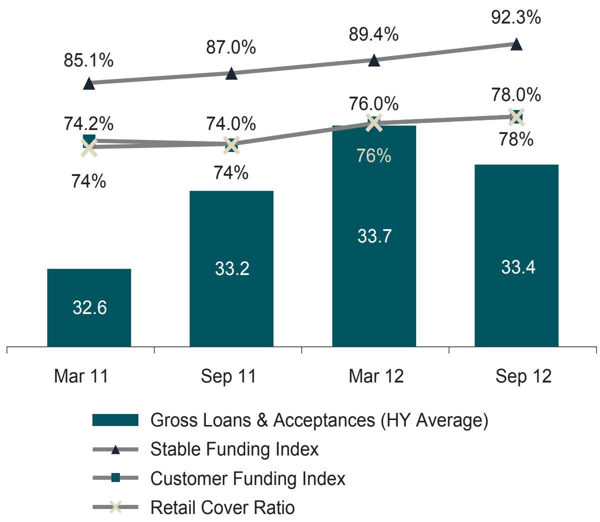
Clydesdale Bank PLC (Clydesdale) issued £500 million of ordinary shares in January 2012. Clydesdale's Core Tier 1 ratio (FSA basis) was 8.4% and the Tier 1 ratio was 9.6% as at 30 September 2012.

During the year Clydesdale re-structured the Covered Bond and Securitisation programmes which enabled the programmes to retain AAA ratings. This platform enabled Clydesdale to issue debt from the Lanark owner occupier mortgage securitisation programme and the Regulated Covered Bond programme.

Clydesdale's funding remains diversified in terms of the type of instrument and product, currency, counterparty, term structure and market.

Stable Funding and Customer Funding Indices [(1)]

£bn



(1) *Calculated for the following reporting periods in accordance with the redefined methodology as disclosed in the Glossary of Terms.*

The Stable Funding Index has remained strong due to the funding issuances and term deposits raised during the year.

UK Banking

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

	Year to			Half Year to		
	Sep 12 $m	Sep 11 $m	Sep 12 v Sep 11 %	Sep 12 $m	Mar 12 $m	Sep 12 v Mar 12 %
Net interest income	1,324	1,522	(13.0)	640	684	(6.4)
Other operating income	429	448	(4.2)	212	217	(2.3)
Net operating income	1,753	1,970	(11.0)	852	901	(5.4)
Operating expenses	(1,067)	(1,136)	6.1	(538)	(529)	(1.7)
Underlying profit	686	834	(17.7)	314	372	(15.6)
Charge to provide for bad and doubtful debts	(966)	(462)	large	(538)	(428)	(25.7)
Cash earnings before tax	(280)	372	large	(224)	(56)	large
Income tax benefit/(expense)	67	(84)	large	47	20	large
Cash earnings	(213)	288	large	(177)	(36)	large

Impact of foreign exchange rate movements

Favourable/ (unfavourable) September 12	Year since Sep 11 $m	Sep 12 v Sep 11 Ex FX %	Half year since Mar 12 $m	Sep 12 v Mar 12 Ex FX %
Net interest income	(29)	(11.1)	10	(7.9)
Other operating income	(10)	(2.0)	3	(3.7)
Operating expenses	24	4.0	(7)	(0.4)
Charge to provide for bad and doubtful debts	20	large	(8)	(23.8)
Income tax benefit/ (expense)	(1)	large	1	large
Cash earnings	4	large	(1)	large

Great Western Bank

Andrew Thorburn

Great Western Bank (GWB) offers a range of traditional banking and wealth management products delivered in a community banking model with over 180 locations across the Midwestern United States. GWB maintains a fully deposit funded position and is the 7th largest bank lender of Agribusiness loans in the United States as of 30 June 2012. In addition to Agribusiness, GWB's diversified lending portfolio includes small and medium business, commercial property, and consumer product offerings.

On 22 June 2012, GWB finalised the acquisition of First Federal Savings Bank of Iowa (First Federal). The First Federal franchise contributed over US$400 million in assets and 11 bank branches to the GWB footprint in the Iowa market, helping GWB surpass US$9 billion in total assets.

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

	Year to			Half Year to		
	Sep 12 US$m	**Sep 11 US$m**	**Sep 12 v Sep 11 %**	**Sep 12 US$m**	**Mar 12 US$m**	**Sep 12 v Mar 12 %**
Net interest income	**279**	293	(4.8)	**143**	136	5.1
Other operating income	**77**	82	(6.1)	**40**	37	8.1
Net operating income	**356**	375	(5.1)	**183**	173	5.8
Operating expenses	**(178)**	(181)	1.7	**(92)**	(86)	(7.0)
Underlying profit	**178**	194	(8.2)	**91**	87	4.6
Charge to provide for bad and doubtful debts	**(25)**	(59)	57.6	**(11)**	(14)	21.4
Cash earnings before tax	**153**	135	13.3	**80**	73	9.6
Income tax expense	**(53)**	(45)	(17.8)	**(30)**	(23)	(30.4)
Cash earnings	**100**	**90**	**11.1**	**50**	**50**	**-**
Average Volumes (US$bn)						
Gross loans and acceptances	**5.6**	5.3	5.7	**5.8**	5.4	7.4
Interest earning assets	**7.5**	7.0	7.1	**7.7**	7.2	6.9
Total assets (1)	**7.9**	7.7	2.6	**8.1**	7.9	2.5
Customer deposits	**6.6**	6.4	3.1	**6.7**	6.5	3.1
Capital (US$bn)						
Risk-weighted assets - credit risk (spot)	**5.8**	4.9	18.4	**5.8**	5.0	16.0
Total risk-weighted assets (spot)	**6.3**	6.1	3.3	**6.3**	5.5	14.5
Performance Measures						
Cash earnings on average assets	**1.27%**	1.17%	10 bps	**1.23%**	1.27%	(4 bps)
Cash earnings on risk-weighted assets	**1.70%**	1.47%	23 bps	**1.68%**	1.75%	(7 bps)
Net interest margin	**3.75%**	4.19%	(44 bps)	**3.73%**	3.78%	(5 bps)
Cost to income ratio	**50.0%**	48.3%	(170 bps)	**50.3%**	49.7%	(60 bps)
'Jaws'	**(3.4%)**	(1.0%)	(240 bps)	**(1.2%)**	0.6%	(180 bps)
Cash earnings per average FTE (US$'000s)	**66**	59	11.9	**66**	67	(1.5)
FTEs (spot)	**1,569**	1,492	(5.2)	**1,569**	1,478	(6.2)

(1) Total assets exclude goodwill and other intangible assets.

Great Western Bank

Financial Analysis (in local currency)

September 2012 v September 2011

Cash earnings increased by US$10 million or 11.1% to US$100 million during the September 2012 year. The charge for bad and doubtful debts decreased during 2012, partially offset by a decrease in revenue driven by yield pressures and regulatory changes affecting fee income.

Net interest income decreased by US$14 million or 4.8%, driven by pressure on asset yields, partially offset by asset growth and reductions in the overall cost of funds.

Net interest margin decreased by 44 basis points due to lower loan yields resulting from competitive pressures, forcing lending pricing downward. This was coupled with a reduction in available investment yields on government backed securities, due to lower mortgage rates on the underlying assets. Average funding costs have continued to decline through lower rates on term deposits, migration of the deposit portfolio toward lower-cost transaction accounts, and access to other low-cost funding sources.

Other operating income decreased by US$5 million or 6.1%. Regulatory changes restricting debit card interchange income became effective in October 2011 and caused a year-on-year reduction of US$6 million in fee income. Income realised on the liquid investment portfolio was also lower. These reductions were partially offset by strong income from home loan originations and fees from the secondary market.

Operating expenses decreased by US$3 million or 1.7%, driven by a reduction in costs relating to foreclosed property, lower FTE levels, and the closure of underperforming and redundant branches.

The **charge to provide for bad and doubtful debts** decreased by US$34 million or 57.6% for the full year, reflecting improvements in asset quality across the loan portfolio, with significantly lower write-offs and delinquencies for the year.

Cash earnings on risk-weighted assets increased by 23 basis points compared to September 2011, reflecting increased earnings and flat risk-weighted assets resulting from data validation on the transition to the Basel II capital framework, offset by underlying asset growth.

Average gross loans and acceptances grew by US$0.3 billion. This was driven by strong organic growth, particularly in the Agribusiness and SME segments of the portfolio, and augmented by US$0.3 billion of loans acquired from First Federal. These effects were partially offset by the runoff of non-core acquired loans.

Average customer deposits grew by US$0.2 billion. This was mainly due to the acquired First Federal deposits and was supplemented by growth in organic customer deposits.

September 2012 v March 2012

Cash earnings for the September 2012 half year were flat to the March half year at US$50 million. Revenue improved as GWB continued to reduce deposit funding costs, the newly acquired First Federal branches began to contribute earnings beginning in June, and positive asset quality trends continued.

Net interest income increased by US$7 million or 5.1%. This was driven by asset growth generating incremental returns, supplemented by reductions in funding costs. These effects were partially offset by continued reduction in asset yields.

Net interest margin decreased by 5 basis points resulting from continued declines in loan pricing trends. This was partially offset by some stabilisation in investment yields during the half year and reductions in deposit pricing, particularly on term deposit products.

Other operating income increased by US$3 million or 8.1%. Historically-low mortgage interest rates in the US market drove strong fee revenue on home mortgages originated for on-sale into the secondary market.

Operating expenses increased by US$6 million or 7.0%. This reflects the incremental cost of the acquired First Federal branches and higher costs in the mortgage origination business. These factors were more than offset by incremental revenue generation.

The **charge to provide for bad and doubtful debts** decreased by US$3 million or 21.4%, despite additional provisions raised in response to severe drought conditions across the footprint.

Cash earnings on risk-weighted assets decreased by 7 basis points compared to the March 2012 half year. This was mainly due to a rise in risk-weighted assets as TierOne acquired assets with Federal Deposit Insurance Corporation (FDIC) loss share coverage were runoff. These assets, which have preferential risk weighting treatment, were replaced with fully-risk weighted assets.

Average gross loans and acceptances grew by US$0.4 billion compared to the March 2012 half year through organic and acquisition growth. This growth was partially offset by continued runoff of non-core acquired loans.

Average customer deposits grew by US$0.2 billion compared to the March 2012 half year through acquisition of First Federal deposits and customers continuing to return funds to traditional bank deposit products amid limited higher-yielding options in the marketplace.

Other Items

Asset Quality

Excluding covered loans [1]	Sep 12	Mar 12	Sep 11
	As at		
Specific provision for doubtful debts (US$m)	**14**	12	17
Collective provision for doubtful debts (US$m)	**43**	39	42
Gross impaired assets (US$m)	**87**	108	141
Gross impaired assets to non-covered gross loans and acceptances	**1.55%**	2.29%	3.25%
Specific provision to gross impaired assets	**16.1%**	11.1%	12.1%
Total provision to non-covered gross loans and acceptances	**1.02%**	1.08%	1.36%

Including covered loans [1]	Sep 12	Mar 12	Sep 11
	As at		
90+ DPD assets (US$m)	**28**	46	110
Specific provision for doubtful debts (US$m)	**14**	12	17
Collective provision for doubtful debts (US$m)	**43**	39	42
Gross impaired assets (US$m)	**120**	114	141
90+ DPD to gross loans and acceptances	**0.45%**	0.85%	2.11%
Impaired asset ratio	**1.95%**	2.10%	2.70%
90+ DPD plus gross impaired assets to gross loans and acceptances	**2.40%**	2.95%	4.81%
Specific provision to gross impaired assets	**11.7%**	10.5%	12.1%
Net write-offs to gross loans and acceptances (annualised)	**0.28%**	0.56%	0.79%
Total provision to gross loans and acceptances	**0.92%**	0.94%	1.13%

(1) *Refers to loans covered by the loss share agreement with the FDIC.*

Assets included in 90+ DPD relates to the acquired TierOne assets, and continue to decline as those assets are managed out of the portfolio. Gross impaired assets (GIAs) have increased in absolute terms, but both 90+ DPD and GIAs have decreased substantially as a percentage of gross loans and acceptances, with significant overall credit improvements in the book.

The GWB footprint is characterised by relatively low unemployment levels and continues to be buoyed by historically-high production and profitability in agricultural markets in recent years. The Midwest states in the US have been affected by severe drought throughout 2012. Historically high production and income in the sector is expected to support the industry through the current cycle on the strength of cash and grain reserves, supplemented by crop insurance proceeds in the current year. The effect on asset quality is expected to be moderate unless severe drought conditions persist into 2013 and beyond. GWB has raised an incremental collective provision on the Agribusiness portfolio in recognition of some expected future deterioration.

The primary asset quality challenges remaining in the portfolio are largely concentrated in commercial real estate and land development; substantial improvements in these segments are not expected without corresponding improvement in the US economy. GWB has significantly reduced core exposure to commercial real estate since the acquisition by NAB.

The acquired TierOne portfolio, predominantly covered by the FDIC loss share agreement, continues to perform in line with expectations as that arrangement with the FDIC continues to work effectively. Approximately US$600 million of assets with loss share coverage, including loans and foreclosed property, remained in the portfolio as of 30 September 2012.

Capital and Funding Position

GWB has continued to maintain a strong core funding base, with an excess of nearly US$1.0 billion in customer deposits over loans. Excess deposits are invested in a liquid portfolio of predominantly US government backed securities.

GWB's 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 70 for results in local currency.

	Year to			Half Year to		
	Sep 12 $m	**Sep 11 $m**	**Sep 12 v Sep 11 %**	**Sep 12 $m**	**Mar 12 $m**	**Sep 12 v Mar 12 %**
Net interest income	**272**	285	(4.6)	**140**	132	6.1
Other operating income	**74**	81	(8.6)	**39**	35	11.4
Net operating income	**346**	366	(5.5)	**179**	167	7.2
Operating expenses	**(173)**	(177)	2.3	**(90)**	(83)	(8.4)
Underlying profit	**173**	189	(8.5)	**89**	84	6.0
Charge to provide for bad and doubtful debts	**(25)**	(57)	56.1	**(11)**	(14)	21.4
Cash earnings before tax	**148**	132	12.1	**78**	70	11.4
Income tax expense	**(50)**	(44)	(13.6)	**(28)**	(22)	(27.3)
Cash earnings	**98**	**88**	**11.4**	**50**	**48**	**4.2**

Impact of foreign exchange rate movements

Favourable/ (unfavourable) September 12	**Year since Sep 11 $m**	**Sep 12 v Sep 11 Ex FX %**	**Half year since Mar 12 $m**	**Sep 12 v Mar 12 Ex FX %**
Net interest income	**-**	(4.6)	**2**	4.5
Other operating income	**(1)**	(7.4)	**-**	11.4
Operating expenses	**1**	1.7	**(1)**	(7.2)
Charge to provide for bad and doubtful debts	**-**	56.1	**(1)**	28.6
Income tax expense	**1**	(15.9)	**1**	(31.8)
Cash earnings	**1**	10.2	**1**	2.1

Specialised Group Assets

Peter Coad

The Specialised Group Assets (SGA) business comprises non-franchise assets with approximately $7.2 billion of Credit Risk Weighted Assets. This represents a reduction of $18.1 billion since September 2009, of which $7.8 billion was achieved during the year to September 2012, largely resulting from the removal of economic risk relating to the remaining SCDO assets, the continued run-down of credit exposures and a change in the treatment of the Credit Wrapped ABS.

The portfolio of assets, which is primarily domiciled in the United Kingdom and the United States is as follows:

- Structured Asset Management (SAM)
  - Structured Asset Management
  - Credit Wrapped Bonds
- Private Portfolio USA
  - Private Equity & Real Estate Investment Funds USA
  - Infrastructure Finance USA
  - Corporate Lending USA
- Corporate UK
  - Corporate & NBFI Lending UK
  - Commercial Property UK
- Leveraged Finance UK
- Structured Asset Finance UK

	Year to			Half Year to		
	Sep 12 $m	Sep 11 $m	Sep 12 v Sep 11 %	Sep 12 $m	Mar 12 $m	Sep 12 v Mar 12 %
Net interest income	80	123	(35.0)	26	54	(51.9)
Other operating income	24	44	(45.5)	(9)	33	large
Net operating income	104	167	(37.7)	17	87	(80.5)
Operating expenses	(35)	(49)	28.6	(17)	(18)	5.6
Underlying profit	69	118	(41.5)	-	69	large
Charge to provide for bad and doubtful debts	(85)	(41)	large	(14)	(71)	80.3
Cash earnings before tax	(16)	77	large	(14)	(2)	large
Income tax benefit/(expense)	7	33	78.8	8	(1)	large
Cash earnings	(9)	110	large	(6)	(3)	(100.0)
Average Volumes ($bn)						
Gross loans and acceptances	4.0	5.4	(25.9)	3.9	4.2	(7.1)
Interest earning assets	7.7	10.8	(28.7)	6.9	8.5	(18.8)
Capital ($bn)						
Risk-weighted assets - credit risk (spot)	7.2	15.0	(52.0)	7.2	8.0	(10.0)
Total risk-weighted assets (spot)	7.2	15.0	(52.0)	7.2	8.0	(10.0)

Impact of foreign exchange rate movements

Favourable/ (unfavourable) September 12	Year since Sep 11 $m	Sep 12 v Sep 11 Ex FX %	Half year since Mar 12 $m	Sep 12 v Mar 12 Ex FX %
Net interest income	(1)	(34.1)	1	(53.7)
Other operating income	1	(47.7)	(2)	large
Operating expenses	-	28.6	-	5.6
Charge to provide for bad and doubtful debts	3	large	-	80.3
Income tax benefit	(1)	(75.8)	-	large
Cash earnings	2	large	(1)	(66.7)

Specialised Group Assets

Financial Analysis

September 2012 v September 2011

Cash earnings for the year to September 2012 were a loss of $9 million compared to a profit of $110 million in the year to September 2011. This was mainly due to lower non-franchise asset income, consistent with the run-down of the lending portfolio and a higher bad and doubtful debts charge, offset by mark-to-market movements on the SCDO portfolio occurring before removal of the economic risk on that portfolio.

Net operating income decreased by $63 million compared to the September 2011 full year to $104 million. This was mainly due to lower non-franchise asset income, consistent with the run-down of the lending portfolio, offset by mark-to-market gains on the SCDO portfolio ($17 million at September 2012 versus $25 million loss at September 2011) occurring before removal of the economic risk on that portfolio.

Operating expenses decreased by $14 million or 28.6% on the September 2011 full year to $35 million. This was due to the run-off of the business, with FTE numbers contracting from 41 to 23.

The **charge to provide for bad and doubtful debts** increased by $44 million on the September 2011 full year to $85 million. This was the result of increased specific provision charges, largely driven by UK Leveraged Finance exposures and reduced release of collective provisions.

Effective tax rates in SGA are heavily influenced by the mix of income and losses between the UK and the US, with additional effects from the restatement of deferred tax balances due to the change in the UK corporate tax rate.

Average interest earning assets decreased by $3.1 billion or 28.7% to $7.7 billion. The foreign exchange effect was minimal.

Risk Weighted Assets decreased by $7.8 billion or 52% to $7.2 billion. Excluding the foreign exchange effects of $0.5 billion, there was an underlying decrease of $7.3 billion. This includes the impact of removing the economic risk related to the SCDO assets and a change in treatment of the Credit Wrapped ABS (certain underlying Credit Wrapped ABS are now deducted from capital rather than risk-weighted).

September 2012 v March 2012

Cash earnings were a loss of $6 million for the second half of 2012 compared to a loss of $3 million in the first half. Mark-to-market gains on the SCDO risk mitigation trades and non-franchise asset income were lower, offset by a reduced bad and doubtful debt charge and increased tax benefits.

Net operating income decreased by $70 million, largely due to both lower mark-to-market gains on the SCDO risk mitigation trades (Nil at September 2012 versus a $17 million gain at March 2012) and lower non-franchise asset income in the September half.

Operating expenses decreased by $1 million on the March 2012 half year.

The **charge to provide for bad and doubtful debts** decreased by $57 million.

Effective tax rates in SGA are heavily influenced by the mix of income and losses between the UK and US with additional effects from the restatement of deferred tax balances due to the change in the UK corporate tax rate.

Average interest earning assets decreased by $1.6 billion or 18.8%. The foreign exchange effect was minimal.

Risk Weighted Assets decreased by $0.8 billion or 10%. The effects of foreign exchange rate movements were minimal.

Other Items

Asset Quality

	As at		
	Sep 12	**Mar 12**	**Sep 11**
Specific provision for doubtful debts ($m)	**100**	109	167
Collective provision for doubtful debts ($m)	**117**	143	180
Collective provision on derivatives at fair value ($m)	**31**	29	185
Gross impaired assets ($m)	**310**	350	488
90+ DPD plus gross impaired assets to gross loans and acceptances	**9.74%**	9.71%	10.49%
Specific provision to gross impaired assets	**32.3%**	31.1%	34.2%
Net write-offs to gross loans and acceptances	**6.60%**	8.66%	2.26%

The internal credit ratings of SGA portfolio assets have remained stable during the year, despite adverse economic conditions in the UK. This is due to management actions taken to remove our higher risk positions from the UK leveraged portfolio, and more stable conditions in the US which have enabled continued run-off of the portfolio.

The bad and doubtful debts charge for the full year was $85 million, which is an increase of $44 million on the September 2011 full year. During the period, specific provisions across the portfolios stemmed principally from the UK Leveraged Finance and Commercial Property portfolios, which remain the portfolios most vulnerable to adverse economic conditions. A number of impaired assets have been written-off, reducing specific provisions and gross impaired assets.

Provisions for the non-SAM portfolio (totalling 84 clients) have been set according to each client's individual circumstances, on the basis of ongoing detailed reviews.

The exposures across the portfolios are predominantly in the UK, Europe and North America.

A number of assets in these portfolios are under the close review and oversight of the Strategic Business Services team.

SGA continues to actively manage the SAM portfolio. As at 30 September 2012, the exposures in the SAM portfolio fell to $2.6 billion ($3.3 billion including assets previously reported separately as Credit Wrapped Bonds) from $4.3 billion at September 2011.

With respect to the Synthetic Collateralised Debt Obligations (SCDOs), as announced on 22 March 2012, the Group has removed the economic risk associated with the final two SCDO assets held as part of the SGA portfolio. One fully hedged SCDO position remains on the Group's balance sheet as at 30 September 2012.

Impaired Assets – Loans and Advances

The level of gross impaired assets has decreased by $178 million over the year to $310 million at September 2012.

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Corporate Functions and Other

The Group's 'Corporate Functions' business includes NAB's operations in Asia and functions that support all businesses including Group Funding and Other Corporate Functions activities. Group Funding acts as the central vehicle for movements of capital and structural funding to support the Group's operations, together with capital and balance sheet management. Other Corporate Functions activities include Group Business Services, Office of the CEO, Group Risk, Group Governance and Legal, Group Strategy and Finance, People Marketing and Communications.

	Year to			Half Year to		
	Sep 12 $m	Sep 11 $m	Sep 12 v Sep 11 %	Sep 12 $m	Mar 12 $m	Sep 12 v Mar 12 %
Net operating income	638	652	(2.1)	303	335	(9.6)
Operating expenses	(386)	(523)	26.2	(119)	(267)	55.4
Underlying profit	252	129	95.3	184	68	large
(Charge to provide for)/benefit from bad and doubtful debts	(249)	(4)	large	(250)	1	large
Cash earnings before tax and non-controlling interest	3	125	(97.6)	(66)	69	large
Income tax benefit/(expense)	84	34	large	61	23	large
Cash earnings	87	159	(45.3)	(5)	92	large

September 2012 v September 2011

Cash earnings decreased by $72 million primarily due to a $250 million uplift in the economic cycle adjustment, partly offset by lower operating expenses due to disciplined management of discretionary spending.

