2009
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 2009

				30 September 2009 $m
Revenue from ordinary activities [1]	up	8.9% *	to	17,705
Profit after tax from ordinary activities attributable to members of the Company [2]	down	42.9% *	to	2,589
Net profit attributable to members of the Company [2]	down	42.9% *	to	2,589

* *On previous corresponding period (year ended 30 September 2008).*

[1] *Reported as the sum of the following items from the Group's consolidated income statement: Net interest income, Premium and life related revenue, Fee income and Total other income. On a cash earnings basis revenue increased by 9.7%.*

[2] *Net profit attributable to members of the company was down 42.9% to $2,589 million, largely due to developments in several long standing and previously announced legal and tax proceedings, accounting volatility from fair value movements and expenses of the Efficiency, Quality and Service program.*

Dividends	Amount per share cents	Franked amount per share %
Final dividend	73	100
Interim dividend	73	100
Record date for determining entitlements to the final dividend		19 November 2009

Highlights [3]

Group cash earnings	down	1.9%	Cash earnings from ongoing operations of $3,841 million for the September 2009 year decreased by $75 million or 1.9% on the September 2008 year. Underlying profit increased by $1,188 million or 14.6%. This reflects good revenue growth from the Australian banking business and a strong performance by nabCapital Global Markets and Treasury. A disciplined approach to cost management has been maintained but cash earnings have been reduced by a higher bad and doubtful debts charge from a deterioration in asset quality across the portfolio.
Cash return on equity (ROE)	down to	11.8%	Cash ROE decreased by 250 basis points.
Diluted cash earnings per share	down to	197.5	Diluted cash earnings per share decreased by 16.8%.
Banking cost to income ratio	down	300 bps	The Group's banking cost to income ratio was 300 basis points lower for the year at 43.9% and represents continued progress in improving business processes, reducing costs and increasing productivity and efficiency.
Tier 1 capital ratio	up	161 bps	The Tier 1 capital ratio has increased to 8.96%. It remains above the Group's target.
Full time equivalent employees	down	776	Full time equivalent employees decreased to 38,953 reflecting the effects of ongoing improvement in business processes, partly offset by continued investment in frontline staff to support business growth.

[3] *All growth rates are calculated on an ongoing basis on the previous corresponding period.*

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 2009 year are references to the twelve months ended 30 September 2009.

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ASX Announcement

Wednesday, 28 October 2009

Solid NAB result reflects revenue growth and cost control

Key Points[1]

- Group revenue increased by 9.7% to $16.9 billion despite weakness across all the relevant economies. The driving factors were Australia Banking business revenues, high customer demand for risk management products, and strong trading performance in nabCapital Global Markets and Treasury. Tight cost management continued across all Regions.
- Cash earnings of $3.8 billion were generated during 2009, a fall of 1.9% on the prior year largely due to an increased charge for bad and doubtful debts. Underlying profit[2] was up 14.6% to $9.3 billion.
- The bad and doubtful debt charge was $3.8 billion, an increase of $2.3 billion excluding the charges for ABS CDOs booked in the previous year. This increase was due to higher specific provisions in the SME and corporate portfolios in all regions and higher collective provisions consistent with deteriorating economic conditions. The rate of increase in both the bad and doubtful debts expense and total provisions moderated during the second half of the year.
- Net profit was down 42.9% to $2.6 billion, largely due to developments in several long standing and previously announced legal and tax proceedings, accounting volatility from market movements, and investment in the Efficiency, Quality & Service program which was not reported as an operating expense, consistent with the March 2009 half year results.
- Group cost growth was 4.2%. Excluding Great Western Bank expenses (under NAB Group ownership for only four months of the prior year) cost growth was 2.9%.
- A conservatively managed balance sheet remains a core strategic priority for the Group and at 30 September 2009, the Tier 1 capital ratio was 8.96%, reflecting a number of capital initiatives during the year.
- During 2009 the Group exceeded its funding target of $19 billion to provide flexibility to support the growth agenda in 2010. It also increased the average maturity of term funding, recommenced non-Government guaranteed funding and delivered strong deposit growth. Conservative levels of liquidity were retained.
- The final dividend is 73 cents per share fully franked. Total dividend for 2009 was 146 cents per share fully franked, a reduction of 48 cents or 24.7% on 2008.
- During the year the Group remained committed to its community investments, and focus on inclusion and education, expanding the microfinance program with the AddsUp savings plan, awarding inaugural grants under the Schools First initiative and establishing an Indigenous Advisory Group to oversee NAB's work with Aboriginal and Torres Strait Islander people.

[1] September 2009 Full Year results compared with September 2008 Full Year results unless otherwise stated.
[2] Operating income less operating expenses excluding the charge for bad and doubtful debts

Overview

"This is a solid result based on revenue growth and continued good cost control. Under the challenging conditions over the past year, we further fortified our strong capital and funding position, invested in our customer relationships, accelerated our Efficiency, Quality and Service program, and took a leadership position on bank fees in Australia and New Zealand," NAB Group Chief Executive Officer Cameron Clyne said.

"Deteriorating asset quality and high funding costs caused cash earnings to fall by 1.9% to $3.8 billion. Underlying earnings were strong and reflected both good revenue growth and careful cost management.

"In a weak economic environment when confidence levels within financial markets were still fragile, we had to strike a careful balance between the various expectations of our shareholders, customers and the community. Our actions on fees and continuing to support our customers will stand us in good stead as markets recover.

"These actions demonstrate our commitment to improving the reputation of the bank, positioning us as a leader in the industry and creating stronger, sustainable customer relationships.

"The focus during the year was to responsibly position the Group to provide business momentum and sustainable returns in what may be a slower growth environment.

"The new executive team is fully settled into their roles and I am pleased with how the team is working.

"The Group's priorities remain: to keep the bank safe with conservative management of capital and funding; to maintain tight control of costs; to invest in our people, our leadership, our culture and our reputation; and to pursue growth in our Australian franchise, while preserving value and the options for longer term growth internationally.

"Our sound position in capital and funding has allowed us to support customers and grow market share in key segments, such as business banking, despite the inevitable fall in asset quality stemming from the economic conditions.

"The Efficiency, Quality and Service agenda, which is focused on reshaping the business, was accelerated during 2009 at an incremental cost of $254 million and is expected to deliver $336 million of additional benefits in 2010.

"Recent customer initiatives include the abolition of overdrawn fees on all NAB and BNZ personal transaction and savings accounts, as well as the removal or significant reduction of some account service and over limit or late credit card fees in Australia.

"The Academy Melbourne was opened during the year to enhance employee development and support culture change through new and innovative work place learning.

"Expansion of the branch network of Great Western Bank in the United States occurred in line with our strategy to maintain options for longer term growth in international markets. The acquisition of Aviva and the proposed acquisition of 80.1% of the Goldman Sachs JBWere private wealth management business will strengthen the scale, distribution and brand of our wealth management business.

"The addition of the Challenger mortgage management business, once complete, represents an important component of our Retail Banking growth strategy. Our business bank continues to be a key component of organic growth, with 145 additional frontline bankers appointed during the year with plans to add a further 200 during 2010," he said.

Balance Sheet Commentary

Capital

At 30 September 2009, the Group Tier 1 capital ratio was 8.96% up 65bps on March 2009 reflecting capital raisings and other capital initiatives during the year. These raisings were to support capital absorbed through growth in customer lending and ongoing asset quality deterioration, acquisitions, provisioning on several long standing and previously announced legal matters, accounting volatility from market movements and an increased deficit in the Group UK pension schemes.

Although recent data suggests global economic conditions are improving, the Group has this strong capital position as a buffer against potential headwinds, including domestic and global regulatory changes. When conditions become more predictable the Group will consider allowing the Tier 1 Capital Ratio to trend down.

For capital efficiency, the Group targets an optimal mix of common equity and other capital instruments. Consistent with its strategy of remaining flexible in managing capital the Group continues to seek opportunities to issue hybrid capital as facilities redeem or convert.

Funding and liquidity

The Group raised more than $15 billion in term funding in the second half of the financial year with more than half of this amount in unguaranteed format. For the full year the Group raised $32.3 billion, well above the target of $19 billion, which will create funding flexibility in 2010. The average maturity of the issuance increased from 3.9 years to 4.2 years. Strong deposit growth also contributed to the Group's sound funding position. Total liquid assets remained strong at $71 billion. The level of liquidity will be reassessed during 2010 as the Group moves to implement the revised APRA liquidity standard.

Asset Quality

Asset quality softened across the Group in response to the deteriorating business conditions in all markets. The bad and doubtful debt charge was $3.8 billion, an increase of $2.3 billion excluding the charges for ABS CDOs booked in the previous year. Total provisions[3] increased from $3.3 billion to $5.1 billion. The key ratio of the collective provision to credit risk weighted assets (excluding housing) increased from 1.07% to 1.46% at 30 September 2009.

In Australia, the subdued economic conditions led to a rise in watch loans and impaired assets, especially among corporate customers and small to medium sized businesses. Retail asset quality remained resilient, consistent with employment statistics and historically low interest rates.

In the UK, the ongoing recession and rising business lending defaults, particularly in the commercial property sector, were the main drivers of the increased bad and doubtful debt charge. The bad debt ratio remains below the average for UK competitors. In the mortgage portfolio the 90+ days past due loans were less than one third of the industry average.

In New Zealand, the recession caused a softening of asset quality focused in the property and agricultural sectors. Retail asset quality remained sound.

In nabCapital, watch loans and impaired assets continued to increase but the rate of high profile exposures experiencing financial difficulty has moderated, reflected in a lower bad and doubtful debt charge during the second half.

A provisioning charge of US$14 million at Great Western Bank maintained appropriate coverage. The ratio of deposits to loans was 118%.

[3] Including credit risk adjustment on assets at fair value.

Business Commentary

Australia Banking

Cash earnings fell by 5.3% to $2.8 billion in 2009 while underlying profit was up 16.1% to $5.5 billion. The underlying profit growth stemmed from both robust revenue growth and continued careful cost control. Business & Private Banking revenue increased by 11.3% due to the success of the iFS and Specialisation operating models, particularly in the SME, Agri and Health businesses. Revenue growth in Retail Banking was 10.3%. These factors were more than offset by the increase in the charge to provide for bad and doubtful debts, which rose from $603 million to $1.6 billion.

The cost to income ratio improved from 41.6% to 38.8%.

Net interest income increased by $1.1 billion or 17.3% on the basis of good volume growth and active repricing for current risk settings.

Average interest earning assets grew by $24.3 billion or 9.5% with growth in business lending the most significant contributor. Average retail deposits increased 18.6% to $127.3 billion, growing market share by 1.7 times system growth.

During the year, business deposit market share increased by 1.6% to 24.0% and business lending market share increased by 1.4% to 20.1%. Business & Private Banking was ranked first among the major banks in customer satisfaction for businesses that turnover between $5 million and $500 million, and was also named 'Business Bank of the Year' by CFO magazine.

Retail Banking took a leadership position in announcing the removal of overdrawn account fees and monthly account service fees. It also joined the rediATM network during the year to provide NAB customers with access to more than 3100 ATMs, and launched the direct banking UBank brand. The proposed addition of the Challenger mortgage management business enhances NAB's Retail Banking growth strategy.

MLC

Cash earnings before IoRE[4] fell by 23.8% to $311 million. Volatile global investment markets affected average funds under management, which fell by 19% during the year and resulted in a 37.1% decline in Investments cash earnings. Despite these difficult market conditions, MLC continues to focus on profitable growth and has maintained investment margins.

Annual inforce premiums increased by 12.7% but insurance cash earnings fell by 9.2% as a result of deterioration in claims experience and lower earnings on assets backing reserves compared to recent years. Operating costs fell by 3% as further efficiencies were realised.

The Aviva acquisition, including its life insurance operations and discretionary investment platform Navigator will add scale, efficiency and new capabilities to MLC. The proposed strategic alliance with Goldman Sachs JBWere, together with the addition of NAB Private Wealth, will enhance the Group's wealth management offer to high and ultra high net worth customers.

United Kingdom

Operating conditions were consistent with the deepest UK recession in the post war period. Domestic property values declined, on average, by 20% from their peak and commercial property fell by 45%. Dislocation in funding markets increased funding costs. In this context, the UK Region demonstrated considerable resilience.

The region delivered cash earnings of £78 million. The reduction reflected an increase in the charge for bad and doubtful debts from £175 million to £421 million with underlying profit

[4] Investment earnings on shareholders' retained profits and capital in the life business.

of £529 million up 2.1%. Net interest income was flat on the prior year as volume growth was offset by increased funding and liquidity costs. Deposit growth was 14.3%, almost four times the industry average and total assets increased by 18.3%.

New Zealand

New Zealand is experiencing a challenging period with the impact of a domestic recession and the global disruption to the credit markets, although pressures appear to have eased slightly in recent months.

Cash earnings fell 12.9% to $420 million due to: the increase in the charge for bad and doubtful debts; margin reduction reflecting increased funding costs; the NZ Government's retail deposit and wholesale guarantee schemes costs and steps taken to strengthen the balance sheet and attract additional customer deposits. Margin reduction was partially offset by repricing. Business lending growth was supported by the launch of the BNZ Partners brand, which utilised the Group best practice iFS model.

Underlying profit was up 1.7% due to continuing flat costs, improved income flowing from customer demand for foreign exchange hedging demand and a 12.4% increase in lending volumes.

nabCapital

nabCapital cash earnings were $634 million as a result of strong revenue growth across most product areas - particularly in Global Markets and Treasury - as well as ongoing repricing of lending. This was partially offset by costs associated with the risk mitigation trades and a management overlay provision of $160 million in respect of conduit assets and derivatives.

Net operating income was up 31.4% flowing from increased customer demand for risk management products and increased trading activity while interest rate and currency markets were volatile. Costs rose by 11.5% largely due to additional personnel to support the revenue growth and a more normal level of incentive accrual following the increase in business profitability. Underlying profit was up 43.9%.

Excluding the ABS CDOs provision taken in 2008, the charge for bad and doubtful debts increased by $626 million. Higher gross impaired assets reflected the continued deterioration in global economic conditions and a need for increased provisioning against a number of corporate and leveraged exposures largely in Australia and the UK.

Great Western Bank

2009 was the first full year of trading results for Great Western Bank. Cash earnings for the year were US$53 million and underlying profit was US$94 million. The charge for bad and doubtful debts was US$14 million.

Operating performance during the year showed solid growth and maintenance of net interest margins together with operating efficiencies.

Average interest earning assets increased by 15.2%, reflecting the acquisition of 20 branches in Colorado from First Community Bank and organic growth that included increases from the agricultural strategy. The ratio of deposits to loans was 118% allowing asset growth to be fully funded from customer deposits.

Conclusion.

"Our solid performance in 2009 has the foundations of good revenue growth and cost control combined with actions that demonstrate our commitment to improving customer relationships and reputation. These are key to ensuring sustainable business momentum and shareholder returns," Mr Clyne said.

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Disclaimer
This announcement contains certain forward-looking statements. The words "anticipate", "believe", "expect", "project", “forecast”, "estimate", “outlook” “upside”, "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. For further information on important factors that could cause actual results to differ materially from those projected in such statements are contained in the Group’s Annual Financial Report.

Section 2

Highlights

Group Performance

Cameron Clyne

Strategic Highlights & Business Developments

The Group's objective is to generate superior Total Shareholder Return (TSR). On 12 March 2009, the Group updated its strategic agenda and organisational structure. The key priorities are:

- Maintaining a sound position on capital and funding.
- Continuing careful management of costs and the convergence of operations.
- Investing in the issues that drive the Group's reputation with customers and people.
- Focusing on the strong Australian franchise, whilst maintaining value and options for longer term growth internationally, and restructuring nabCapital.

The Group is now a flatter organisation emphasising convergence of activities and developing growth opportunities in the Australian market.

Reporting under the revised structure will commence from 1 October 2009. This report presents results on the basis of the Group's previous regional based model.

The Group is well positioned to deal with the challenging market environment, and remains focused on these stated priorities:

Keeping the bank safe.

- The Group's capital and balance sheet continues to be conservatively managed. During the 2009 year, $7.9 billion in Tier 1 capital was raised.
- The Group's Tier 1 capital ratio of 8.96% is consistent with its desire to maintain a strong capital base. The final dividend will be maintained at 73 cents per share in order to preserve capital in the near term.
- The full year funding requirement of $19 billion was successfully completed and the Group commenced pre-funding for the 2010 year. Over the reporting year, $32.3 billion of term wholesale funding has been raised, of which $8.5 billion was raised in the preferred unguaranteed format. The weighted average term to maturity of the funds raised is 4.2 years.
- The Group held $71 billion of liquid assets at 30 September 2009, an increase over levels held at 30 September 2008. The liquidity position is significantly in excess of regulatory requirements. In addition, a strong deposit performance and solid progress on term funding has increased the Group's Stable Funding Index (SFI) to 78% at 30 September 2009, up from 72% at 30 September 2008.
- The Group's Customer Funding Index (CFI) improved during the year as all businesses increased their focus on retail deposit growth. Retail deposits increased by $23.6 billion during the 2009 year.

Tight management of costs.

- The Group remains focused on cost management and increasing efficiencies across each of its businesses. Strong cost momentum has been maintained, with cost growth remaining around inflation.
- The acceleration of the Efficiency, Quality and Service (EQS) agenda continued during the September 2009 half. These EQS initiatives have focused on reshaping the business to increase efficiency, reduce duplication and position the Group to better serve its customers. Costs associated with the acceleration of this agenda are incremental to the underlying cost performance of the businesses and are excluded from cash earnings. For the full year, $254 million of costs have been accelerated, which are expected to deliver $336 million of annualised benefits in the 2010 year. The acceleration of EQS initiatives is expected to be ongoing into the 2010 year and they will continue to be reported separately, with associated benefits, as they arise.
- Investment in the business continued during the year. The physical distribution network in Australia has been extended, product capability improved through system enhancements and support functions simplified in all regions.

Investing in the issues that drive the Group's reputation with customers and people.

- After listening intently to customers and acting to enhance its reputation, on 1 September 2009, the Group abolished overdrawn account fees on all NAB and BNZ personal transaction and savings accounts. On 15 October 2009, it announced that most account service fees on personal transaction accounts would also be abolished. Credit card overlimit and late fees will also be abolished or significantly reduced in coming months. The Group sees this as a critical step towards strengthening customer relationships, winning new customers and building its reputation in the community.
- MLC has continued its leadership on the important issue of building trust in the financial advice industry and was rated the most admired wealth management company for promoting trust and confidence in the PricewaterhouseCoopers' 2009 Wealth Management CEO Survey. It continues to play a leading role in advocating fee based advice.
- In the broader community, the Group has continued to invest in the focus areas of inclusion, education and the environment. Its microfinance initiatives continue to expand, with the introduction of the AddsUp savings plan to its microfinance suite. In July 2009 an Indigenous Advisory Group was formed, bringing together Indigenous leaders and Group executives to provide external governance on the Group's engagement with Aboriginal and Torres Strait Islander people. Inaugural grants under the Schools First initiative were awarded, adding to the Group's suite of initiatives supporting a better education and environment for children.
- The investment in people and their capacity to lead businesses in their local communities is also progressing. Fundamental to this has been a focus on their societal responsibilities as well as their businesses. The Academy in Melbourne was also launched as a leading and innovative centre of training and innovation.

Pursuing organic and strategically aligned inorganic growth opportunities.

- During the year the Group announced the following acquisitions. Each of these is a strategic fit for the business and will strengthen the Australian franchises:
  - Aviva Australia Holdings Ltd (AAHL), including its life insurance operations and its discretionary investment platform, Navigator. Aviva enhances the Group's wealth management strategy adding scale, efficiency and new capabilities to the operations. Aviva also has strong relationships in the external financial adviser markets, opening up new sources of growth. The acquisition was completed effective 1 October 2009.
  - 80.1% of Goldman Sachs JBWere's private wealth management business in Australia and New Zealand. Once this sale completes, this will be branded as JBWere and will remain focused on delivering advice based wealth solutions to high net worth clients, and adds to the Group's capability in private wealth management.
  - The mortgage management business of Challenger. Completion of this acquisition will provide the Group with additional distribution and capability in Australian mortgages and improve NAB's presence in the broker distribution segment.
- Growth opportunities that enhance the Group's international footprint have also been pursued. Great Western Bank has expanded its distribution network in the agricultural regions of Colorado through the acquisition of 20 branches from First Community Bank and one from Wachovia. The distribution network will be further extended when the agreed acquisition of 32 branches in Iowa and Nebraska from TierOne Bank is completed.

Financial Highlights

The Group has generated cash earnings of $3,841 million for the year to September 2009, a decrease of 1.9% against the September 2008 year. Underlying business performance remains sound, with underlying profit up 14.6% to $9,326 million.

Revenue increased by 9.7% when compared to the September 2008 year (up 9.6% excluding exchange rate variances). Excluding Great Western Bank (GWB), which was acquired in June 2008, revenue increased by 8.5%. Group revenue growth was solid, despite rapidly emerging weakness across the relevant economies. Australia Banking and nabCapital's Global Markets and Treasury Division were particular areas of strength. Australia Banking achieved robust business lending growth and effective margin management. nabCapital's Global Markets and Treasury Division benefited from market volatility, which drove increased client demand for risk management products, improved margins and a strong trading performance. This was partially offset by lower revenues in the UK Region, where significantly higher funding costs could not be fully passed on to customers, and in MLC through the impact of declining investment markets on funds under management and adverse claims experience. All Group franchises have continued repricing their lending portfolios to align pricing to current risk settings.

While system lending growth has slowed in all markets, the Group has achieved satisfactory growth in lending volumes, with average lending volumes growing by 6.7% since September 2008 to $441.0 billion. In a competitive market, the Group has achieved average retail deposit growth of 16.3% since September 2008, through the introduction of innovative and competitive products.

Operating expenses have increased by 4.2% (up 4.2% excluding foreign exchange) from September 2008. Excluding GWB, expenses are up $212 million or 2.9% (3.3% excluding foreign exchange). All regions have again demonstrated their capability in sustainable underlying cost management, with continuous improvement disciplines embedded in business culture. This has been offset by continuing investment in the businesses, including the business and retail banking distribution networks in Australia, The Academy and the Next Generation banking platforms program.

The subdued nature of the global economic environment continued to affect all Group franchises, which resulted in further softening of asset quality across all regions:

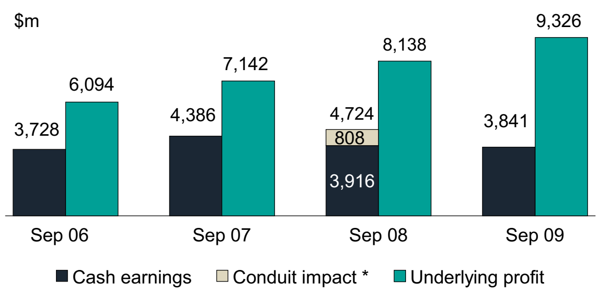
- The ratio of gross impaired assets to gross loans and acceptances has weakened by 37 basis points from 0.89% at 31 March 2009 to 1.26% at 30 September 2009.
- The Group charge to provide for bad and doubtful debts for the September 2009 year was $3,815 million. The specific provision charge of $2,975 million mainly constitutes an increase across the corporate and business portfolios in all regions. The collective provision charge was $788 million, reflecting a decline in customer credit ratings across all businesses. Included within this amount, as announced in the March 2009 results, is $86 million, which has been added to the Group's economic cycle reserve to further strengthen the Group's balance sheet. A $160 million management overlay in respect of conduit assets and derivative transactions has also been recognised. The Group's collective provision to credit risk-weighted assets (ex. housing) coverage ratio is now 1.46%.

Shareholder Returns

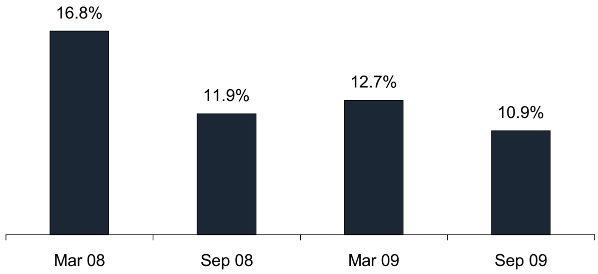
The Group's return on equity has declined by 250 basis points to 11.8% for the year when compared to the September 2008 year, reflecting lower earnings and the higher levels of capital held. The final dividend for the year has been maintained at 73 cents per share. This represents a dividend payout ratio of 73.6% for the year on a cash earnings basis. The dividend payment is 100% franked, and will be paid on 17 December 2009. Shares will be quoted ex-dividend on 13 November 2009.

Key Performance Measures (1)

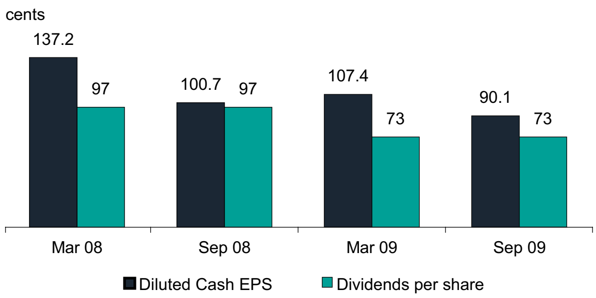
Cash Earnings and Underlying Profit - full year



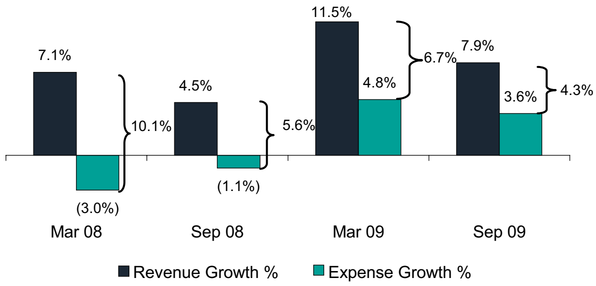
Cash Return on Equity (ROE) - half year



Diluted Cash EPS and Dividend per Share - half year



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



Group Performance Indicators (1)

	Year to		Half Year to	
	Sep 09	**Sep 08**	**Sep 09**	**Mar 09**
Key Indicators				
Cash earnings per share (cents)				
- basic	**198.4**	238.4	**90.6**	108.3
- diluted	**197.5**	237.3	**90.1**	107.4
Cash return on equity (ROE)	**11.8%**	14.3%	**10.9%**	12.7%
Profitability, performance and efficiency measures				
Dividend per share (cents)	**146**	194	**73**	73
Dividend payout ratio	**73.6%**	81.4%	**80.6%**	67.4%
Cash earnings on average assets	**0.56%**	0.64%	**0.55%**	0.57%
Cash earnings per average FTE ($'000)	**98**	99	**93**	103
Banking cost to income ratio	**43.9%**	46.9%	**44.5%**	43.4%
Net interest margin:				
- Australia Banking	**2.59%**	2.42%	**2.65%**	2.53%
- UK Region	**2.24%**	2.62%	**2.35%**	2.14%
- NZ Region	**2.13%**	2.42%	**2.04%**	2.23%
Capital				
Tier 1 ratio	**8.96%**	7.35%	**8.96%**	8.31%
Total capital ratio	**11.48%**	10.93%	**11.48%**	12.19%
Risk weighted assets (3) ($bn)	**342.5**	343.5	**342.5**	352.4
Volumes ($bn)				
Gross loans and acceptances (3) (4)	**436.6**	438.3	**436.6**	443.7
Average interest earning assets	**559.4**	506.5	**548.7**	570.0
Total average assets	**688.7**	608.3	**660.5**	716.9
Asset quality				
Gross impaired assets to gross loans and acceptances	**1.26%**	0.49%	**1.26%**	0.89%
Collective provision to credit risk-weighted assets (ex. housing)	**1.46%**	1.07%	**1.46%**	1.38%
Specific provision to gross impaired assets	**28.2%**	30.0%	**28.2%**	33.5%
Other				
Funds under management and administration (5) ($bn)	**85.1**	86.2	**85.1**	74.2
Annual inforce premiums ($m)	**968.8**	859.3	**968.8**	910.2
Full Time Equivalent Employees (no.)	**38,953**	39,729	**38,953**	39,150

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

Group Results

	Year to			Half Year to		
	Sep 09 $m	Sep 08 $m	Sep 09 v Sep 08%	Sep 09 $m	Mar 09 $m	Sep 09 v Mar 09%
Net interest income	**12,072**	11,142	8.3	**6,188**	5,884	5.2
Other operating income	**3,766**	3,015	24.9	**1,675**	2,091	(19.9)
MLC net operating income	**1,068**	1,257	(15.0)	**529**	539	(1.9)
Net operating income	**16,906**	15,414	9.7	**8,392**	8,514	(1.4)
Operating expenses	**(7,580)**	(7,276)	(4.2)	**(3,810)**	(3,770)	(1.1)
Underlying profit	**9,326**	8,138	14.6	**4,582**	4,744	(3.4)
Charge to provide for bad and doubtful debts	**(3,815)**	(2,489)	(53.3)	**(2,004)**	(1,811)	(10.7)
Cash earnings before tax, IoRE and distributions	**5,511**	5,649	(2.4)	**2,578**	2,933	(12.1)
Income tax expense	**(1,451)**	(1,408)	(3.1)	**(726)**	(725)	(0.1)
Cash earnings before IoRE and distributions	**4,060**	4,241	(4.3)	**1,852**	2,208	(16.1)
Net profit - minority interest	**-**	1	large	**11**	(11)	large
IoRE	**26**	(14)	large	**52**	(26)	large
Distributions	**(245)**	(312)	21.5	**(101)**	(144)	29.9
Cash earnings [(1)] - ongoing operations	**3,841**	3,916	(1.9)	**1,814**	2,027	(10.5)
Disposed operations	**-**	3	large	**-**	-	-
Cash earnings [(1)]	**3,841**	3,919	(2.0)	**1,814**	2,027	(10.5)
Non-cash earnings items (refer to page 10)	**(1,252)**	617	large	**(1,889)**	637	large
Net profit/(loss) attributable to members of the company	**2,589**	4,536	(42.9)	**(75)**	2,664	large

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

Group Balance Sheet Key Items

	As at				
	30 Sep 09 $m	31 Mar 09 $m	30 Sep 08 $m	Sep 09 v Sep 08 %	Sep 09 v Mar 09 %
Assets					
Cash and liquid assets	**25,834**	18,287	18,209	41.9	41.3
Due from other banks	**33,265**	30,663	46,996	(29.2)	8.5
Marketable debt securities	**47,681**	53,188	39,463	20.8	(10.4)
Loans and advances at fair value	**29,567**	28,961	25,732	14.9	2.1
Other assets at fair value	**1,963**	2,890	4,868	(59.7)	(32.1)
Other financial assets at fair value	**31,530**	31,851	30,600	3.0	(1.0)
Loans and advances including acceptances	**399,809**	407,785	406,456	(1.6)	(2.0)
Investments relating to life insurance business	**54,254**	44,057	52,896	2.6	23.1
Other assets	**61,747**	90,170	62,179	(0.7)	(31.5)
Total assets	**654,120**	676,001	656,799	(0.4)	(3.2)
Liabilities					
Due to other banks	**36,148**	45,879	52,423	(31.0)	(21.2)
Deposits at fair value	**10,365**	12,895	14,485	(28.4)	(19.6)
Other liabilities at fair value	**10,946**	10,069	9,099	20.3	8.7
Other financial liabilities at fair value	**21,311**	22,964	23,584	(9.6)	(7.2)
Deposits and other borrowings	**336,188**	327,759	327,466	2.7	2.6
Liability on acceptances	**16,891**	17,959	16,075	5.1	(5.9)
Bonds, notes and subordinated debt	**90,792**	108,020	98,239	(7.6)	(15.9)
Life policy liabilities	**47,314**	38,351	46,150	2.5	23.4
Other liabilities	**67,641**	78,668	60,016	12.7	(14.0)
Total liabilities	**616,285**	639,600	623,953	(1.2)	(3.6)

Regional Performance

Regional Results

	Year to			Half Year to		
	Sep 09 $m	Sep 08 $m	Sep 09 v Sep 08 %	Sep 09 $m	Mar 09 $m	Sep 09 v Mar 09 %
Australia Banking	**2,774**	2,928	(5.3)	**1,304**	1,470	(11.3)
MLC	**311**	408	(23.8)	**153**	158	(3.2)
Other (incl. Asia)	**(20)**	(8)	large	**(7)**	(13)	46.2
Australia Region	**3,065**	3,328	(7.9)	**1,450**	1,615	(10.2)
UK Region	**164**	542	(69.7)	**52**	112	(53.6)
NZ Region	**343**	404	(15.1)	**154**	189	(18.5)
nabCapital	**634**	(44)	large	**289**	345	(16.2)
Central Functions	**(146)**	12	large	**(82)**	(64)	(28.1)
IoRE	**26**	(14)	large	**52**	(26)	large
Distributions	**(245)**	(312)	21.5	**(101)**	(144)	29.9
Cash earnings - ongoing operations	**3,841**	3,916	(1.9)	**1,814**	2,027	(10.5)
Disposed operations	**-**	3	large	**-**	-	-
Cash earnings	**3,841**	3,919	(2.0)	**1,814**	2,027	(10.5)
Non-cash earnings items	**(1,252)**	617	large	**(1,889)**	637	large
Net profit/(loss) attributable to members of the company	**2,589**	4,536	(42.9)	**(75)**	2,664	large

Regional Performance Indicators

	Year to			Half Year to		
	Sep 09	Sep 08	Sep 09 v Sep 08	Sep 09	Mar 09	Sep 09 v Mar 09
Australia Banking						
Cash earnings ($m)	**2,774**	2,928	(5.3%)	**1,304**	1,470	(11.3%)
Cash earnings on average assets	**0.95%**	1.11%	(16 bps)	**0.90%**	0.99%	(9 bps)
Net interest margin	**2.59%**	2.42%	17 bps	**2.65%**	2.53%	12 bps
Net operating income ($m)	**8,985**	8,100	10.9%	**4,549**	4,436	2.5%
Cost to income ratio	**38.8%**	41.6%	280 bps	**38.6%**	39.0%	40 bps
MLC						
Cash earnings before IoRE ($m)	**311**	408	(23.8%)	**153**	158	(3.2%)
Investment operating expenses to average FUM	**64 bps**	55 bps	(9 bps)	**63 bps**	65 bps	2 bps
Insurance cost to average inforce premium	**20%**	21%	100 bps	**19%**	21%	200 bps
UK Region (pounds sterling)						
Cash earnings (£m)	**78**	249	(68.7%)	**28**	50	(44.0%)
Cash earnings on average assets	**0.18%**	0.69%	(51 bps)	**0.13%**	0.24%	(11 bps)
Net interest margin	**2.24%**	2.62%	(38 bps)	**2.35%**	2.14%	21 bps
Net operating income (£m)	**1,198**	1,235	(3.0%)	**635**	563	12.8%
Cost to income ratio	**55.8%**	57.9%	210 bps	**54.2%**	57.7%	350 bps
NZ (NZD)						
Cash earnings ($NZm)	**420**	482	(12.9%)	**192**	228	(15.8%)
Cash earnings on average assets	**0.82%**	1.05%	(23 bps)	**0.73%**	0.91%	(18 bps)
Net interest margin	**2.13%**	2.42%	(29 bps)	**2.04%**	2.23%	(19 bps)
Net operating income ($NZm)	**1,465**	1,454	0.8%	**710**	755	(6.0%)
Cost to income ratio	**47.0%**	47.5%	50 bps	**49.4%**	44.7%	(470 bps)
nabCapital						
Cash earnings ($m)	**634**	(44)	large	**289**	345	(16.2%)
Net operating income	**2,794**	2,126	31.4%	**1,307**	1,487	(12.1%)
Cost to income ratio	**32.6%**	38.4%	580 bps	**35.1%**	30.4%	(470 bps)

Section 3

Review of Operating Environment, Group Operations and Results

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Review of Group Operating Environment

Late 2008 to early 2009 saw what the Governor of the US Federal Reserve called a "classic panic" in financial markets and the biggest reductions in world industrial output and trade since the early 1930s. Subsequently, financial markets partially recovered and global economic activity consolidated at a low level through mid-2009. Growing signs of stabilisation in the global economy and the expected resumption of modest growth during the latter half of the year should prevent further deterioration in the Group business environment.

Previous deep recessions have been followed by strong upturns but, on this occasion, there are several reasons why the economic recovery could be more muted. The exceptional increase in Government deficits around the world has played a key role in stabilising demand but the rapid accumulation of public debt will put growing pressure on administrations to raise revenue and restrain spending. Sustained economic growth will, therefore, have to rely on a re-balancing of spending away from the public sector and toward private demand, and this adjustment will need to occur against the prospect of fiscal retrenchment as well as increases in interest rates to more neutral levels.

The legacy of high debt from the previous credit-intensive period of growth could also limit growth opportunities by weighing on willingness to borrow, thus holding down spending. Just as the ending of cheap oil in the early 1970s led to a prolonged period of adjustment to higher energy prices and slower growth, so the ending in 2007 of a period of plentiful global credit and the under-pricing of risk represents a negative supply shock to the global economy. At the same time, the extensive unemployment - erosion of human capital and lost capacity - produced by any recession tends to depress spending and hold back the potential rate of economic expansion. All these factors suggest that it would be prudent not to rely on a repetition of the historical pattern of deep global recessions generally being followed by strong rebounds in activity. Consequently, world economic growth is forecast at just above 3% in 2010, well below the 4% or so growth typically experienced in some previous recoveries.

The chances of achieving sustained economic growth would be improved by a reduction in the economic imbalances that characterised the pre-crisis global economy. This essentially amounts to less dependence on a growth model driven by spending, importing and borrowing in economies like the US or UK alongside a lower reliance on the saving, lending and export-led model that drove recent growth in China, Japan and Germany. The eventual outcome of a successful process of re-balancing would be a greater prominence for domestic demand rather than exports in the latter three economies and increased focus on household saving and stronger net exports in the US and UK. Lower exchange rates and higher household savings ratios in the UK and US indicate progress is being made toward the necessary rebalancing, but the growth models in Japan and Germany seem set to remain mainly export-driven. The largest single step toward re-balancing seems to be occurring in China where the authorities have sharply increased public spending and encouraged faster credit growth to offset a slump in exports.

The differing environments facing Group regional business units reflect where they are placed in this global process of recession, stabilisation and re-balancing. The unusually synchronised nature of the global recession ensured that nowhere emerged unscathed, but there are important differences between economies in both the severity of their downturns and their growth prospects. The re-distribution of global economic activity toward Asia, in particular, has benefited the Australian economy due to its strong trade links to the region and the support provided to commodity demand from Chinese programmes to stimulate domestic spending. Commodity prices tend to fall heavily in global downturns and this episode has been no exception but they have not fallen to the extent that might have been expected, given the unprecedented severity of the recent downturn by post-war standards. As a result, Australia's terms of trade, while falling, have remained surprisingly high and this has propped up local incomes and activity. The UK, by contrast, is more exposed to Euro-zone and US markets, which weakened significantly after mid-2008.

The remarkably good performance of the Australian economy also reflects its scope and ability to implement a substantial loosening in economic policy. The fiscal position was very strong going into the downturn, allowing sizeable increases in public spending and transfers to households. Policy interest rates were clearly high prior to the collapse of Lehman Brothers as the RBA sought to cool domestic demand. Consequently there was scope to implement sizeable rate cuts and the banking system was sufficiently healthy to pass on much lower mortgage rates. New Zealand was in a similar position with still strong public finances and high lending rates in mid-2008 that allowed a big easing in policy. The Bank of England has also cut interest rates to historically low levels and instigated a policy of quantitative easing in monetary policy to support activity while the Government has implemented a large fiscal stimulus. In the case of the UK, however, the ongoing level of the budget deficit is exceptionally large, leading to debate on the potential for restrictive tax and spending measures that could affect growth in the next few years.

While some aspects of the economic environment differ between the key regions of Group activity, there are also crucial similarities. Unemployment and business bankruptcies are rising everywhere, eroding asset quality. Housing markets were, until recently, weak across Australia, the UK, US and New Zealand, with flat to falling prices and much lower transaction levels. Commercial property markets have been especially weak and prices have fallen substantially. Credit growth has slowed to very low levels in all markets, with declines in business lending and a virtual stalling in household lending. This reflects the high initial level of household debt/income ratios across all four economies, with de-leveraging gathering strength through 2008 on top of the normal pro-cyclical declines in system credit growth during economic downturns. As activity recovers, system credit growth should follow suit, but certain aspects of the pre-crisis environment - notably the historically low ratios of system bad debt and the exceptionally thin risk margins incorporated into some loan pricing - are unlikely to recur.

Review of Group Operations and Results

Mark Joiner

Group Results

In a challenging operating environment the Group's cash earnings decreased by 1.9% (2.3% excluding the impact of foreign exchange) over the September 2008 year.

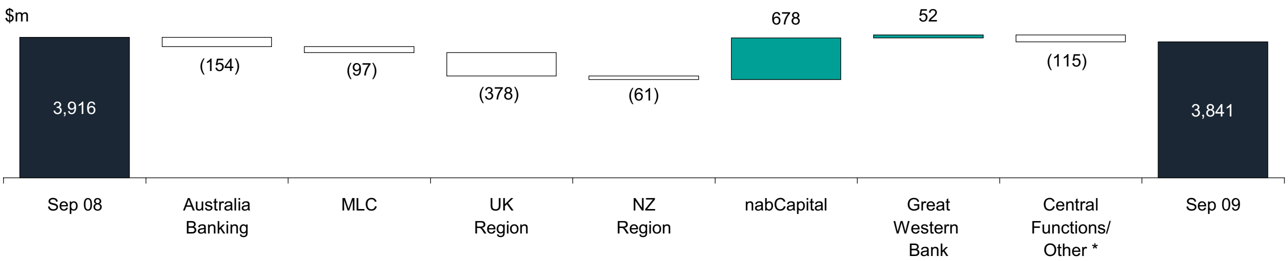
The Group achieved solid underlying profit growth of 14.6% when compared to the September 2008 year through growth in business and corporate lending, strong revenue growth in nabCapital Global Markets and Treasury, and the achievement of further operational efficiencies. Net operating income increased by 9.7% over the September 2008 year result. Excluding Great Western Bank (GWB), which was acquired in June 2008, net operating income increased by 8.5%.

Operating expenses increased by 4.2% in comparison with the September 2008 year. Excluding GWB expenses are up $212 million or 2.9% as the Group continues to invest in its franchises. The banking cost to income ratio of 43.9% for the year to September 2009 was 300 basis points lower than the prior year.

The charge to provide for bad and doubtful debts increased from the September 2008 year as a result of specific provisions for a number of customers across the corporate and business portfolios in all industries, as a result of the deterioration in economic conditions across each of the main operating regions.

	Year to			**Half Year to**		
	Sep 09 $m	**Sep 08 $m**	**Sep 09 v Sep 08 %**	**Sep 09 $m**	**Mar 09 $m**	**Sep 09 v Mar 09 %**
Net interest income	**12,072**	11,142	8.3	**6,188**	5,884	5.2
Other operating income	**3,766**	3,015	24.9	**1,675**	2,091	(19.9)
MLC net operating income	**1,068**	1,257	(15.0)	**529**	539	(1.9)
Net operating income	**16,906**	15,414	9.7	**8,392**	8,514	(1.4)
Operating expenses	**(7,580)**	(7,276)	(4.2)	**(3,810)**	(3,770)	(1.1)
Underlying profit	**9,326**	8,138	14.6	**4,582**	4,744	(3.4)
Charge to provide for bad and doubtful debts	**(3,815)**	(2,489)	(53.3)	**(2,004)**	(1,811)	(10.7)
Cash earnings before tax, IoRE and distributions	**5,511**	5,649	(2.4)	**2,578**	2,933	(12.1)
Income tax expense	**(1,451)**	(1,408)	(3.1)	**(726)**	(725)	(0.1)
Cash earnings before IoRE and distributions	**4,060**	4,241	(4.3)	**1,852**	2,208	(16.1)
Net profit - minority interest	**-**	1	large	**11**	(11)	large
IoRE	**26**	(14)	large	**52**	(26)	large
Distributions	**(245)**	(312)	21.5	**(101)**	(144)	29.9
Cash earnings - ongoing operations	**3,841**	3,916	(1.9)	**1,814**	2,027	(10.5)
Disposed operations	**-**	3	large	**-**	-	-
Cash earnings	**3,841**	3,919	(2.0)	**1,814**	2,027	(10.5)
Non-cash earnings items (after tax):						
Distributions	**245**	312	(21.5)	**101**	144	(29.9)
Treasury shares	**(256)**	375	large	**(344)**	88	large
Fair value and hedge ineffectiveness	**(79)**	(89)	11.2	**(555)**	476	large
IoRE discount rate variation	**(4)**	25	large	**(28)**	24	large
Efficiency, quality and service initiatives	**(179)**	-	large	**(137)**	(42)	large
Provision for litigation	**(110)**	-	large	**(64)**	(46)	(39.1)
Provision for tax NZ structured finance transactions	**(542)**	-	large	**(542)**	-	large
ExCaps taxation assessment	**(309)**	-	large	**(309)**	-	large
GWB integration costs	**(18)**	(7)	large	**(11)**	(7)	(57.1)
Gain on Visa Initial Public Offering (IPO)	**-**	225	large	**-**	-	-
Charge to provide for bad and doubtful debts - economic cycle adjustment	**-**	(150)	large	**-**	-	-
Provision for new business initiatives	**-**	(74)	large	**-**	-	-
Net profit/(loss) attributable to members of the company	**2,589**	4,536	(42.9)	**(75)**	2,664	large

Cash Earnings - Ongoing Operations



* *Central Functions/Other includes Other (incl. Asia) and distributions.*

Group Results

Financial Analysis

September 2009 v September 2008

Net interest income increased by $930 million or 8.3%. This includes a decrease of $261 million from interest-spread differentials between international and Australian interest rates. As the Group economically hedges exposure to this risk, there is a corresponding favourable impact within other operating income attributable to lower hedge costs.

The underlying increase of $1,191 million or 11.4% reflects business lending and deposit volume growth in all regions, particularly Australia Banking, and ongoing repricing of the lending portfolios across all businesses to align pricing to current risk settings. This was offset by higher liquidity costs as the Group continued to hold additional liquidity, higher funding costs across all regions as the term funding portfolio progressively matured and was replaced at higher spreads over benchmark rates, and costs associated with Government Guarantee schemes in Australia, the United Kingdom and New Zealand.

Other operating income increased by $751 million or 24.9%. Excluding the effect of economically hedging the short term funding portfolio, that is offset within net interest income, other operating income was up $490 million or 13.1%. A strong performance from nabCapital's Global Markets and Treasury division from increased client demand and transaction flow was partly offset by a management overlay relating to conduit assets and derivatives, adverse fair value movements (inclusive of amortisation of upfront premiums) of the SCDO risk mitigation trades, increases in swap fees within Australian Banking, and declining fee income across the Group from lower transaction volumes and fee reduction initiatives.

MLC net operating income decreased by $189 million or 15.0%. MLC continued to be affected by the downturn in the global investment market, with a decrease in funds under management leading to lower management fees in the Investments business. Growth in annual inforce premiums in the Insurance business was offset by lower earnings on assets backing reserves and a deterioration in net claims experience.

Operating expenses increased by $304 million or 4.2%. Excluding GWB, which was only included for four months in 2008, expenses were up 2.9%. All regions have continued to deliver a strong cost outcome in their normal business activities, whilst continuing to focus on efficiency, quality and service initiatives. Outside of cash earnings $254 million of expenses have been recognised in relation to EQS activities that are expected to deliver annualised benefits of $336 million in 2010.

The Group's **banking cost to income ratio** improved by 300 basis points to 43.9%, reflecting the Group's ability to grow revenue in the current environment, whilst continuing to maintain cost discipline.

The **charge to provide for bad and doubtful debts** increased by $1,326 million. Excluding provisions for ABS CDOs exposure in 2008 and impairment on held to maturity investments in 2009, the charge to provide for bad and doubtful debts increased $2,285 million. This was driven by increased specific provisions for a number of customers across the corporate and business portfolios in all regions, and deterioration in economic conditions in all regions leading to a decline in customer credit ratings. An additional collective provision charge of $86 million was raised to bring the economic cycle reserve to $300 million to further strengthen the Group's balance sheet.

September 2009 v March 2009

Net interest income increased by $304 million or 5.2% over the March 2009 half from repricing of the lending portfolio and easing short term wholesale funding costs. This was partially offset by increased competition on deposit margins.

Other operating income decreased by $416 million or 19.9% as the trading and sales performance from Global Markets and Treasury in nabCapital reduced as economic conditions stabilised. In addition, higher swap fees in Australia Banking, lower investment management fees on UK wealth management products and lower payment protection insurance following regulatory changes in the UK also contributed to the reduction.

MLC net operating income decreased by $10 million or 1.9% as a result of higher claims experience, partially offset by higher insurance premium income, and an increase in investments net income driven by the recent market recovery.

Operating expenses increased by $40 million or 1.1%. Personnel expenses decreased as completed EQS initiatives led to lower FTEs. Other expenses have increased from investment in project activities, which has been partially offset by continued cost management over discretionary expenditure.

The Group's **banking cost to income ratio** increased by 110 basis points against the March 2009 half to 44.5%.

The **charge to provide for bad and doubtful debts** increased by $193 million as a result of specific provisions across the corporate and business portfolios in Australia Banking and UK Region, as well as the ongoing effects of the deterioration in economic conditions.

Impact of Foreign Exchange Rates Movements

Cash earnings decreased by $89 million or 2.3% on the September 2008 year and decreased by $183 million or 9.0% on the March 2009 half year, excluding the impact of foreign exchange rate movements of $14 million and ($30) million on the respective periods.

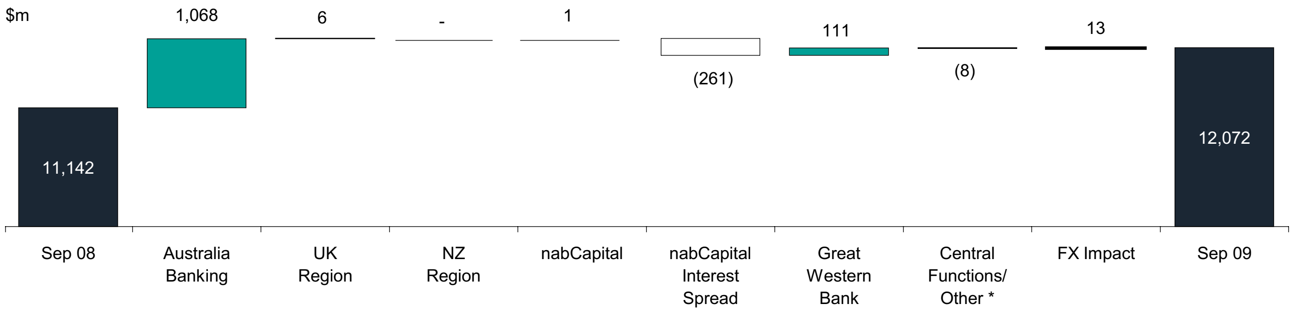
Favourable/ (unfavourable) September 09	Year since Sep 08 $m	Sep 09 v Sep 08 Ex FX %	Half year since Mar 09 $m	Sep 09 v Mar 09 Ex FX %
Net interest income	13	8.2	(206)	8.7
Other operating income	-	24.9	(73)	(16.4)
MLC net operating income	-	(15.0)	-	(1.9)
Net operating income	13	9.6	(279)	1.8
Operating expenses	-	(4.2)	135	(4.6)
Charge to provide for bad and doubtful debts	25	(54.3)	89	(15.6)
Income tax expense	(2)	(2.9)	14	(2.1)
Other	(22)	39.4	11	72.9
Cash earnings	14	(2.3)	(30)	(9.0)

Net Interest Income

	Year to			Half Year to		
	Sep 09	**Sep 08**	**Sep 09 v Sep 08 %**	**Sep 09**	**Mar 09**	**Sep 09 v Mar 09 %**
Net interest income ($m)	**12,072**	11,142	8.3%	**6,188**	5,884	5.2%
Average interest earning assets ($bn)	**559.4**	506.5	10.4%	**548.7**	570.0	(3.7%)
Net interest margin (%)	**2.16**	2.20	(4 bps)	**2.25**	2.07	18 bps

Net interest income and margin management are key areas of focus for the regional businesses, given the nature of their customer franchises. They are less significant for nabCapital where the accounting classification of the revenue can vary depending on the structure of a transaction. Group net interest margins represent an amalgam of the individual business outcomes and the analysis below is based on regional drivers.

Net Interest Income - Contribution to Net Increase [1]



[1] *At constant exchange rates.*

* *Central Functions/Other includes Other (incl. Asia) and distributions.*

September 2009 v September 2008

Net interest income increased by $1,191 million or 11.4% ($1,178 million or 11.3% excluding foreign exchange) excluding the effects of accounting volatility created by the short-term funding portfolio of $261 million (fully offset in other operating income). The underlying increase was due to:

- Repricing of the lending portfolios in all regions, driven by the alignment of pricing to the current risk settings.
- Growth in business lending, variable rate savings products and term deposit volumes across all regions.
- The gain on buy-back of Lanark Master Trust notes of $80 million in the UK Region.
- The acquisition of Great Western Bank in June 2008.

The increase was partially offset by:

- Higher funding costs of $666 million across all regions. Although credit spreads have contracted during 2009, the effect of higher funding costs will continue as the term funding portfolio matures and is replaced with instruments issued at higher than historic spreads over benchmark interest rates.
- A decrease in deposit margins due to competitive pressures in all regions.
- Higher liquidity costs of $112 million as the Group continued to hold additional liquidity as part of its conservative settings.

Average interest earning assets increased by 10.4% through growth in lending in all regions, an increase in liquid assets to support the Group's conservative approach to managing liquidity, and the acquisition of Great Western Bank.

The Group's *net interest margin* declined by 4 basis points due to higher funding and liquidity costs and competitive pressure on deposit margins, offset by the repricing of the lending portfolio for current risk settings across each of the businesses.

September 2009 v March 2009

Net interest income increased by $304 million or 5.2% (an increase of $510 million or 8.7% excluding foreign exchange) against March 2009, driven by continued momentum from business lending, the effect of customer repricing and easing of short-term funding costs, offset by increased competition for deposits and increased term funding costs.

Average interest earning assets decreased by 3.7% as a result of lower levels of liquid assets being held when compared to the March 2009 half. In addition, non-housing lending volumes declined as business clients de-leveraged in nabCapital.

The Group's *net interest margin* increased by 18 basis points over the last half due to the easing of short-tem funding costs, offset by competitive pressure on deposit margins and increased term funding costs.

Average Interest Earning Assets

	Year to			Half Year to		
	Sep 09 $m	Sep 08 $m	Sep 09 v Sep 08 %	Sep 09 $m	Mar 09 $m	Sep 09 v Mar 09 %
Loans and advances - housing	**200,532**	191,655	4.6	**200,508**	200,556	(0.0)
Loans and advances - non-housing	**185,189**	169,891	9.0	**181,671**	188,707	(3.7)
Acceptances	**55,307**	51,864	6.6	**55,843**	54,771	2.0
Due from other banks	**42,819**	33,441	28.0	**38,061**	47,577	(20.0)
Marketable debt securities	**56,618**	51,482	10.0	**51,654**	61,582	(16.1)
Other interest earning assets	**18,892**	8,175	large	**20,998**	16,786	25.1
Group average interest earning assets	**559,357**	506,508	10.4	**548,735**	569,979	(3.7)

September 2009 v September 2008

Average interest earning assets increased by $52.8 billion or 10.4% on the September 2008 year, reflecting:

- Growth in lending across the regions through a continued focus on key customer segments. The rate of growth slowed over the year as economic conditions remained challenging in key markets.
- An increase of $25.0 billion in liquid asset holdings, reflecting the Group's conservative approach to managing liquidity in the volatile global financial markets experienced during the 2009 year, and particularly in the March 2009 half.

Non-housing lending increased by $15.3 billion or 9.0% ($15.2 billion or 8.9% excluding foreign exchange impact), reflecting:

- An increase of $8.9 billion or 16.0% in Australia Banking as it increased market share in business lending during a year of subdued economic activity. This growth reflects a strategy centred on traditional relationship banking executed through a strong customer focus.
- An increase of $2.4 billion or 5.8% in the UK Region (8.5% excluding foreign exchange impact), which reflects a strategy of continuing to work in partnership with customers to ensure lending is appropriately priced to reflect inherent risk premiums and reduce the Region's exposure to basis risk.
- An increase of $2.9 billion or 17.6% in the NZ Region (20.9% excluding foreign exchange impact), as the Region launched the Group iFS (integrated Financial Solutions) model under the BNZ Partners brand, building on the existing strong relationship banking franchise. This growth was achieved in agriculture and business lending.

Housing lending increased by $8.9 billion or 4.6% ($9.8 billion or 5.2% excluding foreign exchange impact), reflecting growth in variable rate lending products across the regions:

- An increase of $7.9 billion or 5.5% in Australia Banking. Growth was below system, due to under-performance in the broker business, combined with lower customer demand for residential investment property.
- An increase of $0.3 billion or 1.1% in the UK Region (3.7% excluding foreign exchange impact).
- An increase of $0.5 billion or 2.5% in the NZ Region (5.4% excluding foreign exchange impact), as the Region launched innovative sales platforms, including new concept stores, out and about banking carts and trailers, and the "store-in-store" ventures with third parties such as supermarkets.

Growth in *due from other banks*, *marketable debt securities* and *other interest earning assets* primarily reflected the holding of additional levels of liquid assets to support the increase in Group liquidity when compared to the September 2008 year.

Acceptances increased by $3.4 billion or 6.6%. This growth was in Australia Banking with acceptances continuing to be favoured by business customers due to the flexibility in tailoring products to meet individual needs.

September 2009 v March 2009

Average interest earning assets declined by $21.2 billion or 3.7% on the March 2009 half year. This includes a decline of $14.8 billion in liquid asset holdings.

Non-housing lending declined by $7.0 billion or 3.7% (1.1% excluding foreign exchange impact), reflecting lower lending in nabCapital and the UK Region, partly offset by growth of $5.1 billion or 8.2% in Australia Banking. The decline in nabCapital lending primarily reflects client de-leveraging in Institutional Banking. The decline in the UK Region reflects the Region's strategy to reduce unsecured lending, to take a conservative approach to risk and focus on high quality assets. The $5.1 billion increase in lending in Australia Banking reflects the continued strength of relationship banking within the Business Bank.

Housing lending remained relatively unchanged from the March 2009 half year. Excluding the impact of foreign exchange, housing lending increased by 1.0%, reflecting growth in Australia Banking and the NZ Region. Growth has been achieved in variable rate lending as customers choose these products to benefit from a declining interest rate environment.

The movement in *due from other banks, marketable debt securities and other interest earning assets* reflected a reduction in the level of average liquid asset holdings since the March 2009 half, reflecting a stabilising external environment.

Average Interest Bearing Liabilities

	Year to			Half Year to		
	Sep 09 $m	**Sep 08 $m**	**Sep 09 v Sep 08 %**	**Sep 09 $m**	**Mar 09 $m**	**Sep 09 v Mar 09 %**
Term deposits and certificates of deposit (1)	**186,042**	147,473	26.2	**184,385**	187,699	(1.8)
On-demand and saving (short-term) deposits (1)	**130,716**	114,022	14.6	**134,454**	126,978	5.9
Due to other banks and official institutions	**51,224**	49,214	4.1	**38,918**	63,530	(38.7)
Short-term borrowings	**29,192**	35,791	(18.4)	**24,217**	34,167	(29.1)
Long-term borrowings	**109,464**	93,871	16.6	**101,898**	117,030	(12.9)
Liability on acceptances	**17,053**	22,761	(25.1)	**17,968**	16,138	11.3
Other interest-bearing liabilities	**1,816**	1,846	(1.6)	**1,709**	1,923	(11.1)
Total average interest bearing liabilities	**525,507**	464,978	13.0	**503,549**	547,465	(8.0)

(1) *For the year ended 30 September 2009, there were $200,506 million of retail deposits included in Term deposits and certificates of deposit and On-demand and savings (short-term) deposits (30 September 2008: $172,450 million); half year ended 30 September 2009: $203,796 million (31 March 2009: $197,200 million).*

September 2009 v September 2008

Average interest bearing liabilities increased by $60.5 billion or 13.0% on the September 2008 year, reflecting:

- Funding the increase in liquid asset holdings.
- An increase in retail deposits, reflecting a strategic shift to decrease the reliance on wholesale funding to fund business needs.
- An increase in long-term borrowings ($15.6 billion or 16.6%), reflecting debt issuances to strengthen the balance sheet structure and lengthen the term of the Group's funding as well as movements in the foreign currency translation of foreign-denominated debt.

Term deposits and certificates of deposit increased by $38.6 billion or 26.2%, reflecting:

- An increase of $13.6 billion or 30.6% in Australia Banking, as a result of strategic focus on growing deposits.
- An increase of $11.8 billion or 15.5% (14.8% excluding foreign exchange impact) in nabCapital, resulting from an increase in certificates of deposit to fund the Group's increased holding of liquid assets in response to the financial market disruption.
- An increase of $11.0 billion in the UK Region, reflecting growth in term deposits driven by competitive product offerings and growth in certificates of deposit to fund business needs, and to fund an increase in liquid asset holdings.

On-demand and savings (short-term) deposits increased by $16.7 billion or 14.6%, mainly due to an increase of $12.6 billion or 19.3% in Australia Banking. Growth was achieved in business demand and master custody deposits.

Short-term borrowings decreased by $6.6 billion or 18.4%, primarily reflecting a change in the composition of funding to certificates of deposits, and growth in retail deposits, resulting in a lower requirement for nabCapital to raise wholesale funds to meet the needs of other Group businesses.

Liability on acceptances decreased by $5.7 billion or 25.1%, reflecting the reduced issuance of shorter-dated bill acceptances.

Within *term deposits and certificates of deposits* and *on demand and savings (short term) deposits*, *retail deposits* increased by $28.1 billion or 16.3% (16.2% excluding foreign exchange impact), reflecting:

- An increase of $20.0 billion or 18.6% in Australia Banking, as a result of a strategic focus on improving deposit raising capability. Growth has been achieved in both term deposits and on-demand and savings deposits.
- An increase of $4.6 billion or 11.6% (14.3% excluding foreign exchange impact) in the UK Region, driven by the continued momentum in the Financial Solutions Centres and a robust performance in the Retail network.
- An increase of $0.4 billion or 2.3% (5.3% excluding foreign exchange impact) in the NZ Region, reflecting a slowing in the rate of growth in term deposits due to intense competition for deposits in New Zealand.

September 2009 v March 2009

Average interest bearing liabilities declined by $43.9 billion or 8.0% on the March 2009 half year. This was primarily due to a reduction in liquid asset holdings, and therefore the requirement to fund them, and a reduction in long-term borrowings ($15.1 billion or 12.9%), largely attributable to the favourable movement in the foreign currency translation of foreign denominated debt. There has also been a shift from wholesale to retail deposits, reflecting a strategic focus by the regions to raise deposits and reduce the reliance on wholesale funding to fund business needs.

Due to other banks and official institutions declined by $24.6 billion or 38.7% (36.0% excluding foreign exchange impact) reflecting reductions in average liquid asset holdings and an increase in retail deposits in the regions. These factors have contributed to a reduced need for nabCapital to raise funds to meet business needs.

Short-term borrowings declined by $10.0 billion or 29.1% (26.8% excluding foreign exchange impact). This decline is primarily the result of an increase in retail deposits, which has resulted in a reduced need to raise borrowings to fund business needs.

Retail deposits increased by $6.6 billion or 3.3% (5.3% excluding foreign exchange impact) reflecting growth in on-demand and savings (short-term) deposits and term deposits in Australia Banking.

Net Interest Margin

	Year to			Half Year to		
	Sep 09 %	Sep 08 %	Sep 09 v Sep 08	Sep 09 %	Mar 09 %	Sep 09 v Mar 09
Australia Banking	**2.59**	2.42	17 bps	**2.65**	2.53	12 bps
UK Region	**2.24**	2.62	(38 bps)	**2.35**	2.14	21 bps
NZ Region	**2.13**	2.42	(29 bps)	**2.04**	2.23	(19 bps)
Group net interest margin - ongoing	**2.16**	2.20	(4 bps)	**2.25**	2.07	18 bps

September 2009 v September 2008

The Group's net interest margin declined by 4 basis points. The net interest margin was affected by continued disruption in financial markets, resulting in increased borrowing costs, growth in the volume of liquid assets held, and strong competition for deposits. Although credit spreads have reduced during 2009, the effect of higher funding costs will continue as the term funding portfolio matures and is replaced with instruments issued at higher than historical spreads over benchmark interest rates. This was partially offset by repricing of the lending portfolio to align to current risk settings across each of the businesses.

Key net interest margin movements on the September 2008 year were:

- A 17 basis point increase in Australia Banking, predominantly through repricing of the business lending portfolio as a result of the alignment of price to the current risk settings, and the recovery of increased funding costs. This was partially offset by lower deposit margins as a result of increased competition and higher funding costs.
- A 38 basis point decrease in the UK Region, primarily as a result of higher wholesale funding costs from the widening spread between the base rate and 3 month LIBOR (an average of 150 basis points for the September 2009 year against an average of 77 basis points for the September 2008 year). This spread has improved during the second half, but is still considerably higher than historic averages. Lending is being transferred from base rate to LIBOR pricing in order to mitigate the basis risk. Currently 62.5% of the business term lending is linked to LIBOR, up from 42.5% last year. Competition for deposit volumes also contributed to the decrease in deposit margins. This was partially offset by repricing of the lending portfolio.
- A 29 basis point decrease in the NZ Region, mainly due to declining deposit margins resulting from market competition (37 basis points), the increased cost of wholesale funding, costs associated with the government guarantees, and the holding of higher levels of liquid assets. The decline was partially offset by repricing of assets.

September 2009 v March 2009

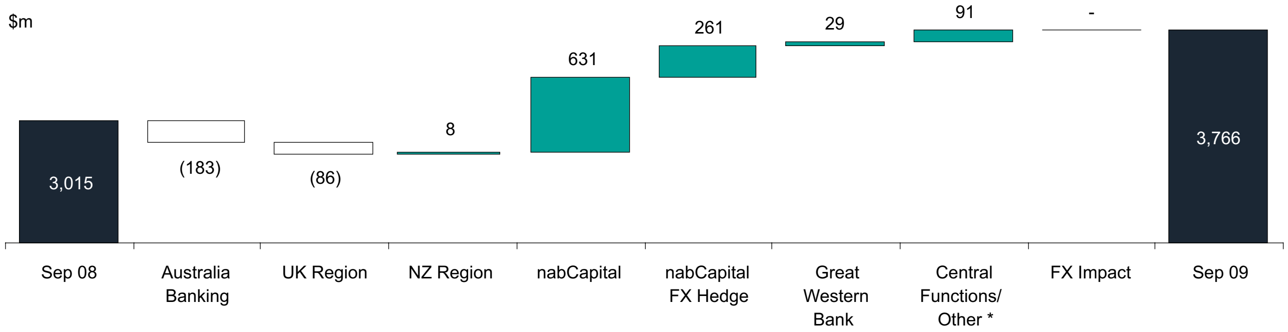
The Group's net interest margin has increased by 18 basis points. Key net interest margin movements were:

- A 12 basis point increase in Australia Banking, as a result of robust business lending momentum and margin management, including active repricing for risk.
- A 21 basis point increase in the UK Region, as a result of repricing initiatives, and the easing of wholesale funding costs since the last half. This increase was partially offset by strong competition for deposit volumes.
- A 19 basis point decrease in the NZ Region, mainly due to competition for deposits, and early repayments costs in the previous half from early repayment fees received from customers.

Other Operating Income

	Year to			Half Year to		
	Sep 09 $m	Sep 08 $m	Sep 09 v Sep 08 %	Sep 09 $m	Mar 09 $m	Sep 09 v Mar 09 %
Fees and commissions	**2,888**	3,132	(7.8)	**1,462**	1,426	2.5
Trading income	**828**	(148)	large	**146**	682	(78.6)
Other	**50**	31	61.3	**67**	(17)	large
Other operating income	**3,766**	3,015	24.9	**1,675**	2,091	(19.9)

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



(1) *At constant exchange rates.*

* *Central Functions/Other includes Other (incl. Asia) and distributions.*

September 2009 v September 2008

Other operating income increased by $751 million or 24.9% ($751 million or 24.9% excluding foreign exchange) on the September 2008 year.

Trading income increased by $715 million, excluding the impact of the spread movements on derivatives used to hedge foreign currency denominated short-term funding of $261 million (offset in net interest income). The increase was attributable to:

- A strong performance by the Global Markets and Treasury division of nabCapital, resulting in an increase in trading income of $1,157 million. This reflects sales from increased client demand, transaction flow, and favourable positioning associated with the significant market volatility, particularly in interest rates and foreign exchange.
- The gain on the repurchase of subordinated debt of $62 million.