Net operating income decreased by $14 million primarily due to lower earnings on capital as interest rates declined.

Operating expenses decreased by $137 million due to reduced performance based incentive costs, lower investment spend expense on large infrastructure programs and operational efficiencies in support functions partly offset by higher redundancy costs and FTE growth.

The **charge to provide for bad and doubtful debts** increased by $245 million. This was due to an increase in the economic cycle adjustment reflecting the deterioration in economic conditions in the September 2012 quarter.

The **income tax benefit** of $84 million is largely due to concessional taxation treatment of offshore funding activities and other centrally managed activities.

September 2012 v March 2012

Cash earnings decreased by $97 million primarily due to a $250 million uplift in the economic cycle adjustment, partly offset by lower operating expenses due to disciplined management of discretionary spending.

Net operating income decreased by $32 million primarily due to lower earnings on capital as interest rates declined.

Operating expenses decreased by $148 million against the March 2012 half year primarily through lower redundancy and performance based incentive costs, reduced investment spend expense on large infrastructure programs and operational efficiencies in support functions, partly offset by FTE growth.

The **charge to provide for bad and doubtful debts** increased by $251 million. This was due to an increase in the economic cycle adjustment reflecting the deterioration in economic conditions in the September 2012 quarter.

The **income tax benefit** of $61 million is largely due to concessional taxation treatment of offshore funding activities and other centrally managed activities.

Section 5

Financial Report

Consolidated Income Statement

	Note	Year to Sep 12 $m	Year to Sep 11 $m	Half Year to Sep 12 $m	Half Year to Mar 12 $m
Interest income		**34,542**	34,270	**16,896**	17,646
Interest expense		**(21,300)**	(21,236)	**(10,326)**	(10,974)
Net interest income		**13,242**	13,034	**6,570**	6,672
Premium and related revenue		**1,406**	1,359	**715**	691
Investment revenue		**7,463**	(447)	**2,247**	5,216
Fee income		**525**	553	**259**	266
Claims expense		**(800)**	(794)	**(412)**	(388)
Change in policy liabilities		**(5,677)**	475	**(1,620)**	(4,057)
Policy acquisition and maintenance expense		**(908)**	(914)	**(449)**	(459)
Investment management expense		**(5)**	(5)	**(2)**	(3)
Movement in external unitholders' liability		**(1,264)**	133	**(386)**	(878)
Net life insurance income		**740**	360	**352**	388
Gains less losses on financial instruments at fair value	3	**223**	(329)	**(79)**	302
Other operating income	3	**3,510**	3,778	**1,912**	1,598
Total other income		**3,733**	3,449	**1,833**	1,900
Personnel expenses	4	**(4,526)**	(4,563)	**(2,261)**	(2,265)
Occupancy-related expenses	4	**(609)**	(599)	**(334)**	(275)
General expenses	4	**(3,687)**	(3,203)	**(1,825)**	(1,862)
Total operating expenses		**(8,822)**	(8,365)	**(4,420)**	(4,402)
Charge to provide for doubtful debts	8	**(2,734)**	(1,750)	**(1,413)**	(1,321)
Profit before income tax expense		**6,159**	6,728	**2,922**	3,237
Income tax expense	5	**(2,076)**	(1,508)	**(893)**	(1,183)
Net profit for the period		**4,083**	5,220	**2,029**	2,054
Attributable to:					
Owners of the Company		**4,082**	5,219	**2,030**	2,052
Non-controlling interest in controlled entities		**1**	1	**(1)**	2
Net profit for the period		**4,083**	5,220	**2,029**	2,054
		cents	**cents**	**cents**	**cents**
Basic earnings per share		**175.3**	233.6	**86.8**	88.8
Diluted earnings per share		**174.4**	231.5	**86.3**	88.4

Consolidated Statement of Comprehensive Income

	Note	Year to Sep 12 $m	Year to Sep 11 $m	Half Year to Sep 12 $m	Half Year to Mar 12 $m
Net profit for the period		**4,083**	5,220	**2,029**	2,054
Other comprehensive income					
Actuarial (losses)/gains on defined benefit superannuation plans	11	**(535)**	80	**(330)**	(205)
Cash flow hedges:					
Gains/(losses) on cash flow hedging instruments	11	**123**	221	**201**	(78)
(Gains)/losses transferred to the income statement	11	**(7)**	-	**(12)**	5
Exchange differences on translation of foreign operations	11	**(139)**	(171)	**119**	(258)
Reclassification to the income statement on disposal of foreign operations	11	**-**	(2)	**-**	-
Tax on items transferred directly to/(from) equity		**35**	(70)	**(6)**	41
Investments - available for sale:					
Revaluation gains/(losses)	11	**66**	(36)	**(5)**	71
Gains from sale transferred to the income statement	11	**(19)**	(20)	**(4)**	(15)
Impairment transferred to the income statement	11	**5**	10	**5**	-
Revaluation of land and buildings	11	**(1)**	11	**(1)**	-
Other comprehensive income for the period, net of income tax		**(472)**	23	**(33)**	(439)
Total comprehensive income for the period		**3,611**	5,243	**1,996**	1,615
Attributable to:					
Owners of the Company		**3,610**	5,242	**1,997**	1,613
Non-controlling interest in controlled entities		**1**	1	**(1)**	2
Total comprehensive income for the period		**3,611**	5,243	**1,996**	1,615

Consolidated Balance Sheet

	Note	As at 30 Sep 12 $m	31 Mar 12 $m	30 Sep 11 $m
Assets				
Cash and liquid assets		**19,464**	23,376	27,093
Due from other banks		**47,410**	54,239	47,106
Trading derivatives		**40,899**	33,785	48,466
Trading securities		**28,614**	34,601	34,628
Investments - available for sale		**28,985**	24,090	18,045
Investments - held to maturity		**9,762**	10,979	12,787
Investments relating to life insurance business		**68,414**	67,426	63,920
Other financial assets at fair value		**64,027**	57,642	51,756
Hedging derivatives		**3,615**	3,267	4,108
Loans and advances		**394,735**	388,136	382,369
Due from customers on acceptances		**36,957**	39,772	43,017
Current tax assets		**92**	104	-
Property, plant and equipment		**1,901**	1,839	1,919
Goodwill and other intangible assets		**7,088**	6,957	7,262
Deferred tax assets		**2,150**	2,032	2,243
Other assets		**8,977**	8,598	9,038
Total assets		**763,090**	756,843	753,757
Liabilities				
Due to other banks		**28,691**	43,536	40,162
Trading derivatives		**45,127**	38,195	47,889
Other financial liabilities at fair value		**21,732**	21,356	23,726
Hedging derivatives		**6,348**	4,456	4,550
Deposits and other borrowings	10	**419,921**	418,266	402,964
Liability on acceptances		**7,801**	7,984	10,633
Life policy liabilities		**56,584**	56,402	53,608
Current tax liabilities		**713**	684	561
Provisions		**1,820**	1,252	1,596
Bonds, notes and subordinated debt		**103,372**	96,849	99,768
Other debt issues		**1,783**	2,399	2,494
Defined benefit superannuation plan liabilities		**482**	148	295
External unitholders' liability		**12,546**	11,034	9,959
Deferred tax liabilities		**-**	-	28
Other liabilities		**12,367**	11,727	13,336
Total liabilities		**719,287**	714,288	711,569
Net assets		**43,803**	42,555	42,188
Equity				
Contributed equity	11	**27,373**	26,090	25,274
Reserves	11	**(2,319)**	(1,438)	(773)
Retained profits	11	**18,702**	17,865	17,667
Total equity (parent entity interest)		**43,756**	42,517	42,168
Non-controlling interest in controlled entities		**47**	38	20
Total equity		**43,803**	42,555	42,188

Consolidated Cash Flow Statement

	Note	Year to Sep 12 $m	Year to Sep 11 $m	Half Year to Sep 12 $m	Half Year to Mar 12 $m
Cash flows from operating activities					
Interest received		**34,340**	33,841	**16,794**	17,546
Interest paid		**(21,731)**	(20,945)	**(10,427)**	(11,304)
Dividends received		**46**	18	**38**	8
Life insurance					
Premiums and other revenue received		**6,648**	9,628	**3,440**	3,208
Investment revenue received		**2,371**	3,240	**1,434**	937
Policy and other payments		**(8,127)**	(8,865)	**(4,347)**	(3,780)
Fees and commissions paid		**(507)**	(498)	**(254)**	(253)
Net trading revenue (paid)/received		**(72)**	1,389	**170**	(242)
Other operating income received		**4,879**	3,988	**2,188**	2,691
Payments to employees and suppliers					
Personnel expenses paid		**(4,434)**	(4,389)	**(1,993)**	(2,441)
Other operating expenses paid		**(3,960)**	(3,896)	**(2,506)**	(1,454)
Net goods and services tax received		**15**	24	**1**	14
Payments for income taxes		**(1,912)**	(1,171)	**(969)**	(943)
Cash flows from operating activities before changes in operating assets and liabilities		**7,556**	12,364	**3,569**	3,987
Changes in operating assets and liabilities arising from cash flow movements					
Net placement of deposits with supervisory central banks that are not part of cash equivalents		**(168)**	(63)	**(75)**	(93)
Net funds (advanced to)/received from other banks with maturity greater than three months		**(3,756)**	2,484	**(2,444)**	(1,312)
Net receipts from acceptances		**3,270**	4,759	**2,638**	632
Net funds advanced to customers for loans and advances		**(15,691)**	(30,277)	**(6,688)**	(9,003)
Net acceptance from deposits and other borrowings		**21,196**	52,096	**319**	20,877
Net movement in life insurance business investments		**(2,373)**	15	**(1,794)**	(579)
Net movement in other life insurance assets and liabilities		**(303)**	22	**(127)**	(176)
Net receipts from/(payments for) treasury bills and other eligible bills held for trading that are not part of cash equivalents		**70**	(114)	**(133)**	203
Net receipts from/(payments for) trading securities		**7,029**	(11,251)	**9,126**	(2,097)
Net receipts from/(payments for) trading derivatives		**4,016**	(5,110)	**864**	3,152
Net funds advanced for hedging derivative assets and other financial assets at fair value		**(12,609)**	(13,745)	**(7,197)**	(5,412)
Net (payments)/receipts for hedging derivative liabilities and other financial liabilities at fair value		**(7,438)**	(30)	**309**	(7,747)
Net (increase)/decrease in other assets		**(1,116)**	(3,013)	**(362)**	(754)
Net (decrease)/increase in other liabilities		**(2,230)**	1,028	**20**	(2,250)
Changes in operating assets and liabilities arising from cash flow movements		**(10,103)**	(3,199)	**(5,544)**	(4,559)
Net cash (used in)/provided by operating activities	12(a)	**(2,547)**	9,165	**(1,975)**	(572)

	Note	Year to Sep 12 $m	Year to Sep 11 $m	Half Year to Sep 12 $m	Half Year to Mar 12 $m
Cash flows from investing activities					
Movement in investments - available for sale					
Purchases		**(32,616)**	(30,931)	**(15,084)**	(17,532)
Proceeds from disposal		**1,153**	3,072	**473**	680
Proceeds on maturity		**23,921**	23,484	**11,213**	12,708
Movement in investments - held to maturity (1)					
Purchases		**(11,501)**	(13,333)	**(5,105)**	(6,396)
Proceeds on maturity		**13,524**	13,164	**6,212**	7,312
Purchase of controlled entities and business combinations, net of cash acquired	12(d)	**(57)**	(6)	**(21)**	(36)
Proceeds from sale of controlled entities, net of cash disposed	12(e)	**-**	11	**-**	-
Purchase of property, plant, equipment and software		**(946)**	(1,068)	**(528)**	(418)
Proceeds from sale of property, plant, equipment and software, net of costs		**115**	117	**47**	68
Net cash used in investing activities		**(6,407)**	(5,490)	**(2,793)**	(3,614)
Cash flows from financing activities					
Repayments of bonds, notes and subordinated debt		**(18,535)**	(21,905)	**(9,287)**	(9,248)
Proceeds from issue of bonds, notes and subordinated debt, net of costs		**31,388**	31,582	**16,933**	14,455
Proceeds from issue of ordinary shares, net of costs		**5**	-	**5**	-
On market purchase of shares for equity-based compensation		**-**	(33)	**-**	-
Dividends and distributions paid (excluding dividend reinvestment plan)		**(2,744)**	(2,341)	**(1,405)**	(1,339)
Net cash provided by financing activities		**10,114**	7,303	**6,246**	3,868
Net increase/(decrease) in cash and cash equivalents		**1,160**	10,978	**1,478**	(318)
Cash and cash equivalents at beginning of period		**36,006**	25,683	**34,534**	36,006
Effects of exchange rate changes on balance of cash held in foreign currencies		**(954)**	(655)	**200**	(1,154)
Cash and cash equivalents at end of period	12(b)	**36,212**	36,006	**36,212**	34,534

(1) *The previously reported amounts of Movements in investments - held to maturity for September 2011 have been restated with nil effect on net cash flow. The previously reported balances were: Purchases ($24,288), Proceeds on maturity $24,119.*

Consolidated Statement of Changes in Equity

Group – Yearly

	Contributed equity (1) $m	Reserves (1) $m	Retained profits (1) $m	Total $m	Non-controlling interest in controlled entities $m	Total equity $m
Balance at 1 October 2010	23,551	(639)	16,028	38,940	14	**38,954**
Net profit for the period	-	-	5,219	5,219	1	**5,220**
Other comprehensive income for the period	-	(18)	41	23	-	**23**
Transactions with owners, recorded directly in equity:						
Contributions by and distributions to owners						
Issue of ordinary shares	1,364	-	-	1,364	-	**1,364**
On market purchase of shares for equity-based compensation	(33)	-	-	(33)	-	**(33)**
Transfer from equity-based compensation reserve	185	(185)	-	-	-	**-**
Realised loss on treasury shares relating to life insurance business	(57)	-	-	(57)	-	**(57)**
Unrealised gain on treasury shares relating to life insurance business	264	-	-	264	-	**264**
Transfer (to)/from retained profits	-	(17)	17	-	-	**-**
Equity-based compensation	-	86	-	86	-	**86**
Dividends paid	-	-	(3,413)	(3,413)	-	**(3,413)**
Distributions on other equity instruments	-	-	(225)	(225)	-	**(225)**
Changes in ownership interests: (2)						
Movement of non-controlling interest in controlled entities	-	-	-	-	5	**5**
Balance at 30 September 2011	25,274	(773)	17,667	42,168	20	**42,188**
Net profit for the period	-	-	4,082	4,082	1	**4,083**
Other comprehensive income for the period	-	(41)	(431)	(472)	-	**(472)**
Transactions with owners, recorded directly in equity:						
Contributions by and distributions to owners						
Issue of ordinary shares	1,405	-	-	1,405	-	**1,405**
Exercise of executive share options	5	-	-	5	-	**5**
Conversion of other debt issues	600	-	-	600	-	**600**
Transfer from equity-based compensation reserve	253	(253)	-	-	-	**-**
Realised loss on treasury shares relating to life insurance business	(24)	-	-	(24)	-	**(24)**
Unrealised loss on treasury shares relating to life insurance business	(140)	-	-	(140)	-	**(140)**
Transfer (to)/from retained profits	-	(1,471)	1,471	-	-	**-**
Equity-based compensation	-	219	-	219	-	**219**
Dividends paid	-	-	(3,880)	(3,880)	-	**(3,880)**
Distributions on other equity instruments	-	-	(207)	(207)	-	**(207)**
Changes in ownership interests: (2)						
Movement of non-controlling interest in controlled entities	-	-	-	-	26	**26**
Balance at 30 September 2012	27,373	(2,319)	18,702	43,756	47	**43,803**

(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.

Consolidated Statement of Changes in Equity

Group – Half Yearly

	Contributed equity (1) $m	Reserves (1) $m	Retained profits (1) $m	Total $m	Non-controlling interest in controlled entities $m	Total equity $m
Balance at 1 October 2011	25,274	(773)	17,667	42,168	20	**42,188**
Net profit for the period	-	-	2,052	2,052	2	**2,054**
Other comprehensive income for the period	-	(273)	(166)	(439)	-	**(439)**
Transactions with owners, recorded directly in equity:						
Contributions by and distributions to owners						
Issue of ordinary shares	700	-	-	700	-	**700**
Transfer from equity-based compensation reserve	190	(190)	-	-	-	**-**
Realised loss on treasury shares relating to life insurance business	(2)	-	-	(2)	-	**(2)**
Unrealised loss on treasury shares relating to life insurance business	(72)	-	-	(72)	-	**(72)**
Transfer (to)/from retained profits	-	(320)	320	-	-	**-**
Equity-based compensation	-	118	-	118	-	**118**
Dividends paid	-	-	(1,903)	(1,903)	-	**(1,903)**
Distributions on other equity instruments	-	-	(105)	(105)	-	**(105)**
Changes in ownership interests: (2)						
Movement of non-controlling interest in controlled entities	-	-	-	-	16	**16**
Balance at 31 March 2012	26,090	(1,438)	17,865	42,517	38	**42,555**
Net profit for the period	-	-	2,030	2,030	(1)	**2,029**
Other comprehensive income for the period	-	232	(265)	(33)	-	**(33)**
Transactions with owners, recorded directly in equity:						
Contributions by and distributions to owners						
Issue of ordinary shares	705	-	-	705	-	**705**
Exercise of executive share options	5	-	-	5	-	**5**
Conversion of other debt issues	600	-	-	600	-	**600**
Transfer from equity-based compensation reserve	63	(63)	-	-	-	**-**
Realised loss on treasury shares relating to life insurance business	(22)	-	-	(22)	-	**(22)**
Unrealised loss on treasury shares relating to life insurance business	(68)	-	-	(68)	-	**(68)**
Transfer (to)/from retained profits	-	(1,151)	1,151	-	-	**-**
Equity-based compensation	-	101	-	101	-	**101**
Dividends paid	-	-	(1,977)	(1,977)	-	**(1,977)**
Distributions on other equity instruments	-	-	(102)	(102)	-	**(102)**
Changes in ownership interests: (2)						
Movement of non-controlling interest in controlled entities	-	-	-	-	10	**10**
Balance at 30 September 2012	27,373	(2,319)	18,702	43,756	47	**43,803**

(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.*

1. Principal Accounting Policies

The preliminary final report for the year ended 30 September 2012 has been prepared in accordance with the requirements of the Australian Securities Exchange (ASX) Listing Rules.

This report does not, and cannot be expected to, contain all disclosures of the type normally found within an annual financial report and it is not designed or intended to be a suitable substitute for the 30 September 2012 annual financial report.

This report should be read in conjunction with the 2011 annual financial report, the 2012 half year results, any public announcements made by the Company during the year and when released, the 2012 annual financial report.

This report has been prepared on the basis of accounting policies consistent with those applied in the 30 September 2011 annual financial report, except as disclosed below.

Adoption of the following new and amended Accounting Standards and Interpretations, which were applicable from 1 October 2011, has not had a material impact on the Group:

- Amended AASB 124 “Related Party Disclosures” and AASB 2009-12 “Amendments to Australian Accounting Standards” which clarifies the definition of a related party;
- AASB 2009-14 “Amendments to Australian Interpretation - Prepayments of a Minimum Funding Requirement”, which removes unintended consequences arising from the treatment of prepayments when there is a minimum funding requirement for an employee benefit plan;
- AASB 2010-4 “Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project” which makes amendments to several Accounting Standards arising from the 2010 annual improvements project, including amendments to AASB 7 “Financial Instruments: Disclosures”;
- AASB 2011-1 “Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project” and AASB 1054 “Australian Additional Disclosures”. AASB 2011-1 makes amendments to Accounting Standards as part of the first phase of harmonisation of financial reporting requirements between Australia and New Zealand for entities that assert compliance with International Financial Reporting Standards. AASB 1054 contains Australia specific disclosure requirements and definitions which have been relocated to a single Accounting Standard; and
- AASB 2010-6 “Amendments to Australian Accounting Standards - Disclosures on Transfers of Financial Assets” which requires disclosures to be made of transfers of financial assets that are not derecognised in their entirety, and financial assets that are derecognised in their entirety but for which an entity retains continuing involvement.

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 balance sheet date (such as the calculation of provision 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 estimated.

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. Accounting policies have been consistently applied throughout the Group.

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 non-cash items, distributions, and significant items.