This was partially offset by:

- A management overlay of $160 million that has been taken in respect of conduit related assets and derivative transactions to reflect the uncertainty created by the economic conditions and any consequent default.
- Adverse fair value movements (inclusive of amortisation of upfront premiums) of $86 million, attributable to SCDO risk mitigation trades.
- Unfavourable fair value losses on capital management hedging strategies of $125 million.

Fees and commissions decreased by $244 million or 7.8%. This was due to:

- A reduction in treasury income in Australia Banking of $192 million mainly attributable to swap fees on cross currency swaps hedging foreign denominated term funding transactions.
- The impact on fees of the adverse economic conditions on lending growth (mainly the UK Region).
- Lower payment protection insurance revenue due to changes in FSA requirements in the UK Region.
- Initiation of fee reduction campaigns, particularly in retail banking.

This was partially offset by an increase in customer fees of $33 million from the operations of Great Western Bank, which was acquired during June 2008.

Other income increased by $19 million due to a number of small items.

September 2009 v March 2009

Other operating income decreased by $416 million or 19.9% ($343 million or 16.4% excluding foreign exchange) on the March 2009 half.

Trading income decreased by $498 million, excluding the impact of the spread movements on derivatives used to hedge foreign denominated short-term funding of $38 million (offset in net interest income). The decrease was attributable to:

- More stable economic conditions resulting in a $117 million reduction in performance by the Global Markets and Treasury division of nabCapital.
- Swap costs on term funding transactions in Australia Banking.
- Unfavourable fair value losses on capital management hedging strategies of $279 million.

This was partially offset by favourable fair value movements (inclusive of amortisation of upfront premiums) of $109 million, attributable to SCDO risk mitigation trades, and $160 million attributable to the management overlay taken in the first half.

Fees and commissions increased by $36 million or 2.5%. A one-off benefit arising as a result of a strategic alliance with AXA in the UK and increased treasury income within Australia Banking, was partly offset by lower payment protection insurance revenue in the UK.

Other income increased by $84 million, predominantly due to adverse mark to market movements in investments held by nabCapital during the previous half.

MLC Net Operating Income

	Year to			Half Year to		
	Sep 09 $m	**Sep 08 $m**	**Sep 09 v Sep 08 %**	**Sep 09 $m**	**Mar 09 $m**	**Sep 08 v Mar 08 %**
Investments net operating income	**679**	811	(16.3)	**344**	335	2.7
Insurance net operating income	**389**	446	(12.8)	**185**	204	(9.3)
MLC net operating income	**1,068**	1,257	(15.0)	**529**	539	(1.9)

September 2009 v September 2008

Investments net operating income decreased by $132 million or 16.3%. Average funds under management declined as a result of the investment market downturn, leading to lower investment management fees. This was partially offset by lower commission and investment related costs.

Insurance net operating income decreased by $57 million or 12.8%. Lower earnings on assets backing the reserves, and deterioration in claims experience, was partly offset by growth in average inforce premiums.

September 2009 v March 2009

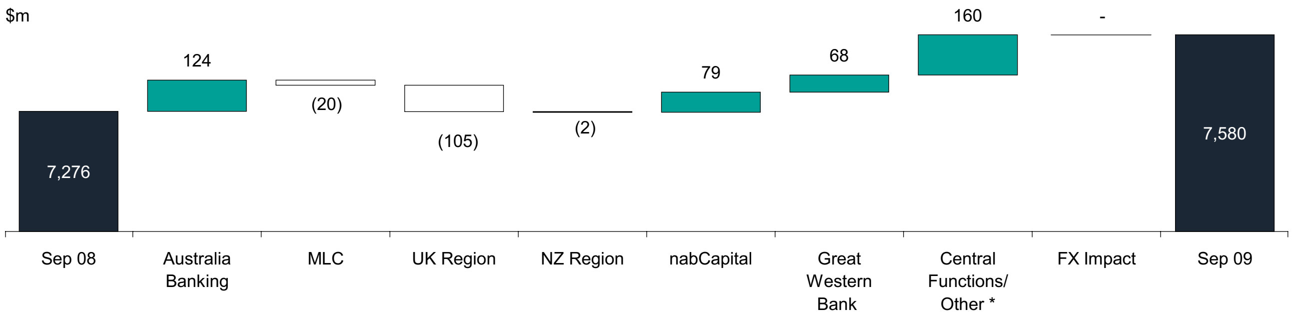
Investments net operating income increased by $9 million or 2.7% due to growth in average funds under management through positive net funds flows and investment earnings, as investment markets recovered in the last quarter.

Insurance net operating income decreased by $19 million or 9.3% mainly due to deterioration in claims experience, offset by growth in average inforce premiums.

Operating Expenses

	Year to			Half Year to		
	Sep 09 $m	**Sep 08 $m**	**Sep 09 v Sep 08 %**	**Sep 09 $m**	**Mar 09 $m**	**Sep 09 v Mar 09 %**
Personnel expenses	**3,937**	3,835	(2.7)	**1,963**	1,974	0.6
Occupancy related expenses	**662**	572	(15.7)	**343**	319	(7.5)
General expenses	**2,320**	2,188	(6.0)	**1,173**	1,147	(2.3)
MLC operating expenses	**661**	681	2.9	**331**	330	(0.3)
Total operating expenses	**7,580**	7,276	(4.2)	**3,810**	3,770	(1.1)

Operating Expenses - Contribution to Net Increase [(1)]



(1) *At constant exchange rates.*

* *Central Functions/Other includes Other (incl. Asia) and distributions.*

September 2009 v September 2008

Operating expenses increased by $304 million or 4.2%. (4.2% excluding foreign exchange). Excluding GWB, expenses increased by $212 million or 2.9% (3.3% excluding foreign exchange). The Group continues to focus on its efficiency, quality and service initiatives, whilst supporting sustainable business growth.

The Group's *banking cost to income ratio* decreased by 300 basis points to 43.9%.

Personnel expenses increased by $102 million or 2.7%. Excluding GWB, personnel expenses increased by $58 million or 1.5%. Salary and wages increased by $68 million, mainly due to a change in FTE skill mix in Australia and nabCapital to support revenue growth initiatives. This was partly offset by lower salaries and wages due to lower FTEs in the UK Region. Performance based compensation increased by $63 million, mainly in nabCapital, reflecting their strong financial performance. This was partly offset by lower performance based compensation in the UK.

Occupancy related expenses increased by $90 million or 15.7%. Excluding GWB, occupancy expenses increased by $77 million or 13.6%. The increase was due to refurbishment and relocation of branches to more suitable locations as part of network investment by Australia Banking, annual rental reviews in all regions, and adverse property valuation movements of $18 million in the UK, reflecting global commercial property prices.

General expenses increased by $132 million or 6.0%. Excluding GWB, general expenses increased by $97 million or 4.5%. Fees and commissions in Australia Banking increased by $14 million, largely due to higher penetration of the Visa debit card product and the new NAB Qantas card, which included a companion American Express product. Project investment initiatives in Australia Banking increased professional fees and software expenses by $64 million. Community investment activities increased expenses by $18 million as new initiatives, such as Schools First, were introduced. This was partially offset by a decrease of discretionary expenses such as advertising and marketing and travel expenditure, particularly in the UK Region.

MLC operating expenses have decreased by $20 million or 2.9% from savings achieved through restructuring for lower investment volumes and an ongoing focus on strong discretionary control.

The Group has also recognised $254 million of expenses attributable to EQS initiatives outside of cash earnings. These initiatives have been accelerated to increase efficiencies within the Group and are incremental to the ongoing business as usual cost base. This expenditure is expected to deliver approximately $336 million in benefits during the 2010 year.

September 2009 v March 2009

Operating expenses increased by $40 million or 1.1% (an increase of $175 million or 4.6% excluding foreign exchange) on the March 2009 half.

The Group's *banking cost to income ratio* increased by 110 basis points to 44.5%.

Personnel expenses decreased by $11 million or 0.6%. Salary and wages were lower, as completed EQS initiatives reduced FTEs in all regions. This was offset by higher remuneration in Australia Banking due to investment in frontline staff, and higher performance based remuneration in nabCapital as a result of improved performance.

Occupancy related expenses increased by $24 million or 7.5% mainly driven by $18 million in adverse property valuations in the UK, and the opening of new corporate buildings in NZ.

General expenses increased by $26 million or 2.3%. Increased project activity to support revenue growth initiatives in Australia Banking and the UK Region increased professional fees.

MLC operating expenses increased by $1 million or 0.3% due to year end processing and marketing campaigns, offset by efficiency initiatives.

Taxation

	Year to			Half Year to		
	Sep 09 $m	Sep 08 $m	Sep 09 v Sep 08 %	Sep 09 $m	Mar 09 $m	Sep 09 v Mar 09 %
Income tax expense	**1,451**	1,408	(3.1)	**726**	725	(0.1)

September 2009 v September 2008

Income tax expense was $43 million or 3.1% higher due to non-recurring tax benefits recorded in 2008. The main tax benefits recorded in 2009 were $24 million from concessionally taxed income from the offshore banking unit and $24 million due to additional tax credits for new capital expenditure as part of the Australian Government's stimulus package. These tax benefits have been largely offset by a $32 million unfavourable movement in foreign tax rate differences due to the generation of US based profits.

The effective income tax rate of 26.3% has increased from 24.9%. The main non-recurring tax benefits in 2008 were the recognition of a $37 million deferred tax asset in respect of a previously unrecognised US tax loss as a consequence of the Great Western Bank acquisition and $46 million of release of provisions from the prior year, following the lodgement of the Group's 2007 tax returns.

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

September 2009 v March 2009

Income tax expense was $1 million or 0.1% higher when compared with the March 2009 half. The impact of lower cash earnings was offset by the recognition of most of the larger non-recurring tax benefits in the previous half. The main tax benefits recorded in the March half were $19 million of tax benefit from concessionally taxed income from the offshore banking unit and $32 million of tax benefits generated by the release of provisions from the prior year, following favourable tax rulings. As a result, the effective income tax rate has increased from 24.7% to 28.2%.

Non-cash Earnings Items

Efficiency, Quality & Service Initiatives

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

The cost of these initiatives has been recorded centrally, outside of cash earnings. The expenditure recorded is actual expense incurred through the course of the year. During the September 2009 year, the following expenditure was recorded centrally:

		Net Expected Benefits [1]	
	Sep 09 Expense $m	Year to Sep 09 $m	Year to Sep 10 $m
Australia Banking	**144**	**51**	173
MLC	**9**	**7**	14
UK Region	**64**	**31**	93
NZ Region	**11**	**5**	18
nabCapital	**21**	**9**	33
Central Functions	**5**	**1**	5
Total	**254**	**104**	336

[1] *Net incremental benefits expected based on expenditure to September 2009, measured against operating expenses for the September 2008 full year.*

Key initiatives through the period have been:

- Australia Banking: Within Retail Banking, $76 million has been invested in streamlining processes and enhancing efficiencies within the network. The main initiatives focussed on improving efficiencies within lending services and the centralisation of non-customer facing roles, and reinvigorating the branch network to support customer needs. Business and Private Banking have invested $57 million to deepen the relationship banking model and improve the focus on customers and sales effectiveness. Business and Private Banking initiatives also involve centralising, standardising and improving the efficiency of the back office and support functions.
- MLC: During the year MLC undertook a strategic review of resources in light of the financial market downturn, which resulted in 120 FTEs being released from the business.
- UK Region: The region has invested $64 million to improve the efficiency of a range of front and back office activities and to ensure the continued alignment of the service model with customer needs. In addition, the region has simplified its wealth management operations and entered into a strategic alliance with AXA in order to provide enhanced products and services to its retail customer base.
- NZ Region: The retail bank branch distribution model is being reshaped to optimise the delivery channels and create new revenue opportunities through branch relocation and refurbishment. In addition, support functions are being centralised, improving the standardisation of processes and enabling resources to be directed towards revenue generating activities.
- nabCapital: Initiatives totalling $21 million for the year have focussed on reshaping the business to reflect the current economic climate through managing down the non-franchise corporate lending and securitisation businesses in the UK and US. Other initiatives include improving the efficiency of support functions to reduce processing time and allow frontline staff to focus on the customer.

Fair Value and Hedge Ineffectiveness

Fair value and hedge ineffectiveness of $(115) million ($(79) million after tax) has increased by $4 million ($10 million after tax) from the September 2008 year. The overall result has been a similar one year to year, as global financial markets have stabilised, however there was significant volatility between the March and September 2009 halves. On a full year basis, the following significant movements have occurred:

- Hedge ineffectiveness of $(51) million (an increase of $146 million from the September 2008 year) was predominantly due to the contraction of basis spreads between Australian (BBSW) and foreign interest rate indices during 2009. This has led to lower levels of ineffectiveness in the hedging of longer term funding transactions within treasury.
- Volatility of $69 million within nabCapital attributable to the economic hedging of the short-term funding portfolio. This portfolio does not meet the requirements to apply hedge accounting. As such, volatility is generated through recording the derivatives economically hedging the portfolio at fair value, with movements in fair value recorded within income and the underlying short-term funding at amortised cost, with no offset within income. The favourable impact is predominantly due to the reversal of the prior period loss as foreign exchange fluctuations have decreased since 2008.
- Loss of $133 million on assets designated at fair value. The Group applies this option most widely within the NZ and UK Regions where portfolios of tailored business loans are recorded at fair value within income to offset fair value changes of derivatives economically hedging the portfolios. The loss mainly relates to the reversal of previous gains taken through the profit or loss as a result of widening credit spreads during 2008, which have since stabilised on derivatives designated at fair value.

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

Treasury Shares

For statutory reporting purposes, the Group is required to eliminate the impact upon net profit of the Group's life insurance businesses holding investments in National Australia Bank Limited shares within its Investments relating to life insurance businesses. In the September 2009 year there was an adjustment of $311 million ($256 million after tax) attributable to the movement in unrealised gains on treasury share investments held within life insurance businesses. This movement is consistent with the improvement in National Australia Bank Ltd through the year.

Provision for Litigation

The Group has established provisions totalling $157 million ($110 million after tax) with respect to the decision in the Bell Resources proceedings.

Provision for Amended Tax Assessments

In July 2009, the New Zealand High Court found against Bank of New Zealand with respect to an appeal against amended tax assessments issued by the New Zealand Inland Revenue Department (IRD) regarding certain structured finance transactions undertaken by the business. BNZ is appealing this outcome. A provision of $542 million has been established as a result of the High Court ruling, representing the amount of primary tax in dispute, interest, legal and other costs.

Exchangeable Capital Units Taxation Assessments

The Group has reduced the carrying value of the $309 million receivable due from the Australian Taxation Office in relation to its exchangeable capital units (ExCaps) to nil. The ATO has disallowed the Group's objections to the ExCaps taxation assessments and the Group intends to appeal. More detail in relation to the ExCaps dispute is contained in Note 15 to the Financial Report.

Summary Balance Sheet

	As at				
	30 Sep 09 $m	31 Mar 09 $m	30 Sep 08 $m	Sep 09 v Sep 08 %	Sep 09 v Mar 09 %
Assets					
Cash and liquid assets	**25,834**	18,287	18,209	41.9	41.3
Due from other banks	**33,265**	30,663	46,996	(29.2)	8.5
Trading securities	**22,219**	25,919	20,767	7.0	(14.3)
Investments - available for sale	**7,933**	8,807	1,542	large	(9.9)
Investments - held to maturity	**17,529**	18,462	17,154	2.2	(5.1)
Investments relating to life insurance business	**54,254**	44,057	52,896	2.6	23.1
Loans and advances at fair value	**29,567**	28,961	25,732	14.9	2.1
Other assets at fair value	**1,963**	2,890	4,868	(59.7)	(32.1)
Other financial assets at fair value	**31,530**	31,851	30,600	3.0	(1.0)
Loans and advances including acceptances	**399,809**	407,785	406,456	(1.6)	(2.0)
Goodwill and other intangible assets	**6,243**	6,478	6,335	(1.5)	(3.6)
Other assets	**55,504**	83,692	55,844	(0.6)	(33.7)
Total assets	**654,120**	676,001	656,799	(0.4)	(3.2)
Liabilities					
Due to other banks	**36,148**	45,879	52,423	(31.0)	(21.2)
Deposits at fair value	**10,365**	12,895	14,485	(28.4)	(19.6)
Other liabilities at fair value	**10,946**	10,069	9,099	20.3	8.7
Other financial liabilities at fair value	**21,311**	22,964	23,584	(9.6)	(7.2)
Deposits and other borrowings	**336,188**	327,759	327,466	2.7	2.6
Liability on acceptances	**16,891**	17,959	16,075	5.1	(5.9)
Life policy liabilities	**47,314**	38,351	46,150	2.5	23.4
Bonds, notes and subordinated debt	**90,792**	108,020	98,239	(7.6)	(15.9)
Other liabilities	**67,641**	78,668	60,016	12.7	(14.0)
Total liabilities	**616,285**	639,600	623,953	(1.2)	(3.6)
Net assets	**37,835**	36,401	32,846	15.2	3.9
Equity					
Equity (parent entity interest)	**37,815**	36,403	32,790	15.3	3.9
Minority interest in controlled entities	**20**	(2)	56	(64.3)	large
Total equity	**37,835**	36,401	32,846	15.2	3.9

Total assets declined by $2.7 billion or 0.4% from 30 September 2008, and declined by $21.9 billion or 3.2% from 31 March 2009. Excluding the impact of exchange rate movements, total assets increased by 4.5% from September 2008 and by 0.7% from March 2009.

The increase in total assets for the March 2009 half was mainly due to growth in derivatives (included in other assets) and marketable debt securities, partly offset by a decline in due from other banks and investments relating to the life insurance business. Growth in derivatives was largely attributable to significant market volatility in relation to currency and interest rates. Growth in marketable debt securities was due to a change in the composition of liquid assets from repurchase agreements with other banks (included in due from other banks). The decline in investments relating to the life insurance business is discussed in detail below.

The reduction in total assets for the September 2009 half reflected a decline in derivatives and loans and advances including acceptances, which was partly offset by an increase in investments relating to the life insurance business and cash and liquid assets. The increase in cash and liquid assets reflected a higher level of liquid asset holdings at September 2009. The decline in derivatives was largely attributable to reduced levels of market volatility in relation to currency and interest rates. Loans and advances including acceptances and investments relating to the life insurance business are discussed in detail below.

Total liabilities declined by $7.7 billion or 1.2% from 30 September 2008 and declined by $23.3 billion or 3.6% from 31 March 2009. Excluding the impact of exchange rate movements, total liabilities increased by 3.8% from September 2008 and by 0.3% from March 2009.

The reduction in total liabilities from September 2008 to September 2009 was largely attributable to a decline in due to other banks and bonds, notes and subordinated debt, partly offset by an increase in deposits and other borrowings. The decline in due to other banks reflected a reduction in inter-bank funding requirements as a result of growth in retail deposits in the regions. The decline in bonds, notes and subordinated debt reflected a favourable movement in the foreign currency translation of foreign-denominated funding. Deposits and other borrowings are discussed in detail below.

Total equity increased by $5.0 billion or 15.2% from 30 September 2008 and by $1.4 billion or 3.9% from 31 March 2009.

The growth in equity was predominately through the issue of shares, including institutional placements totalling $4.9 billion, share purchase plans totalling $1.0 billion and the dividend reinvestment plan.

Lending

	As at				
	30 Sep 09 $m	31 Mar 09 $m	30 Sep 08 $m	Sep 09 v Sep 08 %	Sep 09 v Mar 09 %
Housing					
Australia Region	**158,296**	153,958	151,615	4.4	2.8
UK Region	**22,483**	24,750	26,711	(15.8)	(9.2)
NZ Region	**20,989**	20,740	20,365	3.1	1.2
nabCapital	**478**	611	779	(38.6)	(21.8)
Central Functions	**292**	318	279	4.7	(8.2)
Total housing	**202,538**	200,377	199,749	1.4	1.1
Non-housing					
Australia Region	**125,171**	121,253	115,958	7.9	3.2
UK Region	**38,571**	45,189	48,000	(19.6)	(14.6)
NZ Region	**20,600**	20,254	19,321	6.6	1.7
nabCapital	**46,337**	52,927	52,172	(11.2)	(12.5)
Central Functions	**3,353**	3,716	3,103	8.1	(9.8)
Total non-housing	**234,032**	243,339	238,554	(1.9)	(3.8)
Gross loans and advances including acceptances [(1)]	**436,570**	443,716	438,303	(0.4)	(1.6)
Represented by:					
Loans at fair value	**29,567**	28,961	25,732	14.9	2.1
Loans at amortised cost	**351,968**	359,399	359,190	(2.0)	(2.1)
Acceptances	**55,035**	55,356	53,381	3.1	(0.6)
Gross loans and advances including acceptances	**436,570**	443,716	438,303	(0.4)	(1.6)

(1) *Including loans at fair value.*

Lending (gross loans and advances including acceptances) declined by $1.7 billion or 0.4% from September 2008 and declined by $7.1 billion or 1.6% from March 2009. Excluding the impact of exchange rate movements, lending increased by 4.0% from September 2008 and by 1.4% from March 2009. Growth was achieved in challenging markets, with system growth slowing through deteriorating conditions in key markets.

Housing lending:

- In the Australia Region, housing lending increased by $6.7 billion or 4.4% from September 2008 and by $4.3 billion or 2.8% from March 2009. Growth was below system due to under-performance in the broker business, combined with lower customer demand for residential investment property.
- In the UK Region, housing lending declined by $4.2 billion or 15.8% from September 2008 and by $2.3 billion or 9.2% from March 2009. Excluding foreign exchange impacts, housing lending increased by 3.9% from September 2008 and by 3.7% from March 2009, reflecting a strategy of supporting customers during this difficult year. Growth was in variable rate products.
- In the NZ Region, housing lending increased by $0.6 billion or 3.1% from September 2008 and by $0.2 billion or 1.2% from March 2009. Excluding foreign exchange impacts, housing lending increased by 5.3% from September 2008 and by 2.1% from March 2009. Growth in lending reflects the introduction of innovative sales platforms, including new concept stores, out and about banking carts and trailers and the “store-in-store” ventures with third parties such as supermarkets. Growth was in variable rate lending.

Non-housing lending:

- In the Australia Region, non-housing lending increased by $9.2 billion or 7.9% from September 2008 and by $3.9 billion or 3.2% from March 2009. Growth, albeit slowing in the September 2009 half, reflects a strategy centred on traditional relationship banking and executed through a strong customer focus.
- In the UK Region, non-housing lending declined by $9.4 billion or 19.6% from September 2008 and by $6.6 billion or 14.6%. Excluding foreign exchange impacts, non-housing lending declined by 0.8% from September 2008 and by 2.6% from March 2009. The decline in non-housing lending reflects the Region’s reduced exposure to unsecured lending, a conservative approach to risk and a focus on high quality assets.
- In the NZ Region, non-housing lending increased by $1.3 billion or 6.6% from September 2008 and by $0.3 billion or 1.7% from March 2009. Excluding foreign exchange impacts, non-housing lending increased by 8.9% from September 2008 and by 2.6% from March 2009, as the Region launched the NAB Group iFS (integrated Financial Solutions) model under the BNZ Partners brand, building on the existing strong relationship banking franchise. Growth was in agriculture and business lending.
- In nabCapital, non-housing lending declined by $5.8 billion or 11.2% from September 2008 and by $6.6 billion or 12.5% from March 2009. Excluding foreign exchange impacts, non-housing lending declined by 5.5% from September 2008 and by 6.8% from March 2009. This decline largely reflects client de-leveraging.

Fair value of assets and liabilities

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

Fair value for a net open position that is a financial liability quoted in an active market is the current offer price, and, for a financial asset, the bid price, multiplied by the number of units of the instrument held or issued. Where no such active market exists for the particular asset or liability, the Group uses a valuation technique to arrive at the fair value, including the use of transaction prices obtained in recent arm's length transactions, discounted cash flow analysis, option pricing models and valuation techniques based on market conditions and risks existing at balance date. In doing so, fair value is estimated using a valuation technique that makes maximum use of observable market inputs and places minimal reliance upon entity-specific inputs. The majority of the Group's fair value inputs are observable from the market, with less than 0.1% being internally derived from Group-specific inputs as at 30 September 2009.

Marketable Debt Securities

Marketable debt securities comprise *trading securities*, *available for sale investments* and *held to maturity investments*. Marketable debt securities increased by $8.2 billion or 20.8% from September 2008, and declined by $5.5 billion or 10.4% from March 2009. The movement in marketable debt securities reflects a change in the composition of liquid asset holdings between these securities and other liquid assets (cash and liquid assets and due from other banks).

As at 30 September 2009, the Group consolidated $11.7 billion of conduit assets comprising $10.6 billion of Investments - held to maturity and $1.1 billion of Loans and advances.

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

Investments Relating to Life Insurance Business and Life Policy Liabilities

Investments relating to the life insurance business increased by $1.4 billion or 2.6% from September 2008 and by $10.2 billion or 23.1% from March 2009. This movement was offset by corresponding movements in life policy liabilities and external unitholders' liability. Life policy liabilities increased by $1.2 billion or 2.5% from September 2008 and by $9.0 billion or 23.4% from March 2009. External unitholders' liability (included in other liabilities) increased by $0.1 billion or 0.7% from September 2008 and by $1.7 billion or 29.0% from March 2009.

The decline in both the assets and liabilities relating to the life insurance business from September 2008 to March 2009 was attributable to declining global equity and property markets and the unfavourable impact this had on returns made on policyholder contributions and movement in net funds under management during the period. Since March 2009, global equity and property markets have improved, resulting in a favourable impact on returns generated from the life insurance business. This is reflected in an increase in both the assets and liabilities relating to the business.

Goodwill and Other Intangible Assets

Goodwill and other intangible assets declined by $92 million or 1.5% from September 2008 and declined by $235 million or 3.6% from March 2009. The Group continues to invest in software to support its strategic objectives:

- Australia Region continues to work on the Next Generation IT Platform (NGP) initiative, which involves the replacement of the core banking systems. NAB selected Oracle as the partner for the first phase, which involved delivery of a new online deposit platform for UBank. This was released in the second half of the year.
- In the UK region, development of a new automated end-to-end Business Lending process and a new Business Internet Banking system were launched to improve the offering to customers while delivering cost efficiencies. The Debit Card Transformation project has been fully mobilised to migrate to a 16 digit card framework. This project will deliver revenues in this channel whilst at the same time increase the number of points of sale to customers worldwide.
- nabCapital continues to focus on efficiency programs, primarily in the Global Markets and Treasury business through initiatives to rebuild and replace core systems to facilitate faster speed to market for new products, drive long term cost efficiency and further improve risk management capabilities.

The movement in capitalised software is as follows:

	Year ended		Half year ended	
	Sep 09 $m	**Sep 08 $m**	**Sep 09 $m**	**Mar 09 $m**
Balance at beginning of year	**963**	867	**967**	963
Additions	**361**	354	**206**	155
Disposals and write-offs	**(68)**	(6)	**(68)**	-
Amortisation	**(262)**	(237)	**(138)**	(124)
Impairment losses recognised	**-**	(4)	**-**	-
Foreign currency translation adjustments	**(60)**	(11)	**(33)**	(27)
Capitalised application software	**934**	963	**934**	967

Deposits and Other Borrowings

	As at				
	30 Sep 09 $m	31 Mar 09 $m	30 Sep 08 $m	Sep 09 v Sep 08 %	Sep 09 v Mar 09 %
Retail deposits					
Australia Region	**142,854**	132,665	117,590	21.5	7.7
UK Region	**40,313**	43,801	43,290	(6.9)	(8.0)
NZ Region	**20,370**	19,651	19,565	4.1	3.7
Central Functions	**4,554**	4,851	4,060	12.2	(6.1)
Total retail deposits	**208,091**	200,968	184,505	12.8	3.5
Non-retail deposits and other borrowings					
Australia Region	**16,122**	16,364	12,129	32.9	(1.5)
UK Region	**8,392**	8,082	389	large	3.8
NZ Region	**5,015**	6,139	6,745	(25.6)	(18.3)
nabCapital	**108,933**	109,101	138,183	(21.2)	(0.2)
Total non-retail deposits and other borrowings	**138,462**	139,686	157,446	(12.1)	(0.9)
Deposits and other borrowings (1)	**346,553**	340,654	341,951	1.3	1.7
Represented by:					
Deposits and other borrowings at fair value	**10,365**	12,895	14,485	(28.4)	(19.6)
Deposits and other borrowings at cost	**336,188**	327,759	327,466	2.7	2.6
Deposits and other borrowings	**346,553**	340,654	341,951	1.3	1.7

(1) *Including deposits and other borrowings at fair value.*

Total deposits and other borrowings increased by $4.6 billion or 1.3% (7.0% excluding foreign exchange impacts) from September 2008 and by $5.9 billion or 1.7% (7.2% excluding foreign exchange impacts) from March 2009.

Retail deposits:

- In the Australia Region, retail deposits increased by $25.3 billion or 21.5% from September 2008 and by $10.2 billion or 7.7% from March 2009, mainly due to growth in on-demand and short-term deposits and term deposits. This growth is a result of a strategic focus on improving NAB's deposit raising capability.
- In the UK Region, retail deposits declined by $3.0 billion or 6.9% from September 2008 and by $3.5 billion or 8.0% from March 2009. Excluding foreign exchange impacts, retail deposits increased by 14.9% from September 2008 and by 5.0% from March 2009, reflecting growth in term deposits. The flight to quality by the Region's customers demonstrates the strength of both the Clydesdale and Yorkshire brands.
- In the NZ Region, retail deposits increased by $0.8 billion or 4.1% from September 2008 and by $0.7 billion or 3.7% from March 2009. Excluding foreign exchange impacts, retail deposits increased by 6.4% from September 2008 and by 4.6% from March 2009, reflecting growth in on-demand deposits and term deposits. Growth in on-demand deposits reflects the low interest rate environment and customers requiring access to funds at short notice. The rate of growth in term deposits has slowed due to intense competition for deposits in New Zealand as wholesale funding costs remain high.

Non-retail deposits and other borrowings:

- In the Australia Region, an increase of $4.0 billion or 32.9% from September 2008 and a decrease of $0.2 billion or 1.5% from March 2009. The increase from September 2008 was driven mainly by growth in corporate deposit balances.
- In the UK Region, an increase of $8.0 billion from September 2008 and an increase of $0.3 billion or 3.8% from March 2009 (18.5% excluding foreign exchange impacts). Growth occurred primarily during the March 2009 half and reflected the transfer of the Clydesdale and Yorkshire Bank Money Market desk from nabCapital to the UK Region (approximately $5 billion) and the raising of additional deposits to meet short-term business funding needs.
- In the NZ Region, a decline of $1.7 billion or 25.6% from September 2008 and a decline of $1.1 billion or 18.3% from March 2009. Excluding foreign exchange impacts, volumes declined by 24.9% from September 2008 and by 17.6% from March 2009 mainly due to a reduction in short-term borrowings. As the New Zealand market has become less liquid as a funding source, the Region has shifted to more internal Group funding.
- In nabCapital, a decline of $29.3 billion or 21.2% (15.9% excluding foreign exchange impacts) from September 2008 and a decline of $0.2 billion or 0.2% (volumes increased by 8.6% excluding foreign exchange impacts) from March 2009. This decline primarily reflected a reduction in the requirement to raise short-term wholesale funding on behalf of other businesses in the Group due to growth in retail deposits in the regions, and a reduction in nabCapital lending levels. In addition, the decline reflected the transfer of the Clydesdale and Yorkshire Bank money markets desk from nabCapital to the UK region.

Bonds, Notes and Subordinated Debt

Bonds, notes and subordinated debt declined by $7.4 billion or 7.6% from September 2008 and declined by $17.2 billion or 15.9% from March 2009. The decline from September 2008 was mainly due to a favourable movement in the foreign currency translation of foreign denominated debt. This has generated a corresponding reduction in the fair value of the cross currency transactions hedging the foreign denominated debt (included in other assets and other liabilities).

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

Asset Quality

The subdued nature of the global economic environment continued to affect the Group's customer base, which resulted in a further softening of asset quality during the September 2009 half year across all businesses.

In Australia Banking, the business and credit environment remained challenging, reflected by higher bad and doubtful debt charges and impaired assets, especially among corporate customers and small to medium sized businesses. On a positive note, the NAB monthly surveys of Business Confidence and Conditions showed a marked improvement during the September 2009 half year. Retail asset quality remained resilient with 90+ days past due mortgage arrears declining during the September 2009 half year.

The UK Region continued to proactively manage the difficult challenges posed by the ongoing recession. Rising business lending defaults continued to drive bad and doubtful debt charges higher, particularly in the property sector. The UK mortgage book has proven resilient, with the Region experiencing less than one third of the average rate of industry 90+ days past due loans, while mortgage write-offs remain negligible.

The recession and weaker demand for credit in New Zealand caused a further softening of asset quality indicators, particularly in the property and agricultural sectors. Retail asset quality remained sound.

In nabCapital, the business continued to maintain a largely investment grade portfolio. The rate of high profile exposures experiencing financial difficulties has moderated, reflected by the lower specific bad and doubtful debt charge for the September 2009 half year when compared to the March 2009 half year. In addition, there is further evidence of initial signs the credit cycle may be peaking in nabCapital's portfolio with a recent stabilisation in watch loans and impaired assets.

A charge of $US14 million in GWB maintained appropriate coverage.

The rate of increase in the Group's bad and doubtful debt charge and growth in total provisions has moderated during the September 2009 half year. Total provisions now stand at $5,104 million.

Bad and Doubtful Debt Charge

	Year to		Half Year to	
	Sep 09 $m	Sep 08 $m	Sep 09 $m	Mar 09 $m
Specific charge to provide for bad and doubtful debts	2,975	1,202	1,770	1,205
Collective charge to provide for bad and doubtful debts	788	276	182	606
Total charge to provide for bad and doubtful debts - loans and advances	3,763	1,478	1,952	1,811
Total charge on investments - held to maturity	52	1,011	52	-
Total charge to provide for bad and doubtful debts - cash earnings	3,815	2,489	2,004	1,811

	Year to		Half Year to	
	Sep 09	Sep 08	Sep 09	Mar 09
Bad and doubtful debts charge to gross loans and acceptances (annualised)	0.87%	0.57%	0.87%	0.82%
Net write-offs to gross loans and acceptances (annualised)	0.48%	0.20%	0.48%	0.25%

Bad and Doubtful Debt Charge - Loans and Advances

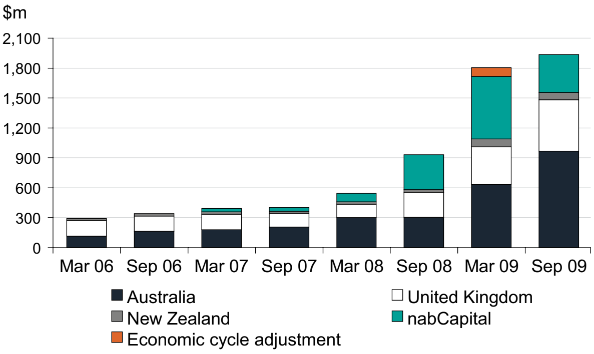
The bad and doubtful debt charge for the September 2009 full year was $3,763 million, which is an increase of $2,285 million (excluding the total charge on investments held to maturity).

The bad and doubtful debt charge for the September 2009 half year was $1,952 million, an increase of $141 million or 8% when compared to the March 2009 half year.

The September 2009 half year bad and doubtful charge was primarily the result of:

- Higher specific provision charges across the corporate and business portfolios in Australia Banking and UK Region, with a reduction in the specific provision charge across the nabCapital portfolio.
- A reduced collective provision charge from the migration of business exposures to impaired status.

Total Bad and Doubtful Debt Charge - Loans and Advances



The ratio of bad and doubtful debt charges to gross loans and acceptances for the September 2009 half year showed a moderate increase of 5 basis points to 0.87% when compared to the March 2009 half year.

Provisioning Coverage

Provisions for doubtful debts	As at 30 Sep 09 $m	31 Mar 09 $m	30 Sep 08 $m
Specific provision for doubtful debts [(1)]	**1,551**	1,316	645
Collective provision on loans at amortised cost	**2,948**	2,870	2,318
Collective provision on loans at fair value	**247**	249	221
Collective provision on derivatives at fair value	**358**	426	110
Collective provision for doubtful debts	**3,553**	3,545	2,649
Total provision for doubtful debts	**5,104**	4,861	3,294

(1) *September 2008 excludes $36 million of specific provisions on loans at fair value.*

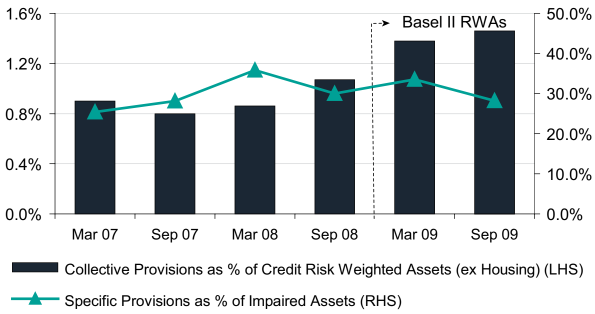
	As at 30 Sep 09	31 Mar 09	30 Sep 08
Total provision to gross loans and acceptances	**1.17%**	1.10%	0.75%
Specific provision to gross impaired assets	**28.2%**	33.5%	30.0%
Collective provision to credit risk-weighted assets (ex housing)	**1.46%**	1.38%	1.07%

During the September 2009 year, the Group's total provisions increased to $5,104 million, a $1,810 million increase when compared to September 2008, and a $243 million increase against March 2009.

The Group's collective provisions to credit risk weighted assets (excl. housing) ratio increased from 1.07% at September 2008 to 1.46% at September 2009.

The ratio of specific provisions to impaired assets has decreased to 28.2% as a result of increased write-offs during the September 2009 half year.

Provision Coverage



General Reserve for Credit Losses

The Group has been engaged in discussions with APRA in relation to the calculation of the general reserve for credit losses. This is an industry issue, and also foreshadows probable changes to loan loss methodology being deliberated by the International Accounting Standards Board. The calculation of the general reserve for credit losses is expected to be finalised by 31 December 2009, with an estimated reduction in the Group's Tier 1 capital ratio by approximately 10 to 12 basis points. A general reserve will be created through a deduction from retained earnings. This will not impact cash earnings, net profit or the Total Capital ratio.

Specific Provisions

During the September 2009 year, the specific provision balance increased by $906 million, $235 million higher than the specific provision balance at March 2009. This balance includes specific provisions on impaired assets at fair value.

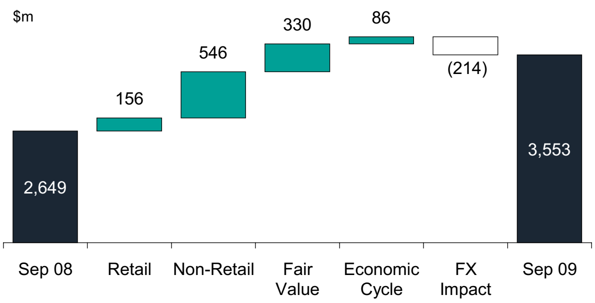
The increase in the September 2009 half year was predominately due to higher corporate and business specific provisions in Australia Banking and UK Region, partly offset by an increase in write-offs.

Collective Provisions

Including the credit risk adjustment on assets at fair value, total collective provision balances increased by $904 million during the September 2009 year. Continuing downgrades in customer credit ratings across all businesses, combined with increases in management overlays, have been the main cause of this increase, which was partly offset by migration to specific provisions.

The Group has further developed its risk weighting and collective provisioning for its conduits portfolio over the second half, in consultation with APRA. The Group will continue to engage with APRA, to update them on portfolio developments.

Collective Provision Attribution Analysis



Retail

The retail collective provision has increased during the September 2009 year as a result of rising credit card and personal lending defaults and, to a lesser extent, higher mortgage defaults in Australia and the UK. This is a result of the tighter economic conditions and a provision charge associated with loans that had Lenders Mortgage Insurance cover.

Non-Retail

A downgrading of customer credit ratings across most sectors, combined with an increase in management overlays, has resulted in an increase of $546 million in non-retail collective provisions during the September 2009 year.

Loans at fair value and derivatives

The increase of $330 million in fair value collective provisions during the September 2009 year was due in part to the credit risk adjustment on trading derivatives within nabCapital as a consequence of increased exposure on trades from market movements. In addition, this increase reflects the downgrading of customer credit ratings and includes a management overlay of $160 million, as reported in the March 2009 results, taken with respect of conduit related assets and derivative transactions due to the ongoing effects of the uncertain global economic environment

Economic Cycle Adjustment

During the September 2009 year, the Group applied an additional economic cycle adjustment of $86 million against the uncertain global economic environment. This management overlay is prudent in the context of the current economic conditions and uncertainty in financial markets. The economic cycle adjustment now stands at $300 million as at September 2009.

FX Impact

Movements in foreign currency translation have resulted in a decrease in collective provisions of $214 million. This is due to the weakening of the Pound Sterling relative to the Australian Dollar since September 2008.

Asset Quality Measures

	As at		
	30 Sep 09	**31 Mar 09**	**30 Sep 08**
90+ days past due loans ($m)	**2,134**	2,093	1,506
Gross impaired assets ($m)	**5,500**	3,927	2,149
90+ days past due and gross impaired assets ($m)	**7,634**	6,020	3,655

	As at		
	30 Sep 09	**31 Mar 09**	**30 Sep 08**
90 day past due loans to gross loans and acceptances	**0.49%**	0.47%	0.34%
Gross impaired assets to gross loans and acceptances	**1.26%**	0.89%	0.49%
90+ days past due and gross impaired assets to gross loans and acceptances	**1.75%**	1.36%	0.83%

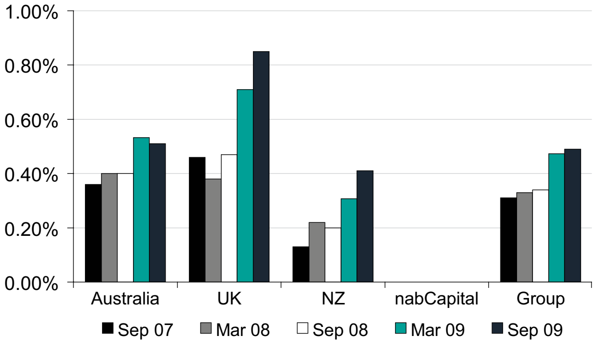
Non-Impaired Assets 90+ Days Past Due

The Group ratio of non-impaired 90+ days past due loans (90+ DPD) to gross loans and acceptances increased by 2 basis points from March 2009 to 0.49% at September 2009, with unsecured retail arrears remaining relatively stable.

In Australia Banking, the ratio of 90+ DPD to gross loans and acceptances decreased marginally by 2 basis points from March 2009 to 0.51% at September 2009. Although business lending defaults increased, driven mostly by small to medium size businesses, housing lending arrears declined during the September 2009 half year.

Both the UK and NZ regions experienced an increase in business lending 90+ days past due loans during the September 2009 year, as these regions continued to feel the effect of recessionary conditions. In the UK, rising loan defaults in the commercial property sector continued to affect asset quality. The level of UK mortgages 90+ days past due loans was 0.80% at September 2009, which is low relative to the UK Council of Mortgage Lenders industry average of 2.43% (June 2009).

90+ DPD as % of Gross Loans and Acceptances



Impaired Assets [1]

The ratio of gross impaired assets to gross loans and acceptances increased by 37 basis points from March 2009 to 1.26% at September 2009. Impaired assets increased by $3,351 million to $5,500 million against September 2008 and by $1,573 million against March 2009.

The ratio for Australia Banking increased by 35 basis points to 0.91% during the September 2009 half year almost entirely due to the rise in business lending impairments across a broad variety of industries. The impaired mortgage rate for Australia Banking slightly increased to 0.24% of total gross loans and acceptances during the year since September 2008.

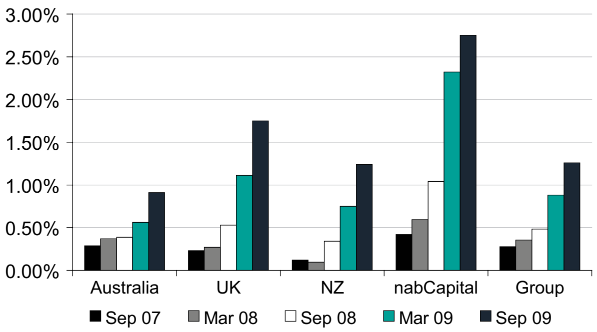
In the UK Region, gross impaired assets as a proportion of gross loans and acceptances have increased by 64 basis points to 1.75% since March 2009. Of this increase, the inclusion for the first time of fair value impaired assets contributed 34 basis points. Despite the increase in impaired assets, which has been partly offset by higher net write-offs, the UK region continues to perform favourably in comparison to its local banking peer group. The impaired mortgage rate for the UK Region remains very low at 0.08% of total gross loans and acceptances.

The softer economic conditions in New Zealand, particularly in the property and agricultural sectors, caused impaired assets as a proportion of gross loans and acceptances to increase by 49 basis points against March 2009 to 1.24% at September 2009. The inclusion for the first time of fair value impaired assets contributed 38 basis points of this increase. The impaired mortgage rate remained steady at 0.21% of total gross loans and acceptances when compared to March 2009.

The subdued global economic environment continued to affect credit quality in nabCapital. The ratio of impaired assets to gross loans and acceptances increased by 43 basis points against March 2009 to 2.75% at September 2009, predominately as a result of new impairments mainly in Australia and the UK, partly offset by an increase in net write-offs. Despite this increase, new impairments have slowed during the September 2009 quarter.

(1) *The definition of impaired assets has been updated during the half year to September 2009 to include impaired assets measured at fair value. Comparative values have not been restated as the impact is immaterial at the Group level.*

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



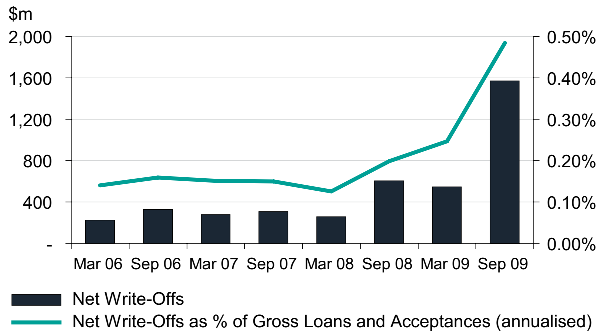
Net Write-Offs

The proportion of annualised net write-offs to gross loans and acceptances increased by 23 basis points to 0.48% when compared to the March 2009 half year. The Group continues to proactively manage bad debt write-offs to maintain a clean balance sheet. This increase is also consistent with the current stage of the credit cycle and occurred predominately in nabCapital and the business lending portfolios within Australia Banking and the UK Region.

The Group's retail lending portfolio continued to demonstrate resilience in challenging economic conditions. The gross 12 month rolling write-off rate for retail loans has increased moderately since September 2008, up 4 basis points to 0.32%, while mortgage write-offs remain low.

The total provisions to net write-offs ratio is 241% as at September 2009, down from 383% in September 2008.

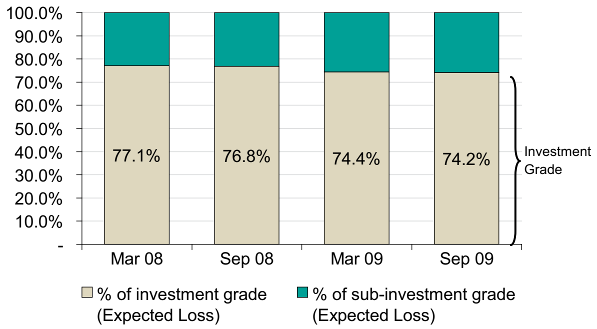
Group Half Yearly Net Write-Offs - Loans and advances



Trends in the Ratings of Non-retail Exposures

On the basis of Expected Loss (EL) methodology [1], the volume of non-retail investment grade equivalent (AAA to BBB-) exposures for the Group as at September 2009 declined to 74.2%, compared to 76.8% at September 2008. This represents an increase in the number of customer rating downgrades and reductions in security values, particularly in the UK Region and nabCapital portfolios.

Non-Retail Lending Customer Risk Distribution (Group)

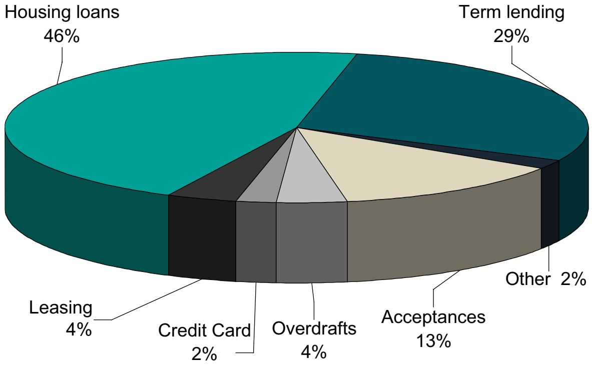


(1) *Expected Loss is the product of Probability of Default x Exposure at Default x Loss Given Default.*

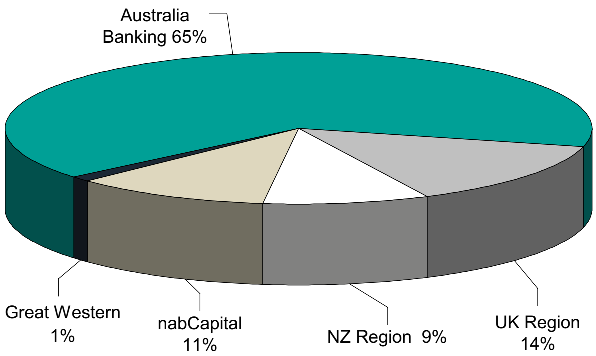
Portfolio Composition

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

Group Gross Loans and Acceptances by Product



Group Gross Loans and Acceptances by Region

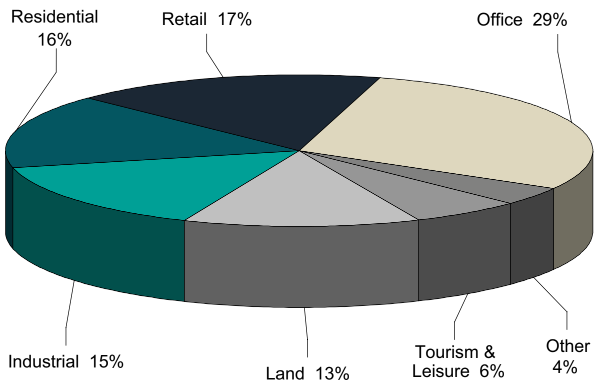


Commercial Property Portfolio

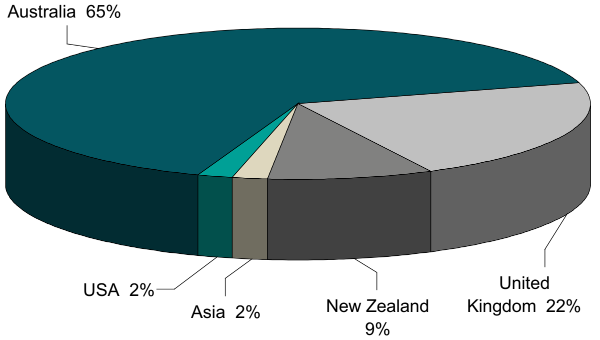
The Group's commercial property portfolio totals $74.5 billion [(1)], which is a reduction of $3.1 billion during the past six months. This represents 17.1% of the Group's total gross loans and acceptances, mainly reflecting the Group's strength in Australian business banking and a targeted iFS growth strategy in the UK Region.

[(1)] Measured as balances outstanding at 31 August 2009 per APRA Commercial Property Return ARF230.

Group Commercial Property by Type



Group Commercial Property by Geography



The Group's portfolio is well diversified by property type and geography. In line with the Group's total gross loans and acceptances Australia has the largest percentage of the commercial property portfolio, representing 65%.

At the regional level, the Australia Banking commercial property portfolio totals $41.4 billion or 15% of the region's gross loans and acceptances. The portfolio continues to perform well in a challenging market with the ratio of combined 90+ days past due and impaired assets being less than the Australia Banking portfolio average. The current commercial property portfolio loan to value ratio is 60%.

The UK Region commercial property portfolio totals £7.7 billion or 23% of the region's gross loans and acceptances. These loans are mainly for residential property and are well positioned at the smaller value end of the market, with over three quarters of individual exposures lower than £5 million. Approximately three quarters of the portfolio is investment lending with the remainer development lending.

The UK has experienced the deepest recession since World War II with residential property values declining by circa 20% from their peak and commercial property values falling by approximately 45%. The development property sector has been particularly hard hit, comprising approximately 45% of the UK Region specific bad and doubtful debt charge for the September 2009 year. On a positive note, recent economic data has shown an improvement in UK residential house prices and CB Richard Ellis recorded in July 2009 the first rise in commercial property values since 2007.

In the NZ Region, the commercial property portfolio totals NZ$6.3 billion or 12% of the region's gross loans and acceptances.

The nabCapital commercial property portfolio totals $11.6 billion or 25% of the region's gross loans and acceptances. Of this, approximately three quarters is situated in Australia and New Zealand.

Portfolio Reviews and Stress Testing

The Group undertook a thorough review of its loan portfolio in the fourth quarter of the September 2009 year. $71 billion of exposures were examined by credit personnel with external auditor oversight. The review concluded that no additional material provisions were required at that time although additional provisions may be required, should economic conditions deteriorate further.

A number of key initiatives have been undertaken during the September 2009 year to manage identified risks. These include:

- Increased allocation of resources to the close management of problem accounts.
- More intense focus on the early identification of problem retail loans and greater collections resourcing.
- Re-setting of portfolio limits, with emphasis on troubled sectors.
- Targeted stress testing of key portfolios.

Cash Earnings per Share

	Year to			Half Year to		
	Sep 09 cents	Sep 08 cents	Sep 09 v Sep 08 %	Sep 09 cents	Mar 09 cents	Sep 09 v Mar 09 %
Cash Earnings per Share						
Basic	**198.4**	238.4	(16.8)	**90.6**	108.3	(16.3)
Diluted	**197.5**	237.3	(16.8)	**90.1**	107.4	(16.1)

September 2009 v September 2008

Basic cash earnings per share decreased by 40.0 cents or 16.8% and diluted cash earnings per share decreased by 39.8 cents or 16.8% on the September 2008 year. This reflects the decrease in cash earnings and additional share issuance.

September 2009 v March 2009

Basic cash earnings per share decreased by 17.7 cents or 16.3% and diluted cash earnings per share decreased by 17.3 cents or 16.1% on the March 2009 half. This reflects the decrease in cash earnings and an increase in the weighted number of ordinary shares.

Capital Management and Funding

Balance Sheet Management Overview

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

These conservative settings have served the bank well, allowing it to manage through the difficult market conditions.

Capital Management

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

While economic conditions remain difficult to predict in the current environment, the Group continues to target a strong capital position as one of its main priorities. Recent data suggests the global economy has commenced its recovery, although the strong capital position acts as a buffer against future headwinds, including domestic and global regulatory change and continued volatility in the UK pension position. APRA has indicated the Group can expect specific changes to the classification of commercial property exposures and the general reserve for credit losses in addition to the expectation of wider ranging capital reforms as regulators seek to update the global regulatory landscape.

To be efficient on capital, the Group targets an optimal mix of common equity and other capital instruments.

Finally, the Group aims to remain flexible in executing capital initiatives, so that it is well positioned in the current environment and able to support the growth agenda.

Following recent hybrid issuance, the Group will seek to maintain the efficiency of the capital base as existing hybrid securities are scheduled for redemption or conversion to equity and the balance sheet grows.

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

Capital ratios

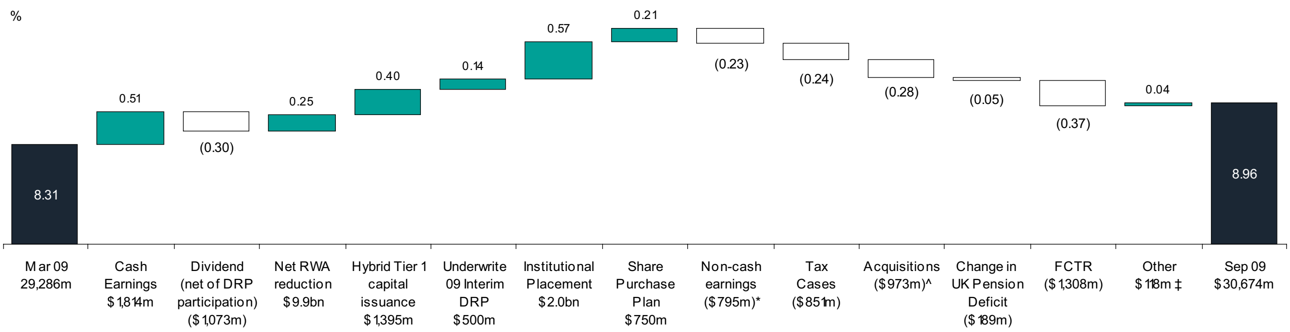
Capital ratios and risk-weighted assets are set out below:

	Target Ratio %	As at 30 Sep 09 %	31 Mar 09 %	30 Sep 08 %	Sep 09 v Mar 09	Sep 09 v Sep 08
Core Tier 1 ratio [(1)]		**6.81**	6.59	5.60	22 bps	121 bps
Tier 1 ratio	above 7.00%	**8.96**	8.31	7.35	65 bps	161 bps
Total capital ratio		**11.48**	12.19	10.93	(71 bps)	55 bps

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

	As at 30 Sep 09 $m	31 Mar 09 $m	30 Sep 08 $m	Sep 09 v Mar 09%	Sep 09 v Sep 08%
Risk-weighted assets - credit risk	**311,975**	321,616	310,131	(3.0)	0.6
Risk-weighted assets - market risk	**3,415**	5,121	5,088	(33.3)	(32.9)
Risk-weighted assets - operational risk	**22,972**	24,336	23,649	(5.6)	(2.9)
Risk-weighted assets - interest rate risk in the banking book	**4,160**	1,300	4,643	large	(10.4)
Total risk-weighted assets	**342,522**	352,373	343,511	(2.8)	(0.3)

Movement in Tier 1 Ratio



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

^ *Includes acquisition of Aviva (-15bps), JB Were (-3bps), Challenger (-9bps), and TierOne branches (-1bps). RWAs associated with Challenger and TierOne branches will not impact the Tier 1 Ratio until 1Q10 when the acquisitions are completed (-8bps)*

‡ *Other relates primarily to changes in Wealth Management related deduction plus other immaterial movements*

Capital Movements during the Period

The Group's Tier 1 ratio of 8.96% at September 2009 is consistent with the Group's objective of maintaining a strong capital position.

The key movements in the capital ratios in the September half were:

- Earnings less dividend net of DRP participation.
- Core equity raising through underwriting $500 million of 2009 interim DRP shortfall, a $2 billion institutional placement in July and a $750 million Share Purchase Plan participation in August.
- Hybrid capital raising through US$600 million Capital Notes and a $500 million stapled securities in September.
- Goodwill and net tangible asset impacts of Aviva, Challenger, JBWere and TierOne acquisitions. Risk Weighted Asset impacts will be reflected post settlement.
- Provisioning associated with the BNZ structured finance tax case and impairment of ExCap's prepaid tax assets.
- Other non-cash earnings impacts arising primarily from reversal of first half fair value and hedge ineffectiveness.
- The movement in the deficit in the Group's defined benefit pension scheme in the UK.
- A decrease in the FCTR driven by FX movements. This represents a natural hedge to RWA movements discussed below.

There was a net decrease in credit RWAs as subdued lending growth and the effects of the change in credit quality have been more than fully offset by Basel II portfolio optimisation and favourable FX movements.

Tier 1 Capital Initiatives

To support Tier 1 capital, the Group underwrote $500 million of the 2009 interim DRP in July 2009 and completed core capital raisings through an institutional placement of $2 billion in July 2009 and a Share Purchase Plan of $750 million in August 2009. The Group also raised hybrid capital of US$600 million through an offshore issuance of Capital Notes, $500 million through issuance of a stapled securities and NZ$260 million through issuance of perpetual hybrid securities through its New Zealand subsidiary. Cumulatively these initiatives generated 132 basis points of Tier 1 capital, which is included in the Group's 30 September 2009 position.

On 25 September 2009, National Australia Bank Ltd issued US$600 million perpetual, subordinated, unsecured capital notes (Capital Notes) through its New York branch. The Capital Notes initially carry a fixed distribution of 8.0% per annum, payable semi-annually in arrears, up to, but not including, 24 September 2016. The fixed distribution of 8.0% is made up of the 7 year US Treasury benchmark rate of 3.06% (the base rate) plus an initial margin of 494 basis points.

The base rate is reset to the then prevailing US Treasury benchmark rate every seven years, and the margin steps up to 150% of the initial margin after 14 years. While the Capital Notes are perpetual, they are redeemable by National Australia Bank Ltd after seven years or on any interest payment date thereafter, or prior on the occurrence of certain events, subject to obtaining the prior written approval of APRA in all cases.

On 30 September 2009, the Group issued $500 million stapled securities. The stapled securities are perpetual capital instruments each paying a non-cumulative distribution at a rate of 2.0% over the 30-day bank bill swap rate ("BBSW"). Subject to APRA approval, the securities are redeemable at the Group's option on or about 30 December 2009, 30 March 2010 or every monthly distribution payment date thereafter. In the event that the securities are not redeemed, they will convert into a variable number of National Australia Bank Limited ordinary shares on 30 March 2010, subject to the satisfaction of conversion conditions.

On 26 June 2009, BNZ Income Securities 2 Limited, an indirectly owned subsidiary of National Australia Bank Limited, issued NZ$260 million of perpetual non-cumulative shares. The perpetual non cumulative shares initially carry a fixed distribution of 9.10% per annum, payable quarterly in arrears, up to, but not including 30 June 2014. The fixed distribution of 9.10% is made up of the New Zealand 5 year swap rate of 5.01% per annum (the Base Rate) plus an initial margin of 409 basis points.

The Base Rate is reset to the then prevailing New Zealand 5 year swap rate every five years. While the shares are perpetual, they are redeemable after five years or any interest payment date thereafter, or prior on the occurrence of certain events, subject to obtaining the prior written approval from APRA in all cases.

On 24 September 2008, the Group issued AUD$300 million in stapled securities. National Australia Bank Ltd amended the terms of the stapled securities on 20 August 2009. The Stapled Securities are perpetual capital instruments each paying a non-cumulative distribution at a rate of 2.0% over the 30-day bank bill swap rate ("BBSW"). Subject to APRA's approval, the securities are redeemable at the Group's option on 24 September 2010. In the event that the securities are not redeemed, they will convert into a variable number of National Australia Bank Limited ordinary shares on or about 24 September 2010, subject to the satisfaction of conversion conditions.

On 24 September 2008, the Group issued AUD$300 million Convertible Notes. National Australia Bank Ltd amended the terms of the Convertible Notes on 20 August 2009. The Convertible Notes pay a non-cumulative distribution at a rate of 2.00% over the 30-day BBSW. On 24 September 2010, subject to APRA approval, the notes are redeemable at the Group's option. The notes are convertible at the holder's option into a variable number of National Australia Bank Limited ordinary shares from 24 September 2010.

Any conversion will have no impact on the Tier 1 capital ratio but will increase core Tier 1.

Dividend Reinvestment Plan (DRP)

For the final dividend, the Group will offer a 1.5% discount on the DRP with no participation limit. These settings reflect our strong capital position. The final dividend accrual has been reduced by an amount equal to 30% of the final dividend to reflect assumed DRP participation.

UK Defined Pension Schemes

The Group's UK operations operate a defined benefit pension scheme. APRA's prudential standards require the Group to deduct the value of any net surplus in the pension schemes from Tier 1 capital. During the September half, the Scheme's deficit increased to GBP311 million, reducing Tier 1 capital by a further $189 million (5 basis points). The pension position was affected by three key factors:

- A decrease in the discount rate used to calculate the liability net present value.

- An increase in the long-term inflation assumption.
- An increase in the value of the investment portfolio, partially offsetting the other two factors.

Pillar 3 Disclosures

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

Funding

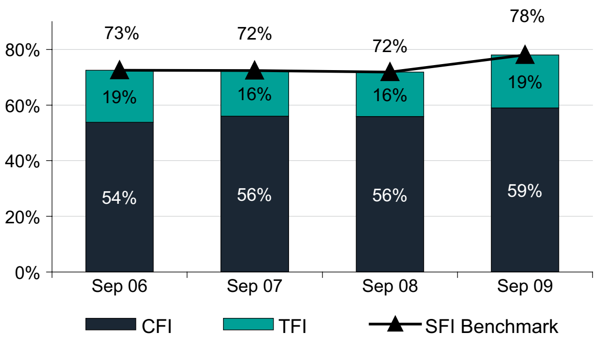
Global term wholesale funding markets remained challenging over the first half of 2009. Spreads have since moderated but still remain well above pre-crisis levels. The introduction of government guarantees for wholesale funding around the globe underpinned a return of investor demand, resulting in opportunities for the Group to access term funding in volume. The second half provided the opportunity to increasingly move from guaranteed to unguaranteed funding as demand increased and investors sought the higher returns from unguaranteed paper. Between 1 April 2009 and 30 September 2009, the Group raised over $15 billion in term funding ($13.9 billion by National Australia Bank Ltd), of which over 50% (57% for National Australia Bank Ltd) has been in unguaranteed format. As at 30 September 2009, the Group had raised a total $32.3 billion of term funding, up from the initial target of $19 billion.

The additional $13.3 billion of pre funding, supports $25 billion of debt that will fall into the less than 12 months remaining to maturity category before 30 September 2010.

Throughout this period, the Group has focused on maintaining market access and balance sheet strength, whilst supporting relationship lending. It has successfully achieved these goals.

Funding Indices. The Group employs a range of internal measures to set its risk appetite and to gauge the strength of its balance sheet funding. A key measure used is the Stable Funding Index (SFI), which comprises a Term Funding Index (TFI) plus a Customer Funding Index (CFI). TFI is defined as Term Wholesale Funding with a remaining maturity greater than 12 months, divided by Core Assets. The CFI is a measure of customer deposits divided by Core Assets. The external securitisation of balance sheet assets affects these funding indices by reducing Core Assets. With strong deposit growth and term funding issuance, the SFI improved from 72% to 78% over the year to September 2009.

Group Funding Indices (CFI, TFI and SFI)



Term Wholesale Funding.

In total, the Group raised $32.3 billion of term wholesale funding during the year to September 2009, of which $8.5 billion was in the preferred unguaranteed format. National Australia Bank Ltd has raised $27.2 billion of term funding ($8.1 billion unguaranteed), Clydesdale $2.8 billion (all guaranteed) and BNZ $2.3 billion ($0.4 billion unguaranteed).

Public Securitisation markets were not available to be used as a funding source during the year and there is no expectation of a significant improvement in this market in the near future.

The Group continues to focus on issuing longer dated unguaranteed debt to minimise re-financing risk. The weighted average maturity of term wholesale funds raised over the 2009 year was approximately 4.2 years to first call, compared to 3.94 years in the prior financial year. The average cost of senior term funds raised by National Australia Bank Ltd (and swapped back to Australian dollars) during the year to September 2009 was approximately 153 basis points over the Bank Bill Swap Rate (BBSW) (including the government guarantee fee), compared to an average cost of 80 basis points over BBSW in the 2008 financial year.

National Australia Bank Ltd has provided term funding to Clydesdale Bank PLC and Bank of New Zealand during the year. Clydesdale Bank and BNZ retain capacity for additional borrowing through NAB.

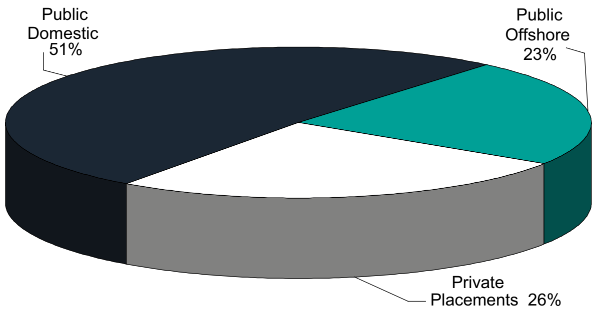
Short-term Wholesale Funding

Short-term wholesale funding markets remained open to the Group, with some short periods of illiquidity in offshore markets early in the year. The National Australia Bank Ltd ‘AA’ rating has seen the Group well positioned to access short-term funding markets and attract deposits. The Group’s focus has been on maintaining the duration of the short-term book in an effort to augment the term wholesale funding program.