Major Customers

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

	Year ended 30 September 2012			
Segment information by reportable segment	**Cash Earnings $m**	**Net interest income $m**	**Total other income and NAB Wealth income $m**	**Total assets $m**
Business Banking	2,409	5,026	1,036	198,745
Personal Banking	1,045	2,967	599	154,271
Wholesale Banking	1,092	1,519	982	227,008
NAB Wealth	556	325	1,562	98,195
NZ Banking	575	1,106	354	49,069
UK Banking	(213)	1,324	429	69,408
Great Western Bank	98	272	74	8,646
Specialised Group Assets	(9)	80	24	6,339
Corporate Functions & Other	87	678	(40)	35,811
Distributions/Eliminations	(207)	-	(93)	(84,402)
Total	5,433	13,297	4,927	763,090

	Year ended 30 September 2011			
Segment information by reportable segment	**Cash Earnings $m**	**Net interest income $m**	**Total other income and NAB Wealth income $m**	**Total assets $m**
Business Banking	2,445	5,033	1,006	195,128
Personal Banking	932	2,826	590	140,706
Wholesale Banking	661	1,230	626	241,553
NAB Wealth	533	328	1,521	92,832
NZ Banking	469	1,015	345	46,650
UK Banking	288	1,522	448	76,512
Great Western Bank	88	285	81	8,399
Specialised Group Assets	110	123	44	9,240
Corporate Functions & Other	159	730	(78)	30,030
Distributions/Eliminations	(225)	-	(81)	(87,293)
Total	5,460	13,092	4,502	753,757

	Half Year ended 30 September 2012			
Segment information by reportable segment	**Cash Earnings $m**	**Net interest income $m**	**Total other income and NAB Wealth income $m**	**Total assets $m**
Business Banking	1,145	2,496	519	198,745
Personal Banking	581	1,522	313	154,271
Wholesale Banking	574	735	547	227,008
NAB Wealth	267	162	785	98,195
NZ Banking	278	557	175	49,069
UK Banking	(177)	640	212	69,408
Great Western Bank	50	140	39	8,646
Specialised Group Assets	(6)	26	(9)	6,339
Corporate Functions & Other	(5)	311	(8)	35,811
Distributions/Eliminations	(102)	-	(46)	(84,402)
Total	2,605	6,589	2,527	763,090

Segment information by reportable segment	Half Year ended 31 March 2012 Cash Earnings $m	Net interest income $m	Total other income and NAB Wealth income $m	Total assets $m
Business Banking	1,264	2,530	517	197,245
Personal Banking	464	1,445	286	146,973
Wholesale Banking	518	784	435	235,882
NAB Wealth	289	163	777	96,329
NZ Banking	297	549	179	47,921
UK Banking	(36)	684	217	67,562
Great Western Bank	48	132	35	8,337
Specialised Group Assets	(3)	54	33	7,093
Corporate Functions & Other	92	367	(32)	30,754
Distributions/Eliminations	(105)	-	(47)	(81,253)
Total	2,828	6,708	2,400	756,843

Reconciliation of cash earnings to net profit attributable to owners of the Company	Year to Sep 12 $m	Year to Sep 11 $m	Half Year to Sep 12 $m	Half Year to Mar 12 $m
Group cash earnings	**5,433**	5,460	**2,605**	2,828
Non-cash earnings items (after tax):				
Distributions	**207**	225	**102**	105
Treasury shares	**(155)**	39	**(63)**	(92)
Fair value and hedge ineffectiveness	**(265)**	(181)	**(225)**	(40)
IoRE discount rate variation	**16**	26	**21**	(5)
Hedging costs on SCDO assets	**(99)**	(127)	**-**	(99)
Property revaluation	**(5)**	-	**(5)**	-
Litigation expense	**(101)**	(4)	**(77)**	(24)
Amortisation of acquired intangible assets	**(99)**	(82)	**(48)**	(51)
Customer redress provision	**(239)**	(117)	**(57)**	(182)
Impairment of goodwill and software	**(349)**	-	**-**	(349)
Restructure costs	**(174)**	-	**(174)**	-
Due diligence, acquisition and integration costs	**(88)**	(162)	**(49)**	(39)
Refund of tax on exchangeable capital units (ExCaps) settlement	**-**	142	**-**	-
Net profit attributable to owners of the Company	**4,082**	5,219	**2,030**	2,052

Reconciliation of net interest income	Year to Sep 12 $m	Year to Sep 11 $m	Half Year to Sep 12 $m	Half Year to Mar 12 $m
Net interest income on a cash earnings basis	**13,297**	13,092	**6,589**	6,708
NAB Wealth net adjustment [1]	**(55)**	(58)	**(19)**	(36)
Net interest income on a statutory basis	**13,242**	13,034	**6,570**	6,672

[1] *The NAB Wealth net adjustment represents a reallocation of the income statement for NAB Wealth prepared on a cash earnings basis into the appropriate statutory income statement lines.*

Reconciliation of other income and NAB Wealth income	Year to Sep 12 $m	Year to Sep 11 $m	Half Year to Sep 12 $m	Half Year to Mar 12 $m
Total other income and NAB Wealth income on a cash earnings basis	**4,927**	4,502	**2,527**	2,400
NAB Wealth net adjustment [1]	**296**	(65)	**126**	170
Treasury shares	**(175)**	48	**(72)**	(103)
Fair value and hedge ineffectiveness	**(256)**	(338)	**(407)**	151
IoRE discount rate variation	**24**	37	**31**	(7)
Hedging costs on SCDO assets	**(141)**	(219)	**-**	(141)
Amortisation of acquired intangible assets	**(18)**	-	**(18)**	-
Customer redress provision	**(184)**	(156)	**(2)**	(182)
Total other income and NAB Wealth income on a statutory basis	**4,473**	3,809	**2,185**	2,288

[1] *The NAB Wealth net adjustment represents a reallocation of the income statement for NAB Wealth prepared on a cash earnings basis into the appropriate statutory income statement lines.*

3. Other Income

	Year to		Half Year to	
	Sep 12 $m	**Sep 11 $m**	**Sep 12 $m**	**Mar 12 $m**
Gains less losses on financial instruments at fair value				
Trading securities	**969**	917	**705**	264
Trading derivatives:				
Trading and risk management purposes	**(738)**	(1,026)	**(655)**	(83)
Recovery on SCDO risk mitigation trades	**219**	-	**-**	219
Assets, liabilities and derivatives designated in hedge relationships [1]	**116**	(109)	**(84)**	200
Assets and liabilities designated at fair value	**(281)**	(100)	**(1)**	(280)
Impairment of investments - available for sale	**(5)**	(10)	**(5)**	-
Other	**(57)**	(1)	**(39)**	(18)
Total gains less losses on financial instruments at fair value	**223**	(329)	**(79)**	302
Other operating income				
Dividend revenue	**46**	18	**38**	8
Gains from sale of investments - available for sale	**19**	20	**4**	15
Gains from sale of property, plant and equipment and other assets	**16**	3	**16**	-
Banking fees	**936**	906	**482**	454
Money transfer fees	**652**	647	**325**	327
Fees and commissions	**1,650**	1,856	**818**	832
Investment management fees	**177**	263	**89**	88
Fleet management fees	**26**	23	**13**	13
Rentals received on leased vehicle assets	**13**	19	**6**	7
Revaluation (losses)/gains on investment properties	**(11)**	4	**(3)**	(8)
Other income	**(14)**	19	**124**	(138)
Total other operating income	**3,510**	3,778	**1,912**	1,598
Total other income	**3,733**	3,449	**1,833**	1,900

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

4. Operating Expenses

	Year to		Half Year to	
	Sep 12 $m	Sep 11 $m	Sep 12 $m	Mar 12 $m
Personnel expenses				
Salaries and related on-costs	**3,236**	3,299	**1,597**	1,639
Superannuation costs - defined contribution plans	**256**	253	**130**	126
Superannuation costs - defined benefit plans	**38**	44	**14**	24
Performance-based compensation:				
Cash	**292**	428	**141**	151
Equity-based compensation	**214**	78	**100**	114
Total performance-based compensation	**506**	506	**241**	265
Other expenses	**490**	461	**279**	211
Total personnel expenses	**4,526**	4,563	**2,261**	2,265
Occupancy-related expenses				
Operating lease rental expense	**430**	436	**227**	203
Other expenses	**179**	163	**107**	72
Total occupancy-related expenses	**609**	599	**334**	275
General expenses				
Fees and commission expense	**253**	376	**145**	108
Depreciation and amortisation of property, plant and equipment	**299**	271	**154**	145
Amortisation of intangible assets	**337**	344	**144**	193
Depreciation on leased vehicle assets	**9**	9	**5**	4
Operating lease rental expense	**27**	32	**13**	14
Advertising and marketing	**181**	212	**87**	94
Charge to provide for operational risk event losses	**276**	72	**233**	43
Communications, postage and stationery	**262**	295	**137**	125
Computer equipment and software	**524**	428	**255**	269
Data communication and processing charges	**124**	122	**64**	60
Transport expenses	**85**	78	**44**	41
Professional fees	**450**	475	**247**	203
Travel	**72**	90	**40**	32
Loss on disposal of property, plant and equipment and other assets	**4**	19	**4**	-
Impairment losses recognised	**355**	16	**5**	350
Other expenses	**429**	364	**248**	181
Total general expenses	**3,687**	3,203	**1,825**	1,862
Total operating expenses	**8,822**	8,365	**4,420**	4,402

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

	Year to		Half Year to	
	Sep 12 $m	Sep 11 $m	Sep 12 $m	Mar 12 $m
Profit before income tax expense	6,159	6,728	2,922	3,237
Deduct profit before income tax expense attributable to the statutory funds of the life insurance business and their controlled trusts	(850)	(363)	(385)	(465)
Total profit excluding that attributable to the statutory funds of the life insurance business and their controlled trusts, before income tax expense	5,309	6,365	2,537	2,772
Prima facie income tax at 30%	1,593	1,910	761	832
Add/(deduct): Tax effect of amounts not deductible/(assessable):				
Assessable foreign income	8	9	4	4
Foreign tax rate differences	36	8	39	(3)
Depreciation on buildings not deductible	3	3	2	1
Refund of tax on exchangeable capital units settlement	-	(142)	-	-
Foreign branch income not assessable	(82)	(60)	(46)	(36)
Under/(over) provision in prior years	38	(24)	38	-
Offshore banking unit income	(37)	(23)	(23)	(14)
Restatement of deferred tax balance for UK, US and NZ tax changes	5	(20)	1	4
Profit on sale of controlled entities	-	(9)	-	-
Treasury shares adjustment	32	(6)	12	20
Goodwill impairment	88	-	-	88
Other	3	(78)	(58)	61
Total income tax expense on profit excluding that attributable to the statutory funds of the life insurance business and their controlled trusts	1,687	1,568	730	957
Income tax expense/(benefit) attributable to the statutory funds of the life insurance business and their controlled trusts	389	(60)	163	226
Total income tax expense	2,076	1,508	893	1,183
Effective tax rate, excluding statutory funds of the life insurance business and their controlled trusts	31.8%	24.6%	28.8%	34.5%

6. Dividends and Distributions

Dividends on ordinary shares	Amount per share cents	Franked amount per share %	Foreign income per share %	Total amount $m
Final dividend declared in respect of the year ended 30 September 2012	90	100	Nil	**2,067**
Interim dividend paid in respect of the year ended 30 September 2012	90	100	Nil	**2,015**
Total dividends paid or payable in respect of the year ended 30 September 2012	180			**4,082**

The final dividend has been declared by the directors of the Company and is payable on 18 December 2012. The record date for determining entitlements to the 2012 final dividend is 15 November 2012. The financial effect of this dividend has not been brought to account in the financial statements for the year ended 30 September 2012 and will be recognised in subsequent financial reports. No New Zealand imputation credits have been attached to the 2012 final dividend.

Final dividend paid in respect of the year ended 30 September 2011	88	100	Nil	**1,940**
Interim dividend paid in respect of the year ended 30 September 2011	84	100	Nil	**1,823**
Total dividends paid or payable in respect of the year ended 30 September 2011	172			**3,763**

	Year to			
	30 Sep 12		30 Sep 11	
Dividends on preference shares	Amount per security cents [1]	Total amount $m	Amount per security cents [1]	Total amount $m
BNZ Income Securities	**5.56**	**25**	5.34	24
BNZ Income Securities 2	**5.00**	**13**	5.00	13
Total dividends on preference shares		**38**		37

(1) *$A equivalent.*

	Year to			
	30 Sep 12		30 Sep 11	
Distributions on other equity instruments	Amount per security $	Total amount $m	Amount per security $	Total amount $m
National Income Securities	**5.70**	**114**	6.15	123
Trust Preferred Securities [1]	**87.50**	**35**	87.50	35
Trust Preferred Securities II [1]	**53.75**	**43**	53.75	43
National Capital Instruments	**1,875.00**	**15**	3,000.00	24
Total distributions on other equity instruments		**207**		225

(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 Daylight Savings time) on 15 November 2012.

7. Loans and Advances including Acceptances

	As at		
	30 Sep 12 $m	**31 Mar 12 $m**	**30 Sep 11 $m**
Housing loans	**268,729**	259,434	253,064
Other term lending	**150,803**	146,028	139,809
Asset and lease financing	**14,578**	14,974	15,307
Overdrafts	**14,168**	14,490	15,136
Credit card outstandings	**7,915**	7,960	7,903
Other	**6,348**	6,596	6,479
Fair value adjustment	**1,359**	1,153	1,410
Gross loans and advances	**463,900**	450,635	439,108
Acceptances	**36,957**	39,772	43,017
Gross loans and advances including acceptances	**500,857**	490,407	482,125
Represented by:			
Loans and advances at fair value [(1)]	**63,027**	56,596	50,472
Loans and advances at amortised cost	**400,873**	394,039	388,636
Acceptances	**36,957**	39,772	43,017
Gross loans and advances including acceptances	**500,857**	490,407	482,125
Unearned income and deferred net fee income	**(1,917)**	(2,018)	(2,287)
Provision for doubtful debts	**(4,221)**	(3,885)	(3,980)
Net loans and advances including acceptances	**494,719**	484,504	475,858
Securitised loans [(2)]	**11,771**	8,443	6,394

(1) *Included within the carrying value of other financial assets at fair value. This amount is included in the product and geographical analysis below.*

(2) *Securitised loans are included within the balance of net loans and advances including acceptances.*

By product and geographic location	**Australia $m**	**Europe $m**	**New Zealand $m**	**United States $m**	**Asia $m**	**Total Group $m**
As at 30 September 2012						
Housing loans	220,033	23,894	22,485	703	1,614	**268,729**
Other term lending	95,738	24,745	21,452	6,076	2,792	**150,803**
Asset and lease financing	12,585	1,971	13	-	9	**14,578**
Overdrafts	7,218	5,179	1,720	6	45	**14,168**
Credit card outstandings	6,153	677	1,072	13	-	**7,915**
Other	4,718	905	260	15	450	**6,348**
Fair value adjustment	649	650	25	35	-	**1,359**
Gross loans and advances	347,094	58,021	47,027	6,848	4,910	**463,900**
Acceptances	36,946	11	-	-	-	**36,957**
Gross loans and advances including acceptances	384,040	58,032	47,027	6,848	4,910	**500,857**
Represented by:						
Loans and advances at fair value	38,513	6,632	17,223	659	-	**63,027**
Loans and advances at amortised cost	308,581	51,389	29,804	6,189	4,910	**400,873**
Acceptances	36,946	11	-	-	-	**36,957**
Gross loans and advances including acceptances	384,040	58,032	47,027	6,848	4,910	**500,857**

By product and geographic location	Australia $m	Europe $m	New Zealand $m	United States $m	Asia $m	Total Group $m
As at 31 March 2012						
Housing loans	213,075	22,466	21,954	540	1,399	**259,434**
Other term lending	91,467	25,923	20,901	5,396	2,341	**146,028**
Asset and lease financing	12,783	2,168	15	-	8	**14,974**
Overdrafts	7,569	5,266	1,617	5	33	**14,490**
Credit card outstandings	6,159	695	1,096	10	-	**7,960**
Other	4,789	975	229	43	560	**6,596**
Fair value adjustment	428	657	48	20	-	**1,153**
Gross loans and advances	336,270	58,150	45,860	6,014	4,341	**450,635**
Acceptances	39,761	11	-	-	-	**39,772**
Gross loans and advances including acceptances	376,031	58,161	45,860	6,014	4,341	**490,407**
Represented by:						
Loans and advances at fair value	32,572	7,002	16,556	466	-	**56,596**
Loans and advances at amortised cost	303,698	51,148	29,304	5,548	4,341	**394,039**
Acceptances	39,761	11	-	-	-	**39,772**
Gross loans and advances including acceptances	376,031	58,161	45,860	6,014	4,341	**490,407**

By product and geographic location	Australia $m	Europe $m	New Zealand $m	United States $m	Asia $m	Total Group $m
As at 30 September 2011						
Housing loans	207,272	22,306	21,535	615	1,336	**253,064**
Other term lending	83,942	28,225	20,265	5,561	1,816	**139,809**
Asset and lease financing	12,877	2,407	16	-	7	**15,307**
Overdrafts	7,892	5,708	1,503	7	26	**15,136**
Credit card outstandings	6,050	771	1,075	7	-	**7,903**
Other	4,493	923	221	442	400	**6,479**
Fair value adjustment	462	816	110	22	-	**1,410**
Gross loans and advances	322,988	61,156	44,725	6,654	3,585	**439,108**
Acceptances	43,006	11	-	-	-	**43,017**
Gross loans and advances including acceptances	365,994	61,167	44,725	6,654	3,585	**482,125**
Represented by:						
Loans and advances at fair value	26,635	7,731	15,801	305	-	**50,472**
Loans and advances at amortised cost	296,353	53,425	28,924	6,349	3,585	**388,636**
Acceptances	43,006	11	-	-	-	**43,017**
Gross loans and advances including acceptances	365,994	61,167	44,725	6,654	3,585	**482,125**

8. Provision for Doubtful Debts

	As at		
	30 Sep 12 $m	31 Mar 12 $m	30 Sep 11 $m
Specific provision for doubtful debts	1,875	1,552	1,475
Collective provision for doubtful debts	2,346	2,333	2,505
Total provision for doubtful debts	4,221	3,885	3,980
Specific provision on loans at fair value [1]	108	82	71
Collective provision on loans and derivatives at fair value [1][2]	796	725	893
Total provision for doubtful debts and provisions held on assets at fair value [3]	5,125	4,692	4,944

[1] *Included within the carrying value of other financial assets at fair value.*

[2] *Included within this balance for September 2011 is a management overlay in relation to conduit assets and derivatives of $160 million.*

[3] *Total provision for doubtful debts does not include provisions on investments - held to maturity of $80 million (March 2012 $91 million, September 2011 $204 million).*

Movement in provisions for doubtful debts

	Year to Sep 12			Year to Sep 11		
	Specific $m	Collective $m	Total $m	Specific $m	Collective $m	Total $m
Opening balance	1,475	2,505	3,980	1,409	2,865	4,274
Transfer to/(from) specific/collective provision	2,660	(2,660)	-	2,055	(2,055)	-
Bad debts recovered	160	-	160	184	-	184
Bad debts written off	(2,413)	-	(2,413)	(2,172)	-	(2,172)
Charge to income statement	-	2,521	2,521	-	1,723	1,723
Foreign currency translation and other adjustments	(7)	(20)	(27)	(1)	(28)	(29)
Total provision for doubtful debts	1,875	2,346	4,221	1,475	2,505	3,980

	Half Year to Sep 12			Half Year to Mar 12		
	Specific $m	Collective $m	Total $m	Specific $m	Collective $m	Total $m
Opening balance	1,552	2,333	3,885	1,475	2,505	3,980
Transfer to/(from) specific/collective provision	1,411	(1,411)	-	1,249	(1,249)	-
Bad debts recovered	81	-	81	79	-	79
Bad debts written off	(1,179)	-	(1,179)	(1,234)	-	(1,234)
Charge to income statement	-	1,414	1,414	-	1,107	1,107
Foreign currency translation and other adjustments	10	10	20	(17)	(30)	(47)
Total provision for doubtful debts	1,875	2,346	4,221	1,552	2,333	3,885

Charge to provide for doubtful debts

	Year to		Half Year to	
Charge for doubtful debts by geographic location	Sep 12 $m	Sep 11 $m	Sep 12 $m	Mar 12 $m
Australia	1,151	1,002	628	523
Europe	1,291	562	755	536
New Zealand	47	116	24	23
United States	31	42	7	24
Asia	1	1	-	1
Total charge to provide for doubtful debts excluding investments - held to maturity	2,521	1,723	1,414	1,107
Total charge on investments - held to maturity [1]	213	27	(1)	214
Total charge to provide for doubtful debts	2,734	1,750	1,413	1,321

[1] *Included in charge on investments - held to maturity are charges of $219 million (March 2012 $219 million, September 2011 $nil) in respect of defaulted SCDOs where the loss amounts have been fully recovered from the hedge counterparty and recognised in other income.*

9. Asset Quality

Impaired assets consist of retail loans (excluding credit card loans and portfolio managed facilities) which are contractually past due 90 days with security insufficient to cover principal and interest; non retail loans which are contractually past due 90 days and there is sufficient doubt about the ultimate collectability of principal and interest; and impaired off-balance sheet credit exposures where current circumstances indicate that losses may be incurred. Unsecured portfolio managed facilities are classified as impaired when they become 180 days past due (if not written off).

	As at		
Summary of total impaired assets	**30 Sep 12 $m**	**31 Mar 12 $m**	**30 Sep 11 $m**
Impaired assets [(1)]	**6,329**	5,853	6,151
Restructured loans [(2)]	**214**	235	235
Gross total impaired assets [(3)]	**6,543**	6,088	6,386
Specific provision - total impaired assets	**(1,983)**	(1,634)	(1,546)
Net total impaired assets	**4,560**	4,454	4,840

(1) *Impaired assets do not include impaired conduit assets classified as investments - held to maturity of $269 million (March 2012 $307 million, September 2011 $795 million).*

(2) *These loans represent facilities which have been classified as restructured for reasons relating to the financial difficulty of the counterparty. Restructured loans include $1 million of restructured fair value assets (March 2012 $nil, September 2011 $16 million).*

(3) *Gross impaired assets include $256 million of gross impaired other financial assets at fair value (March 2012 $174 million, September 2011 $186 million).*

Movement in gross impaired assets	**Australia $m**	**Europe $m**	**New Zealand $m**	**United States $m**	**Asia $m**	**Total Group $m**
Balance as at 31 March 2011	3,690	1,865	614	104	2	**6,275**
New	1,478	845	173	59	1	**2,556**
Written-off	(508)	(295)	(72)	(6)	-	**(881)**
Returned to performing or repaid	(815)	(593)	(235)	(13)	-	**(1,656)**
Foreign currency translation adjustments	-	47	36	9	-	**92**
Balance as at 30 September 2011	3,845	1,869	516	153	3	**6,386**
New	1,053	857	104	63	-	**2,077**
Written-off	(464)	(478)	(63)	(36)	-	**(1,041)**
Returned to performing or repaid	(743)	(352)	(141)	(19)	(1)	**(1,256)**
Foreign currency translation adjustments	-	(69)	1	(10)	-	**(78)**
Balance at 31 March 2012	3,691	1,827	417	151	2	**6,088**
New	1,357	1,086	189	45	5	**2,682**
Written-off	(587)	(282)	(79)	(29)	-	**(977)**
Returned to performing or repaid	(722)	(359)	(163)	(38)	-	**(1,282)**
Foreign currency translation adjustments	-	28	4	-	-	**32**
Gross impaired assets at 30 September 2012	3,739	2,300	368	129	7	**6,543**

Gross impaired assets to gross loans & acceptances - by geographic location	As at 30 Sep 12 %	31 Mar 12 %	30 Sep 11 %
Australia	**0.97**	0.98	1.05
Europe	**3.96**	3.14	3.06
New Zealand	**0.78**	0.91	1.15
United States	**1.88**	2.51	2.30
Asia	**0.14**	0.05	0.08
Total gross impaired assets to gross loans & acceptances	**1.31**	1.24	1.32
Group coverage ratios			
Net impaired assets to total equity [(1)(2)]	**10.4**	10.5	11.5
Specific provision to gross impaired assets	**30.3**	26.8	24.2
Collective provision to credit risk-weighted assets (excluding housing) [(3)]	**1.40**	1.36	1.45
Collective provision including GRCL on a pre-tax basis (top-up) to credit risk-weighted assets (excluding housing)	**1.73**	1.76	1.86
90+ days past due plus gross impaired assets to gross loans and acceptances	**1.78**	1.73	1.77
Net write-offs to gross loans and acceptances (annualised)	**0.45**	0.47	0.41
Total provision as a percentage of net write-offs (annualised) [(4)]	**227**	203	249
Total provision to gross loans and acceptances [(4)]	**1.02**	0.96	1.03

(1) *Total equity (parent entity interest).*

(2) *Net impaired assets include $148 million of net impaired other financial assets at fair value (March 2012 $92 million, September 2011 $115 million).*

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

(4) *Includes economic cycle adjustment, total provision on loans at amortised cost and total provision on loans 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 30 Sep 12 $m	31 Mar 12 $m	30 Sep 11 $m
Total non-impaired assets past due 90 days or more with adequate security	**2,191**	2,190	1,975
Total non-impaired portfolio managed facilities past due 90 to 180 days	**166**	183	175
Total non-impaired 90+ days past due loans	**2,357**	2,373	2,150
Total non-impaired 90+ days past due loans to gross loans and acceptances (%)	**0.47**	0.49	0.45

Non-impaired loans 90+ days past due - by geographic location	As at 30 Sep 12 $m	31 Mar 12 $m	30 Sep 11 $m
Australia	**1,626**	1,751	1,547
Europe	**501**	408	318
New Zealand	**199**	169	158
United States	**26**	45	127
Asia	**5**	-	-
Total non-impaired 90+ days past due loans	**2,357**	2,373	2,150

10. Deposits and Other Borrowings

	As at		
	30 Sep 12 $m	31 Mar 12 $m	30 Sep 11 $m
Term deposits	**162,027**	154,001	144,418
On-demand and short-term deposits	**152,240**	143,098	145,947
Certificates of deposit	**69,492**	81,130	76,945
Deposits not bearing interest	**24,667**	22,685	21,324
Total deposits	**408,426**	400,914	388,634
Borrowings	**11,229**	14,262	18,159
Securities sold under agreements to repurchase	**6,868**	10,574	6,379
Fair value adjustment	**266**	232	257
Total deposits and other borrowings	**426,789**	425,982	413,429
Represented by:			
Total deposits and other borrowings at fair value [(1)]	**6,868**	7,716	10,465
Total deposits and other borrowings at amortised cost	**419,921**	418,266	402,964
Total deposits and other borrowings	**426,789**	425,982	413,429