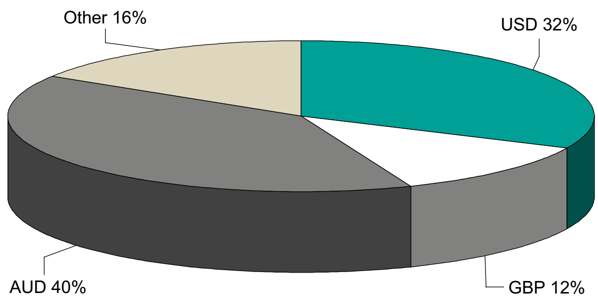
Liquid Asset Portfolio

The Group maintains liquid asset portfolios in the various countries in which it operates. In addition to those required by local Regulators, the Group holds further securities to support its liquidity position. Total liquid assets as at 30 September 2009 remained strong at $71 billion, above September 2008 levels, and well above pre-crisis levels of $29 billion (as at 31 March 2007). Liquidity holdings will be reassessed as the Group moves to implement the revised APRA liquidity standard during the 2010 calendar year.

Full year 2009 Wholesale Funding by Deal Type ($32 billion)



Full year 2009 Wholesale Funding Currency ($32 billion)



Ratings

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

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

APRA Draft Liquidity Standard

APRA have released a discussion paper outlining the proposed revisions to its APS 210 Liquidity standard. The proposal incorporates significant changes to scenario modelling, liquid asset composition and reporting requirements. The Group is assessing the impacts and will respond to APRA on 30 November 2009 through the discussion process.

Full Time Equivalent Employees

	As at				
	30 Sep 09	**31 Mar 09**	**30 Sep 08**	**Sep 09 v Sep 08%**	**Sep 09 v Mar 09%**
Australia Banking	**18,316**	18,305	18,440	(0.7)	0.1
MLC	**3,516**	3,661	3,869	(9.1)	(4.0)
Other (incl. Asia)	**299**	283	258	15.9	5.7
Australia Region	**22,131**	22,249	22,567	(1.9)	(0.5)
UK Region	**8,295**	8,510	8,758	(5.3)	(2.5)
NZ Region	**4,183**	4,253	4,293	(2.6)	(1.6)
nabCapital	**2,633**	2,642	2,600	1.3	(0.3)
Central Functions	**724**	680	695	4.2	6.5
Great Western Bank	**987**	816	816	21.0	21.0
Total full time equivalent employees (FTEs)	**38,953**	39,150	39,729	(2.0)	(0.5)
Average half year FTEs	**38,958**	39,578	39,783	(2.1)	(1.6)

September 2009 v September 2008

Total FTEs have decreased by 776 on the September 2009 year:

- Australia Banking reduced FTEs by 124 as a result of the completion of EQS initiatives, partially offset by increased investment in Operations and Business Banking to support growth strategies.
- MLC reduced FTEs by 353. This was mainly due to a reduction in project employees. In addition, there was a reduction of 120 FTEs as a result of EQS restructuring activities.
- The UK Region reduced FTEs by 463. EQS initiatives further reduced FTEs by 522. This has been partly offset by new positions created that support growth strategies.
- In the NZ Region FTEs fell by 110 as a result of rationalisation and simplification of support functions.
- Great Western Bank increased FTEs by 171 due to the acquisition of the First Community Bank's Colorado branches.

September 2009 v March 2009

Total FTEs have decreased by 197 on the March 2009 half year:

- MLC reduced FTEs by 145. This was mainly due to a fall in the number of projects and to some restructuring activities.
- The UK Region reduced FTEs by 215 as a result of EQS initiatives.
- NZ Region reduced FTEs by 70 mainly as a result of the rationalisation and simplification of support functions.
- Great Western Bank increased FTEs by 171 due to the acquisition of branches in Colorado.
- Central Functions increased FTEs by 44. This was mainly due to increased activities within Servco, and to support business growth in Asia.

Investment Spend

	Year to			Half Year to		
	Sep 09 $m	Sep 08 $m	Sep 09 v Sep 08 %	Sep 09 $m	Mar 09 $m	Sep 09 v Mar 09 %
Infrastructure	**249**	211	18.0	**160**	89	79.8
Compliance / Operational Risk	**113**	198	(42.9)	**57**	56	1.8
Efficiency and Sustainable Revenue	**402**	321	25.2	**246**	156	57.7
Other	**50**	58	(13.8)	**20**	30	(33.3)
Total	**814**	788	3.3	**483**	331	45.9

Investment spend increased by $26 million or 3.3% on the September 2009 year and by $152 million or 45.9% on the March 2009 half. This reflects the Group's commitment to investing in initiatives that support its strategic objectives. Investment in infrastructure projects increased by $38 million or 18.0% from September 2008, reflecting a continued focus on enhancing the quality, consistency and capabilities of the organisation. This was mainly driven by the Next Generation Banking IT Platform (NGP) initiative which involves the replacement of the core banking systems.

Spend on compliance and operational risk has reduced spend by $85 million or 42.9% since September 2008. The Group has continued to enhance operational and credit risk controls. Main initiatives include Anti Money Laundering, Counter Terrorism Financing and Basel.

Investment in efficiency and sustainable revenue has increased by $81 million or 25.2% since September 2008. This reflected the continuous focus on efficiency programs to facilitate and further improve the customer experience. Initiatives included consumer deposit product development, automated business lending processes, Business Internet banking services and product capability enhancements in Global Markets and Treasury in nabCapital.

Other Matters

Corporate Responsibility

At the heart of the Group lies a belief in the potential of its customers, communities and colleagues. The Group's corporate responsibility strategy plays a key role in enabling this potential to be realised.

Specifically the Group corporate responsibility strategy focuses on:

- continuing to excel at the fundamentals of banking
- doing the best for employees, and
- meeting the Group's responsibility to society.

Focus on the fundamentals of banking

The past six months has seen a renewed focus on addressing the most high profile issues for customers. Three areas in particular have been highlighted:

- Access to financial services for the disadvantaged
- Better public transparency on factors affecting our interest rate decisions, and
- Improving customer relationships, in part through leadership around the issue of bank fees.

In July, Cameron Clyne announced the abolition of overdrawn account fees on all NAB and BNZ personal transaction and savings accounts. The process to increase transparency and the provision of information relating to interest rates decisions has also begun, with the bank providing detailed information on overall funding costs and how they have affected decisions.

The Group's microfinance programs continue to grow with an additional $100 million committed during the year.

Doing the best for employees

The Australian business has achieved 'in-principle' agreement on an enterprise agreement with the Financial Services Union (FSU). The agreement provides for fixed wage rises, and increased flexibility in work and leave arrangements, underlining NAB's commitment to making it a better place to work.

The Academy, the Group's new approach business school, continues to develop and embed itself in Australia, and grow its global reach. Over 600 courses are now available online.

Addressing the Group's responsibility to society

Schools First, the innovative awards program designed to inspire collaboration between schools and communities for improved learning outcomes, rolled out in Australia. It received over 1,500 applications - 15% of schools nationally.

The Group's commitment to doing the right thing for the environment continues. Building retrofits have taken place across Australia, UK and NZ targeting increased energy efficiency. The Australian business is on track to reach its carbon neutral goal by the end of 2010, and Clydesdale Bank in the UK became the first UK high street bank to be awarded the Carbon Trust Standard, following a 15.8% reduction of its carbon footprint over a 12 month period.

Section 4

Review of Regional Operations and Results

Divisional Performance Summary

Year ended 30 September 2009	Australia Region Banking $m	Australia Region MLC $m	Australia Region Other $m	UK Region $m	NZ Region $m	nabCapital $m	Central Functions[1] CC&GF $m	Central Functions[1] NB&D $m	Central Functions[1] GWB $m	Eliminations $m	Cash Earnings - Ongoing $m	Disposed Operations $m	Group Cash Earnings $m
Net interest income	7,256	-	43	1,868	883	1,925	(89)	(10)	196	-	12,072	-	12,072
Other operating income	1,729	-	4	669	311	869	176	26	56	(74)	3,766	-	3,766
MLC net operating income	-	1,068	-	-	-	-	-	-	-	-	1,068	-	1,068
Net operating income	8,985	1,068	47	2,537	1,194	2,794	87	16	252	(74)	16,906	-	16,906
Operating expenses	(3,490)	(661)	(75)	(1,417)	(561)	(911)	(326)	(91)	(122)	74	(7,580)	-	(7,580)
Underlying profit	5,495	407	(28)	1,120	633	1,883	(239)	(75)	130	-	9,326	-	9,326
Charge to provide for doubtful debts	(1,600)	-	(1)	(892)	(151)	(1,061)	(91)	-	(19)	-	(3,815)	-	(3,815)
Cash earnings before tax	3,895	407	(29)	228	482	822	(330)	(75)	111	-	5,511	-	5,511
Income tax expense	(1,121)	(96)	9	(64)	(139)	(190)	166	22	(38)	-	(1,451)	-	(1,451)
Cash earnings before distributions and IoRE	2,774	311	(20)	164	343	632	(164)	(53)	73	-	4,060	-	4,060
Net profit - minority interest	-	-	-	-	-	2	-	(2)	-	-	-	-	-
IoRE	-	26	-	-	-	-	-	-	-	-	26	-	26
Distributions	-	-	-	-	-	-	-	-	-	(245)	(245)	-	(245)
Cash earnings	2,774	337	(20)	164	343	634	(164)	(55)	73	(245)	3,841	-	3,841

(1) *Central Functions includes Group Funding, Corporate Centre, New Business and Development (NB&D) and Great Western Bank (GWB).*

Divisional Performance Summary

Year ended 30 September 2008	Australia Region Banking $m	MLC $m	Other $m	UK Region $m	NZ Region $m	nabCapital $m	Central Functions[(1)] CC&GF $m	NB&D $m	GWB $m	Eliminations $m	Cash Earnings - Ongoing $m	Disposed Operations [(2)] $m	Group Cash Earnings $m
Net interest income	6,188	-	41	1,910	908	2,152	(102)	(2)	47	-	11,142	(11)	11,131
Other operating income	1,912	-	9	773	311	(26)	89	10	16	(79)	3,015	45	3,060
MLC net operating income	-	1,257	-	-	-	-	-	-	-	-	1,257	-	1,257
Net operating income	8,100	1,257	50	2,683	1,219	2,126	(13)	8	63	(79)	15,414	34	15,448
Operating expenses	(3,366)	(681)	(61)	(1,557)	(579)	(817)	(198)	(66)	(30)	79	(7,276)	(30)	(7,306)
Underlying profit	4,734	576	(11)	1,126	640	1,309	(211)	(58)	33	-	8,138	4	8,142
Charge to provide for doubtful debts	(603)	-	(2)	(381)	(56)	(1,446)	-	-	(1)	-	(2,489)	-	(2,489)
Cash earnings before tax	4,131	576	(13)	745	584	(137)	(211)	(58)	32	-	5,649	4	5,653
Income tax expense	(1,203)	(168)	5	(203)	(180)	91	216	45	(11)	-	(1,408)	(1)	(1,409)
Cash earnings before distributions and IoRE	2,928	408	(8)	542	404	(46)	5	(13)	21	-	4,241	3	4,244
Net profit - minority interest	-	-	-	-	-	2	-	(1)	-	-	1	-	1
IoRE	-	(14)	-	-	-	-	-	-	-	-	(14)	-	(14)
Distributions	-	-	-	-	-	-	-	-	-	(312)	(312)	-	(312)
Cash earnings	2,928	394	(8)	542	404	(44)	5	(14)	21	(312)	3,916	3	3,919

(1) *Central Functions includes Group Funding, Corporate Centre, New Business and Development (NB&D) and Great Western Bank (GWB).*

(2) *Represents the Group's Commercial Fleet business, which was disposed on 5 March 2008.*

Divisional Performance Summary

Half year ended 30 September 2009	Australia Region Banking $m	MLC $m	Other $m	UK Region $m	NZ Region $m	nabCapital $m	Central Functions[1] CC&GF $m	NB&D $m	GWB $m	Eliminations $m	Cash Earnings - Ongoing $m	Disposed Operations $m	Group Cash Earnings $m
Net interest income	3,788	-	24	949	424	901	8	(3)	97	-	6,188	-	6,188
Other operating income	761	-	2	324	144	406	23	25	26	(36)	1,675	-	1,675
MLC net operating income	-	529	-	-	-	-	-	-	-	-	529	-	529
Net operating income	4,549	529	26	1,273	568	1,307	31	22	123	(36)	8,392	-	8,392
Operating expenses	(1,758)	(331)	(39)	(686)	(281)	(459)	(180)	(52)	(60)	36	(3,810)	-	(3,810)
Underlying profit	2,791	198	(13)	587	287	848	(149)	(30)	63	-	4,582	-	4,582
Charge to provide for doubtful debts	(967)	-	(1)	(515)	(71)	(433)	(5)	-	(12)	-	(2,004)	-	(2,004)
Cash earnings before tax	1,824	198	(14)	72	216	415	(154)	(30)	51	-	2,578	-	2,578
Income tax expense	(520)	(45)	7	(20)	(62)	(142)	63	11	(18)	-	(726)	-	(726)
Cash earnings before distributions and IoRE	1,304	153	(7)	52	154	273	(91)	(19)	33	-	1,852	-	1,852
Net profit - minority interest	-	-	-	-	-	16	-	(5)	-	-	11	-	11
IoRE	-	52	-	-	-	-	-	-	-	-	52	-	52
Distributions										(101)	(101)	-	(101)
Cash earnings	1,304	205	(7)	52	154	289	(91)	(24)	33	(101)	1,814	-	1,814

(1) *Central Functions includes Group Funding, Corporate Centre, New Business and Development (NB&D) and Great Western Bank (GWB).*

Divisional Performance Summary

Half year ended 31 March 2009	Australia Region Banking $m	MLC $m	Other $m	UK Region $m	NZ Region $m	nabCapital $m	Central Functions[1] CC&GF $m	NB&D $m	GWB $m	Eliminations $m	Cash Earnings - Ongoing $m	Disposed Operations $m	Group Cash Earnings $m
Net interest income	3,468	-	19	919	459	1,024	(97)	(7)	99	-	5,884	-	5,884
Other operating income	968	-	2	345	167	463	153	1	30	(38)	2,091	-	2,091
MLC net operating income	-	539	-	-	-	-	-	-	-	-	539	-	539
Net operating income	4,436	539	21	1,264	626	1,487	56	(6)	129	(38)	8,514	-	8,514
Operating expenses	(1,732)	(330)	(36)	(731)	(280)	(452)	(146)	(39)	(62)	38	(3,770)	-	(3,770)
Underlying profit	2,704	209	(15)	533	346	1,035	(90)	(45)	67	-	4,744	-	4,744
Charge to provide for doubtful debts	(633)	-	-	(377)	(80)	(628)	(86)	-	(7)	-	(1,811)	-	(1,811)
Cash earnings before tax	2,071	209	(15)	156	266	407	(176)	(45)	60	-	2,933	-	2,933
Income tax expense	(601)	(51)	2	(44)	(77)	(48)	103	11	(20)	-	(725)	-	(725)
Cash earnings before distributions and IoRE	1,470	158	(13)	112	189	359	(73)	(34)	40	-	2,208	-	2,208
Net profit - minority interest	-	-	-	-	-	(14)	-	3	-	-	(11)	-	(11)
IoRE	-	(26)	-	-	-	-	-	-	-	-	(26)	-	(26)
Distributions	-	-	-	-	-	-	-	-	-	(144)	(144)	-	(144)
Cash earnings	1,470	132	(13)	112	189	345	(73)	(31)	40	(144)	2,027	-	2,027

(1) *Central Functions includes Group Funding, Corporate Centre, New Business and Development (NB&D) and Great Western Bank (GWB).*

Australia Banking

Joseph Healy and Lisa Gray

Australia Banking consists of Business & Private Banking and Retail Banking

Strategic Highlights and Business Developments

Business & Private Banking

Business & Private Banking is Australia's leading business bank by market share. During the year the team's performance enabled NAB to grow business deposit market share by 161 basis points to 24.0% and business lending market share by 140 basis points to 20.1%. This reflects strong performance across all lines of business, particularly in the SME sector, where $35 billion of new lending was achieved during a year of subdued economic activity. In an uncertain and tough economic environment, these results clearly demonstrate Business and Private Banking's commitment to supporting the domestic business sector and the strength and stability of the overall Australian economy.

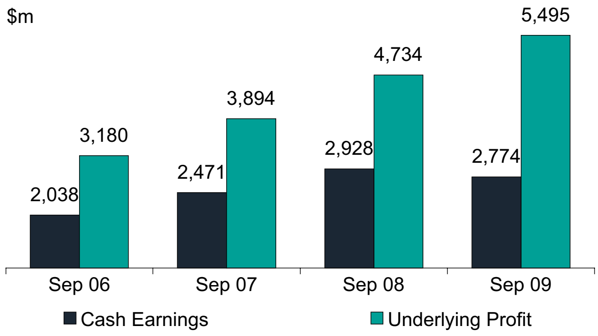
Business & Private Banking was rated number one of the major banks in customer satisfaction for businesses with a turnover between $5 million and $500 million (East & Partners) and rated 'Business Bank of the Year' by CFO magazine. This reflects a strategy centred on traditional relationship banking, executed through an unwavering customer focus and continued investment in the skills of bankers.

Despite a challenging economic environment, the operating performance of Business & Private Banking was strong. Revenues for the year grew by 11.3% to $5,528 million and expenses were tightly managed. Strategic investment in the Private Wealth business and Business Banking's distribution network led to an increase in expenses of 5.8%. Cash earnings of $1,811 million were down 10.7% on the prior year, reflecting a material increase in bad and doubtful debt provisions of $785 million to $1,118 million due to the adverse economic conditions.

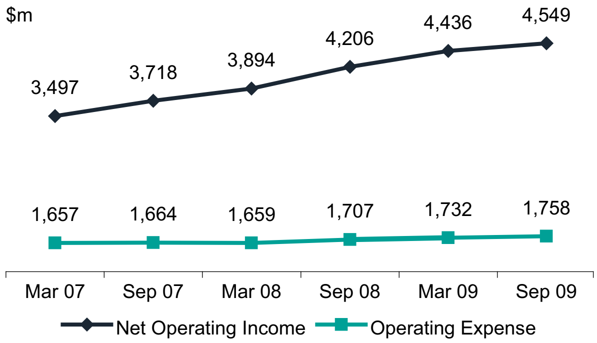
Business & Private Banking's performance reflects a clear commitment to supporting customers, managing asset quality and improving profitability through operational efficiency, together with a continued focus on business economics through a more efficient management of capital and pricing for risk. During the 2009 year this reflects:

- Disciplined execution of a customer-centric strategy with a focus on 'AND' - growing market share AND managing risk/reward AND relationship cross-sell.
- A philosophy that sees risk management as fundamental to sound banking. This includes having credit managers co-located with bankers to enable better decision making and informed risk management. There has been continued investment in the portfolio management team, established in 2008, to conduct detailed reviews of industries and geographic regions. This 'early warning' approach enables bankers to work closely with customers who are likely to face distress.

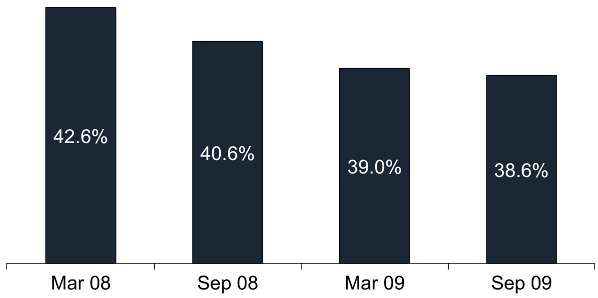
Australia Banking Cash Earnings and Underlying Profit



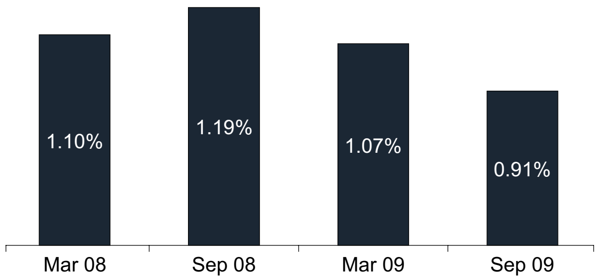
Australia Banking Revenue and Expense Trends



Australia Banking Cost to Income ratio



Australia Banking Cash Earnings on Average Interest Earning Assets



- A strong commitment to customers by putting more bankers in more places and increasing the amount of time bankers spend with their customers through streamlining administrative processes. During the year Business & Private Banking added 145 new front-line bankers with a plan to add 200 more during 2010. In addition, Business & Private Banking increased its geographic footprint through opening new business banking centres, with an intention to accelerate this growth in 2010 and beyond.
- Tight expense control and good progress on the efficiency agenda - all loan documentation and financial spreadsheet preparation is now processed in an off-shore centre with cost, quality and customer benefits.
- Continuation of the successful iFS and Specialisation operating models, which saw strong growth during the year, particularly in the Agri and Health businesses which delivered strong customer satisfaction levels, revenue and market share growth.
- Good progress in growing working capital capabilities, particularly transaction banking and deposits. Resource allocation to this business will continue to increase.
- Launch of the "Customer-led Innovation" strategy which is designed to deepen customer relationships and achieve stronger cross-sell.
- Good progress in enhancing the offering to small/ micro business customers through joint initiatives with Retail Banking.

Retail Banking

Retail Banking provides consumers and micro business customers quality products and services by offering help, guidance and advice. Underpinning this is Retail Banking's focus on improving its reputation and competitiveness by ensuring customers are provided with value in banking. On 29 July 2009 Retail Banking took the industry lead in this by announcing the abolition of overdrawn account fees on all NAB personal transaction and savings accounts and continued on 15 October 2009 announcing planned abolition of account service fees on most personal transaction accounts and over limit fees on credit cards, and the reduction of credit card late payment fees from $30 to $5.

Retail Banking remains focused on key growth segments and connecting with customers through a range of channels and brands. As part of this strategy there is an increased commitment to the third party broker distribution network with the announcement of the acquisition of the mortgage management business of Challenger, including the PLAN, Choice and FAST mortgage aggregator businesses and the Challenger 'white label' product capability. Leveraging this 'white label' product capability and differentiating the position of nabBroker in the market, will provide impetus in the sales of home loans in 2010. However, during 2009, mortgage volumes from the broker business grew below the market rate as the business was transitioned to the current model.

As part of Retail Banking's strategy to optimise its physical network, effective 2 September 2009, NAB joined the rediATM network, giving rediATM and NAB customers free access to more than 3,100 ATMs, with 2,900 in unique locations.

Retail Banking continued to optimise its physical network, investing more than $50 million. As part of this program, 24 outlets were opened and there was an expansion of new store formats such as nabKiosk.

The Customer Connect program was launched during 2009, centralising certain administration activities of the branch network. This refocussed sales activities to spend more time with customers. In addition, continued investment in people provided employees with the tools and training necessary to improve sales effectiveness and provide customers with the help, guidance and advice they require.

Improved sales effectiveness and ongoing investment in the physical network boosted growth in home loans and deposits, with the proprietary network achieving near system growth in home loans and exceeding system growth in retail deposits during 2009.

During 2009 Retail Banking also continued to invest in its online and direct channels, providing customers with new ways of doing business with NAB. Since the launch of UBank in October 2008, NAB's new direct banking brand has achieved strong growth in both customer numbers and deposit balances.

These strategies delivered strong underlying profit growth for the year of 19.8% and solid cash earnings growth of 7.0%. This was achieved through revenue growth of 10.3% together with controlled expense growth of 1.3% as the increased investment across business was largely funded by a strong efficiency and quality agenda. Bad and doubtful debts however rose by 78.5% as a result of the tighter economic conditions and a provision charge associated with loans that had Lenders Mortgage Insurance (LMI) cover.

Operating Environment

As the Australian economic downturn has proved less serious than initially feared, emergency monetary policy settings are unlikely to remain and the Reserve Bank of Australia has already started to lift rates. Its recent announcement of a 0.25% rate rise indicates its view that the economy is recovering.

The Australian outlook is for continued growth through the next 18 months but the normal process of cyclical recovery is likely to be dampened by fading fiscal stimulus, higher interest rates and increased unemployment. Attitudes to risk have also fundamentally shifted, with wholesale funding costs not expected to return to pre-financial crisis prices for the foreseeable future. Given the importance of stable funding, the focus is on attracting deposits which is still seeing solid growth. Growth rates have been slowing in all markets and this will present a greater challenge as the effects of the recession play out. The combination of these factors is expected to increase the cost of funds over the next 12 months.

Customer, Employee and Community

NAB continues to strengthen its support of local communities, focusing on activities that build social and economic wellbeing now and in the future.

The past six months have seen some significant developments. Of particular note were the Schools First activities which will be awarding $5 million in funding each year for the next three years. Over 1,500 schools submitted applications for the Awards - 15% of schools nationally, double the target set for the inaugural year.

In July, NAB hosted a community day in the Yarra Valley for people affected by the Victorian bushfires. Many of NAB's community partners such as the AFL, FFA, Melbourne Symphony Orchestra and the Alannah & Madeline Foundation came together to bring a host of activities to the communities. Many NAB volunteers helped out on the day.

NAB continues its commitment to ensuring Australians have access to fair and affordable banking services through the provision of micro credit programs. In May, NAB further extended its commitment to the No Interest Loan Scheme (NILS) by providing another $5 million in capital to further expand the program, taking the overall commitment to $15 million. This program, developed by the Good Shepherd Youth and Family service, offers small, no interest loans to people on low incomes for the purchase of essential household goods.

In August, NAB provided the Traditional Credit Union (TCU) with funding to support the Garma Festival for three years. Regarded as Australia's most significant Indigenous cultural exchange event, the Garma Festival attracts clan groups from north east Arnhem Land, as well as representatives from clan and neighbouring Indigenous peoples throughout Australia. NAB was able to take leaders from throughout the organisation to the festival as part of a program to strengthen cultural awareness of Indigenous issues.

Now in its eighth year, the annual Ovarian Cancer Research Foundation (OCRF) Silver Ribbon campaign was launched in August. A fundraising target of $1 million was set and staff from around Australia have begun to employ innovative approaches to raising the money, such as movie nights and music themed trivia nights.

NAB's new 'Auskicker of the Year' program was very successful, with over 5,500 children from around Australia submitting entries. The 22 winners and their families were flown to the AFL Grand Final to award premiership players their medals and participate in the Grand Final parade. The AFL's most talented young footballers were also recognised through the NAB AFL September Rising Star Award.

NAB's employees have continued to embrace volunteer leave in 2009, which has had a positive impact on employee engagement. In particular, there have been notable increases in skilled volunteering, with NAB staff offering their technical skills to assist in a variety of community organisations.

The continued investment in, and focus on The Academy reflects NAB's commitment to helping employees enhance their learning and career development, in line with the strategic aims of the business. The Academy has created new ways of learning, sharing knowledge, collaborating and working where people can develop their capabilities, explore their potential and provide a platform for positive change and innovation in their lives, their businesses and their communities.

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Australia Banking

	Year to			Half Year to		
	Sep 09 $m	Sep 08 $m	Sep 09 v Sep 08 %	Sep 09 $m	Mar 09 $m	Sep 09 v Mar 09 %
Net interest income	**7,256**	6,188	17.3	**3,788**	3,468	9.2
Other operating income	**1,729**	1,912	(9.6)	**761**	968	(21.4)
Net operating income	**8,985**	8,100	10.9	**4,549**	4,436	2.5
Operating expenses	**(3,490)**	(3,366)	(3.7)	**(1,758)**	(1,732)	(1.5)
Underlying profit	**5,495**	4,734	16.1	**2,791**	2,704	3.2
Charge to provide for bad and doubtful debts	**(1,600)**	(603)	large	**(967)**	(633)	(52.8)
Cash earnings before tax	**3,895**	4,131	(5.7)	**1,824**	2,071	(11.9)
Income tax expense	**(1,121)**	(1,203)	6.8	**(520)**	(601)	13.5
Cash earnings	**2,774**	2,928	(5.3)	**1,304**	1,470	(11.3)
Average Volumes ($bn)						
Gross loans and acceptances	**274.8**	252.9	8.7	**279.7**	269.9	3.6
Interest earning assets	**279.7**	255.4	9.5	**285.0**	274.4	3.9
Total assets	**292.8**	262.8	11.4	**289.0**	296.7	(2.6)
Retail deposits	**127.3**	107.3	18.6	**131.6**	123.0	7.0
Performance Measures						
Cash earnings on average assets	**0.95%**	1.11%	(16 bps)	**0.90%**	0.99%	(9 bps)
Net interest margin	**2.59%**	2.42%	17 bps	**2.65%**	2.53%	12 bps
Cost to income ratio	**38.8%**	41.6%	280 bps	**38.6%**	39.0%	40 bps
Cash earnings per average FTE ($'000s)	**151**	156		**143**	160	
FTEs (spot)	**18,316**	18,440		**18,316**	18,305	

	As at		
Distribution	Sep 09	Mar 09	Sep 08
Number of retail branches	**748**	772	769
Number of ATMs [1]	**3,164**	1,641	1,583
Number of internet banking customers (no. million) [2]	**1.375**	1.297	1.451
Number of business banking centres	**174**	172	176

[1] *Including 1,451 rediATMs at September 2009.*

[2] *The methodology used to calculate the number of internet banking customers was changed in the March 2009 half. On the revised methodology the comparative figure was 1.234 million at September 2008.*

	As at		
Market Share	Aug 09	Mar 09	Sep 08
Business lending	**20.1%**	19.3%	18.7%
Housing lending	**12.8%**	13.0%	13.2%
Other personal lending	**15.8%**	15.6%	14.8%
Retail deposits	**15.1%**	14.8%	14.2%

Source: RBA Financial System / NAB including nabCapital data as at August 2009.

	Year to			Half Year to		
Business & Private Banking	Sep 09 $m	Sep 08 $m	Sep 09 v Sep 08 %	Sep 09 $m	Mar 09 $m	Sep 09 v Mar 09 %
Net interest income	**4,561**	3,913	16.6	**2,373**	2,188	8.5
Other operating income	**967**	1,053	(8.2)	**426**	541	(21.3)
Net operating income	**5,528**	4,966	11.3	**2,799**	2,729	2.6
Operating expenses	**(1,864)**	(1,761)	(5.8)	**(943)**	(921)	(2.4)
Underlying profit	**3,664**	3,205	14.3	**1,856**	1,808	2.7
Charge to provide for bad and doubtful debts	**(1,118)**	(333)	large	**(747)**	(371)	large
Cash earnings before tax	**2,546**	2,872	(11.4)	**1,109**	1,437	(22.8)
Income tax expense	**(735)**	(844)	12.9	**(313)**	(422)	25.8
Cash earnings	**1,811**	2,028	(10.7)	**796**	1,015	(21.6)
Retail Banking						
Net interest income	**2,695**	2,275	18.5	**1,415**	1,280	10.5
Other operating income	**762**	859	(11.3)	**335**	427	(21.5)
Net operating income	**3,457**	3,134	10.3	**1,750**	1,707	2.5
Operating expenses	**(1,626)**	(1,605)	(1.3)	**(815)**	(811)	(0.5)
Underlying profit	**1,831**	1,529	19.8	**935**	896	4.4
Charge to provide for bad and doubtful debts	**(482)**	(270)	(78.5)	**(220)**	(262)	16.0
Cash earnings before tax	**1,349**	1,259	7.1	**715**	634	12.8
Income tax expense	**(386)**	(359)	(7.5)	**(207)**	(179)	(15.6)
Cash earnings	**963**	900	7.0	**508**	455	11.6

Australia Banking
Financial Analysis

September 2009 v September 2008

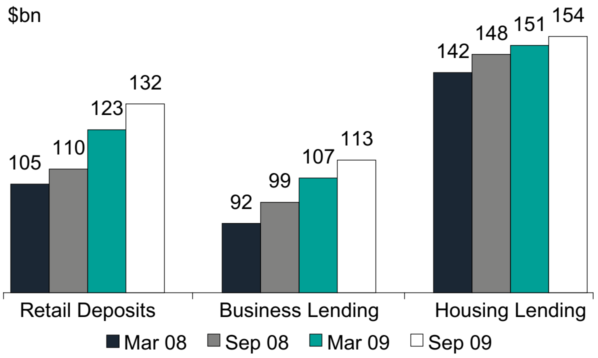
Cash earnings decreased by $154 million or 5.3% against September 2008. The performance included robust revenue growth across both Business & Private Banking and Retail Banking, delivering 11.3% and 10.3% growth respectively, despite increasing funding related costs from Treasury activities. However this strong revenue performance was more than offset by growth in bad and doubtful debt charges.

Net interest income increased by $1,068 million or 17.3% on September 2008. This was a strong performance in a difficult environment and was driven by good volume growth and product margin management that included active pricing for risk. These outcomes more than offset the impact of increased funding costs.

Average interest earning assets grew by $24.3 billion or 9.5%, largely a result of growth in business lending. Whilst there has been some slowdown in recent months as system has declined, NAB has continued to outperform system with 3.7% growth in spot business lending balances versus a 3.5% reduction in system. NAB growth was below system in housing lending due to under-performance in the broker business combined with lower customer demand for residential investment property.

Average retail deposits increased by $20.0 billion or 18.6%, growing market share at 1.7 times system, as a result of a strategic focus on growing deposits.

Australia Banking Average Volumes



The increase in **net interest margin** by 17 basis points reflects solid business lending performance, including active repricing for risk, together with strong product pricing across the remaining portfolio. Aggressive competition in the deposit market, as wholesale funding markets were less liquid, impacted deposit margins.

Other operating income decreased by $183 million or 9.6%. The overall decline was principally due to Treasury income, down $192 million, largely due to swap costs on term funding transactions, together with the implementation of ATM direct charging in February 2009. These movements were partially offset by revenue from risk management products sold to business customers as the appetite for these products increased during the uncertain economic environment.

Operating expenses increased by $124 million or 3.7% driven by tightly controlled expenses including the continued robust efficiency agenda, while maintaining momentum on strategic initiatives. This resulted in a cost to income ratio of 38.8%. Investment initiatives included the business and retail banking distribution networks, capability uplift in the Private Wealth business, investment in The Academy and the Next Generation banking platforms program.

The **charge to provide for bad and doubtful debts** increased by $997 million as a result of continued deterioration in the economic environment which drove an increase in impaired assets combined with a number of larger specific provisions, particularly within the corporate lending segment and a provision charge associated with LMI in Retail Banking.

September 2009 v March 2009

Cash earnings decreased by $166 million or 11.3% on the March half, as a result of increased bad and doubtful debts, partially offset by revenue growth. While underlying revenue growth reflects solid performance across both business and retail segments, it was adversely affected by higher Treasury related swap costs.

Net interest income increased by $320 million or 9.2%, supported by strong margin management, including re-pricing for risk.

Average interest earning assets grew by $10.6 billion or 3.9%, primarily due to strong business lending growth relative to system, combined with subdued growth in housing lending.

Average retail deposits grew by $8.6 billion or 7.0% which reflected the ongoing strategic focus on growing deposits.

Net interest margin increased by 12 basis points as a result of robust business lending momentum and margin management including active repricing for risk.

Other operating income decreased by $207 million or 21.4% largely due to Treasury income, down $182 million, principally as a result of swap costs on term funding transactions together with the implementation of ATM direct charging.

Operating expenses increased by $26 million or 1.5%, due to tight expense management benefiting from a strong efficiency agenda, enabling continued investment in the distribution network and other strategic initiatives.

The **charge to provide for bad and doubtful debts** increased by $334 million on the March half as a result of the continued deterioration in the economic environment.

Other Items

Asset Quality

	As at		
	Sep 09	Mar 09	Sep 08
90+ DPD assets ($m)	**1,445**	1,464	1,079
Gross impaired assets ($m)	**2,590**	1,545	1,036
90+ DPD plus gross impaired assets to gross loans and acceptances	**1.43%**	1.10%	0.79%
Specific provision to gross impaired assets	**34.6%**	27.8%	24.6%
Net write-offs to gross loans and acceptances (annualised)	**0.21%**	0.15%	0.18%
Total provision as a percentage of net write-offs	**374%**	403%	255%
Total provision to gross loans and acceptances	**0.79%**	0.60%	0.45%
Bad and doubtful debt charge to credit risk weighted assets	**1.06%**	0.86%	0.44%

The difficult economic environment continued to affect the customer base and resulted in further softening of asset quality, reflected in rising impaired assets and higher bad and doubtful debt charges.

Management continued to focus heavily on initiatives that enhance risk management and protect the asset quality of the portfolio. This included a comprehensive review of business lending that focused on asset quality and the appropriateness of loan loss provisions and a review of the Collections and Specialised Business Services functions. Additional resources were also invested in the Risk Management function and improvements made to process and systems.

The portfolio has shown resilience in this challenging environment with continued low levels of net write-offs despite a softening in credit quality measures. The investment grade equivalent proportion of the non-retail portfolio fell slightly (by 36 basis points to 68.75%) but was offset by an improvement in the well secured proportion of the portfolio. The ratio of 90+ days past due to gross loans and acceptances improved by 2 basis points and delinquency rates across Retail Banking improved in the September 2009 half year.

The rise in the charge to provide for bad and doubtful debts was largely due to the increases in impaired assets. The rapid deterioration in the economic and credit environment in prior halves, coupled with the subdued environment in the current half continued to have an impact on the customer base. Business & Private Banking experienced a rise in impaired assets and the downgrade of a small number of corporate clients. Geographically, impaired asset rates rose in all states, with Queensland experiencing the largest increase. Impaired asset volumes in Retail Banking decreased over the September 2009 half year.

The portfolio remains well diversified across industries, products and geography. The lending concentrations in the portfolio, including exposure to Commercial Real Estate, SME and single large exposures, remain closely monitored. Management remains vigilant in monitoring changes in the economic and credit environment and continues to review and adjust its business and risk management strategies where appropriate to maintain the credit quality of the portfolio.

Funding and Liquidity

Funding and liquidity costs increased significantly in the 2009 financial year. The main drivers of the increase were widening cash/bills spread and the higher cost of wholesale term funding issued to support balance sheet growth.

The cash/bills spread is the difference between the market rate for cash and the 90 day Bank Bill rate. The 90 day Bank Bill rate is relevant because this is the rate at which banks borrow and lend money to each other and therefore this rate comprises part of National Australia Bank Ltd's short term funding cost. While the cash/bills spread was volatile throughout the year, the full year average was 43 basis points, slightly higher than the 41 basis points in 2008.

During the 2009 financial year NAB raised $27.2 billion of term funding to support balance sheet growth and to refinance maturing term funds. The average cost of senior term funds raised by National Australia Bank Ltd (as swapped back to Australian dollars) during the year to September 2009 was approximately 153 basis points over the Bank Bill Swap Rate (BBSW) (including the government guarantee fee). The cost of term funding has grown significantly over the prior year as the funding cost now reflects the increased cost of liquidity and the government guarantee.

Investment Spend

Investment cash spend during the 2009 financial year was $408 million. The investment portfolio comprises three categories; infrastructure, compliance/operational risk and efficiency and sustainable revenue generating projects.

Infrastructure cash spend during the 2009 financial year was $160 million, representing 39% of the portfolio. This was spent on developing a new online deposit platform for UBank, which was released in second half of the year. Next Generation investment included development of strategy and mobilising the core banking, finance and risk streams, international trade and payments and the development of a lending target operating model.

Compliance/Operational cash spend during the 2009 financial year was $35 million, representing 9% of the portfolio. This included initiatives such as compliance with the Anti Money Laundering and Counter Terrorist Financing requirements and continuing the implementation of the Basel II solution.

Efficiency and revenue related cash spend during the 2009 financial year was $213 million, representing 52% of the portfolio. This reflects the continued focus on efficiency to drive greater benefits from technology and operational spend. Investment has also concentrated on consumer deposit product development to deliver a new cash management facility.

MLC
Steve Tucker

MLC has delivered cash earnings (pre IoRE) of $311 million, a $97 million or 24% decline over the prior year, in an operating environment characterised by sustained pressure in global financial markets.

A highlight of this result is the continuing outstanding expense control that has been achieved through MLC's embedded efficiency program.

During these volatile times, MLC has continued to implement its core strategies across a diversified business model, whilst taking advantage of unique opportunities in the market to pursue growth.

In March 2009, MLC & NAB Wealth was created, bringing together NAB Private Wealth and nabInvest with MLC. Together, these businesses have significant strengths in advice, product manufacturing, asset management and client servicing right across the wealth management value chain. MLC & NAB Wealth will provide a broader wealth management proposition to individuals, business owners and institutional investors.

In June 2009 MLC announced the purchase of Aviva's Wealth management business in Australia, including its life insurance operations and discretionary investment platform, 'Navigator'. The acquisition adds scale, efficiency and new capabilities to MLC's operations. The transaction was completed effective 1 October 2009.

In July 2009 MLC announced a strategic alliance with Goldman Sachs JBWere (GSJBW), agreeing to acquire 80.1% of GSJBW's private wealth management business in Australia and New Zealand. Together with NAB Private Wealth, this alliance will enable MLC to deliver an attractive wealth management offering to high and ultra high net worth customers. The acquisition is expected to be completed by the end of 2009.

The strengths of Aviva and JBWere align with MLC's core strategies, broaden MLC's presence across all sectors of the wealth value chain and provide further depth across advice and customer channels. Combined results will be released in 2010.

During the year, MLC has continued to focus on:

Taking the lead on the important issue of building trust in the financial advice industry. MLC has made a comprehensive submission to the Parliamentary Joint Committee Inquiry into Financial Services and Products and continues to engage with Government and regulators on the potential outcomes of the various reviews and inquiries underway. In September 2009, MLC announced that Garvan/MLC Financial Planning and Apogee Financial Planning will transition to a fee for advice model for all new investment and superannuation business from 1 July 2010. This is the final step in the process of transitioning all of MLC's advice businesses to this fee based model.

Pleasingly, MLC was rated the most admired wealth management company for promoting trust and confidence in PricewaterhouseCoopers' 2009 Wealth Management CEO Survey. Additionally, Garvan Financial Planning was named Major Dealer Group of the Year for the second consecutive year by CoreData.

Leading the bank owned financial advice transition. NAB Financial Planning continues to be well positioned in the Retail, Business and NAB Private Wealth divisions, with strong sales, and record referral levels despite challenging market conditions. This reflects the customer appeal of the fee for advice business model implemented in 2008.

Consistently delivering sustainable returns, driven by a robust investment approach. MLC's funds are, in the main, performing well. MLC's investors have participated fully in the recent market recovery. Continued testing and refinement over many years has also resulted in strong relative returns over the long term.

Maintaining a leading position in all sectors of the superannuation system. More than 83% of MLC customers' funds are invested in superannuation, with MLC being the second largest provider of superannuation in Australia.

The strength of MLC's retail investment platforms have been recognised by several awards. MLC MasterKey received an Asset Innovation and Investment Trends award for most improved platform and MLC MasterKey Custom received an Asset Innovation award for being the best platform for administering self-managed superannuation.

Maintaining position in the personal insurance market. MLC continues to focus on writing high quality and sustainable new business. MLC's strong sales momentum has continued, with insurance sales up 31% on the prior comparative period across all major life products.

MLC received the prestigious 2009 Life Insurance Company of the Year award from the Australian and New Zealand Institute of Insurance and Finance - the fourth time MLC has won in the six year history of the award.

Efficiently managing the businesses, resulting in real absolute operating expense savings over the last four years. Operating expenses have declined by 3% when compared with September 2008.

MLC's investment spend continued to drive efficiencies during the year, with MLC's MasterKey and Insurance products now online with straight through processing.

Investing in the MLC brand and enhancing the customer experience. A new advertising campaign, launched in August 2009, has begun to position MLC as an advice brand that helps people achieve what's most important to them - family safety and security.

This was backed up in September 2009 with the launch of a new TV and print advertising campaign to encourage Australians to consider their personal insurance needs such as life and income protection insurance.

MLC

	Year to Sep 09 $m	Year to Sep 08 $m	Sep 09 v Sep 08 %	Half Year to Sep 09 $m	Half Year to Mar 09 $m	Sep 09 v Mar 09 %
Gross income	**2,012**	2,195	(8.3)	**1,025**	987	3.9
Volume related expenses	**(944)**	(938)	(0.6)	**(496)**	(448)	(10.7)
Net income	**1,068**	1,257	(15.0)	**529**	539	(1.9)
Operating expenses	**(661)**	(681)	2.9	**(331)**	(330)	(0.3)
Cash earnings before tax	**407**	576	(29.3)	**198**	209	(5.3)
Income tax expense	**(96)**	(168)	42.9	**(45)**	(51)	11.8
Cash earnings before IoRE	**311**	408	(23.8)	**153**	158	(3.2)
IoRE [1]	**26**	(14)	large	**52**	(26)	large
Cash earnings	**337**	394	(14.5)	**205**	132	55.3
Represented by:						
Investments cash earnings before IoRE	**134**	213	(37.1)	**66**	68	(2.9)
Insurance cash earnings before IoRE	**177**	195	(9.2)	**87**	90	(3.3)
Cash earnings before IoRE	**311**	408	(23.8)	**153**	158	(3.2)
Performance Measures						
Operating expenses to net income (%)	**62%**	54%		**63%**	61%	
Cash earnings before IoRE per average FTE ($'000s)	**84**	106		**86**	83	
FTEs (spot)	**3,516**	3,869		**3,516**	3,661	
Financial advisers - bank channels	**543**	564		**543**	573	
Financial advisers - aligned channels	**803**	837		**803**	810	

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

	Year to					
	Sep 09			Sep 08		
IoRE by Asset Class	Actual Earnings $m	Weighted Asset Balance $m	Earning Rate %	Actual Earnings $m	Weighted Asset Balance $m	Earning Rate %
Equity	**(6)**	**128**	**(4.9%)**	(54)	173	(31.0%)
Fixed interest	**3**	**78**	**4.1%**	11	140	7.5%
Cash and others	**81**	**1,336**	**6.1%**	79	1,106	7.2%
Debt	**(32)**	**675**	**(4.7%)**	(53)	663	(8.0%)
Income tax	**(20)**			3		
IoRE	**26**			(14)		

	Half Year to					
	Sep 09			Mar 09		
IoRE by Asset Class	Actual Earnings $m	Weighted Asset Balance $m	Earning Rate %	Actual Earnings $m	Weighted Asset Balance $m	Earning Rate %
Equity	**34**	**122**	**27.9%**	(40)	134	(29.7%)
Fixed interest	**2**	**72**	**2.8%**	1	104	1.3%
Cash and others	**41**	**1,353**	**3.0%**	40	1,319	3.0%
Debt	**(13)**	**685**	**(1.9%)**	(19)	666	(2.9%)
Income tax	**(12)**			(8)		
IoRE	**52**			(26)		

MLC
Financial Highlights

September 2009 v September 2008

MLC's cash earnings before IoRE of $311 million declined by $97 million or 24% during the year when compared to September 2008.

This result was largely influenced by the adverse external operating environment and sustained pressure on global investment markets:

- Volatile global financial markets resulted in a minimal increase in MLC's FUM of $1.4 billion to $85 billion, with average FUM of $75 billion for the year (19% lower).
- Positive net flows of $2.4 billion were higher than prior comparative period, mostly resulting from wholesale mandates, the return of some investor confidence and Plum Financial Services new business transitions in the second half.
- MLC has maintained net investment margins, despite increased competition and the difficult operating environment.
- Strong insurance sales growth across both Personal and Group throughout the year.
- Deterioration in MLC's claims across both death and disability books compared to recent years.
- Investment returns on assets backing the insurance reserves were lower than in the prior comparative period because of movements in government and semi-government bond yields.
- Operating expenses declined by 3% compared with September 2008 as a result of MLC maintaining focus on strong expense management in this difficult environment.
- Expense savings were achieved through restructuring for lower investment volumes and efficiency initiatives, whilst maintaining a strong focus on enhancing the customer experience, and investing in the MLC brand.

September 2009 v March 2009

MLC's cash earnings before IoRE decreased slightly to $153 million or 3% when compared to March 2009.

This result was driven by:

- Improvements in Investment markets since March 2009, driving an increase in FUM of $14.9 billion, which in turn delivered an increase in average FUM in the September 2009 half, albeit at the end of the period.
- Positive net flows of $3 billion through new wholesale business and Plum Financial Services new business transitions mostly at the end of the period.
- Continuing strong Insurance sales momentum across all sales channels.
- Deterioration of claims across personal lump sum and the personal disability portfolios.
- Lower investment returns on assets backing the Insurance portfolio.
- Operating expenses remaining in line with the prior half, despite the seasonality of superannuation end of financial year activities.

MLC - Investments

	Year to			Half Year to		
	Sep 09 $m	Sep 08 $m	Sep 09 v Sep 08 %	Sep 09 $m	Mar 09 $m	Sep 09 v Mar 09 %
Gross income	**1,006**	1,221	(17.6)	**509**	497	2.4
Volume related expenses	**(327)**	(410)	20.2	**(165)**	(162)	(1.9)
Net income	**679**	811	(16.3)	**344**	335	2.7
Operating expenses	**(480)**	(511)	6.1	**(241)**	(239)	(0.8)
Cash earnings before tax	**199**	300	(33.7)	**103**	96	7.3
Income tax expense	**(65)**	(87)	25.3	**(37)**	(28)	(32.1)
Cash earnings before IoRE	**134**	213	(37.1)	**66**	68	(2.9)

Performance Measures (1)						
Funds under management (spot) ($m)	**85,030**	83,621	1.7	**85,030**	70,106	21.3
Funds under management (average) ($m)	**74,953**	92,934	(19.3)	**76,541**	73,365	4.3
Net funds flow ($m)	**2,359**	2,069	14.0	**3,006**	(647)	large
Operating expenses to average FUM (bps)	**64**	55		**63**	65	
Net income to average FUM (bps)	**91**	87		**90**	91	

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

Movement in Funds under Management and administration ($m)	As at Sep 08	Inflows	Outflows	Investment earnings	Other (2)	As at Sep 09
Master Funds (Platforms)	**56,992**	9,126	(7,776)	1,472	(1,302)	**58,512**
Other Retail	**4,454**	38	(555)	9	(934)	**3,012**
Total Retails Funds (Excl. Cash)	**61,446**	9,164	(8,331)	1,481	(2,236)	**61,524**
Wholesale	**22,175**	3,515	(1,989)	(195)	-	**23,506**
Total MLC ex Trustee and Cash Management	**83,621**	**12,679**	**(10,320)**	**1,286**	**(2,236)**	**85,030**
Cash Management (3)	4,493	5,729	(6,377)	95	(3,940)	-
Trustee	6,485	2,184	(1,294)	-	-	7,375

Movement in Funds under Management and administration ($m)	As at Mar 09	Inflows	Outflows	Investment earnings	Other (2)	As at Sep 09
Master Funds (Platforms)	**47,397**	5,169	(3,888)	10,756	(922)	**58,512**
Other Retail	**4,145**	19	(135)	183	(1,200)	**3,012**
Total Retails Funds (Excl. Cash)	**51,542**	5,188	(4,023)	10,939	(2,122)	**61,524**
Wholesale	**18,564**	2,377	(536)	3,101	-	**23,506**
Total MLC ex Trustee and Cash Management	**70,106**	**7,565**	**(4,559)**	**14,040**	**(2,122)**	**85,030**
Cash Management (3)	463	154	(616)	6	(7)	-
Trustee	6,266	1,557	(448)	-	-	7,375

(2) *Other includes trust distributions.*

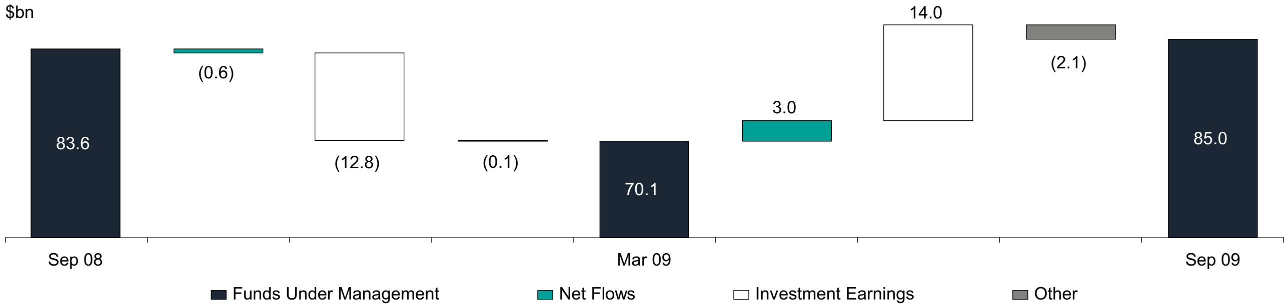
(3) *MLC's at call Common Fund A1 has been terminated as at February 2009 with members given the opportunity to invest in nab's cash management trust.*

	Market Share				Share of New Business (4)			
	Rank	Jun 09	Dec 08	Jun 08	Rank	Jun 09	Dec 08	Jun 08
Retail (excl. Cash)	3	**11.8%**	11.6%	11.8%	3	**10.7%**	10.8%	10.2%
Total Retail Superannuation	2	**16.4%**	16.2%	16.5%	3	**13.3%**	12.3%	12.0%
Total Wholesale	1	**8.4%**	7.7%	7.6%	8	**4.2%**	2.9%	4.6%

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

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

Funds Under Management



Funds Under Management

The Trustee Services business funds under trust (FUT) have been excluded from the FUM table as it is a low margin business and its flows can be lumpy in nature. This has in the past distorted the underlying drivers of wealth FUM. In addition, the inclusion of FUT has had the effect of distorting MLC's relative net investment margins in comparison to peers. MLC's at call Common Fund A1 was terminated in February 2009 with members given the opportunity to invest in nab's cash manager. The cash management fund has been excluded from the FUM table allowing for a more meaningful period-to-period comparison.

	As at		
FUM by Asset Class	**Sep 09**	**Mar 09**	**Sep 08**
Australian equities	**33%**	29%	29%
International equities	**31%**	32%	30%
Australian fixed interest	**14%**	16%	14%
International fixed interest	**9%**	8%	8%
Australian cash	**7%**	8%	13%
International direct property	**2%**	3%	2%
International listed property	**2%**	2%	2%
Australian listed property	**2%**	2%	2%

MLC - Investments

Financial Analysis

MLC's Investments business comprises its multi-manager offering which is available via the retail platforms MasterKey and MasterKey Custom. It offers employee superannuation through Plum Financial Services and MasterKey Business Super and provides asset and implemented consulting services via JANA and MLC Implemented Consulting.

September 2009 v September 2008

Cash earnings before IoRE decreased by $79 million or 37% over the year. Investor confidence was affected by the adverse external operating environment and sustained pressure on global investment markets, which are still down by around 10%[(1)] since September 2008.

Net flows were favourable to the prior comparative period mostly due to wholesale mandates, a number of which were transitioned in the last quarter.

Despite the adverse market conditions and ongoing intense market competition, MLC has maintained its net investment margins over the period due to its decisions not to pursue market share by paying for access to distribution, and to focus on the more profitable segments of the market.

Gross income decreased by $215 million or 18%.

MLC's spot FUM of $85 billion was an increase of $1.4 billion or 2% on the prior year. The average FUM declined by $18 billion in the year to $75 billion or 19%. The increase in spot FUM was achieved later in the year as investment markets showed improved performance.

The ongoing investment market downturn affected investment earnings, which were only $1.3 billion over the year, mostly manifesting late in the second half of 2009, and hence generating lower management fees revenue.

Financial planning revenues fell due to lack of investor confidence in an uncertain investment market.

Earnings from MLC's Annuities portfolio were above those of the prior year, reflecting the movements in mark to market values of the portfolio.

Volume related expenses include commission payments, investment costs and other volume related costs. These costs declined by $83 million or 20% in line with the decline in average FUM and gross revenues.

Operating expenses decreased by $31 million or 6%, due to declining business volumes and ongoing benefits achieved through MLC's efficiency programs.

During the year MLC continued to invest in its brand, distribution capacity and operational platform enhancements such as MLC online. This represents a continued multi-year commitment to drive improvement in MLC's online self-service capabilities.

(1) *MSCI All country index ($A)*

September 2009 v March 2009

Cash earnings before IoRE decreased by $2 million or 3% since March 2009.

MLC's wholesale business has had an active year, despite the challenging market environment.

Jana has won several new customers, with mandates of around $1 billion during the period. Plum Financial Services transitioned three new customers late in the half with FUM of $600 million.

Gross Income increased by $12 million or 2% principally due to higher FUM balances, with average FUM increasing by $3.2 billion largely the result of investment earnings, adding $14 billion during the period.

Net funds flows for the period were a positive $3 billion, reflecting improved equity markets compared to the prior half.

The termination of MLC's at call Common Fund A1 in February 2009 adversely affected gross income by $20 million in the half.

Volume related expenses increased by $3 million or 2% in line with an increase in gross income. Distribution costs increased in the half, reflecting the additional activity in more favourable equity markets when compared to the prior half.

Operating expenses increased by $2 million or 1%, reflecting the seasonality of superannuation end of financial year activities.

MLC - Insurance

	Year to			Half Year to		
	Sep 09 $m	Sep 08 $m	Sep 09 v Sep 08 %	Sep 09 $m	Mar 09 $m	Sep 09 v Mar 09 %
Gross income	**1,006**	974	3.3	**516**	490	5.3
Volume related expenses	**(617)**	(528)	(16.9)	**(331)**	(286)	(15.7)
Net income	**389**	446	(12.8)	**185**	204	(9.3)
Operating expenses	**(181)**	(170)	(6.5)	**(90)**	(91)	1.1
Cash earnings before tax	**208**	276	(24.6)	**95**	113	(15.9)
Income tax expense	**(31)**	(81)	61.7	**(8)**	(23)	65.2
Cash earnings before IoRE	**177**	195	(9.2)	**87**	90	(3.3)
Planned and Experience Analysis						
Planned Margins	**159**	171	(7.0)	**83**	76	9.2
Experience Profit	**18**	24	(25.0)	**4**	14	(71.4)
Cash earnings before IoRE	**177**	195	(9.2)	**87**	90	(3.3)
Performance Measures						
Annual inforce premiums (spot) ($m)	**968.8**	859.3	12.7	**968.8**	910.2	6.4
Annual inforce premiums (average) ($m)	**914.1**	827.5	10.5	**939.5**	884.8	6.2
New business premiums ($m)	**264.5**	201.8	31.1	**144.2**	120.3	19.9
Insurance cost to average inforce premiums (%)	**20%**	21%		**19%**	21%	

Annual Inforce Premiums ($m)	As at Sep 08	Sales	Lapses	As at Sep 09	Sep 08 v Sep 09 %
Retail	682.0	191.2	(125.1)	**748.1**	9.7
Group Risk	177.3	73.3	(29.9)	**220.7**	24.5
Total	859.3	264.5	(155.0)	**968.8**	12.7

Annual Inforce Premiums ($m)	As at Mar 09	Sales	Lapses	As at Sep 09	Mar 09 v Sep 09 %
Retail	716.9	101.2	(70.0)	**748.1**	4.4
Group Risk	193.3	43.0	(15.6)	**220.7**	14.2
Total	910.2	144.2	(85.6)	**968.8**	6.4

		Market Share				Share of New Business		
	Rank	Jun 09	Dec 08	Jun 08	Rank	Jun 09	Dec 08	Jun 08
Retail risk premiums	2	**14.1%**	14.4%	14.8%	2	**14.6%**	14.7%	15.3%
Group risk	6	**8.1%**	8.2%	9.1%	5	**8.5%**	7.3%	10.5%

Source: DEXX&R Life Analysis - June 2009

MLC - Insurance
Financial Analysis

MLC's Insurance business includes Personal and Group risk insurance offers, traditional, debt protection and business cover as well as the distribution of general insurance products.

September 2009 v September 2008

Cash earnings before IoRE decreased by $18 million or 9% since September 2008.

The strong sales momentum which commenced in the final quarter of 2008 across MLC's flagship Personal Protection Portfolio, Debt and Group products has continued throughout the year.

MLC continues to focus on level premium products that provide customers with affordable long-term insurance offerings. Level premium sales comprise 37% of MLC's new personal protection sales, providing better value to customers over the longer term, and a more stable lapse experience.

Included in the result is the release of $20 million of prior period taxation provisions.

Gross income increased by $32 million or 3%, whereas average annual inforce premiums grew by 11%.

Lower earnings on the assets backing the Insurance reserves of $33 million compared to the prior comparative period reflect the impact of interest rate movements on government and semi-government bond yields.

In addition, the prior period included a favourable movement in the Group reserves of $28 million. After taking these two items into account, gross income increased in line with the growth in inforce premiums.

Volume related expenses increased by $89 million or 17%.

Lapse experience for the period was stable, reflecting the strength of MLC's product offerings and the guaranteed upgrade philosophy that benefits all customers across both Personal and Group portfolios.

MLC's claims experience has deteriorated when compared to the prior year, mostly as a result of lump sum death claims, and higher disability claims, which may be correlated to an increase in unemployment.

Operating expenses increased by $11 million or 7%, reflecting the increased sales activity in the Insurance business.

Planned Margins and Experience Profit

Planned claims assumptions on total permanent disablement and group reserves were increased in the March 2009 half. This has led to a reduction in planned margins in the March 2009 period. Experience profit has been unfavourable, reflecting lower earnings on the assets backing the Insurance reserves and increased claims.

September 2009 v March 2009

Cash earnings before IoRE decreased by $3 million or 3% in the half year to September 2009.

Strong sales momentum was sustained across all products in the half.

Included in the result is the release of an $8 million prior period taxation provision.

Gross income increased by $26 million or 5% since March 2009, as a result of growth in annual inforce premiums of 6%, including strong growth in group premiums late in the period.

Volume related expenses increased by $45 million or 16%.

Claims experience deteriorated during the period in both personal lump sum death and personal disability portfolios.

Operating expenses were in line with the prior half.

UK Region

Lynne Peacock

The UK Region operates under the Clydesdale Bank (CB) and Yorkshire Bank (YB) brands. In a twelve month period which has seen the near collapse and takeover of several leading names from the high street and a total figure for impairment charges reported by the leading UK banks of £67 billion, the CB and YB brands have reinforced their reputations as conventional banks with sound management. Nevertheless, the UK Region's results reflect the wider forces that have had an impact on the banking sector and economy as a whole.

Strategic Highlights and Business Developments

While facing unprecedented challenges in terms of the operating environment, the Region demonstrated **a resilient performance** during the 2009 year. Underlying profit was up 2.1% on the prior year. Cash earnings for the year were £78 million. In order to build for the future, CB's capital was protected while underlying business momentum was maintained. The Region also continued to outperform its peers on most dimensions.

Attracting and retaining a strong retail deposit base has remained a key strategic priority and, despite aggressive competition, retail deposit growth of 14.3% was achieved, almost four times the industry average (as measured by the British Banking Association in August 2009). This growth has contributed to an increased Stable Funding Index (SFI) of 100.6% and increased Customer Funding Index (CFI) of 78.7%.

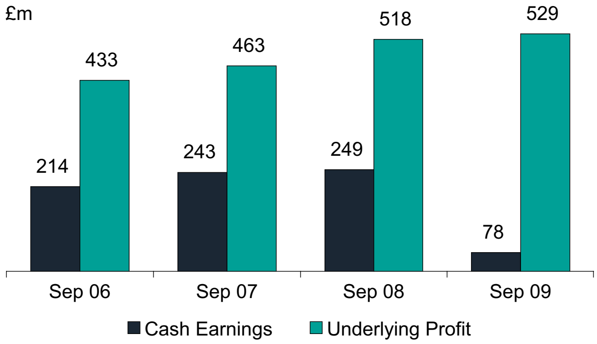
CB and YB demonstrated strong support for their customers, with **new lending of £4.1 billion** during the year (£2.2 billion in the second half). Overall lending balances remained flat due to repayments and maturities. During a period in which some UK lenders were criticised for low lending volumes, CB and YB continued to work in partnership with customers to ensure lending is appropriately priced to reflect the inherent risk and to reduce exposure to basis risk, particularly in business lending.

Operating expenses were firmly controlled and this resulted in a decrease in costs of £48 million (6.7%) against the prior year. The Region has now recorded its **fourth consecutive year of flat or falling costs.**

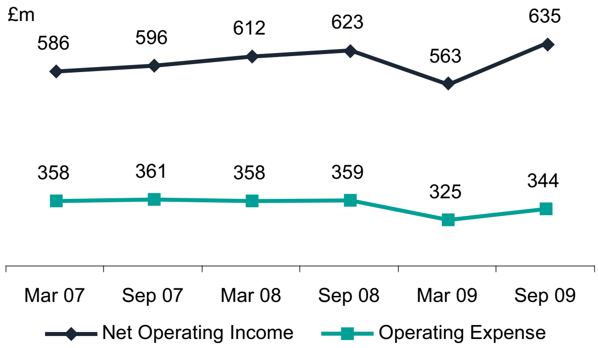
The UK Region's **portfolio remains generally well-secured and diversified** both geographically and by lending type. Whilst issues in the commercial property portfolio reflect those experienced by the market as a whole the remainder of the portfolio is holding up well given **the economic environment.**

The Region continues to **support customers** during the economic downturn and **has maintained high levels of customer satisfaction**. As a result, during a period in which key competitors saw declining satisfaction levels, the Region's overall customer numbers have increased. The Region continues to build on its efforts to support customers in financial difficulty through the Customer Support Unit in the Retail business and through additional resources in the Business Recovery Unit.

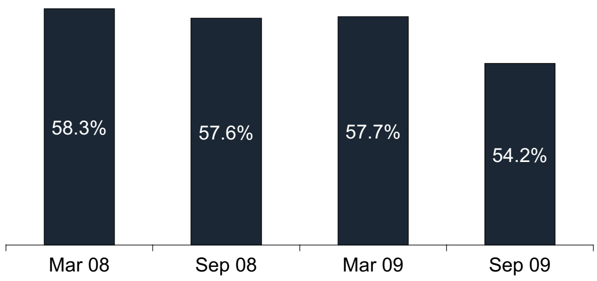
UK Region Cash Earnings and Underlying Profit



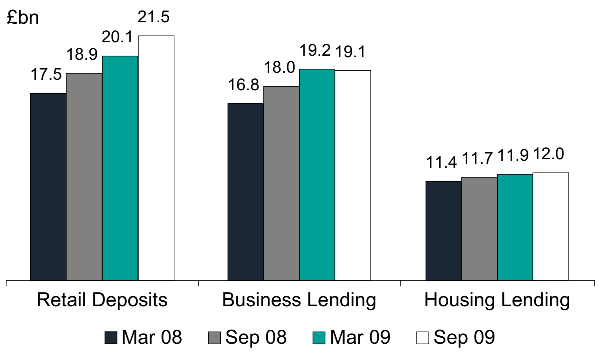
UK Region Income and Expense Trends



UK Region Cost to Income Ratio



UK Volumes - Half Year Averages



Operating Environment

The year witnessed unprecedented changes in UK financial markets followed by the deepest recession in post-war history. In response to this, the UK Government undertook a series of exceptional actions, taking substantial equity stakes in what had previously been three of the UK's top five banks and instigating a number of defensive mergers. In addition, the level to which customer deposits are guaranteed increased to £50,000, Base Rate was reduced to the historically low level of 0.5%, quantitative easing was undertaken and the Special Liquidity, Credit Guarantee and Asset Protection Schemes were launched.

As the year continued, regulatory initiatives focused on raising levels of bank capital and liquidity while encouraging banks to maintain an open market in lending.

The cumulative loss of output due to the recession was 5.5% by September 2009, compared with 4.9% in 1981 and 2.5% in 1992. Domestic property values declined, on average, by 20% from their peak and commercial property fell by 45%. Unemployment, which lags these measures, had climbed to 7.9% by the International Labour Organisation measure at September 2009.

The recession has affected business conditions across all sectors. Manufacturing production is down 14% from its peak, while construction output is down 15%, as both private house building and commercial construction have fallen sharply. Activity in the service sector has fallen by 4%. Total corporate insolvencies increased by over 50% in the quarter to March 2009.

The Consumer Price Index inflation has fallen from its peak of 5.2% at September 2008 to 1.1% in September 2009, below the Bank of England's 2.0% target for the first time since September 2007.

The dislocation in the UK financial markets saw the average daily spread between Base Rate and three month LIBOR for the first half of the year rise to 114 basis points (90 day rolling average spread 211 basis points), which can be compared to an average of around 18 basis points from April 1997 to March 2008. This drove a substantial increase in funding and liquidity costs across the banking sector. In the second half, the spread has decreased significantly, with the average daily spread falling to 59 basis points (90 day rolling average spread of 90 basis points) which was still considerably higher than historic averages.

The outlook for 2010 is that it is not expected to worsen, but should be qualitatively different from 2009, as the consequences of the recession work their way through the economy. The Bank of England anticipates a "prolonged period of balance sheet adjustment in the financial, private and public sectors" pointing towards a slow recovery in economic activity. It anticipates GDP moving into positive territory in early 2010, thereafter returning to long-term growth rates over a period of up to two years.

In the month of August, house prices rose by 1.6% (their fourth consecutive monthly increase) and are now rising at their fastest rate for two and a half years. In July 2009, CBRE recorded the first rise in commercial property values since 2007 (0.2%). The indices of business and consumer confidence have also picked up from the very low levels seen earlier this year. All, however, remain below long-term average rates.

Rising household and corporate distress and the decreases in property prices experienced in the last two years have driven higher mortgage arrears and asset impairment for the banking sector.