(1) *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 30 September 2012						
Term deposits	114,369	16,029	17,832	3,132	10,665	**162,027**
On-demand and short-term deposits	109,234	26,597	10,023	6,119	267	**152,240**
Certificates of deposit	26,257	25,342	1,472	16,421	-	**69,492**
Deposits not bearing interest	19,074	2,544	1,726	1,319	4	**24,667**
Total deposits	268,934	70,512	31,053	26,991	10,936	**408,426**
Borrowings	1,026	-	2,811	7,392	-	**11,229**
Securities sold under agreements to repurchase	2,733	885	-	3,250	-	**6,868**
Fair value adjustment	-	256	7	3	-	**266**
Total deposits and other borrowings	272,693	71,653	33,871	37,636	10,936	**426,789**
Represented by:						
Total deposits and other borrowings at fair value	-	1,107	5,758	3	-	**6,868**
Total deposits and other borrowings at amortised cost	272,693	70,546	28,113	37,633	10,936	**419,921**
Total deposits and other borrowings	272,693	71,653	33,871	37,636	10,936	**426,789**

By product and geographic location	Australia $m	Europe $m	New Zealand $m	United States $m	Asia $m	Total Group $m
As at 31 March 2012						
Term deposits	107,054	17,414	16,677	3,889	8,967	**154,001**
On-demand and short-term deposits	102,791	24,647	9,605	5,800	255	**143,098**
Certificates of deposit	28,101	25,452	1,654	25,923	-	**81,130**
Deposits not bearing interest	17,516	2,367	1,544	1,255	3	**22,685**
Total deposits	255,462	69,880	29,480	36,867	9,225	**400,914**
Borrowings	1,242	-	3,766	9,254	-	**14,262**
Securities sold under agreements to repurchase	2,889	1,921	-	5,764	-	**10,574**
Fair value adjustment	-	225	6	1	-	**232**
Total deposits and other borrowings	259,593	72,026	33,252	51,886	9,225	**425,982**
Represented by:						
Total deposits and other borrowings at fair value	-	952	6,763	1	-	**7,716**
Total deposits and other borrowings at amortised cost	259,593	71,074	26,489	51,885	9,225	**418,266**
Total deposits and other borrowings	259,593	72,026	33,252	51,886	9,225	**425,982**

By product and geographic location	Australia $m	Europe $m	New Zealand $m	United States $m	Asia $m	Total Group $m
As at 30 September 2011						
Term deposits	98,515	15,758	15,881	6,012	8,252	**144,418**
On-demand and short-term deposits	100,626	27,307	8,589	9,188	237	**145,947**
Certificates of deposit	22,751	33,718	1,440	19,036	-	**76,945**
Deposits not bearing interest	16,572	2,218	1,351	1,179	4	**21,324**
Total deposits	238,464	79,001	27,261	35,415	8,493	**388,634**
Borrowings	2,384	-	6,345	9,430	-	**18,159**
Securities sold under agreements to repurchase	1,632	2,046	-	2,701	-	**6,379**
Fair value adjustment	-	252	3	2	-	**257**
Total deposits and other borrowings	242,480	81,299	33,609	47,548	8,493	**413,429**
Represented by:						
Total deposits and other borrowings at fair value	-	1,179	9,284	2	-	**10,465**
Total deposits and other borrowings at amortised cost	242,480	80,120	24,325	47,546	8,493	**402,964**
Total deposits and other borrowings	242,480	81,299	33,609	47,548	8,493	**413,429**

11. Contributed Equity and Reserves

Contributed equity	30 Sep 12 $m	31 Mar 12 $m	30 Sep 11 $m
	As at		
Issued and paid-up ordinary share capital			
Ordinary shares, fully paid	**22,459**	21,176	20,360
Issued and paid-up preference share capital			
BNZ Income Securities	**380**	380	380
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	**27,373**	26,090	25,274

Movements in contributed equity	Year to Sep 12 $m	Year to Sep 11 $m	Half Year to Sep 12 $m	Half Year to Mar 12 $m
Ordinary share capital				
Balance at beginning of period	**20,360**	18,637	21,176	20,360
Shares issued:				
Dividend reinvestment plan	**1,405**	1,364	705	700
Exercise of executive share options	**5**	-	5	-
Conversion of other debt issues	**600**	-	600	-
On market purchase of shares for equity-based compensation	**-**	(33)	-	-
Transfer from equity-based compensation reserve	**253**	185	63	190
Realised loss on treasury shares relating to life insurance business	**(24)**	(57)	(22)	(2)
Unrealised (loss)/gain on treasury shares relating to life insurance business	**(140)**	264	(68)	(72)
Balance at end of period	**22,459**	20,360	22,459	21,176

Reserves	As at 30 Sep 12 $m	31 Mar 12 $m	30 Sep 11 $m
General reserve	**-**	953	1,267
Asset revaluation reserve	**75**	76	76
Foreign currency translation reserve	**(3,828)**	(3,925)	(3,667)
Cash flow hedge reserve	**446**	301	355
Equity-based compensation reserve	**319**	361	433
General reserve for credit losses	**592**	710	716
Available for sale investments reserve	**77**	86	47
Total reserves	**(2,319)**	(1,438)	(773)

Movements in reserves	Year to Sep 12 $m	Year to Sep 11 $m	Half Year to Sep 12 $m	Half Year to Mar 12 $m
General reserve				
Balance at beginning of period	**1,267**	1,166	**953**	1,267
Transfer (to)/from retained profits [(1)]	**(1,267)**	101	**(953)**	(314)
Balance at end of period	**-**	1,267	**-**	953

(1) The balance of the general reserve was transferred to retained profits as at 30 September 2012. Going forward the statutory funds' retained profits will no longer be segregated but instead will form part of the Group's consolidated retained profits.

	Year to Sep 12 $m	Year to Sep 11 $m	Half Year to Sep 12 $m	Half Year to Mar 12 $m
Asset revaluation reserve				
Balance at beginning of period	**76**	68	**76**	76
Revaluation of land and buildings	**(1)**	11	**(1)**	-
Tax on revaluation adjustments	**-**	(3)	**-**	-
Balance at end of period	**75**	76	**75**	76

Movements in reserves	Year to Sep 12 $m	Year to Sep 11 $m	Half Year to Sep 12 $m	Half Year to Mar 12 $m
Foreign currency translation reserve				
Balance at beginning of period	**(3,667)**	(3,494)	**(3,925)**	(3,667)
Currency translation adjustments	**(139)**	(171)	**119**	(258)
Reclassification to the income statement	**-**	(2)	**-**	-
Tax on foreign currency translation reserve	**(22)**	-	**(22)**	-
Balance at end of period	(3,828)	(3,667)	(3,828)	(3,925)
Cash flow hedge reserve				
Balance at beginning of period	**355**	182	**301**	355
Gains/(losses) on cash flow hedging instruments	**123**	221	**201**	(78)
(Gains)/losses transferred to the income statement	**(7)**	-	**(12)**	5
Tax on cash flow hedging instruments	**(25)**	(48)	**(44)**	19
Balance at end of period	446	355	446	301
Equity-based compensation reserve				
Balance at beginning of period	**433**	668	**361**	433
Equity-based compensation	**219**	89	**103**	116
Transfer to contributed equity	**(253)**	(185)	**(63)**	(190)
Transfer of options and rights lapsed to retained earnings	**(80)**	(136)	**(80)**	-
Tax on equity-based compensation	**-**	(3)	**(2)**	2
Balance at end of period	319	433	319	361
General reserve for credit losses				
Balance at beginning of period	**716**	698	**710**	716
Transfer (to)/from retained profits	**(124)**	18	**(118)**	(6)
Balance at end of period	592	716	592	710
Available for sale investments reserve				
Balance at beginning of period	**47**	73	**86**	47
Revaluation gains/(losses)	**66**	(36)	**(5)**	71
Gains from sale transferred to the income statement	**(19)**	(20)	**(4)**	(15)
Impairment transferred to the income statement	**5**	10	**5**	-
Tax on available for sale investments reserve	**(22)**	20	**(5)**	(17)
Balance at end of period	77	47	77	86
Reconciliation of movement in retained profits				
Balance at beginning of period	**17,667**	16,028	**17,865**	17,667
Actuarial (losses)/gains on defined benefit superannuation plans	**(535)**	80	**(330)**	(205)
Tax on items taken directly to/(from) equity	**104**	(39)	**65**	39
Net profit attributable to owners of the Company	**4,082**	5,219	**2,030**	2,052
Transfer from/(to) general reserve for credit losses	**124**	(18)	**118**	6
Transfer from/(to) general reserves	**1,267**	(101)	**953**	314
Transfer of options and rights lapsed from equity-based compensation reserve	**80**	136	**80**	-
Dividends paid	**(3,880)**	(3,413)	**(1,977)**	(1,903)
Distributions on other equity instruments	**(207)**	(225)	**(102)**	(105)
Balance at end of period	18,702	17,667	18,702	17,865

12. Notes to the Cash Flow Statement

(a) Reconciliation of net profit attributable to owners of the Company to net cash provided by operating activities

	Year to		Half Year to	
	Sep 12 $m	Sep 11 $m	Sep 12 $m	Mar 12 $m
Net profit attributable to owners of the Company	**4,082**	5,219	**2,030**	2,052
Add/(deduct) non-cash items in the income statement:				
Decrease/(increase) in interest receivable	**200**	(222)	**9**	191
(Decrease)/increase in interest payable	**(431)**	291	**(101)**	(330)
Decrease in unearned income and deferred net fee income	**(402)**	(207)	**(111)**	(291)
Fair value movements:				
Assets, liabilities and derivatives held at fair value	**(357)**	1,707	**205**	(562)
Net adjustment to bid/offer valuation	**57**	1	**39**	18
(Decrease)/increase in personnel provisions	**(166)**	37	**150**	(316)
Increase/(decrease) in other operating provisions	**376**	105	**416**	(40)
Equity-based payments recognised in equity or reserves	**219**	89	**103**	116
Superannuation costs - defined benefit superannuation plans	**38**	44	**14**	24
Impairment losses on non-financial assets	**355**	16	**5**	350
Impairment losses on investments - available for sale	**5**	10	**5**	-
Charge to provide for bad and doubtful debts	**2,734**	1,750	**1,413**	1,321
Depreciation and amortisation expense	**645**	624	**303**	342
Movement in life insurance policyholder liabilities	**3,067**	(830)	**151**	2,916
Unrealised (gain)/loss on investments relating to life insurance business	**(4,003)**	3,602	**(499)**	(3,504)
Decrease in other assets	**1,473**	214	**354**	1,119
(Decrease)/increase in other liabilities	**(469)**	(408)	**(825)**	356
Increase in income tax payable	**234**	775	**59**	175
Increase/(decrease) in deferred tax liabilities	**380**	(528)	**150**	230
(Increase)/decrease in deferred tax assets	**(450)**	90	**(285)**	(165)
Operating cash flow items not included in profit	**(10,103)**	(3,199)	**(5,544)**	(4,559)
Investing or financing cash flows included in profit:				
Gain on disposal of controlled entities	**-**	(11)	**-**	-
Gain from sale of investments - available for sale	**(19)**	(20)	**(4)**	(15)
(Gain)/loss on disposal of property, plant, equipment and other assets	**(12)**	16	**(12)**	-
Net cash (used in)/provided by operating activities	**(2,547)**	9,165	**(1,975)**	(572)

(b) Reconciliation of cash and cash equivalents

Cash and cash equivalents comprise the net amount of short-term, highly liquid investments that are readily convertible to known amounts of cash within three months and are subject to an insignificant risk of change in value. They are held for the purposes of meeting short-term cash commitments (rather than for investment or other purposes) and include cash and liquid assets, amounts due from other banks (including securities held under reverse repurchase agreements and short-term government securities), net of amounts due to other banks.

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

	Year to		Half Year to	
Cash and cash equivalents	Sep 12 $m	Sep 11 $m	Sep 12 $m	Mar 12 $m
Assets				
Cash and liquid assets	**19,464**	27,093	**19,464**	23,376
Treasury and other eligible bills	**135**	159	**135**	42
Due from other banks (excluding mandatory deposits with supervisory central banks)	**44,307**	45,241	**44,307**	52,300
	63,906	72,493	**63,906**	75,718
Liabilities				
Due to other banks	**(27,694)**	(36,487)	**(27,694)**	(41,184)
Total cash and cash equivalents	**36,212**	36,006	**36,212**	34,534

Included within cash and cash equivalents is cash and liquid assets within the Group's life insurance business statutory funds of $2,262 million (March 2012 $1,253 million, September 2011 $1,184 million) which are subject to restrictions imposed under the *Life Insurance Act* 1995 (Cth) and other restrictions and therefore are not available for use in operating, investing or financing activities of other parts of the Group.

(c) Non-cash financing and investing transactions

	Year to		Half Year to	
	Sep 12 $m	Sep 11 $m	Sep 12 $m	Mar 12 $m
New share issues				
Dividend reinvestment plan	**1,405**	1,364	**705**	700
Bonus share plan	**51**	46	**26**	25

(d) Acquisitions of controlled entities and business combinations

The following acquisitions were made during the year to September 2012:

- On 1 October 2011, NWHM Sub Limited acquired 100% of the issued share capital of Antares Capital Partners Limited (Antares), formerly known as Aviva Investors Australia Limited. Antares is an Australian equities investment management business and the acquisition enhances the Group's offering in Australian equities to its customers. The acquisition agreement contained a provision for contingent cash consideration of up to $10 million payable depending on the position of the ASX 200 as at 1 April 2012 relative to where it was on 3 August 2011. The fair value of this contingent consideration has been assessed as $6 million as at the acquisition date and this amount was paid in April 2012.
- On 22 June 2012, Great Western Bancorporation, Inc. acquired 100% of the issued share capital of North Central Bancshares, Inc., the holding company of First Federal Savings Bank of Iowa (First Federal), and immediately caused First Federal to be merged with and into Great Western Bank. First Federal is a community oriented depository institution and the acquisition enhances Great Western Bank's presence in Iowa, the second largest agricultural producing state in the United States.

Goodwill arose on the acquisition of Antares as the purchase consideration included a premium for the intrinsic value in the enhanced offering to customers, and for expected synergies from combining the business into the Group. The goodwill is not expected to be deductible for tax purposes. The accounting for the Antares acquisition, which was provisionally determined as at 31 March 2012, has now been completed. No goodwill arose on the acquisition of First Federal.

Since their respective acquisition dates, the acquired entities have not contributed a material amount to the revenue and profit of the Group. If the First Federal acquisition had been effective at 1 October 2011, there would not have been a material impact on the revenue and profit of the Group for the year ended 30 September 2012.

Details of the acquisitions were as follows:

	Year to		Half Year to	
Consideration transferred	Sep 12 $m	Sep 11 $m	Sep 12 $m	Mar 12 $m
Cash paid	**90**	14	**40**	50
Deferred consideration	**6**	12	**-**	6
Total consideration transferred	**96**	26	**40**	56

	Year to		Half Year to	
Recognised amounts of identifiable assets acquired and liabilities assumed	Sep 12 $m	Sep 11 $m	Sep 12 $m	Mar 12 $m
Cash and liquid assets	**33**	8	**19**	14
Investments - available for sale	**63**	-	**63**	-
Loans and advances (1)	**306**	-	**306**	-
Property, plant and equipment	**13**	-	**13**	-
Other intangible assets	**16**	9	**16**	-
Deferred tax assets	**8**	-	**2**	6
Other assets	**16**	2	**10**	6
Deposits and other borrowings	**(369)**	-	**(369)**	-
Provisions	**(18)**	(1)	**-**	(18)
Deferred tax liabilities	**(4)**	(3)	**(4)**	-
Other liabilities	**(9)**	-	**(7)**	(2)
Net identifiable assets and liabilities	**55**	15	**49**	6
Less: Fair value of equity interest in the acquiree held before the consideration date included in other assets (2)	**-**	(11)	**-**	-
Goodwill on acquisition	**41**	22	**(9)**	50
Total purchase consideration	**96**	26	**40**	56
Less: Deferred consideration	**(6)**	(12)	**-**	(6)
Less: Cash and cash equivalents acquired	**(33)**	(8)	**(19)**	(14)
Net cash outflow	**57**	6	**21**	36

(1) *At the date of the First Federal acquisition, loans and advances acquired had gross contractual amounts receivable of $307 million and the best estimate of contractual cash flows not expected to be collected was $7 million.*

(2) *There was nil gain or loss recognised as a result of re-measuring to fair value the equity interest in the acquiree held before the business combination.*

(e) Loss of control of controlled entities

Loss of control of controlled entities	Year to Sep 12 $m	Year to Sep 11 $m	Half Year to Sep 12 $m	Half Year to Mar 12 $m
Gain on disposal	-	11	-	-
Cash consideration received	-	11	-	-
Net cash inflow from loss of control of controlled entities	-	11	-	-

(f) Reconciliation of goodwill

Movements in goodwill	Year to Sep 12 $m	Year to Sep 11 $m	Half Year to Sep 12 $m	Half Year to Mar 12 $m
Balance at beginning of period	5,567	5,546	5,279	5,567
Additions from the acquisition of controlled entities and business combinations [1]	41	26	(9)	50
Impairment losses recognised on UK Banking	(295)	-	-	(295)
Foreign currency translation adjustments	(47)	(5)	(4)	(43)
Balance at end of period	5,266	5,567	5,266	5,279

(1) *The September 2011 addition includes a $4 million increase to goodwill from the revision to provisionally determined acquisition accounting.*

(g) Investments in associates and joint ventures

The Group held no material investments in associates or joint venture entities as at 30 September 2012, 31 March 2012 or 30 September 2011.

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) Class actions

On 18 November 2010 Maurice Blackburn Lawyers (an Australian law firm) commenced a class action proceeding against the Group in the Supreme Court of Victoria in relation to the Group's disclosure about exposure to certain Collateralised Debt Obligations (CDOs). Maurice Blackburn Lawyers allege that in 2008 the Group contravened certain misleading and deceptive conduct and continuous disclosure provisions of the *Corporations Act* 2001 (Cth) in relation to its exposure to the CDOs. The loss claimed by class members has not yet been identified in the proceeding. On 24 August 2012 the Supreme Court ordered the parties to notify other potential class members of the proceeding. A trial in the Supreme Court of Victoria is due to commence on 3 December 2012 and is scheduled to run for 16 weeks. The proceeding is being vigorously defended.

On 16 December 2011 Maurice Blackburn Lawyers commenced a class action proceeding against the Group in relation to the payment of exception fees, along with similar proceedings against several 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 7 December 2012. The proceeding will be vigorously defended.

(iii) 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 have been triggered against the FSCS, initially to pay interest on borrowings which the FSCS has raised from the UK Government to support the protected deposits. The principal of these borrowings is anticipated to be repaid from the realisation of the assets of the institutions. The FSCS has estimated levies due to 31 March 2013 and an accrual of $12 million (£8 million) is held for the Group's calculated liability to 31 March 2013. The ultimate FSCS levy as a result of the failures is uncertain.

(iv) Claims related to Payment Protection Insurance sales in the UK

Market wide issues relating to the UK banking industry payment protection insurance (PPI) matter are ongoing.

A provision of $168 million (£108 million) is held for this matter. The provision reflects an assessment of future PPI claims based upon estimates, statistical analysis and assumptions in relation to a wide range of factors that remain uncertain, including how many PPI claims will be made against Clydesdale Bank PLC, for what value, and the prospects of mis-selling being established in relation to those claims. The final amount required to settle the potential liability is therefore uncertain. The Group continues to keep the matter under review.

(v) Review and redress of sales of certain interest rate derivative 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 derivative products to small and medium businesses.

Clydesdale Bank PLC 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. The exercise voluntarily incorporates certain of the Group's tailored business loan products as well as the standalone hedging products identified in the FSA's notice.

The total cost of this exercise is uncertain. A provision of $75 million (£48 million) for customer redress, including the interest rate derivative products review, is held and reflects management's best estimate of the probable outflow of funds as at 30 September 2012.

14. Events Subsequent to Balance Date

The UK Commercial Real Estate (CRE) business, comprising assets with balances before provisions of approximately $8,723 million was transferred from Clydesdale Bank PLC (Clydesdale) to the Company on 5 October 2012 as part of the UK Banking strategic review.

The portfolio of assets that has been transferred includes the majority of Clydesdale's CRE exposures, together with some associated loans and other assets, and will be run-off as the assets reach maturity (subject to customers' ability to refinance or repay). The assets were transferred at book value and proceeds from the transfer were largely used to repay intra-Group funding. Some residual UK CRE assets have been retained by Clydesdale where they form part of a broader banking relationship.

Compliance Statement

The preliminary final report for the year ended 30 September 2012 is prepared in accordance with the ASX listing rules. It should be read in conjunction with any announcements to the market made by the Group during the period.

The preliminary final report has been prepared in accordance with the recognition and measurement requirements of applicable Australian Accounting Standards.

This preliminary final report is based on the financial statements of the Group which are in the process of being audited.

Michaela Healey
Company Secretary
31 October 2012

Section 6

Supplementary Information

1. Disclosures on Special Purpose Entities

The following supplementary disclosures are based on Financial Stability Board (FSB) recommendations that were included in a report entitled *Enhancing Market and Institutional Resilience*.

These supplementary disclosures focus on the exposure of the Group through securitisation activities involving Special Purpose Entities (SPEs).

The Group participates in securitisation activities for two primary purposes:

- Securitisation activities for business purposes, including arranging and managing securitisations for funding third party SPEs. These activities are discussed further below.
- Securitisation of its own assets for funding and liquidity purposes, primarily for risk and capital management reasons.

The Group has discontinued all securities arbitrage activities (i.e. the funding of purchased assets) and remaining exposures are managed separately in Specialised Group Assets (SGA).

Third party asset securitisation SPEs

NAB sponsored securitisation SPEs for client securitisation assets and third party transactions

For these transactions, securitisation structures are established by the Group, comprising one or more SPEs to purchase and fund client originated assets, including in securitised form. Each SPE funds the acquisition of assets or securities backed by the assets by:

- The issuance of debt securities (medium term notes or MTN) directly into the market (referred to as term securitisation).
- The issuance of debt securities (asset backed commercial paper or ABCP) via an issuing entity (referred to as ABCP conduit funding). Standby liquidity facilities are typically made available to the ABCP conduits to fund acquired assets in the event that ABCP cannot be rolled or reissued to external investors.
- The drawdown under funding facilities (securitisation funding facilities and warehouse facilities) provided by the Group directly to the SPE.

Ordinary equity in the securitisation SPE is typically held by a third party.

The Group undertakes one or more of the following roles for securitisation SPEs:

- Arranger (the structurer of securitisation transactions).
- Sponsor (the establisher of the securitisation SPEs).
- Manager, through wholly-owned subsidiaries (the operator of securitisation SPEs including managing assets and liabilities and providing accounting and administrative services).
- Securitisation funding facility provider (a lender to securitisation SPEs where tenor of the funding extends beyond one year and may match the expected redemption date of the underlying security held by the SPE).
- Standby liquidity provider (a provider of liquidity facilities that can be drawn in the event that ABCP cannot be rolled or reissued to external investors).
- Asset liquidity provider (a provider of liquidity to cover mismatches in cash flow for securitisation structures).
- Warehouse facility provider (a lender to securitisation SPEs pending refinance via issuance of securities).
- Derivative provider.
- Investor in securities issued.
- Letter of credit provider (a provider of credit enhancement to securitisation structures).
- Dealer (a buyer and seller in the primary and secondary markets of securities).

Non-NAB sponsored securitisation SPEs for third party securitisation assets

For these transactions, securitisation SPEs are established by market participants, other than the Group, to acquire and fund various assets by issuing securities to external investors. The Group's exposures to these SPEs arise from provision of standby liquidity facilities that can be drawn in the event that ABCP cannot be rolled or reissued to external investors and, in some cases, other facilities provided to fund and support acquired assets.

These entities are generally not consolidated, with drawn facilities provided by the Group included in loans and advances.