The Region has not been immune to these forces but it has remained profitable, and strategies implemented over the last four years, including the reduced cost base and steady investment in rebuilding infrastructure, helped mitigate many of the most damaging effects of the current environment. As a result, it is well positioned for the recovery, with its reputation enhanced, while most competitors have experienced a decline in both customer and public regard.

The conservative lending policies and lower exposure to unsecured lending served to mitigate the impact of high levels of personal insolvencies and unemployment. This has resulted in mortgage arrears at one third of the industry average, overall impairment to gross loans well below the industry average, and 84 repossessions compared with over 24,000 for the industry as a whole.

In response to the exceptional conditions in funding markets during the year, exposure to Base Rate priced assets was reduced by transferring from Base to LIBOR pricing where appropriate. In addition, a re-pricing initiative was undertaken in order to compensate for the pricing risk inherent in the book. These actions, coupled with reducing Base Rate to LIBOR spreads, resulted in a decreased cost of basis risk in the second half and a wider net interest margin.

Legal challenges in relation to bank charges, market issues relating to payment protection insurance claims handling and increased levies under the Financial Services Compensation Scheme are all ongoing. Further details are provided on page 104.

Customer, Employee and Community

The Region continued to strengthen relationships with customers, with retention and acquisition rates improving as customer satisfaction increased in sharp contrast to the overall market, where satisfaction levels have been falling. The Region's customer numbers increased by 1.9% year on year.

During the period, the Region achieved Data Centre Strategy of the Year at the Continuity, Insurance and Risk magazine Business Continuity Awards. Clydesdale Bank became the first UK high street bank to be awarded the Carbon Trust Standard for its efforts in tackling climate change, after it reduced its carbon footprint by 15.8% over a period of 12 months.

The auction of a number of rare and collectable Clydesdale bank notes raised over £200,000 for over 70 different charities chosen by the Region's staff and its charity partner, 'Help the Hospices'. Coinciding with this auction, CB issued a completely new series of banknotes. In July, Yorkshire Bank celebrated its 150th anniversary.

During the past 22 months, staff led initiatives have raised over £700,000 for Help the Hospices and over 2,600 community days have been donated by staff, in conjunction with the bank, to support local communities and projects providing tangible help and financial support.

UK Region

Results presented in local currency. See page 60 for results in $AUDm

	Year to			Half Year to		
	Sep 09 £m	Sep 08 £m	Sep 09 v Sep 08 %	Sep 09 £m	Mar 09 £m	Sep 09 v Mar 09 %
Net interest income	882	879	0.3	473	409	15.6
Other operating income	316	356	(11.2)	162	154	5.2
Net operating income	1,198	1,235	(3.0)	635	563	12.8
Operating expenses	(669)	(717)	6.7	(344)	(325)	(5.8)
Underlying profit	529	518	2.1	291	238	22.3
Charge to provide for bad and doubtful debts	(421)	(175)	large	(253)	(168)	(50.6)
Cash earnings before tax	108	343	(68.5)	38	70	(45.7)
Income tax expense	(30)	(94)	68.1	(10)	(20)	50.0
Cash earnings	78	249	(68.7)	28	50	(44.0)
Average Volumes (£bn)						
Gross loans and acceptances	33.5	31.4	6.7	33.4	33.5	(0.3)
Interest earning assets	39.3	33.6	17.0	40.2	38.4	4.7
Total assets	42.7	36.1	18.3	43.2	42.2	2.4
Retail deposits	20.8	18.2	14.3	21.5	20.1	7.0
Performance Measures						
Cash earnings on average assets	0.18%	0.69%	(51 bps)	0.13%	0.24%	(11 bps)
Net interest margin	2.24%	2.62%	(38 bps)	2.35%	2.14%	21 bps
Cost to income ratio	55.8%	57.9%	210 bps	54.2%	57.7%	350 bps
Cash earnings per average FTE (£'000s)	9	28		7	12	
FTEs (spot)	8,295	8,758		8,295	8,510	

UK Region

Financial Analysis (in local currency)

September 2009 v September 2008

Cash earnings at £78 million decreased by 68.7% over the prior year, reflecting the exceptionally high costs of funding, liquidity and basis risk and higher charges to provide for bad and doubtful debts. These were partially offset by re-pricing and lower expenses. Over the same period, underlying profits totalled £529 million, an increase of 2.1%.

Average gross loans and acceptances increased by £2.1 billion, or 6.7%, through the prudent pursuit of opportunities in key market segments. Within this, business lending grew by 9.8%, mortgage growth was 4.3% and exposure to credit card and personal lending fell by 9.5% in line with the Region's strategy.

During the year the Region continued to support customers by advancing £4.1 billion of new loans, of which £2.0 billion comprised business lending and £1.8 billion were mortgage advances.

Average retail deposits grew by 14.3% (£2.6 billion), which is nearly four times the industry average growth rate of 3.7% in a highly competitive market. The flight to quality by the Region's customers demonstrates the strength of both the Clydesdale and Yorkshire brands. iFS average deposit growth was 12.2% and Retail network growth was 17.9%.

Net interest income increased by 0.3%. The exceptionally high costs of funding, liquidity and basis risk at £210 million were offset by a net gain of £38 million on the buy-back of Lanark Master Trust notes. These costs were driven by the Base to LIBOR spreads, which were, on average, a multiple of historic rates. In addition, the low interest rate environment reduced earnings on capital. These were offset by an increase in lending margins following re-pricing. Net interest income, after excluding the elevated costs of funding and liquidity, increased by 10.6% compared with the prior year.

The **net interest margin** decreased by 38 basis points and was primarily driven by the higher basis risk, funding and liquidity costs (of which a proportion of volume related cost has been taken centrally) and reduced earnings on capital. These were partially offset by a net widening of product margins.

Other operating income decreased by 11.2%, driven by £35 million for lower investment management fees as a result of stock market fluctuations and an industry-wide reduction in payment protection insurance (PPI) revenues, partially offset by a £16 million one off benefit arising as a result of the strategic alliance with AXA, which became fully operational in the period. The prior year includes operating lease income up to the disposal of this business in December 2007.

Operating expenses decreased by £48 million (6.7%) on the prior year. Additional depreciation from investment spend in prior periods and general wage inflation was more than offset by efficiency savings, including lower FTEs and further process improvements, and lower performance related remuneration as a result of reduced profitability. The disposal of the operating lease book in December 2007 resulted in a £4 million reduction in expenses in the current year.

The **cost to income** ratio at 55.8% showed a favourable 210 basis point movement over the prior corresponding period as a result of lower expenses.

The **charge to provide for bad and doubtful debts** reflects the significant deterioration in the UK environment over the last twelve months, particularly in the business sector, where there has been a first and second wave of write-downs. This has resulted in an increase in the charge of £246 million, a rise in the write-offs and a higher coverage ratio of provision to gross loans and acceptances ratio.

September 2009 v March 2009

Cash earnings decreased by £22 million on the March 2009 half. This decrease reflects the rise in charges to provide for bad and doubtful debts, which were partially offset by increased income. Underlying profits of £291 million represent an increase of 22.3% on the first half of 2009.

Average gross loans and acceptances remained flat on the March 2009 half. Gross new advances were £2.2 billion, which were offset by lower lending to sectors with a less attractive risk profile.

Average retail deposits grew by 7.0% (£1.4 billion). This was primarily driven by the continued momentum in iFS and a robust performance in the Retail network.

Net interest income increased by 15.6% due to the effects of repricing activity and lower market dislocation costs, partially offset by the higher credit spread on wholesale funding.

The **net interest margin** improved by 21 basis points. This was as a result of more judicious pricing and a reduction in market dislocation costs.

Other operating income increased by 5.2% driven by a £16 million one off benefit arising as a result of the strategic alliance with AXA and £9 million of increased lending and account fees. These have been partially offset by lower investment management fees and payment protection insurance revenues.

Operating expenses increased by 5.8% on the prior half, driven partially by a property revaluation charge reflecting the downturn in the property market and an increase in the surplus lease space provision. Other cost increases have been offset through a well established culture of cost control. Notwithstanding this, investment spend has been maintained.

The **cost to income ratio** at 54.2% decreased by 350 basis points, reflecting increased income.

The **charge to provide for bad and doubtful debts** increased by £85 million over the March 2009 half. This was driven by the continuing wave of business and consumer defaults in the current economic conditions.

Other Items

Asset Quality

	As at		
	Sep 09	**Mar 09**	**Sep 08**
90+ DPD assets (£m)	**284**	239	154
Gross impaired assets (£m) [(1)]	**585**	374	175
90+ DPD plus gross impaired assets to gross loans and acceptances	**2.60%**	1.82%	0.99%
Specific provision to gross impaired assets	**13.8%**	20.6%	31.4%
Net write-offs to gross loans and acceptances (annualised)	**1.06%**	0.67%	0.40%
Total provision as a percentage of net write-offs	**128%**	189%	265%
Total provision to gross loans and acceptances	**1.36%**	1.27%	1.07%
Bad and doubtful debt charge to credit risk weighted assets	**1.41%**	1.14%	0.65%

(1) *Gross impaired assets for September 2009 includes £115 million gross impaired fair value assets. Whilst not included above, for March 2009 and September 2008 the value of gross impaired fair value assets was £54 million and £28 million respectively.*

Asset quality measures continue to reflect the impact of the current UK operating environment. While these measures have not yet stabilised, the Region's performance has been mitigated by the relationship-based model and considerable proactive initiatives undertaken by management during the period. The Region continues to compare favourably with industry averages.

As a whole, the portfolio remains well secured and diversified, both geographically and by lending type.

The further deterioration in asset quality continues to be driven by the business banking book, in particular the commercial property sector which represents 75% of gross impaired assets.

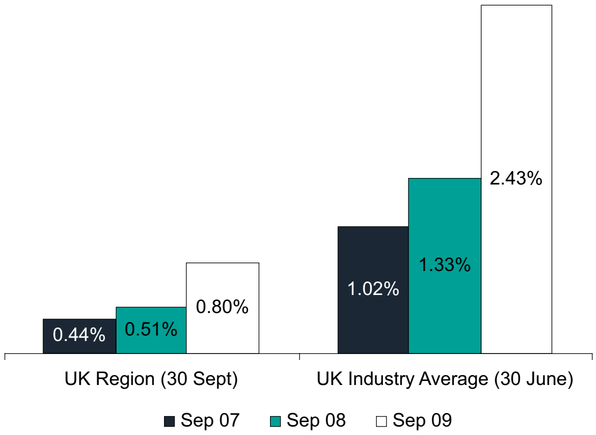
Lending on commercial property represents 23% of gross loans and acceptances (41% of the business book). Of this, approximately £6 billion is investment lending, with development lending totalling £2 billion. No one loan represents more than 1.3% of the commercial property portfolio or 0.3% of the total portfolio. The portfolio is broadly spread around the UK and therefore not concentrated in any one geographical region. The exposure to commercial property has remained stable throughout the year, with an increase in provisions raised during the second half as the economic conditions further affect developers. The arrival rate of development loans into gross impaired assets is, however, slowing.

The remainder of the business book is standing up well. In particular, the leverage portfolio has seen minimal losses.

The residential mortgages portfolio has proved resilient, with 90+ days past due arrears at 0.80% of mortgage balances. This remains significantly below the market average, as measured by the Council of Mortgage Lenders, which currently stands at 2.43% (June 2009). The mortgage book does not include any low doc (self certified) or sub prime lending. The average Loan to Value ratio (LTV) of the mortgage book is 64% on an un-indexed basis (2008 63%). Applications during the year averaged 65% LTV. Loss levels within the asset class continue to remain low as a proportion of the overall portfolio.

While keeping mortgage 90+ days past due arrears at one third of the industry average, the Region has also continued to minimise repossessions in line with the strategy of supporting customers through this difficult period. The number of residential properties repossessed in the year was 84, compared to 24,100 industry-wide (Council of Mortgage Lenders at June 2009) and, at the end of the period, a stock of 65 properties was held.

Proportion of Mortgages in arrears by 90+ DPD



As a result of the strategy to reshape the balance sheet towards secured lending over the last four years, the unsecured element of the portfolio continues to fall as a percentage of the book and now stands at 6%. The level of unsecured retail 90+ days past due in arrears has remained relatively stable during the period.

The increase in the September 2009 gross impaired asset balances over March 2009 reflects the impact of the ongoing economic and market conditions, primarily in the business banking book. It is also, in part, due to the low historical base of gross impaired assets and the lending growth experienced by the Region in recent years.

The ratio of 90+ days past due and gross impaired assets to gross loans and acceptances increased from 1.82% to 2.60% driven by an increase in the Commercial property portfolio with the remainder of the portfolio relatively flat. This was below the industry average and was mitigated by the improved management of balances in this category, including an enhanced contact programme with customers.

The coverage ratio of total provisions to gross loans and acceptances was further strengthened over the half from 1.27% in March 2009 to 1.36% in September 2009. This reflects additional provisioning, primarily for commercial property lending, recognising the impact of the current operating environment on this segment. Such additional provisioning was partially offset by the position in the economic cycle, whereby accounts tend to be written off more quickly. Indeed, write-offs more than doubled over the last 12 months.

A number of management initiatives have been undertaken in response to the operating environment. These include increasing resourcing both in the business recovery area and the retail collections team and mobilising a Portfolio Assurance Team within iFS to work closely with customers on mitigation strategies and to identify high risk customers and sectors for closer review and monitoring.

All asset quality measures remain under close management scrutiny to ensure that the actions in place are appropriate and reflective of the current environment.

Capital and Funding Position

Clydesdale Bank PLC diversity of funding	As at Sep 09	Mar 09	Sep 08
Retail deposits	**59%**	59%	53%
External short term	**15%**	14%	13%
Subordinated debt	**3%**	3%	2%
Structured finance	**3%**	3%	7%
Securitisation	**6%**	7%	8%
Parent company	**6%**	6%	11%
Medium term notes	**8%**	8%	6%
CB PLC Funding	**100%**	100%	100%

The UK Region's position as a member of the Group continued to be an asset as Fitch re-affirmed CB's long standing AA- credit rating, while Moody's and S&P downgraded it to A1 and A+ respectively, amid downgrades to the entire UK market. The impact of the downgrades on funding has been minimal and the ratings continue to enable CB to attract and retain retail and wholesale funding at standard terms.

CB continued to improve capital ratios over the year and, as at 30 September 2009, the Tier 1 ratio was 8.2%. In December 2008, additional capital was injected into Clydesdale Bank PLC by National Australia Bank comprising £300 million of ordinary shares, £100 million of preference shares and £300 million of subordinated debt. Capital requirements are kept under regular review and are subject to regulatory scrutiny.

Clydesdale Bank held a portfolio of liquid assets totalling £8.7 billion as at 30 September 2009. This portfolio includes UK government gilts, Bank of England Reserve Account, treasury bills and lending to other banks. Clydesdale Bank's diverse funding mix of short and long-term wholesale funding, parent company funding and securitisation has enabled this strong liquidity position.

After receiving approval to join the Government's Credit Guarantee Scheme, Clydesdale Bank took advantage of this funding source by pricing and issuing £1.25 billion of three year Government-backed bonds under the scheme, enhancing an already strong medium-term funding position.

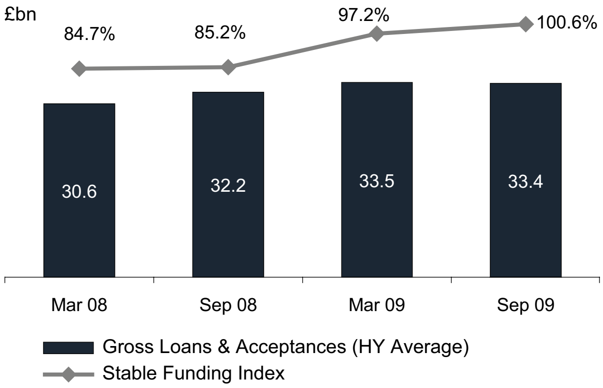
In October 2008, Clydesdale Bank completed its first Covered Bond issuance under its EUR9 billion programme collateralised on retail mortgages. In January 2009, Clydesdale Bank issued its second series of Covered Bonds under the existing program. Both issuances have received an AAA rating from all three rating agencies.

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

The Region's strong performance in attracting Retail deposits has continued and positions the Region well to grow without increasing the refinancing risks typically associated with wholesale funding.

During the year, Clydesdale Bank purchased several tranches of Lanark securitisation notes, taking advantage of price opportunities on residential mortgage backed securities. Whilst the securitisation market is currently effectively closed, Lanark remains an important element of the medium to long-term funding strategy in the UK.

UK Stable Funding Index



Investment Spend

During the year to September 2009 the UK Region continued to invest in the business with cash spend at £87 million (£30 million operating expense) across the three categories of regulatory and compliance, efficiency and simplification, and revenue generation. This is comparable to the spend for 2008.

Within investment on regulatory and compliance, the Region participated in the Faster Payments Service, introduced a branch based credit card origination system which avoids the need for paper forms, improved the process for opening Term Deposit accounts and completed straight-through processing from mortgage origination to mortgage processing.

The key investment in revenue generation was the launch of Business Internet Banking, providing a range of on-line services to business customers.

Fraud prevention and detection capability was enhanced through the deployment of new software to monitor and provide alerts on possible fraudulent Retail Internet Banking and Telephone Banking transactions. An enhanced security solution was deployed to protect information transferred to removable devices.

Distribution

As at 30 September 2009, the Region's distribution network comprised 72 Financial Solutions Centres and 340 retail branches.

In business banking, iFS demonstrated that CB and YB remained "Open for Business" throughout the period of market turbulence. There was strong growth in both domestic and offshore deposits and the corporate team was particularly successful in securing new lending opportunities. Following a detailed review of the network requirements for sustainable future growth, three Financial Solutions Centres and two satellite offices were closed.

The Retail business has focused on attracting good quality mortgage business at more attractive margins and on continuing to build the deposit base. A number of business efficiency initiatives have helped reduce costs. The strategic alliance with AXA, which saw the financial planning sales force and funds under management transfer across to AXA, has helped to deliver further efficiencies.

UK Region

Results presented in Australian dollars. See page 56 for results in local currency

	Year to			Half Year to		
	Sep 09 $m	**Sep 08 $m**	**Sep 09 v Sep 08 %**	**Sep 09 $m**	**Mar 09 $m**	**Sep 09 v Mar 09 %**
Net interest income	**1,868**	1,910	(2.2)	**949**	919	3.3
Other operating income	**669**	773	(13.5)	**324**	345	(6.1)
Net operating income	**2,537**	2,683	(5.4)	**1,273**	1,264	0.7
Operating expenses	**(1,417)**	(1,557)	9.0	**(686)**	(731)	6.2
Underlying profit	**1,120**	1,126	(0.5)	**587**	533	10.1
Charge to provide for bad and doubtful debts	**(892)**	(381)	large	**(515)**	(377)	(36.6)
Cash earnings before tax	**228**	745	(69.4)	**72**	156	(53.8)
Income tax expense	**(64)**	(203)	68.5	**(20)**	(44)	54.5
Cash earnings	**164**	542	(69.7)	**52**	112	(53.6)

Impact of foreign exchange rate movements

Favourable/ (unfavourable) September 09	**Year since Sep 08 $m**	**Sep 09 v Sep 08 Ex FX %**	**Half year since Mar 09 $m**	**Sep 09 v Mar 09 Ex FX %**
Net interest income	**(48)**	0.3	**(113)**	15.6
Other operating income	**(18)**	(11.2)	**(41)**	5.2
Operating expenses	**35**	6.7	**86**	(5.8)
Charge to provide for bad and doubtful debts	**23**	large	**54**	(50.6)
Income tax expense	**2**	68.1	**4**	50.0
Cash earnings	**(6)**	(68.7)	**(10)**	(44.0)

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NZ Region

Andrew Thorburn

The NZ Region comprises the Retail, Business, Agri and Insurance franchises in New Zealand, operating under the 'BNZ' and 'BNZ Partners' brands. It excludes 'BNZ Capital', the nabCapital NZ operations.

Strategic Highlights and Business Developments

New Zealand has been experiencing a challenging period, with the twin impacts of a domestic recession coupled with the disrupted global credit environment, although these pressures appear to have eased slightly in recent months.

Management's response has been to adapt to the crisis while continuing to work on the **long-term strategic agenda of simplification, culture and new revenue**. This strategic focus remains unchanged from the prior year.

Adapting to the crisis has meant that **maintaining balance sheet strength has been a priority during the year**. Key responses include holding conservative levels of liquid assets and the diversification and lengthening of the term profile of customer deposits and wholesale funding. Physical capital levels have also been maintained well above minimum prescribed levels. The focus on the balance sheet strength has come at some cost to cash earnings due to higher funding costs, although the decline in cash earnings has been largely driven by increases in bad debt charges from the historical lows experienced in prior years.

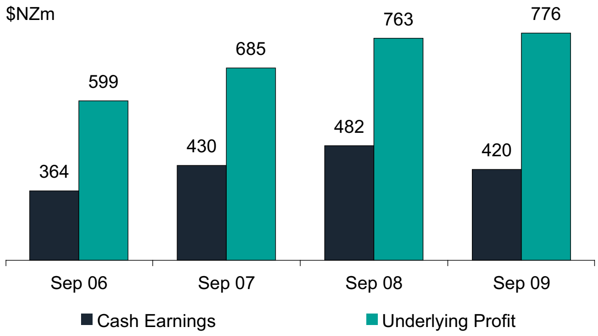
Despite the tough economic conditions, the Bank's core strengths in relationship banking, simplification, culture and its focus on the maintenance of asset quality have allowed it to continue to build the foundations for longer term growth and returns.

On 1 October 2008 the NZ Region launched **the NAB Group iFS model under the BNZ Partners brand**, building on the existing strong relationship banking franchise. The iFS model delivered strong growth in business opportunities during the year, which will be further enhanced with the integration of Corporate Banking from 1 October 2009. In addition, the NZ Region's strong relative strengths meant that it was 'Open for Business' during the year and able to assist its customers at a time when overall system growth slowed considerably.

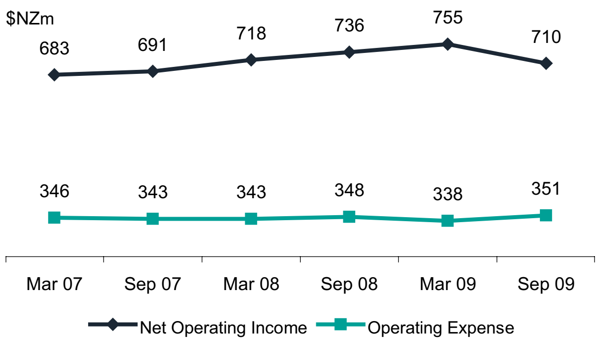
This is the fourth year of flat costs for the NZ Region, achieved using the well engrained disciplines of continuous improvement (Kaizen). The Bank continues to invest in the region, assisting its customers, staff and community to be 'Better Off'. The transformation of the retail franchise is building momentum, with the roll-out of a refreshed distribution network providing customer service more akin to a retail shopping experience. In addition, on 1 September 2009, the NZ Region was the first bank in New Zealand to abolish dishonour fees. This investment in improving the customer experience will be one factor in a targeted upward trend in customer satisfaction.

The success of the Bank's culture initiatives has resulted in the latest internal employee engagement scores increasing to levels which put the NZ Region above best-in-class benchmarks for financial services organisations.

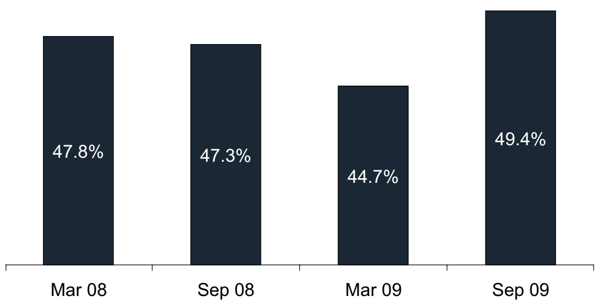
NZ Region Cash Earnings and Underlying Profit



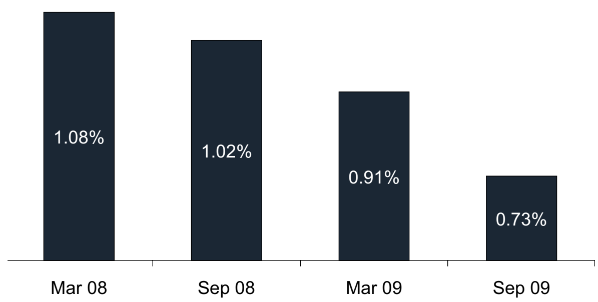
NZ Region Revenue and Expense Trends



NZ Region Cost to Income Ratio



NZ Cash Earnings on Average Assets



Operating Environment

The New Zealand banking market remains very competitive, with five major banking brands and a number of niche players competing to provide financial services.

The New Zealand economy has experienced a protracted recession, with unemployment levels increasing and commodity prices falling from historic highs. Tourism inflows and business and consumer confidence remain low. However, there are some early signs of a return to growth. During the March half, the Reserve Bank of New Zealand (RBNZ) responded to the downturn with a rapid easing of monetary policy, which saw the Official Cash Rate (OCR) reduced by 450 basis points to 3.00%. This easing has slowed considerably in the September 2009 half, with the OCR being cut by 50 basis points to 2.50%. In addition, the government has implemented a program of infrastructure spending in a bid to boost the economy.

Credit spreads paid by banks on wholesale funding remain relatively high, despite falling below the peak levels of the March 2009 half year. In October 2008, the New Zealand Government introduced a guarantee scheme for retail depositors. BNZ has opted into this scheme, which includes payment of a fee to the New Zealand Government. In November 2008, the Government also introduced a wholesale funding guarantee, which BNZ successfully utilised during the year to issue both domestic and international funding. In addition, BNZ internally securitised $6.5 billion of housing loans, providing capacity to obtain additional liquidity from the RBNZ.

The current environment has contributed to slowing demand for lending on new housing, with house prices and sales volumes continuing to decline from the highs seen in recent years, although some signs of recovery in housing have been noted recently. Agriculture lending volumes have remained solid, although growth rates have eased when compared with previous years, as pressures on the farming sector begin to take effect (for example, lower dairy payouts). Competition in the banking sector for customer deposits remains intense as all banks focus on strengthening their customer funding ratios.

Leading asset quality indicators, including an increase in past due assets and impaired assets, demonstrate the impact of the slowing economy, rising unemployment and declining investment. However, the changes in these indicators need to be seen in terms of moving off the low base set by benign credit conditions in recent years and performance relative to peers. NZ Region's historically prudent approach to lending and focus on balance sheet strength has positioned it well to absorb increases in bad debt charges stemming from the changing economic environment.

Customer, Employee and Community

The NZ Region has focused on the three non-financial pillars of customer, employee and community under the strategic themes of simplification and culture.

BNZ Partners represents the NZ Region's successful Agribusiness, Business and Private Banking functions. This integrated model provides a platform to better service the wide-ranging needs of its customers in these segments, thereby continuing to enhance successful business relationships for long-term sustainable growth. BNZ Partners has supported its customers by continuing to lend despite the unprecented conditions faced by banks in the current year. The BNZ Partners model will be further enhanced by the integration of the Corporate Banking business from 1 October 2009.

By taking innovative products and services to market and listening to customers, BNZ Retail is continuing to focus on providing customers with more of a 'retail like' experience than that of traditional banking. Innovative sales platforms have been rolled out during the year, including new concept stores, out and about banking carts and trailers plus the "store in store" ventures with third parties such as supermarkets. Moving beyond traditional store boundaries helps BNZ to better engage with its existing customers and provides increased access to new customers.

BNZ employees continue to be fully committed to helping customers and communities achieve their goal of being "better off". BNZ was the first bank in New Zealand to abolish dishonour, honour and unpaid bill fees, which are the most common source of customer complaints. Banking advisors are spending more time with customers to discuss their banking needs. A financial literacy program has also been developed for the benefit of customers and the wider community.

As part its cultural strategy, the NZ Region continues to empower employees at all levels of the organisation and promote a constructive culture. During the September half, a 72 hour 'Culture Jam' was conducted, during which staff exchanged thoughts and ideas about culture with senior leaders throughout the bank. This generated a huge response from staff and resulted in three core behaviours being defined which are now embedded into our culture as part of the "BNZWay". The success of our long term focus on people is reflected in the latest internal employee engagement score which has increased to levels which are above best-in-class benchmarks for financial services organisations.

The NZ Region has continued to build on its strong culture of community involvement and staff commitment to corporate responsibility. BNZ runs a volunteer leave program and is a market leader in providing two days volunteer leave every year to all staff. In addition, the bank is running a 'Closed for Good' day on 4th November 2009, during which the majority of staff will step away from their day job to assist in a variety of community projects across the country.

In relation to the environment, BNZ is dedicated to ensuring the survival of New Zealand's national icon and namesake - the Kiwi - through its involvement in the BNZ Save the Kiwi Trust (STK Trust). This is a commitment between the BNZ and the Department of Conservation, which has built on support provided by the bank since 1991. The Region's employees continue to raise funds for STK Trust via a range of activities and use their volunteer leave to support both Kiwi recovery and general conservation and reforestation efforts. In addition, the NZ Region has invested in three new buildings that all have a 5 Star Green Star NZ Office Design rating.

NZ Region

Results presented in local currency. See page 67 for results in $AUDm

	Year to			Half Year to		
	Sep 09 NZ$m	**Sep 08 NZ$m**	**Sep 09 v Sep 08 %**	**Sep 09 NZ$m**	**Mar 09 NZ$m**	**Sep 09 v Mar 09 %**
Net interest income	**1,084**	1,083	0.1	**531**	553	(4.0)
Other operating income	**381**	371	2.7	**179**	202	(11.4)
Net operating income	**1,465**	1,454	0.8	**710**	755	(6.0)
Operating expenses	**(689)**	(691)	0.3	**(351)**	(338)	(3.8)
Underlying profit	**776**	763	1.7	**359**	417	(13.9)
Charge to provide for bad and doubtful debts	**(185)**	(67)	large	**(89)**	(96)	7.3
Cash earnings before tax	**591**	696	(15.1)	**270**	321	(15.9)
Income tax expense	**(171)**	(214)	20.1	**(78)**	(93)	16.1
Cash earnings	**420**	482	(12.9)	**192**	228	(15.8)
Average Volumes (NZ$bn)						
Gross loans and acceptances	**49.1**	43.7	12.4	**50.1**	48.1	4.2
Interest earning assets	**50.9**	44.9	13.4	**52.0**	49.8	4.4
Total assets	**51.5**	45.9	12.2	**52.6**	50.5	4.2
Retail deposits	**24.0**	22.8	5.3	**24.3**	23.6	3.0
Performance Measures						
Cash earnings on average assets	**0.82%**	1.05%	(23 bps)	**0.73%**	0.91%	(18 bps)
Net interest margin	**2.13%**	2.42%	(29 bps)	**2.04%**	2.23%	(19 bps)
Cost to income ratio	**47.0%**	47.5%	50 bps	**49.4%**	44.7%	(470 bps)
Cash earnings per average FTE (NZ$'000s)	**99**	110		**91**	107	
FTEs (spot)	**4,183**	4,293		**4,183**	4,253	

NZ Region

Financial Analysis (in local currency)

September 2009 v September 2008

Cash earnings for the year declined by 12.9% to $420 million, reflecting increased bad and doubtful debt charges and subdued revenue growth stemming from management's efforts to strengthen the balance sheet and higher margins paid for funds.

Net interest income was flat, reflecting increased funding costs, competitive pressure (particularly for customer deposits), and the impact of the Government's retail and wholesale deposit guarantee scheme fees. The increase in funding costs was due to the impact of the global financial crisis on wholesale funding costs. The decision by management to hold increased liquidity levels to strengthen the balance sheet, in addition to the diversification and lengthening of the term funding profile, also had an adverse impact. Customer deposit margins have also come under pressure as Bank's look to improve their self-funding ratios. These cost rises have been offset to some extent by increased lending volumes and re-pricing activities.

Average lending volumes increased by 12.4% and retail deposits increased by 5.3%. Business volumes rose by 22.8% during the year, with NZ Region experiencing one of the strongest periods of growth during the March 2009 half, as the NZ Region remained "open for business" for quality credit. The growth in business lending has progressively slowed over the year in line with lower systems growth and renewed competition as funding conditions improve. Growth rates in consumer lending, particularly housing, fell from the highs seen in recent years due to a slowing property market in a recessionary environment. The competition for retail deposits meant that liability volume growth remained constrained, but this continues to be a key focus as wholesale funding costs increase.

Net interest margin declined by 29 basis points to 2.13%. The net interest margin was negatively affected as the turmoil in international credit markets increased the cost of wholesale funding and drove offshore credit margins higher. Additional costs under the Government's retail deposit and wholesale guarantee schemes, combined with steps taken to strengthen the balance sheet, including the drive for additional customer deposits, also added to margin pressure. This was partially offset by business lending momentum and active re-pricing for current risk settings.

Other operating income increased by 2.7%. This growth was mainly attributable to increased customer flows around hedging foreign exchange and interest rate exposures, due to the volatility primarily in the March 2009 half. Underlying customer fee volumes remained relatively flat due to the focus on ensuring the customer value proposition remained attractive through the active promotion of simplified products and fee structures. The abolishment of dishonour fees from 1 September 2009 has not had a material impact on the current year's result.

Operating expenses declined by $2 million to $689 million through sustainable cost management efficiency gains. These stemmed from continuous improvement disciplines that helped offset annual salary increases and re-investment in people, processes and systems. During 2009, the NZ Region continued to invest in the business, including the roll-out of the group-wide best practice "iFS" model and the completion of three new buildings.

The **cost to income ratio** improved from 47.5% to 47.0% during the year, as income grew and expenses were well controlled.

The **charge to provide for doubtful debts** increased by $118 million over the year in line with changes in the credit cycle. The majority of the increase was due to the impairment of a small number of business customers. The net write-offs, whilst increasing from historical lows to 15 basis points, remain low by industry standards.

September 2009 v March 2009

Cash earnings decreased by 15.8% to $192 million when compared with the March half, reflecting timing of early repayment costs (ERC) and costs associated with the new buildings between the halves.

Net interest income decreased by 4.0%, reflecting continued competitive pressure on deposit pricing and the timing impact of ERC compared to the prior half (ERC contributed to an 18 basis point decline in the net interest margin). Adverse impacts on net interest income during the half were partially offset by re-pricing initiatives on the asset book.

Average lending volumes increased by 4.2%, reflecting slowing business lending in line with systems, combined with subdued housing growth. Retail deposits increased by 3.0% over the half, reversing the market share decline in the March 2009 half.