Securitisation funding and standby liquidity facilities

The Group's securitisation SPE exposures fall into two categories: purchased assets, which were acquired on set investment criteria to seed a new ABCP conduit or achieve critical mass; and client originated assets, which were originated as part of a broader client relationship. Within these categories the SPE exposures are categorised by asset class, resulting in the grouping of the exposures based on common features and risks.

Table 1 summarises the Group's exposure to both NAB sponsored and non-NAB sponsored SPEs via securitisation funding facilities and standby liquidity facilities provided to ABCP conduits. *Table 2* separates those exposures which are managed by SGA and Wholesale Banking. Both tables show the facility limits extended by the Group, the amount drawn and available to be drawn under the respective facilities, and related provisions. It also shows the total securities issued by the relevant SPEs including ABCP and MTN, the carrying value of the SPE assets (other than cash), and the associated fair value.

Accounting treatment

In general, facilities provided to securitisation SPEs are accounted for in the same way as facilities to any other borrower or client.

Interest income is recognised in the income statement using the effective interest method. Line fees received are recognised on an accruals basis. Arrangement fees are recognised as revenue over the life of the securitisation transaction.

Where facilities fund NAB sponsored securitisation SPEs (which are consolidated by the Group) the facilities are eliminated on consolidation and the underlying liabilities and assets, including held to maturity exposures in the SPEs are brought onto the Group's balance sheet.

Table 1 As at 30 September 2012	Group facilities Limit $m	Drawn & Available [(1)] $m	Drawn-down $m	Provisions [(2)] $m	SPE Securities on issue [(3)] $m	Total asset value [(4)] $m	Fair value [(5)] $m
SPE other purchased assets:							
Infrastructure (credit wrapped bonds) [(6)]	150	**150**	150	-	-	150	150
Leveraged loans (CLOs)	1,286	**1,286**	1,286	-	-	1,286	1,222
Commercial property (CMBS)	425	**425**	425	-	-	425	384
Corporates (SCDO) [(7)]	300	**300**	300	-	-	300	300
Total SPE other purchased assets	2,161	**2,161**	2,161	-	-	2,161	2,056
NAB client originated assets:							
Auto / Equipment	80	**2**	2	(2)	-	2	-
Credit wrapped bonds	570	**507**	507	-	-	507	456
Prime residential mortgages	3,086	**1,790**	790	-	2,110	2,900	2,900
Non-conforming residential mortgages	498	**269**	269	-	5	274	269
Sub-prime residential mortgages	69	**69**	69	-	-	69	64
Credit wrapped ABS	483	**483**	483	(70)	-	483	280
Other [(8)]	567	**370**	370	-	-	370	357
Total NAB client originated assets	5,353	**3,490**	2,490	(72)	2,115	4,605	4,326
Represented by:							
NAB sponsored SPEs	2,212	**1,873**	1,873	-	767	2,640	2,363
Non-NAB sponsored SPEs	3,141	**1,617**	617	-	1,348	1,965	1,963
Total NAB client originated assets [(2)]	5,353	**3,490**	2,490	(6)	2,115	4,605	4,326
Total standby liquidity facilities	7,514	**5,651**	4,651	(78)	2,115	6,766	6,382

As at 31 March 2012	Group facilities Limit $m	Drawn & Available [(1)] $m	Drawn-down $m	Provisions [(2)] $m	SPE Securities on issue [(3)] $m	Total asset value [(4)] $m	Fair value [(5)] $m
Total SPE other purchased assets	2,520	**2,520**	2,520	-	-	2,520	2,358
Total NAB client originated assets	5,050	**3,761**	2,761	(90)	2,690	5,451	5,128
Represented by:							
NAB sponsored SPEs	2,392	**2,066**	2,066	-	718	2,784	2,465
Non-NAB sponsored SPEs	2,658	**1,695**	695	-	1,972	2,667	2,663
Total NAB client originated assets [(2)]	5,050	**3,761**	2,761	(3)	2,690	5,451	5,128
Total standby liquidity facilities	7,570	**6,281**	5,281	(93)	2,690	7,971	7,486

(1) *Drawn and available represents amounts drawn-down under the facility, and amounts currently available to be drawn (for standby liquidity facilities and securitisation funding facilities this is limited to the amounts that may be required to repay maturing ABCP if it cannot be rolled).*

(2) *Includes both specific and collective provisions. Provisions include exchange rate movements. The specific provisions have been allocated against the specific asset classes whilst the collective provisions have been included in the totals.*

(3) *Securities on issue exclude amounts drawn under the facilities and include ABCP issued of $1,000 million (NAB does not hold any of the ABCP on issue) and MTN of $1,115 million.*

(4) *Comprises total gross non-cash assets before provisions of the SPEs. For non-NAB sponsored SPEs, this only includes that portion of the SPE assets to which the Group is exposed through the securitisation funding facilities or the standby liquidity facilities. The drawn-down amounts on these facilities are recorded on the Group's balance sheet.*

(5) *The estimated fair values are based on relevant information at 30 September 2012 and 31 March 2012 respectively. These estimates involve matters of judgement, as changes in assumptions could have a material impact on the amounts estimated.*

There are various limitations inherent in this fair value disclosure particularly in the current market where, due to the uncertainty in the market, prices may not represent the underlying value. Not all of the Group's financial instruments can be exchanged in an active trading market. The Group obtains the fair values for 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 anticipated discounted cash flows and other valuation techniques that are commonly used by market participants. These techniques address factors such as interest rates, credit risk and liquidity. In addition, it is the Group's intent to hold its financial instruments to maturity. The difference to fair value represents the significant change in discount rates in the current depressed markets. This is relevant in a trading environment, but is not relevant to assets held to maturity and loans and advances. This is consistent with the treatment of assets of the wider Group.

The fair value of the SCDOs reflects the Group's exposure subsequent to the hedge protection purchased under the risk mitigation strategy completed in September 2008 with a large, highly reputable, global bank counterparty. The fair value of infrastructure (credit wrapped bonds), credit wrapped bonds and credit wrapped ABS ascribes minimal value to the protection afforded by insurance policies from financial guarantee (monoline) insurers.

(6) *The total asset value of infrastructure (credit wrapped bonds) purchased by other SPEs is substantially funded by facilities provided by the Group.*

(7) *The limit, drawn and available, drawn-down amounts and asset value represent the last remaining (out of six original) underlying asset exposures which are entitled to recovery under the risk mitigation strategy completed in September 2008 with a large, highly reputable, global bank counterparty. SGA has removed the economic risk associated with the six sold protection SCDO derivative exposures.*

(8) *Other exposures include trade receivables and other asset backed securities.*

Table 2 shows the SPE exposures, related provisions, carrying value of the SPE assets (other than cash) and the associated fair value by Division.

Table 2 Divisional distribution [1]	Group facilities				SPE		
	Limit $m	Drawn & Available $m	Drawn-down $m	Provisions [2] $m	Securities on issue $m	Total asset value $m	Fair value $m
As at 30 September 2012							
Specialised Group Assets managed:							
Leveraged loans (CLOs)	1,286	**1,286**	1,286	-	-	1,286	1,222
Commercial property (CMBS)	425	**425**	425	-	-	425	384
Corporates (SCDO)	300	**300**	300	-	-	300	300
Infrastructure (credit wrapped bonds)	150	**150**	150	-	-	150	150
Credit wrapped bonds	570	**507**	507	-	-	507	456
Credit wrapped ABS	483	**483**	483	(70)	-	483	280
Non-conforming residential mortgages	90	**90**	90	-	-	90	85
Sub-prime residential mortgages	69	**69**	69	-	-	69	64
Other [3]	33	**33**	33	-	-	33	20
Total Specialised Group Assets [2][4]	3,406	**3,343**	3,343	(76)	-	3,343	2,961
Wholesale Banking managed:							
Auto / Equipment	80	**2**	2	(2)	-	2	-
Prime residential mortgages	3,086	**1,790**	790	-	2,110	2,900	2,900
Non-conforming residential mortgages	408	**179**	179	-	5	184	184
Other [3]	534	**337**	337	-	-	337	337
Total Wholesale Banking	4,108	**2,308**	1,308	(2)	2,115	3,423	3,421
Represented by:							
NAB sponsored SPEs	967	**691**	691	-	767	1,458	1,458
Non-NAB sponsored SPEs	3,141	**1,617**	617	(2)	1,348	1,965	1,963
Total Wholesale Banking [2]	4,108	**2,308**	1,308	(2)	2,115	3,423	3,421
Total exposure to standby liquidity facilities	7,514	**5,651**	4,651	(78)	2,115	6,766	6,382

As at 31 March 2012	Group facilities				SPE		
	Limit $m	Drawn & Available $m	Drawn-down $m	Provisions [2] $m	Securities on issue $m	Total asset value $m	Fair value $m
Specialised Group Assets managed:							
Represented by:							
NAB sponsored SPEs	3,811	**3,746**	3,746	(86)	-	3,746	3,265
Total Specialised Group Assets [2]	3,811	**3,746**	3,746	(89)	-	3,746	3,265
Wholesale Banking managed:							
Represented by:							
NAB sponsored SPEs	1,101	**840**	840	-	718	1,558	1,558
Non-NAB sponsored SPEs	2,658	**1,695**	695	(4)	1,972	2,667	2,663
Total Wholesale Banking [2]	3,759	**2,535**	1,535	(4)	2,690	4,225	4,221
Total exposure to standby liquidity facilities	7,570	**6,281**	5,281	(93)	2,690	7,971	7,486

(1) *Management of underlying exposure i.e. the management of the exposure between Wholesale Banking and SGA.*

(2) *Provisions include both specific and collective provisions. Collective provisions for SGA of $5.8 million (March 2012 $3.0 million) and Wholesale Banking of $0.2 million (March 2012 $0.3 million) have been calculated across the portfolio of NAB sponsored and non-NAB sponsored assets. The specific provisions have been allocated against the specific asset classes whilst the collective provisions have been included in the totals.*

(3) *Other exposures include trade receivables and other asset backed securities.*

(4) *All SGA SPEs are NAB sponsored.*

Table 3 shows the total drawn and available securitisation funding and standby liquidity facility of the Group to all securitisation SPEs by Geography.

Table 3 Geographic distribution (1)	**Australia & New Zealand $m**	**Europe $m**	**North America $m**	**Asia & Other $m**	**Total drawn & available $m**	**Weighted Average Term to Maturity** (2) **yrs**
As at 30 September 2012						
SPE other purchased assets:						
Infrastructure (credit wrapped bonds) (3)	150	-	-	-	**150**	0.0
Leveraged loans (CLOs)	-	635	651	-	**1,286**	4.4
Commercial property (CMBS)	-	377	48	-	**425**	1.9
Corporates (SCDO) (4)	6	118	165	11	**300**	4.8
Total SPE other purchased assets	156	1,130	864	11	**2,161**	3.7
NAB client originated assets:						
Auto / Equipment	2	-	-	-	**2**	0.7
Credit wrapped bonds (3)	507	-	-	-	**507**	7.5
Prime residential mortgages	1,790	-	-	-	**1,790**	24.7
Non-conforming residential mortgages	179	90	-	-	**269**	22.6
Sub-prime residential mortgages	-	-	69	-	**69**	23.7
Credit wrapped ABS (3)	-	-	474	9	**483**	23.7
Other	337	-	33	-	**370**	2.1
Total NAB client originated assets	2,815	90	576	9	**3,490**	19.5
Total exposure to standby liquidity facilities	2,971	1,220	1,440	20	**5,651**	13.4
Managed within:						
Wholesale Banking	2,308	-	-	-	**2,308**	21.2
Specialised Group Assets	663	1,220	1,440	20	**3,343**	8.0
Total exposure to standby liquidity facilities	2,971	1,220	1,440	20	**5,651**	13.4

As at 31 March 2012	**Australia & New Zealand $m**	**Europe $m**	**North America $m**	**Asia & Other $m**	**Total drawn & available $m**	**Weighted Average Term to Maturity yrs**
Total SPE other purchased assets	161	1,293	1,045	21	**2,520**	3.6
Total NAB client originated assets	3,036	100	615	10	**3,761**	19.7
Total exposure to standby liquidity facilities	3,197	1,393	1,660	31	**6,281**	13.3

(1) *Location of underlying exposure i.e. the location of the ultimate borrower/reference entity within the portfolios on a look through basis.*

(2) *Reflects the weighted average contractual maturity of the underlying exposure of the SPE on a look through basis.*

(3) *Credit wrapped bonds and certain credit wrapped ABS are wrapped by financial guarantee (monoline) insurers.*

(4) *The limit, drawn and available, drawn-down amounts and asset value represent the last remaining (out of six original) underlying asset exposures which are entitled to recovery under the risk mitigation strategy completed in September 2008 with a large, highly reputable, global bank counterparty. SGA has removed the economic risk associated with the six sold protection SCDO derivative exposures.*

Other exposures

In addition to securitisation funding facilities and standby liquidity facilities discussed above, there are other securitisation SPE exposures. *Table 4* shows the breakdown of these other exposures:

Table 4	Sep 12 $m	Mar 12 $m
Asset liquidity facilities	771	702
Credit enhancements	226	218
Investments in securitisation debt securities	4,538	4,074
Derivatives [(1)]	174	236
Lines of credits	-	66
Redraw facilities	2	2
Total other exposures	5,711	5,298

(1) *Derivative transactions include interest rate and currency derivatives provided to securitisation SPEs.*

Warehouse facilities

Warehouse facilities are funding facilities provided to SPEs holding client assets until such time the facility is refinanced by ABCP conduits or the term securitisation market. Typically these facilities are reviewed annually. These facilities are in addition to securitisation funding facilities and standby liquidity facilities.

Table 5 shows the limit and drawn-down amount under the facility. The undrawn limit is available to fund additional assets.

Table 5 As at 30 September 2012	Limit $m	Drawn-down $m
Wholesale Banking managed:		
Prime residential mortgages	3,099	2,414
Non-conforming residential mortgages	1,481	996
Auto / equipment	511	370
Other	150	150
Total warehouse facilities - Wholesale Banking [(1)]	5,241	3,930
Total warehouse facilities	5,241	3,930

As at 31 March 2012	Limit $m	Drawn-down $m
Total warehouse facilities	6,124	5,469

(1) *Of the drawn-down amount $0.5 billion (March 2012 $1.3 billion) is via consolidated NAB-sponsored SPEs resulting in the recognition of the underlying assets on the balance sheet. There are no warehouse facilities in SGA.*

Securitisation Exposures

Table 6 shows how the various securitisation exposures as disclosed within this Disclosure on Special Purpose Entities reconcile to the above securitisation exposure as calculated under APS 120.

Table 6	Sep 12 $m	Mar 12 $m
Total group facilities (Table 1)	7,514	7,570
Total warehouse facilities (Table 5)	5,241	6,124
Total other exposures (Table 4)	5,711	5,298
Less:		
Other banking book exposures [(1)]	(1,175)	(1,371)
Specific provisions (Table 1) [(2)]	(72)	(90)
SCDO notes protected by hedging [(3)]	(300)	(540)
Total securitisation exposures (APS 120)	16,919	16,991
Other derivatives and securities [(4)]	2	30
Total securitisation exposures	16,921	17,021

(1) *The banking book exposures relate to those exposures which are treated as mortgages from a prudential standard perspective and therefore excluded from the securitisation exposures under APS 120.*

(2) *The specific provisions relate to the Auto/Equipment and credit wrapped ABS asset classes as disclosed in Table 1. Securitisation exposures under APS 120 are disclosed net of these provisions.*

(3) *During the year Specialised Group Assets exited five SCDO derivative exposures. The last remaining underlying note is fully hedged with a counterparty and therefore treated under APS 113 for capital purposes.*

(4) *Includes exposure to securitisation SPEs which are not subject to APS 120 but rather APS 113 and APS 116 for the purposes of calculating the associated risk weighted assets. These exposures are required to be disclosed under APS 330 and therefore included in the Risk and Capital Report.*

2. Net Interest Margins and Spreads

	Year to			Half Year to		
Group	Sep 12 %	Sep 11 %	Sep 12 v Sep 11	Sep 12 %	Mar 12 %	Sep 12 v Mar 12
Net interest spread [1]	1.71	1.80	(9 bps)	1.68	1.74	(6 bps)
Benefit of net free liabilities, provisions and equity	0.39	0.44	(5 bps)	0.37	0.42	(5 bps)
Net interest margin - statutory basis [2]	2.10	2.24	(14 bps)	2.05	2.16	(11 bps)

[1] *Net interest spread represents the difference between the average interest rate earned and the average interest rate incurred on funds.*

[2] *Net interest margin is net interest income as a percentage of average interest earning assets.*

	Year to				
	Sep 12		Sep 11		Movement in mix % of
Average interest earning assets	$bn	Mix %	$bn	Mix %	Group AIEA
Business Banking	198.6	31.7	192.3	33.1	(1.5)
Personal Banking	146.2	23.2	129.0	22.2	1.0
Wholesale Banking	189.8	30.1	164.4	28.3	1.8
NZ Banking	46.2	7.3	44.1	7.6	(0.3)
UK Banking	65.1	10.3	65.3	11.2	(0.9)
Great Western Bank	7.3	1.2	6.8	1.2	-
Specialised Group Assets	7.7	1.2	10.8	1.9	(0.7)
Other [1]	(31.3)	(5.0)	(32.1)	(5.5)	0.5
Group	629.6	100.0	580.6	100.0	(0.1)

	Year to				
	Sep 12		Sep 11		NIM
Net interest income and margins	$m	NIM %	$m	NIM %	Change
Business Banking	5,026	2.53	5,033	2.62	(9 bps)
Personal Banking	2,967	2.03	2,826	2.19	(16 bps)
Wholesale Banking	1,519	0.80	1,230	0.75	5 bps
NZ Banking	1,106	2.39	1,015	2.30	9 bps
UK Banking	1,324	2.03	1,522	2.33	(30 bps)
Great Western Bank	272	3.75	285	4.19	(44 bps)
Specialised Group Assets	80	1.04	123	1.14	(10 bps)
Other [1]	1,003	n/a	1,058	n/a	(15 bps)
Group - cash earnings basis	13,297	2.11	13,092	2.25	(14 bps)
NAB Wealth net interest income	(55)	(0.01)	(58)	(0.01)	-
Group - statutory basis	13,242	2.10	13,034	2.24	(14 bps)

Year ended September 2012 v Year ended September 2011

	Impact of		Impact on
Contribution to Group Margin	Change in NIM [2]	Change in Mix [3]	Group NIM
Business Banking	(3 bps)	(1 bps)	**(4 bps)**
Personal Banking	(4 bps)	-	**(4 bps)**
Wholesale Banking	1 bps	(2 bps)	**(1 bps)**
NZ Banking	1 bps	-	**1 bps**
UK Banking	(3 bps)	-	**(3 bps)**
Great Western Bank	(1 bps)	-	**(1 bps)**
Specialised Group Assets	-	1 bps	**1 bps**
Other [1]	(1 bps)	(2 bps)	**(3 bps)**
Group - cash earnings basis	(10 bps)	(4 bps)	**(14 bps)**
NAB Wealth net interest income	-	-	**-**
Group - statutory basis	(10 bps)	(4 bps)	**(14 bps)**

[1] *Includes NAB Wealth, Group Funding, other supporting units and eliminations.*

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

[3] *The increase/(decrease) in net interest margin caused by changes in divisional mix of AIEA.*

Average interest earning assets	Half Year to Sep 12 $bn	Sep 12 Mix %	Mar 12 $bn	Mar 12 Mix %	Movement in mix % of Group AIEA
Business Banking	**199.6**	**31.2**	197.6	31.9	(0.7)
Personal Banking	**149.2**	**23.3**	143.3	23.2	0.1
Wholesale Banking	**194.8**	**30.3**	184.9	29.9	0.4
NZ Banking	**46.9**	**7.3**	45.6	7.4	(0.1)
UK Banking	**64.9**	**10.1**	65.3	10.6	(0.5)
Great Western Bank	**7.5**	**1.2**	7.0	1.1	0.1
Specialised Group Assets	**6.9**	**1.1**	8.5	1.4	(0.3)
Other [1]	**(29.5)**	**(4.5)**	(33.3)	(5.5)	1.0
Group	**640.3**	**100.0**	618.9	100.0	-

Net interest income and margins	Half Year to Sep 12 $m	Sep 12 NIM %	Mar 12 $m	Mar 12 NIM %	NIM Change
Business Banking	**2,496**	**2.50**	2,530	2.56	(6 bps)
Personal Banking	**1,522**	**2.04**	1,445	2.02	2 bps
Wholesale Banking	**735**	**0.75**	784	0.85	(10 bps)
NZ Banking	**557**	**2.38**	549	2.41	(3 bps)
UK Banking	**640**	**1.97**	684	2.09	(12 bps)
Great Western Bank	**140**	**3.73**	132	3.78	(5 bps)
Specialised Group Assets	**26**	**0.75**	54	1.27	(52 bps)
Other [1]	**473**	**n/a**	530	n/a	(63 bps)
Group - cash earnings basis	**6,589**	**2.06**	6,708	2.17	(11 bps)
NAB Wealth net interest income	**(19)**	**(0.01)**	(36)	(0.01)	(0 bps)
Group - statutory basis	**6,570**	**2.05**	6,672	2.16	(11 bps)

Half year ended September 2012 v Half year ended March 2012

Contribution to Group Margin	Impact of Change in NIM [2]	Impact of Change in Mix [3]	Impact on Group NIM
Business Banking	(2 bps)	-	**(2 bps)**
Personal Banking	-	-	**-**
Wholesale Banking	(3 bps)	(1 bps)	**(4 bps)**
NZ Banking	-	-	**-**
UK Banking	(1 bps)	-	**(1 bps)**
Great Western Bank	-	-	**-**
Specialised Group Assets	-	-	**-**
Other [1]	-	(4 bps)	**(4 bps)**
Group - cash earnings basis	(6 bps)	(5 bps)	**(11 bps)**
NAB Wealth net interest income	-	-	**(0 bps)**
Group - statutory basis	(6 bps)	(5 bps)	**(11 bps)**

(1) *Includes NAB Wealth, Group Funding, other supporting units and eliminations.*

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

(3) *The increase/(decrease) in net interest margin caused by changes in divisional mix of AIEA.*

3. Loans and Advances by Industry and Geography

As at 30 September 2012	Australia $m	Europe $m	New Zealand $m	United States $m	Asia $m	Total $m
Real estate - mortgage	220,033	23,894	22,485	703	1,614	**268,729**
Other commercial and industrial	51,354	10,004	5,102	3,532	1,917	**71,909**
Commercial property services	47,936	4,390	5,772	30	484	**58,612**
Agriculture, forestry, fishing and mining	19,232	3,016	9,177	1,384	14	**32,823**
Financial, investment and insurance	11,646	3,389	669	689	558	**16,951**
Asset and lease financing	12,585	1,971	13	-	9	**14,578**
Instalment loans to individuals and other personal lending (including credit cards)	9,359	3,689	1,451	74	1	**14,574**
Manufacturing	8,285	1,650	1,623	6	313	**11,877**
Real estate - construction	1,793	5,968	496	323	-	**8,580**
Government and public authorities	1,817	61	239	107	-	**2,224**
Gross loans and advances including acceptances (1)	384,040	58,032	47,027	6,848	4,910	**500,857**
Deduct:						
Unearned income and deferred net fee income	(1,587)	(264)	(35)	(11)	(20)	**(1,917)**
Provisions for doubtful debts	(2,515)	(1,388)	(242)	(64)	(12)	**(4,221)**
Total net loans and advances including acceptances	379,938	56,380	46,750	6,773	4,878	**494,719**

As at 31 March 2012	Australia $m	Europe $m	New Zealand $m	United States $m	Asia $m	Total $m
Real estate - mortgage	213,075	22,466	21,954	540	1,399	**259,434**
Other commercial and industrial	50,643	10,086	4,953	3,266	1,877	**70,825**
Commercial property services	47,884	4,711	5,987	32	430	**59,044**
Agriculture, forestry, fishing and mining	18,082	2,867	8,371	1,192	14	**30,526**
Financial, investment and insurance	12,331	3,716	575	482	61	**17,165**
Asset and lease financing	12,783	2,168	15	-	8	**14,974**
Instalment loans to individuals and other personal lending (including credit cards)	9,530	3,805	1,577	52	5	**14,969**
Manufacturing	8,333	1,767	1,686	6	547	**12,339**
Real estate - construction	1,743	6,518	468	336	-	**9,065**
Government and public authorities	1,627	57	274	108	-	**2,066**
Gross loans and advances including acceptances (1)	376,031	58,161	45,860	6,014	4,341	**490,407**
Deduct:						
Unearned income and deferred net fee income	(1,633)	(316)	(36)	(12)	(21)	**(2,018)**
Provisions for doubtful debts	(2,394)	(1,147)	(265)	(67)	(12)	**(3,885)**
Total net loans and advances including acceptances	372,004	56,698	45,559	5,935	4,308	**484,504**

As at 30 September 2011	Australia $m	Europe $m	New Zealand $m	United States $m	Asia $m	Total $m
Real estate - mortgage	207,272	22,306	21,535	615	1,336	**253,064**
Other commercial and industrial	47,916	10,765	4,625	3,121	1,359	**67,786**
Commercial property services	48,445	5,187	5,373	24	290	**59,319**
Agriculture, forestry, fishing and mining	16,811	3,043	8,220	1,040	30	**29,144**
Financial, investment and insurance	11,768	3,925	579	1,177	88	**17,537**
Asset and lease financing	12,877	2,407	16	-	7	**15,307**
Instalment loans to individuals and other personal lending (including credit cards)	9,547	4,073	2,063	-	5	**15,688**
Manufacturing	8,040	1,980	1,576	426	470	**12,492**
Real estate - construction	1,729	7,428	450	179	-	**9,786**
Government and public authorities	1,589	53	288	72	-	**2,002**
Gross loans and advances including acceptances [(1)]	365,994	61,167	44,725	6,654	3,585	**482,125**
Deduct:						
Unearned income and deferred net fee income	(1,826)	(394)	(31)	(14)	(22)	**(2,287)**
Provisions for doubtful debts	(2,680)	(910)	(296)	(82)	(12)	**(3,980)**
Total net loans and advances including acceptances	361,488	59,863	44,398	6,558	3,551	**475,858**

(1) *Includes loans at fair value.*

4. Average Balance Sheet and Related Interest

The following tables set forth the major categories of interest earning assets and interest bearing liabilities, together with their respective interest rates earned or incurred by the Group. Averages are predominantly daily averages. Amounts classified as Other International represent assets and liabilities of the controlled entities and overseas branches domiciled in New Zealand, United States and Asia. Impaired assets are included within loans and advances in interest earning assets.

Average assets and interest income

	Year ended Sep 12			Year ended Sep 11		
	Average balance $m	Interest $m	Average rate %	Average balance $m	Interest $m	Average rate %
Average interest earning assets						
Due from other banks						
Australia	**16,053**	**532**	**3.3**	15,248	597	3.9
Europe	**23,746**	**114**	**0.5**	24,851	113	0.5
Other International	**14,612**	**74**	**0.5**	5,209	68	1.3
Marketable debt securities						
Australia	**38,516**	**1,692**	**4.4**	28,503	1,502	5.3
Europe	**14,619**	**241**	**1.6**	15,963	215	1.3
Other International	**13,610**	**220**	**1.6**	15,040	249	1.7
Loans and advances - housing						
Australia	**212,998**	**13,191**	**6.2**	194,745	13,041	6.7
Europe	**22,414**	**743**	**3.3**	20,753	691	3.3
Other International	**23,621**	**1,326**	**5.6**	22,357	1,330	5.9
Loans and advances - non-housing [1]						
Australia	**160,759**	**11,716**	**7.3**	153,880	12,057	7.8
Europe	**35,544**	**1,610**	**4.5**	38,160	1,651	4.3
Other International	**32,259**	**1,852**	**5.7**	29,625	1,728	5.8
Other interest earning assets						
Australia	**2,584**	**1,006**	**n/a**	3,352	863	n/a
Europe	**12,996**	**125**	**n/a**	8,482	76	n/a
Other International	**5,641**	**100**	**n/a**	4,471	89	n/a
Total average interest earning assets and interest income by:						
Australia	**430,910**	**28,137**	**6.5**	395,728	28,060	7.1
Europe	**109,319**	**2,833**	**2.6**	108,209	2,746	2.5
Other International	**89,743**	**3,572**	**4.0**	76,702	3,464	4.5
Total average interest earning assets and interest income	**629,972**	**34,542**	**5.5**	580,639	34,270	5.9
Average non-interest earning assets						
Investments relating to life insurance business [2]						
Australia	**65,694**			65,787		
Other International	**43**			44		
Other assets	**66,334**			58,363		
Total average non-interest earning assets	**132,071**			124,194		
Provision for doubtful debts						
Australia	**(2,591)**			(2,983)		
Europe	**(731)**			(785)		
Other International	**(360)**			(375)		
Total average assets	**758,361**			700,690		

(1) *Includes due from customers on acceptances.*

(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

	Year ended Sep 12			Year ended Sep 11		
	Average balance $m	Interest $m	Average rate %	Average balance $m	Interest $m	Average rate %
Average interest bearing liabilities						
Due to other banks						
Australia	**22,674**	**863**	**3.8**	21,203	965	4.6
Europe	**11,281**	**21**	**0.2**	12,783	34	0.3
Other International	**4,664**	**62**	**1.3**	4,321	97	2.2
On-demand and short-term deposits						
Australia	**101,769**	**3,555**	**3.5**	95,154	3,726	3.9
Europe	**25,053**	**171**	**0.7**	27,448	154	0.6
Other International	**19,280**	**227**	**1.2**	15,918	193	1.2
Certificates of deposit						
Australia	**29,709**	**1,271**	**4.3**	19,657	966	4.9
Europe	**29,929**	**141**	**0.5**	30,300	130	0.4
Other International	**23,742**	**150**	**0.6**	14,918	96	0.6
Term deposits						
Australia	**106,844**	**5,930**	**5.6**	93,004	5,438	5.8
Europe	**16,561**	**384**	**2.3**	16,490	317	1.9
Other International	**30,100**	**902**	**3.0**	29,466	919	3.1
Other borrowings						
Australia	**3,949**	**134**	**3.4**	5,143	207	4.0
Europe	**2,344**	**10**	**0.4**	801	2	0.2
Other International	**19,023**	**60**	**0.3**	13,386	37	0.3
Bonds, notes and subordinated debt						
Australia	**90,742**	**5,855**	**6.5**	88,449	6,182	7.0
Europe	**4,279**	**80**	**1.9**	6,311	99	1.6
Other International	**11,580**	**450**	**3.9**	8,654	338	3.9
Other interest bearing liabilities [1]						
Australia	**8,126**	**716**	**n/a**	12,261	921	n/a
Europe	**399**	**12**	**n/a**	46	5	n/a
Other International	**2,548**	**306**	**n/a**	2,420	410	n/a
Total average interest bearing liabilities and interest expense by:						
Australia	**363,813**	**18,324**	**5.0**	334,871	18,405	5.5
Europe	**89,846**	**819**	**0.9**	94,179	741	0.8
Other International	**110,937**	**2,157**	**1.9**	89,083	2,090	2.3
Total average interest bearing liabilities and interest expense	**564,596**	**21,300**	**3.8**	518,133	21,236	4.1

(1) *Includes liability on acceptances.*

Average liabilities

	Year ended	
	Sep 12 $m	Sep 11 $m
Average non-interest bearing liabilities		
Deposits not bearing interest		
Australia	**17,387**	14,984
Europe	**2,359**	2,054
Other International	**2,748**	2,200
Life insurance liabilities		
Australia	**55,050**	55,481
Other International	**2**	1
Other liabilities	**73,875**	68,003
Total average non-interest bearing liabilities	**151,421**	142,723
Total average liabilities	**716,017**	660,856
Average equity		
Contributed equity	**25,853**	24,422
Reserves	**(1,430)**	(1,135)
Retained profits	**17,885**	16,531
Parent entity interest	**42,308**	39,818
Non-controlling interest in controlled entities	**36**	16
Total average equity	**42,344**	39,834
Total average liabilities and equity	**758,361**	700,690

Average assets and interest income

	Half Year ended Sep 12			Half Year ended Mar 12		
	Average balance $m	**Interest $m**	**Average rate %**	**Average balance $m**	**Interest $m**	**Average rate %**
Average interest earning assets						
Due from other banks						
Australia	**14,786**	**227**	**3.1**	17,320	305	3.5
Europe	**25,164**	**68**	**0.5**	22,328	46	0.4
Other International	**16,355**	**42**	**0.5**	12,869	32	0.5
Marketable debt securities						
Australia	**41,838**	**833**	**4.0**	35,194	859	4.9
Europe	**14,549**	**112**	**1.5**	14,689	129	1.8
Other International	**13,252**	**110**	**1.7**	13,968	110	1.6
Loans and advances - housing						
Australia	**216,172**	**6,420**	**5.9**	209,824	6,771	6.5
Europe	**23,142**	**387**	**3.3**	21,687	356	3.3
Other International	**23,975**	**663**	**5.5**	23,267	663	5.7
Loans and advances - non-housing [1]						
Australia	**161,796**	**5,694**	**7.0**	159,722	6,022	7.5
Europe	**34,848**	**782**	**4.5**	36,239	828	4.6
Other International	**33,166**	**949**	**5.7**	31,352	903	5.8
Other interest earning assets						
Australia	**2,902**	**497**	**n/a**	2,267	509	n/a
Europe	**11,924**	**64**	**n/a**	14,068	61	n/a
Other International	**7,131**	**48**	**n/a**	4,151	52	n/a
Total average interest earning assets and interest income by:						
Australia	**437,494**	**13,671**	**6.2**	424,327	14,466	6.8
Europe	**109,627**	**1,413**	**2.6**	109,011	1,420	2.6
Other International	**93,879**	**1,812**	**3.9**	85,607	1,760	4.1
Total average interest earning assets and interest income	**641,000**	**16,896**	**5.3**	618,945	17,646	5.7
Average non-interest earning assets						
Investments relating to life insurance business [2]						
Australia	**66,286**			65,102		
Other International	**38**			47		
Other assets	**68,001**			64,669		
Total average non-interest earning assets	**134,325**			129,818		
Provision for doubtful debts						
Australia	**(2,492)**			(2,690)		
Europe	**(878)**			(584)		
Other International	**(334)**			(387)		
Total average assets	**771,621**			745,102		

(1) *Includes due from customers on acceptances.*

(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 ended Sep 12			Half Year ended Mar 12		
	Average balance $m	Interest $m	Average rate %	Average balance $m	Interest $m	Average rate %
Average interest bearing liabilities						
Due to other banks						
Australia	**23,226**	**360**	**3.1**	22,121	503	4.5
Europe	**9,295**	**7**	**0.2**	13,267	14	0.2
Other International	**4,547**	**31**	**1.4**	4,781	31	1.3
On-demand and short-term deposits						
Australia	**103,437**	**1,690**	**3.3**	100,101	1,865	3.7
Europe	**25,061**	**89**	**0.7**	25,046	82	0.7
Other International	**20,375**	**123**	**1.2**	18,185	104	1.1
Certificates of deposit						
Australia	**30,330**	**601**	**4.0**	29,088	670	4.6
Europe	**29,428**	**65**	**0.4**	30,430	76	0.5
Other International	**23,765**	**78**	**0.7**	23,719	72	0.6
Term deposits						
Australia	**109,663**	**2,937**	**5.4**	104,025	2,993	5.8
Europe	**17,274**	**210**	**2.4**	15,847	174	2.2
Other International	**31,244**	**463**	**3.0**	28,955	439	3.0
Other borrowings						
Australia	**3,978**	**63**	**3.2**	3,919	71	3.6
Europe	**3,278**	**7**	**0.4**	1,410	3	0.4
Other International	**21,228**	**33**	**0.3**	16,819	27	0.3
Bonds, notes and subordinated debt						
Australia	**90,782**	**2,775**	**6.1**	90,702	3,080	6.8
Europe	**4,382**	**51**	**2.3**	4,177	29	1.4
Other International	**13,194**	**244**	**3.7**	9,967	206	4.1
Other interest bearing liabilities (1)						
Australia	**7,093**	**355**	**n/a**	9,159	361	n/a
Europe	**352**	**2**	**n/a**	445	10	n/a
Other International	**2,590**	**142**	**n/a**	2,505	164	n/a
Total average interest bearing liabilities and interest expense by:						
Australia	**368,509**	**8,781**	**4.8**	359,115	9,543	5.3
Europe	**89,070**	**431**	**1.0**	90,622	388	0.9
Other International	**116,943**	**1,114**	**1.9**	104,931	1,043	2.0
Total average interest bearing liabilities and interest expense	**574,522**	**10,326**	**3.6**	554,668	10,974	4.0

(1) *Includes liability on acceptances.*

Average liabilities

	Half year ended	
	Sep 12 $m	Mar 12 $m
Average non-interest bearing liabilities		
Deposits not bearing interest		
Australia	**17,870**	16,904
Europe	**2,427**	2,292
Other International	**2,861**	2,635
Life insurance liabilities		
Australia	**55,518**	54,582
Other International	**4**	1
Other liabilities	**75,593**	72,139
Total average non-interest bearing liabilities	**154,273**	148,553
Total average liabilities	**728,795**	703,221

Average equity

	Sep 12 $m	Mar 12 $m
Contributed equity	**26,092**	25,615
Reserves	**(1,483)**	(1,376)
Retained profits	**18,174**	17,614
Parent entity interest	**42,783**	41,853
Non-controlling interest in controlled entities	**43**	28
Total average equity	**42,826**	41,881
Total average liabilities and equity	**771,621**	745,102

5. Capital Adequacy

Under APRA's Prudential Standards, life insurance and funds management activities are de-consolidated from the National Australia Bank Group for the purposes of calculating capital adequacy and excluded from the risk based capital adequacy framework. The intangible component of the investment in these controlled entities is deducted from Tier 1 capital, with the balance of the investment deducted 50% from Tier 1 and 50% from Tier 2 capital. Additionally, any profits from these activities included in the Group's results are excluded from the determination of Tier 1 capital to the extent that they have not been remitted to the Company.

	As at		
Reconciliation to shareholders' funds	**30 Sep 12 $m**	**31 Mar 12 $m**	**30 Sep 11 $m**
Contributed equity	**27,373**	26,090	25,274
Reserves	**(2,319)**	(1,438)	(773)
Retained profits	**18,702**	17,865	17,667
Non-controlling interest	**47**	38	20
Total equity per consolidated balance sheet	**43,803**	42,555	42,188
Liability-accounted Residual Tier 1 hybrid capital (1)	**1,623**	2,238	2,322
Treasury shares	**1,078**	939	782
Eligible deferred fee income	**198**	227	266
Revaluation reserves	**(152)**	(162)	(123)
General reserve for credit losses	**(592)**	(710)	(716)
Estimated final dividend	**(2,067)**	(2,015)	(1,937)
Estimated reinvestment under dividend reinvestment plan and bonus share plan	**414**	806	800
Deconsolidation of Wealth Management profits (net of dividends)	**(481)**	(354)	(495)
Adjusted total equity for capital purposes	**43,824**	43,524	43,087
Banking goodwill	**(1,306)**	(1,321)	(1,695)
Wealth Management goodwill and other intangibles	**(4,209)**	(4,230)	(4,253)
DTA (excluding DTA on the collective provision for doubtful debts) (2)	**(984)**	(794)	(990)
Non-qualifying non-controlling interest	**(13)**	(13)	(13)
Capitalised expenses (3)	**(69)**	(121)	(99)
Capitalised software (excluding Wealth Management)	**(1,447)**	(1,275)	(1,225)
Defined benefit superannuation plans surplus	**(15)**	(15)	(15)
Change in own creditworthiness	**56**	(57)	(97)
Cash flow hedge reserve (4)	**(623)**	(334)	(391)
Deductions taken 50% from Tier 1 and 50% from Tier 2:			
Investment in non-consolidated controlled entities (net of intangible component)	**(830)**	(827)	(801)
Expected loss in excess of eligible provisions	**(216)**	(282)	(348)
Other	**(148)**	(142)	(85)
Tier 1 capital	**34,020**	34,113	33,075

	As at		
	30 Sep 12 $m	**31 Mar 12 $m**	**30 Sep 11 $m**
Collective provision for doubtful debts [5]	**469**	476	681
Revaluation reserves	**68**	73	56
Perpetual floating rate notes	**160**	161	172
Eligible dated subordinated debt	**5,133**	5,098	5,658
Deductions taken 50% from Tier 1 and 50% from Tier 2:			
Investment in non-consolidated controlled entities (net of intangible component)	**(830)**	(827)	(801)
Expected loss in excess of eligible provisions	**(216)**	(282)	(348)
Other	**(148)**	(142)	(85)
Tier 2 capital	**4,636**	4,557	5,333
Total capital	**38,656**	38,670	38,408
Risk-weighted assets - credit risk	**299,871**	300,185	308,648
Risk-weighted assets - market risk	**4,436**	5,277	2,968
Risk-weighted assets - operational risk	**23,008**	23,810	22,255
Risk-weighted assets - interest rate risk in the banking book	**4,021**	6,281	7,198
Total risk-weighted assets	**331,336**	335,553	341,069
Risk adjusted capital ratios			
Tier 1	**10.27%**	10.17%	9.70%
Total capital	**11.67%**	11.52%	11.26%

	As at		
Regulatory capital summary	**30 Sep 12 $m**	**31 Mar 12 $m**	**30 Sep 11 $m**
Fundamental Tier 1 capital	**37,287**	36,371	35,850
Non-innovative residual Tier 1 capital	**2,441**	2,742	2,742
Innovative residual Tier 1 capital	**4,096**	4,411	4,495
Total residual Tier 1 capital	**6,537**	7,153	7,237
Tier 1 deductions	**(9,804)**	(9,411)	(10,012)
Tier 1 capital	**34,020**	34,113	33,075
Tier 2 capital	**4,636**	4,557	5,333
Total capital	**38,656**	38,670	38,408

(1) *Residual Tier 1 capital that is classified as debt for accounting purposes but qualifies as Tier 1 capital for regulatory purposes. This includes National Capital Instruments issued in September 2006, Residual Tier 1 Stapled Securities issued in September 2009 and Residual Tier 1 Capital Notes issued in September 2009.*

(2) *APRA requires any excess deferred tax assets (DTA) (excluding DTA on the collective provision for doubtful debts) over deferred tax liabilities to be deducted from Tier 1 capital.*

(3) *Comprises capitalised costs associated with debt raisings and securitisations. Loan origination fees are netted against eligible deferred fee income.*

(4) *For regulatory capital purposes the cash flow hedge reserve is treated on a pre-tax basis.*

(5) *Under Basel II, this includes the component of the Group's collective provision relating to securitisation exposure and assets where RWAs are calculated under the standardised approach.*

Basel II	Risk-Weighted Assets as at 30 Sep 12 $m	31 Mar 12 $m	30 Sep 11 $m	Exposures as at 30 Sep 12 $m	31 Mar 12 $m	30 Sep 11 $m
Credit risk [(1)]						
IRB approach						
Corporate (including SME)	**105,672**	109,312	112,620	**189,318**	193,723	189,882
Sovereign [(2)]	**1,122**	1,290	1,170	**39,037**	43,882	35,881
Bank [(3)]	**7,852**	8,179	7,617	**59,184**	78,607	71,438
Residential Mortgage [(3)]	**56,403**	56,351	51,620	**279,330**	270,525	250,960
Qualifying revolving retail [(3)]	**4,036**	4,055	4,377	**11,148**	11,100	10,978
Retail SME [(4)]	**7,240**	7,318	8,227	**17,367**	19,212	19,656
Other retail	**3,447**	3,652	3,594	**4,490**	4,591	4,590
Total IRB approach	**185,772**	190,157	189,225	**599,874**	621,640	583,385
Specialised lending (SL) [(5)]	**50,227**	45,439	41,752	**60,391**	54,330	49,406
Standardised approach						
Australian and foreign governments	**65**	81	76	**3,835**	4,248	4,412
Bank	**129**	205	163	**11,129**	9,661	10,508
Residential mortgage	**19,155**	18,823	23,202	**36,159**	34,963	45,533
Corporate	**29,011**	29,979	32,863	**29,397**	30,424	33,202
Other	**3,052**	3,165	3,618	**3,521**	3,648	4,095
Total standardised approach	**51,412**	52,253	59,922	**84,041**	82,944	97,750
Other						
Securitisation [(6)]	**4,189**	4,314	9,049	**16,919**	16,991	18,203
Equity	**1,818**	2,006	1,949	**521**	570	501
Other [(7)]	**6,453**	6,016	6,751	**9,444**	9,540	10,158
Total other	**12,460**	12,336	17,749	**26,884**	27,101	28,862
Total credit risk	**299,871**	300,185	308,648	**771,190**	786,015	759,403
Market risk	**4,436**	5,277	2,968			
Operational risk	**23,008**	23,810	22,255			
Interest rate risk in the banking book	**4,021**	6,281	7,198			
Total risk-weighted assets & exposures	**331,336**	335,553	341,069			

(1) *Risk-Weighted Assets which are calculated in accordance with APRA's requirements under Basel II, are required to incorporate a scaling factor of 1.06 to assets that are not subject to specific risk weights.*

(2) *'Sovereign' includes government guaranteed exposures.*

(3) *For IRB approach: 'Bank' includes ADIs, overseas banks and non-commercial public sector entities. 'Residential mortgage' includes home loan exposures that are partly or fully secured by residential properties. 'Qualifying revolving retail' exposures are revolving, unsecured and unconditionally cancellable (both contractually and in practice), for individuals and not explicitly for business purposes.*

(4) *Since 30 June 2012, the Residential Mortgage risk-weighted function was applied to all Retail SME assets collateralised by Residential Mortgages. The net impact of this change was an increase in Risk-Weighted Assets of $1,426 million.*

(5) *Further changes to the classification of the commercial property portfolio meeting the slotting criteria were made in the half year to September 2012. This resulted in a reclassification of additional Corporate & Retail SME assets to Specialised Lending (Income Producing Real Estate). The net impact of this reclassification was an increase in RWA of $1,876 million.*

(6) *Following a change in treatment during the 6 months to 31 March 2012, RWA percentages applied to the credit wrapped ABS exposure have been amended resulting in a reduction of RWA by $3.2 billion. The termination of the remaining two sold protection SCDO derivative exposures reduced RWA by $1.5 billion.*

(7) *'Other' includes non-lending exposures.*

Wealth Management capital adequacy position

The Group conservatively manages the capital adequacy and solvency position of its Wealth Management entities separately from that of the banking business by reference to regulatory and internal requirements. The principal National Wealth Management entities are separately regulated and need to meet APRA's capital adequacy and solvency standards. In addition, internal Board policy ensures that capital is held in excess of minimum regulatory capital requirements in order to provide a conservative buffer.

6. Earnings per Share

	Year to			
	Sep 12		Sep 11	
Earnings per Share	**Basic**	**Diluted** [(1)]	**Basic**	**Diluted**
Earnings ($m)				
Net profit attributable to owners of the Company	**4,082**	**4,082**	5,219	5,219
Distributions on other equity instruments	**(245)**	**(245)**	(262)	(262)
Potential dilutive adjustments				
Interest expense on convertible notes (after tax)	**-**	**-**	-	91
Adjusted earnings	**3,837**	**3,837**	4,957	5,048
Weighted average ordinary shares (no. '000)				
Weighted average ordinary shares (net of treasury shares)	**2,188,873**	**2,188,873**	2,121,905	2,121,905
Potential dilutive ordinary shares				
Performance options and performance rights	**-**	**2,869**	-	1,348
Partly paid ordinary shares	**-**	**63**	-	97
Employee share plans	**-**	**8,366**	-	8,830
Convertible notes	**-**	**-**	-	47,964
Total weighted average ordinary shares	**2,188,873**	**2,200,171**	2,121,905	2,180,144
Earnings per share (cents)	**175.3**	**174.4**	233.6	231.5

(1) *During the year ended 30 September 2012, the impact of all convertible notes has not been included in the diluted earnings per share because they were anti-dilutive.*

	Half Year to			
	Sep 12		Mar 12	
Earnings per Share	**Basic**	**Diluted**	**Basic**	**Diluted**
Earnings ($m)				
Net profit attributable to owners of the Company	**2,030**	**2,030**	2,052	2,052
Distributions on other equity instruments	**(121)**	**(121)**	(124)	(124)
Potential dilutive adjustments				
Interest expense on convertible notes (after tax)	**-**	**-**	-	-
Adjusted earnings	**1,909**	**1,909**	1,928	1,928
Weighted average ordinary shares (no. '000)				
Weighted average ordinary shares (net of treasury shares)	**2,200,196**	**2,200,196**	2,171,827	2,171,827
Potential dilutive ordinary shares				
Performance options and performance rights	**-**	**2,347**	-	1,925
Partly paid ordinary shares	**-**	**91**	-	68
Employee share plans	**-**	**8,366**	-	7,946
Convertible notes	**-**	**-**	-	-
Total weighted average ordinary shares	**2,200,196**	**2,211,000**	2,171,827	2,181,766
Earnings per share (cents)	**86.8**	**86.3**	88.8	88.4

	Year to			
	Sep 12		Sep 11	
Cash Earnings per Share	**Basic**	**Diluted**	**Basic**	**Diluted**
Earnings ($m)				
Cash earnings - ongoing operations [(1)]	**5,433**	**5,433**	5,460	5,460
Distributions on other equity instruments	**(38)**	**(38)**	(37)	(37)
Potential dilutive adjustments				
Interest expense on convertible notes (after tax)	**-**	**83**	-	91
Adjusted cash earnings	**5,395**	**5,478**	5,423	5,514
Weighted average ordinary shares (no. '000)				
Weighted average ordinary shares	**2,239,831**	**2,239,831**	2,169,716	2,169,716
Potential dilutive weighted average ordinary shares				
Performance options and performance rights	**-**	**2,869**	-	1,348
Partly paid ordinary shares	**-**	**63**	-	97
Employee share plans	**-**	**8,366**	-	8,830
Convertible notes	**-**	**42,755**	-	47,964
Total weighted average ordinary shares	**2,239,831**	**2,293,884**	2,169,716	2,227,955
Cash earnings per share (cents)	**240.9**	**238.8**	249.9	247.5

(1) *Refer to Note 17 in Section 6 for a reconciliation of cash earnings to Net profit attributable to owners of the Company.*

Cash Earnings per Share	Half Year to Sep 12 Basic	Half Year to Sep 12 Diluted	Half Year to Mar 12 Basic	Half Year to Mar 12 Diluted
Earnings ($m)				
Cash earnings - ongoing operations [(1)]	**2,605**	**2,605**	2,828	2,828
Distributions on other equity instruments	**(19)**	**(19)**	(19)	(19)
Potential dilutive adjustments				
Interest expense on convertible notes (after tax)	**-**	**38**	-	45
Adjusted cash earnings	**2,586**	**2,624**	2,809	2,854
Weighted average ordinary shares (no. '000)				
Weighted average ordinary shares	**2,255,903**	**2,255,903**	2,224,966	2,224,966
Potential dilutive weighted average ordinary shares				
Performance options and performance rights	**-**	**2,347**	-	1,925
Partly paid ordinary shares	**-**	**91**	-	68
Employee share plans	**-**	**8,366**	-	7,946
Convertible notes	**-**	**42,755**	-	46,818
Total weighted average ordinary shares	**2,255,903**	**2,309,462**	2,224,966	2,281,723
Cash earnings per share (cents)	**114.6**	**113.6**	126.2	125.1

(1) *Refer to Note 17 in Section 6 for a reconciliation of cash earnings to Net profit attributable to owners of the Company.*

7. Life Insurance Operations

Income statement items	Year to Sep 12 $m	Year to Sep 11 $m	Half Year to Sep 12 $m	Half Year to Mar 12 $m
Premium and related revenue	**1,406**	1,359	**715**	691
Investment revenue	**7,463**	(447)	**2,247**	5,216
Fee income	**525**	553	**259**	266
Claims expense	**(800)**	(794)	**(412)**	(388)
Change in policy liabilities	**(5,677)**	475	**(1,620)**	(4,057)
Policy acquisition and maintenance expense	**(908)**	(914)	**(449)**	(459)
Investment management expense	**(5)**	(5)	**(2)**	(3)
Movement in external unitholders' liability	**(1,264)**	133	**(386)**	(878)
Net life insurance income	**740**	360	**352**	388
Profit before income tax expense attributable to the life insurance statutory funds and their controlled trusts	**850**	363	**385**	465
Income tax (benefit)/expense attributable to the statutory funds of the life insurance business	**389**	(60)	**163**	226

Related balance sheet items	As at 30 Sep 12 $m	As at 31 Mar 12 $m	As at 30 Sep 11 $m
Investments relating to life insurance business	**68,414**	67,426	63,920
Life policy liabilities	**56,584**	56,402	53,608
External unitholders' liability	**12,546**	11,034	9,959

Investment revenue includes returns on assets held in the Group's investment-linked business and returns on assets held in the life insurance business.

Life policy liabilities and external unitholders' liability on issue represent amounts owed to policyholders and unitholders of consolidated trusts. Movements in these liabilities reflect policy and unitholders' share in the performance of investment assets and their share of net life insurance income.

Improved investment market experience over the September 2012 year, has affected individual components of the Group's life insurance operations as follows:

- Improved investment revenue attributable to unit linked investments and life insurance business that is largely offset by movements in amounts owing to policyholders.
- Improved investment revenue attributable to equity investment holdings in consolidated trusts. The external unitholders of the trusts share in these returns; their share is reflected as the movement in external unitholders' liability.
- The income tax expense attributable to life insurance business includes both policyholder and shareholder tax across a range of products and fluctuates in line with earnings for both policyholders and shareholders.

8. Other Income Excluding Wealth

	Year to		Half Year to	
	Sep 12 $m	**Sep 11 $m**	**Sep 12 $m**	**Mar 12 $m**
Gains less losses on financial instruments at fair value				
Trading securities	**969**	917	**705**	264
Trading derivatives:				
Trading purposes and risk management purposes	**(738)**	(1,026)	**(655)**	(83)
Recovery on SCDO risk mitigation trades	**219**	-	**-**	219
Assets, liabilities and derivatives designated in hedge relationships [1]	**116**	(109)	**(84)**	200
Assets and liabilities designated at fair value	**(281)**	(100)	**(1)**	(280)
Impairment of investments - available for sale	**(5)**	(10)	**(5)**	-
Other	**(57)**	(1)	**(39)**	(18)
Total gains less losses on financial instruments at fair value	**223**	(329)	**(79)**	302
Other operating income				
Dividend revenue	**46**	17	**38**	8
Gains from sale of investments - available for sale	**19**	20	**4**	15
Gains from sale of property, plant and equipment and other assets	**16**	3	**16**	-
Banking fees	**936**	906	**482**	454
Money transfer fees	**652**	647	**325**	327
Fees and commissions	**850**	905	**422**	428
Investment management fees	**7**	6	**3**	4
Fleet management fees	**26**	23	**13**	13
Rentals received on leased vehicle assets	**13**	19	**6**	7
Revaluation (losses)/gains on investment properties	**(11)**	4	**(3)**	(8)
Other income	**(90)**	(49)	**59**	(149)
Total other operating income	**2,464**	2,501	**1,365**	1,099
Total other income	**2,687**	2,172	**1,286**	1,401

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

9. Operating Expenses Excluding Wealth

	Year to		Half Year to	
	Sep 12 $m	**Sep 11 $m**	**Sep 12 $m**	**Mar 12 $m**
Personnel expenses				
Salaries and related on-costs	**2,949**	3,023	**1,446**	1,503
Superannuation costs - defined contribution plans	**229**	225	**116**	113
Superannuation costs - defined benefit plans	**36**	41	**13**	23
Performance-based compensation				
Cash	**248**	361	**115**	133
Equity-based compensation	**198**	58	**91**	107
Total performance-based compensation	**446**	419	**206**	240
Other expenses	**504**	472	**289**	215
Total personnel expenses	**4,164**	4,180	**2,070**	2,094
Occupancy-related expenses				
Operating lease rental expense	**372**	380	**196**	176
Other expenses	**195**	191	**112**	83
Total occupancy-related expenses	**567**	571	**308**	259
General expenses				
Fees and commission expense	**80**	67	**48**	32
Depreciation and amortisation of property, plant and equipment	**296**	267	**153**	143
Amortisation of intangible assets	**262**	280	**101**	161
Depreciation on leased vehicle assets	**9**	9	**5**	4
Operating lease rental expense	**25**	26	**13**	12
Advertising and marketing	**170**	198	**82**	88
Charge to provide for operational risk event losses	**248**	53	**217**	31
Communications, postage and stationery	**239**	278	**125**	114
Computer equipment and software	**516**	415	**251**	265
Data communication and processing charges	**119**	118	**62**	57
Transport expenses	**85**	78	**44**	41
Professional fees	**339**	301	**188**	151
Travel	**62**	77	**34**	28
Loss on disposal of property, plant and equipment and other assets	**3**	19	**3**	-
Impairment losses recognised	**355**	16	**5**	350
Other expenses	**216**	167	**139**	77
Total general expenses	**3,024**	2,369	**1,470**	1,554
Total operating expenses	**7,755**	7,120	**3,848**	3,907

10. Net Interest Income / Other Operating Income Analysis – Wholesale Banking (cash earnings basis)

	Year ended Sep 12						Year ended Sep 11					
		Other Operating Income						Other Operating Income				
	NII $m	Trading [1] $m	Fees & Comm. $m	Other Income [1] $m	Total OOI $m	Total Revenue $m	NII $m	Trading [1] $m	Fees & Comm. $m	Other Income [1] $m	Total OOI $m	Total Revenue $m
Risk Income	1,045	72	(21)	24	75	1,120	835	(257)	0	22	(235)	600
Customer Income	474	558	279	70	907	1,381	395	522	259	80	861	1,256
Total Revenue	**1,519**	**630**	**258**	**94**	**982**	**2,501**	**1,230**	**265**	**259**	**102**	**626**	**1,856**

(1) *Excluding internal funding transactions with BNZIF.*

	Half year ended Sep 12						Half year ended Mar 12					
		Other Operating Income						Other Operating Income				
	NII $m	Trading [1] $m	Fees & Comm. $m	Other Income [1] $m	Total OOI $m	Total Revenue $m	NII $m	Trading [1] $m	Fees & Comm. $m	Other Income [1] $m	Total OOI $m	Total Revenue $m
Risk Income	488	150	(21)	9	138	626	558	(78)	0	15	(63)	495
Customer Income	248	212	152	45	409	657	226	346	127	25	498	724
Total Revenue	**736**	**362**	**131**	**54**	**547**	**1,283**	**784**	**268**	**127**	**40**	**435**	**1,219**

(1) *Excluding internal funding transactions with BNZIF.*

11. Net Tangible Assets

	As at		
	30 Sep 12	31 Mar 12	30 Sep 11
Net tangible assets per ordinary share ($) [1]	**13.82**	13.68	13.62

[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 year.

12. Asset Funding

Core assets	As at Sep 12 $m	Mar 12 $m	Sep 11 $m	Sep 12 vs Sep 11 %	Sep 12 vs Mar 12 %
Gross loans and advances	**400,873**	394,039	388,636	3.1	1.7
Loans at fair value	**63,027**	56,596	50,472	24.9	11.4
Other financial assets at fair value	**971**	1,027	1,269	(23.5)	(5.5)
Due from customers on acceptances	**36,957**	39,772	43,017	(14.1)	(7.1)
Investments held to maturity	**9,762**	10,979	12,787	(23.7)	(11.1)
Net working capital adjustments [1]	**-**	(6,742)	(8,027)	large	large
Total core assets	**511,590**	495,671	488,154	4.8	3.2
Customer deposits					
On-demand and short-term deposits	**152,000**	142,777	145,700	4.3	6.5
Term deposits	**159,950**	152,260	142,243	12.4	5.1
Deposits not bearing interest	**24,667**	22,685	21,324	15.7	8.7
Due to other banks [2]	**-**	3,553	7,634	large	large
Customer deposits at fair value	**2,581**	2,291	2,679	(3.7)	12.7
Total customer deposits	**339,198**	323,566	319,580	6.1	4.8
Wholesale funding					
Bonds, notes and subordinated debt	**103,372**	96,849	99,768	3.6	6.7
Other debt issues	**1,783**	2,399	2,494	(28.5)	(25.7)
Preference shares and other contributed equity	**4,914**	4,914	4,914	-	-
Certificates of deposit	**68,019**	79,476	75,505	(9.9)	(14.4)
Due to other banks [2]	**28,691**	39,983	32,528	(11.8)	(28.2)
Other borrowings	**8,417**	10,494	11,814	(28.8)	(19.8)
Securities sold under repurchase agreements	**6,868**	10,574	6,379	7.7	(35.0)
Liability on acceptances	**7,801**	7,984	10,633	(26.6)	(2.3)
Other financial liabilities at fair value	**19,151**	19,065	21,047	(9.0)	0.5
Total wholesale funding	**249,016**	271,738	265,082	(6.1)	(8.4)
Total funding liabilities	**588,214**	595,304	584,662	0.6	(1.2)
Total equity excluding preference shares and other contributed equity	**38,889**	37,641	37,274	4.3	3.3
Life insurance liabilities [3]	**69,130**	67,436	63,567	8.8	2.5
Other liabilities	**66,857**	56,462	68,254	(2.0)	18.4
Total liabilities and equity	**763,090**	756,843	753,757	1.2	0.8
Wholesale funding by maturity					
Short-term funding	**126,974**	155,803	147,083	(13.7)	(18.5)
Term funding					
less than 1 year residual maturity	**23,187**	20,079	22,459	3.2	15.5
greater than 1 year residual maturity	**98,855**	95,856	95,540	3.5	3.1
Total wholesale funding by maturity	**249,016**	271,738	265,082	(6.1)	(8.4)
Funding liabilities					
Customer deposits	**57.7%**	54.3%	54.7%		
Short-term funding less than 1 year residual maturity	**21.6%**	26.2%	25.2%		
Term funding					
less than 1 year residual maturity	**3.9%**	3.4%	3.8%		
greater than 1 year residual maturity	**16.8%**	16.1%	16.3%		
Total funding liabilities	**100.0%**	100.0%	100.0%		

[1] Net working capital adjustments (such as accruals) reduce core assets to their funded amount. During the half year ended 30 September 2012, $5,648 million of net working capital adjustments has been removed from core assets to enhance transparency.

[2] During the half year ended 30 September 2012, $1,975 million relating to due to other banks previously included in customer deposits has been reclassified as wholesale funding.

[3] Comprises life policy liabilities and external unitholders' liability.

13. Number of Ordinary Shares

	Year to	
	Sep 12 No. '000	Sep 11 No. '000
Ordinary shares, fully paid		
Balance at beginning of period	2,201,189	2,133,341
Shares issued		
Dividend reinvestment plan	62,952	57,620
Bonus share plan	2,255	1,925
Employee share plans	5,841	7,983
Performance options and performance rights	958	294
Conversion of other debt issues	23,999	-
Paying up of partly paid shares	53	26
	2,297,247	2,201,189
Ordinary shares, partly paid to 25 cents		
Balance at beginning of period	157	183
Paying up of partly paid shares	(53)	(26)
	104	157
Total number of ordinary shares on issue at end of period (including treasury shares)	2,297,351	2,201,346
Less: treasury shares	(53,526)	(48,390)
Total number of ordinary shares on issue at end of period (excluding treasury shares)	2,243,825	2,152,956

	Half Year to	
	Sep 12 No. '000	Mar 12 No. '000
Ordinary shares, fully paid		
Balance at beginning of period	2,239,303	2,201,189
Shares issued		
Dividend reinvestment plan	32,068	30,884
Bonus share plan	1,173	1,082
Employee share plans	406	5,435
Performance options and performance rights	289	669
Conversion of other debt issues	23,999	-
Paying up of partly paid shares	9	44
	2,297,247	2,239,303
Ordinary shares, partly paid to 25 cents		
Balance at beginning of period	113	157
Paying up of partly paid shares	(9)	(44)
	104	113
Total number of ordinary shares on issue at end of period (including treasury shares)	2,297,351	2,239,416
Less: treasury shares	(53,526)	(57,888)
Total number of ordinary shares on issue at end of period (excluding treasury shares)	2,243,825	2,181,528

14. Exchange Rates

	Income Statement - average				Balance Sheet - spot		
	Year to		Half Year to		As at		
One Australian dollar equals	Sep 12	Sep 11	Sep 12	Mar 12	30 Sep 12	31 Mar 12	30 Sep 11
British pounds	0.6528	0.6390	0.6479	0.6577	0.6432	0.6509	0.6268
Euros	0.7930	0.7358	0.8084	0.7776	0.8088	0.7791	0.7206
United States dollars	1.0290	1.0262	1.0246	1.0334	1.0460	1.0406	0.9764
New Zealand dollars	1.2885	1.3058	1.2810	1.2960	1.2536	1.2689	1.2756

15. Australian Life Company Margins

Sources of Operating Profit from Australian Life Companies life insurance funds	Year to Sep 12 $m	Year to Sep 11 $m	Year to Sep 12 v Sep 11 %	Half Year to Sep 12 $m	Half Year to Mar 12 $m	Half Year to Sep 12 v Mar 12 %
Life company - planned profit margins	**302**	309	(2.3)	**151**	151	-
Life company - experience profit	**43**	12	large	**8**	35	(77.1)
Capitalised (losses)/ reversal of losses	**7**	-	large	**7**	-	large
Life company operating margins [1]	**352**	321	9.7	**166**	186	(10.8)
IoRE (after tax) [2]	**107**	103	3.9	**56**	51	9.8
Net profit of life insurance funds after non-controlling interest	**459**	424	8.3	**222**	237	(6.3)

(1) *Reflects operation profit of all business types (investment or insurance) written through life insurance funds.*

(2) *Includes investment earnings on shareholders' retained profits and capital from life businesses after non-controlling interest of $90 million (September 2011 $77 million, Half Year September 2012 $34 million, Half Year March 2012 $56 million) and IoRE discount rate variation of $16 million (September 2011 $26 million, Half Year September 2012 $21 million, Half Year March 2012 ($5 million)), IoRE attributable to non-life insurance funds of ($52 million) (September 2011 ($47 million), Half Year September 2012 ($26 million), Half Year March 2012 ($26 million)) is excluded.*

16. ASX Appendix 4E

17. Reconciliation between Statutory Net Profit after Tax and Cash Earnings

Year ended 30 September 2012	Statutory Profit $m	NAB Wealth adj. [1] $m	Distri-butions $m	Treasury shares $m	Fair value and hedge ineffec. $m	IoRE disc. rate $m	Hedging costs on SCDO assets $m	Property revaluation $m	Litigation expense $m	Amortisation of acquired intangible assets $m	Customer redress provision $m	Impairment of goodwill and software $m	Restructure costs $m	Due diligence, acquisition and integration costs $m	Cash Earnings $m
Net interest income	13,242	55	-	-	-	-	-	-	-	-	-	-	-	-	**13,297**
Net life insurance income	740	(891)	-	175	-	(24)	-	-	-	-	-	-	-	-	**-**
Other operating income	3,733	(920)	-	-	256	-	141	-	-	18	184	-	-	-	**3,412**
NAB Wealth net operating income	-	1,515	-	-	-	-	-	-	-	-	-	-	-	-	**1,515**
Net operating income	17,715	(241)	-	175	256	(24)	141	-	-	18	184	-	-	-	**18,224**
Operating expenses	(8,822)	(25)	-	-	-	-	-	5	141	105	73	349	222	124	**(7,828)**
Operating profit pre-charge to provide for doubtful debts	8,893	(266)	-	175	256	(24)	141	5	141	123	257	349	222	124	**10,396**
Charge to provide for bad and doubtful debts	(2,734)	-	-	-	119	-	-	-	-	-	-	-	-	-	**(2,615)**
Operating profit before tax	6,159	(266)	-	175	375	(24)	141	5	141	123	257	349	222	124	**7,781**
Income tax expense	(2,076)	228	-	(20)	(110)	8	(42)	-	(40)	(24)	(18)	-	(48)	(36)	**(2,178)**
Operating profit before distributions and non-controlling interest	4,083	(38)	-	155	265	(16)	99	5	101	99	239	349	174	88	**5,603**
Net profit - non-controlling interest	(1)	-	-	-	-	-	-	-	-	-	-	-	-	-	**(1)**
IoRE (after tax)	-	38	-	-	-	-	-	-	-	-	-	-	-	-	**38**
Distributions	-	-	(207)	-	-	-	-	-	-	-	-	-	-	-	**(207)**
Net profit attributable to owners of the Company	4,082	-	(207)	155	265	(16)	99	5	101	99	239	349	174	88	**5,433**

(1) *Refer to Note 18 in Section 6 for further details regarding the NAB Wealth adjustment.*

Year ended 30 September 2011	Statutory Profit $m	NAB Wealth adj. [1] $m	Distri-butions $m	Treasury shares $m	Fair value and hedge ineffec. $m	IoRE disc. rate $m	Customer redress provision $m	Hedging costs on SCDO assets $m	Litigation expense $m	Amortisation of acquired intangible assets $m	ExCaps taxation assmt. $m	Due diligence, acquisition and integration costs $m	Cash Earnings $m
Net interest income	13,034	58	-	-	-	-	-	-	-	-	-	-	**13,092**
Net life insurance income	360	(275)	-	(48)	-	(37)	-	-	-	-	-	-	**-**
Other operating income	3,449	(1,146)	-	-	338	-	156	219	-	-	-	-	**3,016**
NAB Wealth net operating income	-	1,486	-	-	-	-	-	-	-	-	-	-	**1,486**
Net operating income	16,843	123	-	(48)	338	(37)	156	219	-	-	-	-	**17,594**
Operating expenses	(8,365)	51	-	-	-	-	-	-	7	104	-	229	**(7,974)**
Operating profit pre-charge to provide for doubtful debts	8,478	174	-	(48)	338	(37)	156	219	7	104	-	229	**9,620**
Charge to provide for bad and doubtful debts	(1,750)	-	-	-	(72)	-	-	-	-	-	-	-	**(1,822)**
Operating profit before tax	6,728	174	-	(48)	266	(37)	156	219	7	104	-	229	**7,798**
Income tax expense	(1,508)	(204)	-	9	(85)	11	(39)	(92)	(3)	(22)	(142)	(67)	**(2,142)**
Operating profit before distributions and non-controlling interest	5,220	(30)	-	(39)	181	(26)	117	127	4	82	(142)	162	**5,656**
Net profit - non-controlling interest	(1)	-	-	-	-	-	-	-	-	-	-	-	**(1)**
IoRE (after tax)	-	30	-	-	-	-	-	-	-	-	-	-	**30**
Distributions	-	-	(225)	-	-	-	-	-	-	-	-	-	**(225)**
Net profit attributable to owners of the Company	5,219	-	(225)	(39)	181	(26)	117	127	4	82	(142)	162	**5,460**

[1] *Refer to Note 18 in Section 6 for further details regarding the NAB Wealth adjustment.*

Half Year ended 30 September 2012	Statutory Net Profit $m	NAB Wealth adj. [1] $m	Distri-butions $m	Treasury shares $m	Fair value and hedge ineffec. $m	IoRE disc. rate $m	Property revaluation $m	Litigation expense $m	Amortisation of intangible assets $m	Customer redress provision $m	Impairment of goodwill and software $m	Restructure Costs $m	Due diligence, acquisition and integration costs $m	Cash Earnings $m
Net interest income	6,570	19	-	-	-	-	-	-	-	-	-	-	-	**6,589**
Net life insurance income	352	(393)	-	72	-	(31)	-	-	-	-	-	-	-	**-**
Other operating income	1,833	(488)	-	-	407	-	-	-	18	2	-	-	-	**1,772**
NAB Wealth net operating income	-	755	-	-	-	-	-	-	-	-	-	-	-	**755**
Net operating income	8,755	(107)	-	72	407	(31)	-	-	18	2	-	-	-	**9,116**
Operating expenses	(4,420)	31	-	-	-	-	5	109	40	73	-	222	64	**(3,876)**
Operating profit pre-charge to provide for doubtful debts	4,335	(76)	-	72	407	(31)	5	109	58	75	-	222	64	**5,240**
Charge to provide for bad and doubtful debts	(1,413)	-	-	-	(71)	-	-	-	-	-	-	-	-	**(1,484)**
Operating profit before tax	2,922	(76)	-	72	336	(31)	5	109	58	75	-	222	64	**3,756**
Income tax expense	(893)	69	-	(9)	(111)	10	-	(32)	(10)	(18)	-	(48)	(15)	**(1,057)**
Operating profit before distributions and non-controlling interest	2,029	(7)	-	63	225	(21)	5	77	48	57	-	174	49	**2,699**
Net profit - non-controlling interest	1	(1)	-	-	-	-	-	-	-	-	-	-	-	**-**
IoRE (after tax)	-	8	-	-	-	-	-	-	-	-	-	-	-	**8**
Distributions	-	-	(102)	-	-	-	-	-	-	-	-	-	-	**(102)**
Net profit attributable to owners of the Company	2,030	-	(102)	63	225	(21)	5	77	48	57	-	174	49	**2,605**

[1] *Refer to Note 18 in Section 6 for further details regarding the NAB Wealth adjustment.*

Half Year ended 31 March 2012	Statutory Net Profit $m	NAB Wealth adj. (1) $m	Distri-butions $m	Treasury shares $m	Fair value and hedge ineffec. $m	IoRE disc. rate $m	Hedging costs on SCDO assets $m	Litigation expense $m	Amortisation of acquired intangible assets $m	Customer redress provision $m	Impairment of goodwill and software $m	Due diligence, acquisition and integration costs $m	Cash Earnings $m
Net interest income	6,672	36	-	-	-	-	-	-	-	-	-	-	**6,708**
Net life insurance income	388	(498)	-	103	-	7	-	-	-	-	-	-	**-**
Other operating income	1,900	(432)	-	-	(151)	-	141	-	-	182	-	-	**1,640**
NAB Wealth net operating income	-	760	-	-	-	-	-	-	-	-	-	-	**760**
Net operating income	8,960	(134)	-	103	(151)	7	141	-	-	182	-	-	**9,108**
Operating expenses	(4,402)	(56)	-	-	-	-	-	32	65	-	349	60	**(3,952)**
Operating profit pre-charge to provide for doubtful debts	4,558	(190)	-	103	(151)	7	141	32	65	182	349	60	**5,156**
Charge to provide for doubtful debts (2)	(1,321)	-	-	-	190	-	-	-	-	-	-	-	**(1,131)**
Operating profit before tax	3,237	(190)	-	103	39	7	141	32	65	182	349	60	**4,025**
Income tax expense	(1,183)	159	-	(11)	1	(2)	(42)	(8)	(14)	-	-	(21)	**(1,121)**
Operating profit before distributions and non-controlling interest	2,054	(31)	-	92	40	5	99	24	51	182	349	39	**2,904**
Net profit - non-controlling interest	(2)	1	-	-	-	-	-	-	-	-	-	-	**(1)**
IoRE (after tax)	-	30	-	-	-	-	-	-	-	-	-	-	**30**
Distributions	-	-	(105)	-	-	-	-	-	-	-	-	-	**(105)**
Net profit attributable to owners of the Company	2,052	**-**	(105)	92	40	5	99	24	51	182	349	39	**2,828**

(1) *Refer to Note 18 in Section 6 for further details regarding the NAB Wealth adjustment.*

18. NAB Wealth Reconciling Items

Year ended 30 September 2012	Life Reclassification [(a)] Cash IoRE [(i)] $m	Life Reclassification [(a)] Policy-holder tax [(ii)] $m	Life Reclassification [(a)] Other NLII reclass-ification [(iii)] $m	Non-life reclass-ification [(b)] $m	Other $m	NAB Wealth adj. $m
Net interest income	74	-	-	(19)	-	**55**
Net life insurance income	(126)	(171)	(594)	-	-	**(891)**
Other operating income	-	-	50	(970)	-	**(920)**
NAB Wealth net operating income	-	-	853	662	-	**1,515**
Net operating income	(52)	(171)	309	(327)	-	**(241)**
Operating expenses	-	-	(353)	327	1	**(25)**
Operating profit pre-charge to provide for doubtful debts	(52)	(171)	(44)	-	1	**(266)**
Charge to provide for doubtful debts	-	-	-	-	-	**-**
Operating profit before tax	(52)	(171)	(44)	-	1	**(266)**
Income tax expense	14	171	44	-	(1)	**228**
Operating profit before distributions and non-controlling interest	(38)	-	-	-	-	**(38)**
Net profit - non-controlling interest	-	-	-	-	-	**-**
IoRE (after tax)	38	-	-	-	-	**38**
Distributions	-	-	-	-	-	**-**
Net profit attributable to owners of the Company	-	-	-	-	-	**-**

Year ended 30 September 2011	Life Reclassification [(a)] Cash IoRE [(i)] $m	Life Reclassification [(a)] Policy-holder tax [(ii)] $m	Life Reclassification [(a)] Other NLII reclass-ification [(iii)] $m	Non-life reclass-ification [(b)] $m	Other $m	NAB Wealth adj. $m
Net interest income	67	-	-	(9)	-	**58**
Net life insurance income	(116)	254	(413)	-	-	**(275)**
Other operating income	-	-	44	(1,190)	-	**(1,146)**
NAB Wealth net operating income	-	-	715	771	-	**1,486**
Net operating income	(49)	254	346	(428)	-	**123**
Operating expenses	-	-	(369)	428	(8)	**51**
Operating profit pre-charge to provide for doubtful debts	(49)	254	(23)	-	(8)	**174**
Charge to provide for doubtful debts	-	-	-	-	-	**-**
Operating profit before tax	(49)	254	(23)	-	(8)	**174**
Income tax expense	19	(254)	23	-	8	**(204)**
Operating profit before distributions and non-controlling interest	(30)	-	-	-	-	**(30)**
Net profit - non-controlling interest	-	-	-	-	-	**-**
IoRE (after tax)	30	-	-	-	-	**30**
Distributions	-	-	-	-	-	**-**
Net profit attributable to owners of the Company	-	-	-	-	-	**-**

Half Year ended 30 September 2012	Life Reclassification (a) Cash IoRE (i) $m	Policy-holder tax (ii) $m	Other NLII reclass-ification (iii) $m	Non-life reclass-ification (b) $m	Other $m	NAB Wealth adj. $m
Net interest income	37	-	-	(13)	(5)	**19**
Net life insurance income	(51)	(45)	(296)	-	(1)	**(393)**
Other operating income	-	-	18	(509)	3	**(488)**
NAB Wealth net operating income	-	-	426	329	-	**755**
Net operating income	(14)	(45)	148	(193)	(3)	**(107)**
Operating expenses	-	-	(169)	193	7	**31**
Operating profit pre-charge to provide for doubtful debts	(14)	(45)	(21)	-	4	**(76)**
Charge to provide for doubtful debts	(1)	-	7	-	(6)	**-**
Operating profit before tax	(15)	(45)	(14)	-	(2)	**(76)**
Income tax expense	7	45	14	-	3	**69**
Operating profit before distributions and non-controlling interest	(8)	-	-	-	1	**(7)**
Net profit - non-controlling interest	-	-	-	-	(1)	**(1)**
IoRE (after tax)	8	-	-	-	-	**8**
Distributions	-	-	-	-	-	**-**
Net profit attributable to owners of the Company	-	-	-	-	-	**-**

Half Year ended 31 March 2012	Life Reclassification (a) Cash IoRE (i) $m	Policy-holder tax (ii) $m	Other NLII reclass-ification (iii) $m	Non-life reclass-ification (b) $m	Other $m	NAB Wealth adj $m
Net interest income	37	-	-	(6)	5	**36**
Net life insurance income	(75)	(126)	(298)	-	1	**(498)**
Other operating income	-	-	32	(461)	(3)	**(432)**
NAB Wealth net operating income	-	-	427	333	-	**760**
Net operating income	(38)	(126)	161	(134)	3	**(134)**
Operating expenses	-	-	(184)	134	(6)	**(56)**
Operating profit pre-charge to provide for doubtful debts	(38)	(126)	(23)	-	(3)	**(190)**
Charge to provide for doubtful debts	1	-	(7)	-	6	**-**
Operating profit before tax	(37)	(126)	(30)	-	3	**(190)**
Income tax expense	7	126	30	-	(4)	**159**
Operating profit before distributions and non-controlling interest	(30)	-	-	-	(1)	**(31)**
Net profit - non-controlling interest	-	-	-	-	1	**1**
IoRE (after tax)	30	-	-	-	-	**30**
Distributions	-	-	-	-	-	**-**
Net profit attributable to owners of the Company	-	-	-	-	-	**-**

(a) *Reclassification of Net Life Insurance Income (NLII).*

NLII is a statutory disclosure only and as such all items shown under NLII are reclassified for management reporting purposes. A summary of the respective NLII adjustments is provided below:

(i) *Cash IoRE:*

Interest on Retained Earnings is a separate disclosable item for management reporting purposes. Under the statutory view, components of IoRE are disclosed in the following lines:

- Net interest income: this is the net interest cost of subordinated and senior debt raised for capital management purposes.

- NLII: includes interest earnings on insurance VARC (Value of Acquisition Recovery Components) and investment earnings on surplus assets.

(ii) *Policyholder tax reclassification:*

The NAB Wealth investment linked business is written within statutory funds. As a result NLII includes both shareholder and policyholder amounts for statutory reporting purposes. For management reporting purposes only the shareholder component is disclosed. From a statutory reporting disclosure point of view all policyholder amounts offset within the NLII disclosure, except for tax on the investment-linked business. As a result there is a reclassification between NLII and tax for these amounts.

(iii) *Other NLII Reclassification:*

These are all other components of NLII, not adjusted for above, which are included in NAB Wealth net operating income, operating expenses and income tax expense in the management view. These include premiums, investment earnings, claims, change in policy liabilities, policy acquisition and maintenance costs and investments management costs.

(b) *Non-Life Reclassifications:*

Non-life net interest income, other operating income and volume related expenses (included in operating expenses) are reclassified to NAB Wealth net operating income for management reporting purposes.

19. Divisional Performance Summary Excluding Foreign Currency Movements

Year ended 30 September 2012 at 30 September 2011 FX rates	Business Banking $m	Personal Banking $m	Wholesale Banking $m	NAB Wealth $m	NZ Banking $m	UK Banking $m	GWB $m	Specialised Group Assets $m	Corporate Functions and Other [1] $m	Distributions & Eliminations $m	Group Cash Earnings $m
Net interest income	5,026	2,967	1,528	325	1,092	1,353	272	81	678	-	**13,322**
Other operating income	1,036	599	985	47	349	439	75	23	(40)	(94)	**3,419**
NAB Wealth net operating income	-	-	-	1,515	-	-	-	-	-	-	**1,515**
Net operating income	6,062	3,566	2,513	1,887	1,441	1,792	347	104	638	(94)	**18,256**
Operating expenses	(1,741)	(1,836)	(952)	(1,143)	(584)	(1,091)	(174)	(35)	(385)	94	**(7,847)**
Underlying profit	4,321	1,730	1,561	744	857	701	173	69	253	-	**10,409**
Charge to provide for bad and doubtful debts	(893)	(242)	(68)	(12)	(75)	(986)	(25)	(88)	(250)	-	**(2,639)**
Cash earnings before tax, IoRE, distribution and non-controlling interest	3,428	1,488	1,493	732	782	(285)	148	(19)	3	-	**7,770**
Income tax expense	(1,019)	(443)	(396)	(213)	(214)	68	(51)	8	85	-	**(2,175)**
Cash earnings before IoRE, distribution and non-controlling interest	2,409	1,045	1,097	519	568	(217)	97	(11)	88	-	**5,595**
Net profit - non-controlling interest	-	-	-	(1)	-	-	-	-	-	-	**(1)**
IoRE	-	-	-	38	-	-	-	-	-	-	**38**
Distributions	-	-	-	-	-	-	-	-	-	(208)	**(208)**
Cash earnings	2,409	1,045	1,097	556	568	(217)	97	(11)	88	(208)	**5,424**

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

Half Year ended 30 September 2012 at 31 March 2012 FX rates	Business Banking $m	Personal Banking $m	Wholesale Banking $m	NAB Wealth $m	NZ Banking $m	UK Banking $m	GWB $m	Specialised Group Assets $m	Corporate Functions and Other [1] $m	Distributions & Eliminations $m	Group Cash Earnings $m
Net interest income	2,496	1,522	731	162	551	630	138	25	311	-	**6,566**
Other operating income	519	313	545	30	173	209	39	(7)	(9)	(46)	**1,766**
NAB Wealth net operating income	-	-	-	755	-	-	-	-	-	-	**755**
Net operating income	3,015	1,835	1,276	947	724	839	177	18	302	(46)	**9,087**
Operating expenses	(866)	(934)	(482)	(572)	(300)	(531)	(89)	(17)	(116)	46	**(3,861)**
Underlying profit	2,149	901	794	375	424	308	88	1	186	-	**5,226**
Charge to provide for bad and doubtful debts	(521)	(73)	(19)	(7)	(49)	(530)	(10)	(14)	(251)	-	**(1,474)**
Cash earnings before tax, IoRE, distribution and non-controlling interest	1,628	828	775	368	375	(222)	78	(13)	(65)	-	**3,752**
Income tax expense	(483)	(247)	(204)	(109)	(99)	46	(29)	8	61	-	**(1,056)**
Cash earnings before IoRE, distribution and non-controlling interest	1,145	581	571	259	276	(176)	49	(5)	(4)	-	**2,696**
Net profit - non-controlling interest	-	-	-	-	-	-	-	-	-	-	**-**
IoRE	-	-	-	8	-	-	-	-	-	-	**8**
Distributions	-	-	-	-	-	-	-	-	-	(102)	**(102)**
Cash earnings	1,145	581	571	267	276	(176)	49	(5)	(4)	(102)	**2,602**

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

Section 7

Glossary of Terms

Term	Description
ABCP	Asset-backed commercial paper.
ABS	Asset-backed securities.
APRA	Australian Prudential Regulation Authority.
ASX	Australian Securities Exchange.
ATO	Australian Taxation Office.
Auto / Equipment	Automotive and equipment receivables.
Average assets	Represents the average of assets over the period adjusted for disposed operations.
Banking	Banking operations include the Group's: - Retail, business, institutional and agri-business banking operations operating in Business Banking, Personal Banking, UK Banking, NZ Banking, NAB Wealth and Great Western Bank; - Global Capital Markets and Treasury, Specialised Finance, Financial Institutions business within Wholesale Banking; and - Asian operations and Group Funding within Corporate Functions and Other.
Banking Cost to Income Ratio	Represents banking operating expenses (before inter-segment eliminations) plus the operating expenses of Specialised Group Assets (SGA) as a percentage of total banking operating revenue (before inter-segment eliminations) inclusive of the operating revenue of SGA.
BNZ	Bank of New Zealand.
Cash earnings	Is a non-IFRS key financial performance measure used by NAB, the investment community and NAB's Australian peers with a similar business portfolio. It is calculated by excluding certain items which are included within the statutory net profit attributable to owners of the Company. These specified items are excluded in order to better reflect what NAB considers to be the underlying performance of the Group. It is not a statutory measure and it is not presented in accordance with Australian Accounting Standards nor audited or reviewed in accordance with Australian Auditing Standards. Many of the adjustments below are more effectively applied on a consolidated basis and therefore at a divisional level cash earnings reflects the performance of the business segment as it is managed. It does not refer to, or in any way purport to represent the cash flows, funding or liquidity position of the Group. It does not refer to any amount represented on a cash flow statement. Cash earnings for 2012 is defined as: Net profit attributable to owners of the Company Adjusted for: Distributions Treasury shares Fair value and hedge ineffectiveness IoRE discount rate variation Hedging costs on SCDO assets Property Revaluation Litigation expense Amortisation of acquired intangible assets Customer redress provision Impairment of goodwill and software Restructure costs Due diligence, acquisition and integration costs
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 (annualised) divided by the weighted average number of ordinary shares adjusted to include treasury shares.
Cash earnings per share - diluted	Calculated as cash earnings (annualised), adjusted for interest expense on exchangeable capital units, divided by the weighted average number of ordinary shares, adjusted to include treasury shares.
Cash return on equity	Calculated as cash earnings divided by average shareholders' equity, excluding non-controlling interests and other equity instruments and adjusted for treasury shares.
CDO	Collateralised Debt Obligation.
CDS	Credit Default Swap.
CLO	Collateralised Loan Obligations.
CMBS	Commercial Mortgage-Backed Securities.
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 loans and advances to customers and banks (including leases and acceptances) and investments held to maturity.
Credit wrapped ABS	Securities backed by monoline-guaranteed portfolios of ABS.
Credit wrapped bonds	Monoline-guaranteed infrastructure, utility and energy related corporate bonds.
Customer Deposits	Deposits (Interest Bearing, Non-Interest Bearing and Term Deposits).
Customer Funding Index (CFI)	Customer Deposits divided by Core Assets.
Customer redress provision	Customer redress provisions include amounts for claims relating to payment protection insurance and other customer redress in the UK, including claims relating to interest rate derivative products.
Disposed operations	Are operations that will not form part of the continuing Group. These include operations sold and those that have been announced to the market that have yet to reach completion. This may differ from the treatment for statutory accounting purposes but facilitates a like-for-like comparison.
Distributions	Payments to holders of other equity 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	Calculated in accordance with the requirements of AASB 133 "Earnings per Share."

ExCaps taxation assessment	Represents the reduction, in the year ended 30 September 2009, of the carrying value of the $309 million receivable due from the ATO in relation to its exchangeable capital units (ExCaps) to nil. The ATO disallowed the Group's objections to the ExCaps taxation assessments. Subsequently the Group settled and obtained a refund of $142 million previously paid to the ATO in relation to the ExCaps assessment.
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.
FDIC	Federal Deposit Insurance Corporation.
FSB	Financial Stability Board.
FSCS	United Kingdom Financial Services Compensation Scheme.
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.
GAAP	Generally Accepted Accounting Principles.
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.
GRCL calculation methodology	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 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.
GSJBW	Goldman Sachs JBWere.
GWB	Great Western Bank.
Hedging costs on SCDO assets	Unamortised hedging costs related to the SCDO risk mitigation trades expensed to non-cash earnings.
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.
Investments	Includes funds managed in the provision of investment and superannuation solutions by NAB Wealth.
IoRE	Investment earnings (net of tax) on shareholders retained profits and capital from life businesses, net of capital funding costs (IoRE) is comprised of three items: - investment earnings on surplus assets which are held in the Statutory Funds to meet capital adequacy requirements under the *Life Insurance Act* 1995 (Cth); - interest on deferred acquisition costs (net of reinsurance) included in insurance policy liabilities resulting from the unwind of discounting; and - less the borrowing costs of any capital funding initiatives.
IoRE discount rate variation	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.
IRB approach	The internal ratings based 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.
Leveraged loans CLOs	CLOs backed by pools of broadly syndicated commercial bank loans.
Litigation expense	Represents litigation expenses in relation to non-recurring litigation matters.
LMI	Lenders Mortgage Insurance.
Marketable debt securities	Comprises trading securities, investments - available for sale and investments - held to maturity.
Monolines	Monoline Insurers (monoline insurance companies) guarantee the timely payment of interest and repayment of principal in case an issuer of the guaranteed instrument defaults. They are so named because they provide service to only one industry.
MTN	Medium Term Notes.
NAB	The Company and its controlled entities.
Net interest margin	Net interest income as a percentage of average interest earning assets.
Net profit attributable to owners of the Company	Represents the Group's statutory profit after tax and reflects the amount of net profit that is attributable to owners.
Net profit attributable to non-controlling interest	Reflects the allocation of profit to non-controlling interests in the Group, and is adjusted from net profit to reflect the amount of net profit that is attributable to owners.
Net Tangible Assets per Ordinary Share	Net assets excluding intangible assets, non-controlling interests, preference shares and other equity instruments divided by ordinary shares on issue at the end of the period.
Non-conforming residential mortgages	In Australia and the UK, residential mortgage loans that are advanced to borrowers who do not generally meet prime lending guidelines and LMI eligibility.
Non-LMI prime residential mortgage	Prime residential mortgages but without LMI cover.
Non-impaired assets 90+ days past due	Non-impaired assets 90+ days past due consist of well-secured assets that are more than 90 days past due and portfolio-managed facilities that are not well secured and between 90 and 180 days past due.
Prime residential mortgages	In Australia, residential mortgage loans advanced by traditional residential mortgage lenders and eligible to be covered by an LMI policy.

Risk-weighted assets	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.
SCDO	Synthetic Collateralised Debt Obligation.
Scorecards	A decision model incorporating algorithms that calculates a customer risk score, the outcome of which is used in the credit assessment process.
Securitisation	Structured finance technique which involves pooling and packaging cash-flow converting financial assets into securities that can be sold to investors.
SGA	Specialised Group Assets.
Special Purpose Entity (SPE)	An entity created to accomplish a narrow well-defined objective (e.g. securitisation of financial assets). An SPE may take the form of a corporation, trust, partnership or unincorporated entity. SPEs are often created with legal arrangements that impose strict limits on the activities of the SPE.
Stable Funding Index (SFI)	Term Funding Index (TFI) plus Customer Funding Index (CFI).
Sub-prime residential mortgages	In the US, residential mortgage loans advanced to borrowers unable to qualify under traditional lending criteria due to poor credit history or debt payment capacity.
Term Funding Index (TFI)	Term Wholesale Funding (with a remaining maturity to first call date greater than 12 months) divided by Core Assets.
Tier 1 ratio	Tier 1 capital as defined by APRA divided by risk-weighted assets.
Total Shareholder Return	Total Shareholder Return (TSR) is a concept used to compare the performance of different companies' stocks and shares over time. It combines share price appreciation and dividends paid to show the total return to the shareholder. The absolute size of the TSR will vary with stock markets, but the relative position reflects the market perception of overall performance relative to a reference group.
Treasury shares	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 share sales from shares held by the Group's life insurance business are eliminated for statutory reporting purposes.
VARC	Value of Acquisition Recovery Components. It is a component, net of reinsurance costs, of insurance policy liabilities. It is the current termination value less insurance policy liabilities and represents the value of acquisition costs recoverable from future premiums.
Weighted Average Number of Shares	Calculated in accordance with the requirements of AASB 133 'Earnings per Share.'