Net interest margin decreased by 19 basis points to 2.04%, reflecting competition for deposits, increased funding costs and net ERC costs during September half compared with the benefit in the March half. These were partially offset by active re-pricing for current risk settings.

Other operating income decreased by 11.4%, largely due to higher customer flows relating to hedging foreign exchange and interest rate exposures in the March half that were not repeated. Underlying customer fees have declined slightly due to lower volume growth in the September half.

Operating expenses increased by 3.8% compared to the March 2009 half due to costs ($7 million) for the three new buildings in Auckland and Wellington. Additional costs have also been incurred for advertising and marketing spend in the September half.

The **charge to provide for doubtful debts** decreased by $7 million compared to the March half. Net write-offs stabilised at 15 basis points, increasing by 2 basis points on March 2009.

Other Items

Asset Quality

In line with the current economic environment some leading asset indicators have weakened. The NZ Region's historically conservative approach to lending has however placed it well in the current environment.

Compared to the March 2009 half year, the level of impaired assets and 90+ DPD assets to gross loans and acceptances has increased by 60 basis points. The increase in impaired and 90+ DPD is primarily due to business exposures. Predominant industry hot spots are commercial property development and more recently dairy farming.

The NZ Region's disciplines around property development financing (minimum levels of pre-sales, project feasibility analysis and undue concentration risk) have resulted in minimising losses in this sector.

Dairy payout rates have declined in 2009, which has put stress on a number of operators. The NZ Region has historically assessed future returns on dairy commodities on a conservative long run basis, to avoid reliance on cyclical price spikes.

Housing, which accounts for around half of the portfolio, has also experienced some deterioration in asset quality off very low levels. Additional retail credit focused resources are proactively managing emerging distressed customers while new housing lending with high LVR's is referred centrally to more specialised credit managers. Credit quality in unsecured consumer lending has been moderately affected by the current economic downturn, but at 3% it accounts for a relatively minor proportion of the Bank's lending portfolio.

The region has placed a significant focus throughout the year on the monitoring and proactive review of the portfolio to ensure early intervention for potentially distressed assets. Several deep dive reviews across a range of industries were also conducted resulting in changes to risk settings where appropriate (including reduction in LVR's and delegated authorities). In addition, a wide range of portfolio stress testing has been undertaken. There has been further strengthening of the specialised recovery team, and continued engagement and partnership between the risk and business teams, with a focus on early intervention, strong risk management credentials and training.

NZ Region will continue to closely monitor the portfolio to ensure that risk settings and frameworks remain appropriate in the evolving environment.

	As at		
	Sep 09	**Mar 09**	**Sep 08**
90+ DPD assets (NZ$m)	**210**	152	94
Gross impaired assets (NZ$m) (1)	**630**	372	160
90+ DPD plus gross impaired asset to gross loans and acceptances	**1.66%**	1.06%	0.54%
Specific provision to gross impaired assets	**34.30%**	27.80%	30.70%
Net write-offs to gross loans and acceptances	**0.15%**	0.13%	0.09%
Total provision as a percentage of net write-offs	**599%**	509%	585%
Total provision to gross loans and acceptances	**0.87%**	0.68%	0.57%
Bad and doubtful debt charge to credit risk weighted assets	**0.60%**	0.74%	0.29%

(1) *Gross impaired assets for September 2009 includes NZ$191 million gross impaired fair value assets. Whilst not included above, for March 2009 and September 2008, the value of gross impaired fair value assets was NZ$36 million and NZ$32 million respectively.*

Balance Sheet Management

During the year, management focused on maintaining and improving balance sheet strength, with liquidity and funding being the key priorities.

Liquidity initiatives undertaken involved maintaining very conservative levels of liquid assets. In addition, BNZ internally securitised $6.5 billion of housing loans, providing capacity to obtain additional liquidity from the RBNZ.

The focus on funding has seen the diversification (both domestic and international) and lengthening of the term funding profile, while maintaining substantial capacity for borrowing through National Australia Bank Limited.

Capital has also been actively managed during the year including the issue of Hybrid Tier 1 equity and optimisation initiatives for risk weighted assets. Physical capital is held at levels well above Reserve Bank of New Zealand prescribed minimum levels. Tier 1 capital ratio is over 8% (minimum 4%) and Total Capital over 10.5% (minimum 8%) as at 30 September 2009, including the provision of $661 million for the NZ structured finance tax case.

The New Zealand Stable Funding Index (SFI)* remained above its 70% target at 73%. The Customer Funding Index (CFI)* also remained above the 50% target at 51%.

* *Data based on BNZ legal entity as at September 2009*

Market Share

	As at		
	Sep 09	**Mar 09**	**Sep 08**
Housing (1)	**15.8%**	15.5%	15.8%
Cards (1)	**27.6%**	27.1%	27.0%
Agribusiness (1)	**18.9%**	18.2%	17.9%
Retail deposits (1) (2)	**17.0%**	16.1%	17.1%

(1) *Source RBNZ - August 2009.*
(2) *Retail deposits excludes some deposits by business banking customers captured in money market deposits in the BNZ General Disclosure Statement.*

Distribution

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

	As at		
	Sep 09	**Mar 09**	**Sep 08**
Number of retail branches	**180**	180	179
Number of ATMs	**428**	431	428
Number of internet banking customers (no. '000s)	**450**	432	410

NZ Region

Results presented in Australian dollars. See page 64 for results in local currency

	Year to			Half Year to		
	Sep 09 $m	**Sep 08 $m**	**Sep 09 v Sep 08%**	**Sep 09 $m**	**Mar 09 $m**	**Sep 09 v Mar 09%**
Net interest income	**883**	908	(2.8)	**424**	459	(7.6)
Other operating income	**311**	311	-	**144**	167	(13.8)
Net operating income	**1,194**	1,219	(2.1)	**568**	626	(9.3)
Operating expenses	**(561)**	(579)	3.1	**(281)**	(280)	(0.4)
Underlying profit	**633**	640	(1.1)	**287**	346	(17.1)
Charge to provide for bad and doubtful debts	**(151)**	(56)	large	**(71)**	(80)	11.3
Cash earnings before tax	**482**	584	(17.5)	**216**	266	(18.8)
Income tax expense	**(139)**	(180)	22.8	**(62)**	(77)	19.5
Cash earnings	**343**	404	(15.1)	**154**	189	(18.5)

Impact of foreign exchange rate movements

Favourable/ (unfavourable) September 09	**Year since Sep 08 $m**	**Sep 09 v Sep 08 Ex FX %**	**Half year since Mar 09 $m**	**Sep 09 v Mar 09 Ex FX %**
Net interest income	**(25)**	0.1	**(16)**	(4.0)
Other operating income	**(8)**	2.7	**(5)**	(11.4)
Operating expenses	**16**	0.3	**10**	(3.8)
Charge to provide for bad and doubtful debts	**4**	large	**3**	7.3
Income tax expense	**4**	20.1	**2**	16.1
Cash earnings	**(9)**	(12.9)	**(6)**	(15.8)

nabCapital

Rick Sawers

nabCapital is the capital markets and institutional banking division of the Group. Its key lines of business include Institutional Banking, Corporate Finance, Global Markets and Treasury, and Structuring and Investments. As a global business, it operates in three core regions - Australia (which incorporates businesses in the United States and Asia), New Zealand and the United Kingdom.

As announced on 12 March 2009 and consistent with the changes to Group strategy, nabCapital has undergone structural changes. This has resulted in the merging of corporate lending activities with the relevant regional business banks, as well as the segregation of non-franchise related assets into a separate business unit, Specialised Group Assets (SGA). As of 1 October 2009, the remaining areas of Markets, Treasury, Financial Institutions and Specialised Finance, as well as NAB Asset Servicing (Custody) will be grouped together as a global business called Wholesale Banking. For the purposes of this analysis, the structure of nabCapital remains unchanged from the prior period.

Strategic Highlights and Business Developments

nabCapital returned to profit in 2009, with cash earnings of $634 million and underlying profit rising by 43.9% on September 2008.

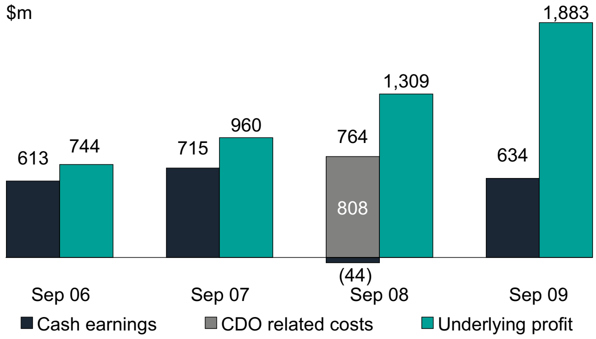
This performance was due to **strong revenue growth across most product areas**, in particular Global Markets and Treasury. The long-term investment in this business over the last few years ensured the capability existed to take advantage of the significant market dislocation associated with the global financial crisis, particularly in interest rates, foreign exchange and credit spreads. This dislocation decreased in the second half of 2009 as markets began to normalise.

The September half year featured **ongoing repricing of new lending and maturing existing deals to factor in current risk settings and reflect higher funding costs**. Over 70% of the back book is now repriced, positively influencing the September 2009 half year results.

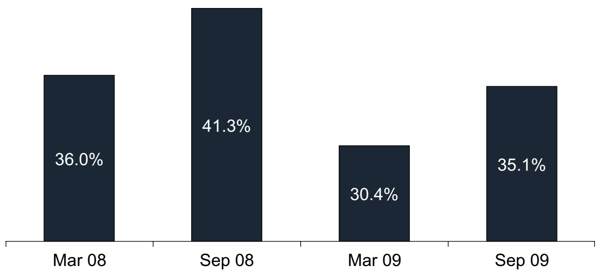
This exceptional revenue growth was partially offset by the **continued deterioration of the economic environment**, resulting in higher gross impaired assets and a need for increased provisioning against a number of corporate and leveraged exposures in Australia and the UK. The business also absorbed a $160 million management overlay in the March 2009 half year to cover conduit assets and derivatives. The charge for bad and doubtful debts was lower in the September 2009 half year, evidencing initial signs of stabilisation and a slowing of credit deterioration.

Through the second half of 2009, while continuing to deliver on 2009 financial objectives, nabCapital was focused on **transitioning to the Wholesale Banking structure and developing a strategic plan for the new business**. Part of the transition involved structural changes to align the new business to the Group model. This resulted in the restructuring of the London and New York branches and the establishment and transfer of non-franchise related activities to the SGA portfolio, under Group control. The appointment of Peter Thodey as Executive General Manager for SGA in September 2009 was a key step in determining the ultimate composition of the portfolio.

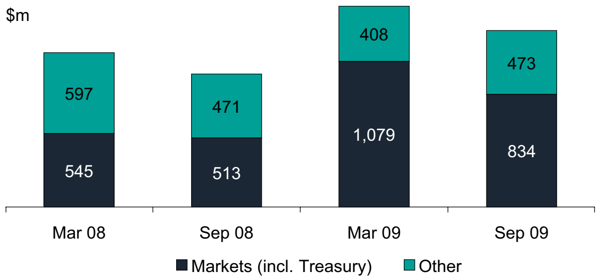
nabCapital Cash Earnings and Underlying Profit



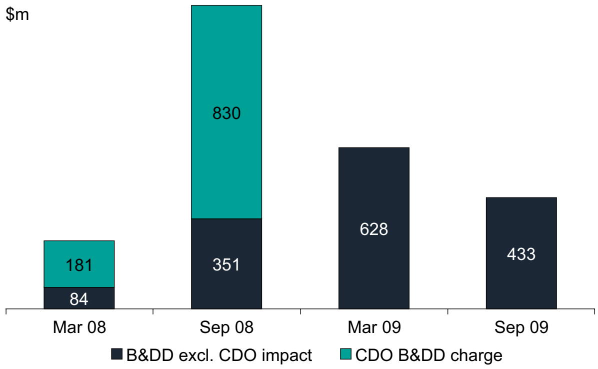
nabCapital Cost to Income Ratio



nabCapital Net Operating Income



nabCapital Charge to Provide for Bad and Doubtful Debts



Operating Environment

Since mid 2007, deterioration in the markets for securitised and structured financial assets has disrupted the global financial system. Many financial institutions and corporate clients have focused on building liquidity and raising additional capital. They have been using these funds to de-leverage and repay debts, resulting in a decrease of nabCapital's gross loans and acceptances, particularly in the second half of 2009.

Financial markets remained volatile throughout 2009, with wider transaction spreads and increased demand for risk management products. The Global Markets and Treasury business was well positioned to capitalise on the opportunities this situation created.

After the deepest contraction in many decades, economic conditions across the globe have started to show initial signs of stabilisation. In anticipation, volatility in equity, credit and foreign exchange markets has already fallen from the extreme levels experienced at the height of the crisis.

However, regional variances across nabCapital's key markets will continue:

- Australia: the large corporate segment suffered a significant ratings decline over the last 12 months. However, the outlook for the overall economy is for more stability for a prolonged period before a return to sustained economic growth.
- US: some further economic deterioration is expected, although it is not expected to be uniform in its nature.
- UK: a negative outlook prevails on a system-wide basis, with continued concern for the property market and uncertainty across the financial sector.

Customer, Employee and Community

nabCapital has continued to adapt to changing market conditions and client needs. This has led to an involvement in a number of significant transactions:

- Joint mandated lead arranger, joint bookrunner and swaps provider for the Victorian Government's desalination plant in Melbourne, one of the largest Public Private Partnership transactions in the world.
- Joint mandated lead arranger of the development of the Hallett Hill wind farm in South Australia, which included renewable energy credits in the financing structure.
- Sole agent for two US private placements for the UK social housing provider, Places for People Homes.
- Joint arranger of A$700 million Tier 1 Hybrid Issue for Westpac, the first hybrid transaction in the market since mid-2008, as well as joint arranger for Wesfarmers' bond issue, the most significant corporate transaction in Australia since late 2007.
- Sole arranger of Macquarie Countrywide Trust's commercial mortgage backed securitisation, the first in Australia since August 2007.

Accordingly, nabCapital was ranked number one in June for Asset Backed Security transactions in Australia (Source: Insto). nabCapital was also awarded the 2008 Syndicated Loan of the Year for its arranger role in a transaction for Primary Health Care and CFO magazine's 2009 Project Finance Deal of the Year for the Hallett Hill wind farm transaction.

nabCapital topped industry rankings for foreign exchange forecasts (Source: FX Week) and was ranked No.1 interest rates provider in Asia Risk's Australasian Derivatives Survey.

On the people front, nabCapital completed the global roll-out of a series of risk behaviour workshops to foster among its people a principles-based approach to risk decisions. Staff also continued to value the development benefits from participating in Earthwatch expeditions. Accordingly, nabCapital sponsored another ten people who supported valuable conservation research in Mongolia, Fiji and the Arctic Circle, to name a few.

Employees also played a critical role in the development of the strategy for the new Wholesale Banking business. Throughout the second half of the year, a large number of staff led and contributed to an in-depth consultation process with internal and external stakeholders. The results and opinions gathered during these conversations underpin the direction of Wholesale Banking's new business plans.

nabCapital's alliance with Monash University's Asia Pacific Centre for Science and Wealth Creation is into its third year and the 'nabCapital Science in Business Awards' continue to promote the commercialisation of scientific research. In 2009, nabCapital committed to supporting the Australian Research Alliance for Children and Youth (ARACY) 'Child Readiness to Learn' project. Employees participated on the advisory committee and volunteered their expertise to support the project's research development.

Through a host of fundraising and volunteering initiatives, nabCapital contributed almost $486,000 to community partners this year, as part of its matched fundraising and community grant programmes. Over a third of these funds were raised in support of the Victorian bushfire relief. nabCapital's efforts were a critical contribution to the Group's collective response. nabCapital employees continue to coordinate a range of activities to provide relief funds to the affected communities over a sustained period.

Another significant nabCapital community partner is St Joseph's Hospice in the UK. During 2009, staff spent 163 days completing 14 volunteering projects around the Hospice and raised £81,000.

nabCapital

Results presented at actual exchange rates

	Year to			Half Year to		
	Sep 09 $m	Sep 08 $m	Sep 09 v Sep 08 %	Sep 09 $m	Mar 09 $m	Sep 09 v Mar 09 %
Net operating income	2,794	2,126	31.4	1,307	1,487	(12.1)
Operating expenses	(911)	(817)	(11.5)	(459)	(452)	(1.5)
Underlying profit	1,883	1,309	43.9	848	1,035	(18.1)
Charge to provide for bad and doubtful debts	(1,061)	(1,446)	26.6	(433)	(628)	31.1
Cash earnings before tax	822	(137)	large	415	407	2.0
Income tax (expense)/benefit	(190)	91	large	(142)	(48)	large
Cash earnings before minority interest	632	(46)	large	273	359	(24.0)
Net profit - minority interest	2	2	-	16	(14)	large
Cash earnings	634	(44)	large	289	345	(16.2)
Average Volumes ($bn)						
Gross loans and acceptances	52.6	52.6	-	49.2	56.1	(12.3)
Interest earning assets - external	160.2	152.0	5.4	148.1	172.4	(14.1)
Interest earning assets - internal	42.2	40.4	4.5	37.2	47.2	(21.2)
Interest earning assets - total	202.4	192.4	5.2	185.3	219.6	(15.6)
Capital ($bn)						
Risk weighted assets (spot)	87.6	97.7	(10.3)	87.6	98.6	(11.2)
Performance Measures						
Cost to income ratio	32.6%	38.4%	580 bps	35.1%	30.4%	(470 bps)
FTEs (spot)	2,633	2,600		2,633	2,642	

Impact of foreign exchange rate movements

Favourable/ (unfavourable) September 09	Year since Sep 08 $m	Sep 09 v Sep 08 Ex FX %	Half year since Mar 09 $m	Sep 09 v Mar 09 Ex FX %
Net interest income	33	(12.1)	(67)	(5.5)
Other operating income	3	large	(18)	(8.4)
Operating expenses	(15)	(9.7)	26	(7.3)
Charge to provide for bad and doubtful debts	1	26.6	30	26.3
Income tax expense	(6)	large	8	large
Cash earnings before minority interest	16	large	(21)	(18.1)

nabCapital
Financial Analysis

September 2009 v September 2008

Cash earnings increased by $678 million on the September 2008 full year, mainly due to an exceptionally strong Global Markets and Treasury performance and lower bad and doubtful debts charges. The reduction in bad and doubtful debts charges in 2009 was largely due to the high provisioning levels associated with the Asset Backed Securities Collaterised Debt Obligations (ABS CDOs) in the September 2008 full year.

Net operating income increased by 31.4% or $668 million, driven by an exceptional Global Markets and Treasury performance, which reflected increased client demand for risk management products following extreme market volatility in interest rates and currencies, improved margins, and increased activity in risk and trading. This was partially offset by higher credit valuation adjustments consistent with worsening global credit conditions.

Margins for risk increased across lending activities, reflecting new pricing dynamics and deteriorating credit risk. This was partially offset by declining lending volumes due to clients de-leveraging, combined with a run-off of assets from activities nabCapital is exiting.

The Structuring and Investments (S&I) business was adversely affected by the $160 million management overlay relating to conduit assets and derivative transactions, costs associated with the risk mitigation trades, and reduced deal flow in Australia and the UK, as the appetite for complex structured finance deals in the current environment waned.

Operating expenses increased by $94 million or 11.5%. Excluding the impact of foreign exchange rate movements, the underlying cost increase amounted to $79 million or 9.7%. This increase was due to higher personnel costs to support revenue growth in Global Markets and Treasury, continued build-out of the front to back infrastructure, and a normalised incentive accrual, following the significantly lower accrual for the September 2008 year.

The **cost to income ratio** improved by 580 basis points to 32.6% due to strong income growth.

The **charge to provide for bad and doubtful debts** decreased by $385 million. Excluding the ABS CDOs, the underlying increase was $626 million due mainly to an increase in specific provisions across the portfolio including a number of high profile names in Australia, and leverage exposures in the UK.

Income tax expense moved from a benefit to a charge, in line with the movement back to profitability.

Average interest earning assets increased by $10 billion (5.2%), largely reflecting additional Global Markets and Treasury assets held by nabCapital to support liquidity management for the Group.

Risk Weighted Assets decreased by $10 billion (10.3%) when compared to September 2008. The decline in RWAs was mainly due to customer repayments, a number of optimisation initiatives, partially offset by credit deterioration across the portfolio.

September 2009 v March 2009

Cash earnings decreased by $56 million on the March 2009 half year. This was mainly due to decreased revenues generated in Global Markets and Treasury from the exceptional levels achieved in the first half and increased tax expense, partially offset by a lower bad and doubtful debts charge.

Net operating income decreased by $180 million or 12.1% on the March 2009 half year. This was largely the result of a reduced Global Markets and Treasury performance compared to the March 2009 half year as volatility reduced, generating a decline in client demand and reduced trading opportunities.

Operating expenses increased by $7 million or 1.5% on the March 2009 half year. Excluding the impact of foreign exchange rate movements, the underlying cost increase amounted to $33 million or 7.3%. This increase was due to a higher incentive accrual, following the increase in business profitability in 2009.

The **cost to income ratio** increased by 470 basis points to 35.1%, as income growth slowed in comparison to March 2009 half year levels.

The **charge to provide for bad and doubtful debts** decreased by $195 million in the September 2009 half year. Provisions in the March 2009 half year mainly related to an increase in specific provisions on a small number of high profile corporate exposures, leverage exposures in the UK, and downgrades across the portfolio. Deterioration slowed in the September 2009 half year. The charge in the second half stemmed mainly from the UK, where areas of concern remain leverage loans and commercial property.

The **effective tax rate** for nabCapital increased from 11.8% in the March 2009 half year to 34.2% in the September 2009 half year, primarily reflecting a reversal of prior period losses in high tax rate jurisdictions.

Average interest earning assets decreased by $34 billion (15.6%). Excluding the foreign exchange impact, the decrease was $28 billion (13.0%) mainly due to:

- Lower Gross Loans and Acceptances ($6 billion) largely due to client deleveraging in Institutional Lending
- Lower levels of Global Markets and Treasury liquidity assets, reflecting a stabilising external environment in the September half year ($8 billion)
- Maturity of a number of structured transactions and Securitisation deals ($6 billion)
- A reduction in internal interest earning assets reflecting the lower levels of short-term funding requirements of other NAB businesses ($8 billion).

Risk Weighted Assets decreased by $11 billion (11.2%) in line with the full year movement.

Other Items

Asset Quality

The nabCapital portfolio is reflective of the current credit cycle and the geographical distribution of its exposures. Performance of the portfolio over the year has largely been consistent with the progression through the economic downturn, as illustrated by the following key metrics:

- The weighted average eCRS (internal credit score) deteriorated over the year with a definite slowing in the rate of decline through the September 2009 half year.
- Exposures internally rated as investment grade [(1)] have fallen over the year, down 2% to 87% of the total portfolio.
- A bad and doubtful debts charge of $1,061 million for the year ended September 2009.

Whilst the rate of deterioration is slowing, the impacts of the downturn are not expected to fully wash-through the portfolio until mid-to-late 2010, particularly in the UK and US, which have exhibited more severe signs of economic stress.

On a sector basis, principal areas of concern remain in relation to leverage finance, commercial property and non-bank financial institutions.

The leverage finance portfolio is well diversified by transaction numbers and industry/sector type, predominantly across Australia and the UK. The total portfolio has been reduced since September 2008 as a result of scheduled amortisations, debt restructures and equity injections.

In terms of UK commercial property, this sector experienced significant weakness throughout the 2009 financial year. Ongoing management of the portfolio includes targeted withdrawals and large exposure reduction to decrease the risk profile and enhance capital usage; close monitoring of market developments, including the level of refinance risk.

Throughout the year, nabCapital took a series of actions designed to mitigate the risk of loss. This included bolstering resources in the risk management teams; increasing the number and depth of industry and sector reviews; and establishing specialist and dedicated teams to monitor and manage certain higher risk portfolios. These close monitoring and management activities will continue into the next financial year.

In terms of the securitisation portfolio, nabCapital continues to actively manage it. As at 30 September 2009, the portfolio was $13.1 billion (down $4 billion since September 2008). This portfolio includes:

- $10.4 billion of portfolio assets - performance is consistent with existing balance sheet exposures
- $1.6 billion of Synthetic CDOs (SCDOs)
- $0.8 billion of credit wrapped ABS
- $0.3 billion of ABS CDOs

For more detailed analysis on conduits refer to Section 6 Supplementary Information.

During the second half, there were three credit events within the underlying reference entities affecting four of the six SCDOs. The underlying portfolios of each SCDO continue to be actively managed to minimise risk of loss.

At September 2008, nabCapital executed hedges for the purpose of managing the credit risk in its $1.6 billion of SCDOs. Additional smaller hedges on certain SCDOs were executed in June 2009.

As noted in March 2009, a reserve of $160 million has been taken as a management overlay in respect of conduit assets and derivatives. An additional $50 million provision has been recorded in the September 2009 half year relating to credit wrapped ABS due to monoline downgrades.

[(1)] *Investment Grade is calculated using Expected Loss methodology. Expected Loss is the product of Probability of Default x Exposure at Default x Loss Given Default.*

Impaired Assets - Loans and Advances

The level of gross impaired assets has increased by $47 million from the March 2009 position to $1,289 million at September 2009. This reflects an increase in the number and value of troubled exposures in the UK, partially offset by a number of impaired assets in Australia written off in the September 2009 half year. This also contributed to a decrease in the ratio of specific provision to gross impaired assets.

	As at		
	Sep 09	**Mar 09**	**Sep 08**
Australia ($m)	**602**	765	310
Other ($m)	**687**	477	242
Gross impaired assets ($m)	**1,289**	1,242	552
Australia	**2.22%**	2.54%	1.01%
Other	**3.48%**	2.03%	1.08%
Gross impaired assets to gross loans and acceptances	**2.75%**	2.32%	1.04%
Specific provision to gross impaired assets	**24.6%**	49.9%	44.0%
Net write-offs to gross loans and acceptances	**1.46%**	0.21%	0.09%

Investment Spend

nabCapital's investment cash spend during 2009 was $106 million, an increase of $4 million (4%) compared to the prior year.

During 2009, spend was focused on creating and implementing the systems required to improve penetration of products and services into NAB's franchises, and on the continuation of efficiency programs to support core capability. A number of structural improvements were also made to improve project delivery, including the creation of a Business Architecture function. In 2009, a business-led target state architecture was reinvigorated and has begun to form the basis of investment spend prioritisation.

Efficiency and revenue generating projects comprised 56% of nabCapital's 2009 investment portfolio and focused primarily on enhancing product capability and simplifying back office processes in Global Markets and Treasury. The rebuild and complete replacement of Global Markets'and Treasury's core systems environment progressed well during the year and the first phase of the new FX platform was introduced. Work continued on replacing and enhancing the systems supporting nabCapital's non-traded business lines.

Initiatives to maintain and upgrade nabCapital's core infrastructure made up 18% of the 2009 investment spend. The global payments platform, market risk systems, NAB Wholesale Banking website and dealing room voice technologies were upgraded in 2009.

The remaining 26% was spent on compliance and operational risk initiatives. These included updating nabCapital's infrastructure in line with new anti-money laundering regulations and formally completing Basel II implementation.

Central Functions

The Group's 'Central Functions' business segment includes functions that support all the regional businesses and comprises Group Funding and Corporate Centre 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. Corporate Centre activities include the strategic development of the portfolio of businesses, financial and risk governance, and developing and retaining talent.

	Year to			Half Year to		
	Sep 09 $m	Sep 08 $m	Sep 09 v Sep 08 %	Sep 09 $m	Mar 09 $m	Sep 09 v Mar 09 %
Net operating income	355	58	large	176	179	(1.7)
Operating expenses	(539)	(294)	(83.3)	(292)	(247)	(18.2)
Underlying profit	(184)	(236)	22.0	(116)	(68)	(70.6)
Charge to provide for bad and doubtful debts	(110)	(1)	large	(17)	(93)	81.7
Cash earnings before tax	(294)	(237)	(24.1)	(133)	(161)	17.4
Income tax benefit	150	250	(40.0)	56	94	(40.4)
Cash earnings before distributions and minority interest	(144)	13	large	(77)	(67)	(14.9)
Net profit - minority interest	(2)	(1)	large	(5)	3	large
Cash earnings / (deficit)	(146)	12	large	(82)	(64)	(28.1)
Represented by:						
Group Funding	95	51	86.3	19	76	(75.0)
Corporate Centre	(259)	(46)	large	(110)	(149)	26.2
New Business & Development	(55)	(14)	large	(24)	(31)	22.6
Great Western Bank	73	21	large	33	40	(17.5)
Cash earnings / (deficit)	(146)	12	large	(82)	(64)	(28.1)

September 2009 v September 2008

Cash earnings decreased by $158 million due to increases in the charge to bad and doubtful debts and lower income tax benefits. This was partially offset by increased cash earnings from the inclusion of GWB when compared to the 4 months to September 2008.

Net operating income increased by $297 million due to profit on retirement of debt instruments of $62 million and $56 million of income on revenue hedges. Also contributing to the increase is $189 million from the inclusion of GWB. Offsetting these increases is $27 million of costs in relation to the UK Financial Services Compensation Scheme, and $61 million of increased costs of liquidity transferred from the UK.

Operating expenses increased by $245 million or $153 million excluding GWB. This was driven by higher personnel costs, higher community investment through the Schools First program, enterprise leadership and human capital initiatives and costs relating to development and acquisition related activity. Also included are costs incurred in funding activities and issuing hybrid securities and a non-recurring transactional tax benefit in the prior year.

Charge to provide for bad and doubtful debts increased by $109 million mainly due to a $86 million increase in the Group's economic cycle reserve within the collective provision for doubtful debts to strengthen the Group's balance sheet and provisioning coverage increases in GWB.

Income tax benefit decreased by $100 million. Contributing to the decrease were movements of $66 million as a result of one off tax benefits incurred during the 2008 year including tax benefits on capital losses and foreign tax credits. Also contributing to the increase is $27 million for the increased earnings in GWB.

September 2009 v March 2009

The **cash earnings** deficit increased by $18 million driven by higher operating expenses and reductions in centrally held tax credits in the second half. Offseting this is a decreased charge to provide for bad and doubtful debts.

Net operating income decreased by $3 million mainly due to slightly lower income in Great Western Bank in the September 2009 half.

Operating Expenses increased by $45 million due to an increase in self insurance claims, higher occupancy expenses, NZ Stock Exchange delisting fees and hedge fees on NZ recharges.

Charge to provide for bad and doubtful debts decreased by $76 million mostly due to the $86 million (pre tax) provision raised to strengthen the group balance sheet in March 09. Offsetting this is an increased charge to provide for bad and doubtful debts of $5 million in Great Western Bank.

The **income tax benefit** decreased by $38 million driven by lower tax credits and lower cash earnings in the second half.

Great Western Bank

Great Western Bank (GWB) offers a range of traditional banking and wealth management products through its footprint of 125 locations across seven states, predominantly in the Midwest of the United States. GWB operates in 77 communities and employs over 900 people.

Strategic Highlights and Business Developments

Against the background of a major recession and extreme turmoil in the financial services industry, GWB outperformed its US peers, growing significantly and producing solid growth in earnings.

The financial crisis has acutely affected US banks, with many accepting government funding and investment. Furthermore, there are now over 410 banks on the Federal Deposit Insurance Corporation (FDIC) watch list for closure, with over 100 banks closed by the regulator since January 2009. The capital and liquidity constraints facing banks on the watch list and other institutions are considerable. Well-capitalised and profitable institutions, such as GWB, have unprecedented opportunities to grow through either regulator assisted or private bank divestments.

In June 2009 GWB acquired 20 branches in Colorado from First Community Bank and one from Wachovia. Expanding the existing footprint into an adjoining state, GWB acquired over US$600 million in deposits and US$380 million in loans, together with over 12,000 new customers. This business is now fully integrated into GWB. On 4 September 2009, GWB also announced the acquisition of 32 branches in Iowa and Nebraska from TierOne Bank. This transaction, which is expected to close before the end of December 2009, will add approximately US$800 million in loans and US$1,100 million in deposits, together with nearly 45,000 customers, making GWB the third largest deposit holder in Nebraska. The transaction will significantly increase its presence in Omaha and expand its footprint across the agricultural regions of the state.

These opportunities to expand throughout the rural Midwest are a compelling value proposition for GWB in terms of price and strategic fit. GWB will continue to explore other opportunities within the context of its strategic objectives.

The organic rollout of Agri and SME centres, another key strategic objective of GWB, has continued its momentum. Nine centres have been opened to date, complete with a quality team of experienced bankers developing an attractive portfolio of Agri and SME customer relationships. Agri related lending has grown to represent nearly 19% of the overall portfolio, with the deliberate diversification away from the construction and land development sector improving overall asset quality.

Cash earnings for the year to 30 September 2009 were US$53 million, reflecting solid growth and the maintenance of net interest margin, together with operating efficiencies that absorbed increases in provisioning (US$10.5 million) and FDIC insurance costs (US$4 million) from the previous 12 months. The net interest margin was managed with a reduction in the cost of deposits and the maintenance of pricing on loans, including floors.

The overall cost to income ratio of 48.9% for the year reflects effective cost management. Average interest earning assets increased by US$500 million or 15.2% from September 2008, reflecting both the Colorado acquisition and organic growth, including accelerated momentum in the Agri strategy.

Since acquisition by the NAB on 3 June 2008, GWB has grown overall interest earning assets by 29% from US$3.4 billion to US$4.4 billion (spot).

With the ratio of deposits to loans currently at over 118%, GWB has continued to fund asset growth through customer deposits, maintaining high levels of liquidity with excess deposits primarily invested in high quality US government backed or agency securities. Performing well above peers, GWB produced a consistently higher pre-tax return on assets of 1.77% in the June 2009 quarter against the average pre-tax return on assets of 0.11% for all commercial banks regulated by the FDIC. (Source FDIC)

Operating Environment

The outlook for the US economy remains bleak, but there are emerging signs that the peak of the recession may have passed with potentially slow growth expected to emerge through 2010. While slightly shielded from the full effects of the recession across the US, the rural Midwest footprint of GWB has, and will continue to be, affected through the foreseeable future. With consumers experiencing reductions in overall disposable income, any recovery from the recession is expected to be slow.

According to the US Department of Labor, unemployment in the US at September 2009 was 9.8%. Unemployment has grown steadily over the year; but it is now showing some signs of stabilizing. The US economy has deteriorated significantly throughout the year.

Customer, Employee and Community

The acquisition of the additional branches in Nebraska and Iowa will expand GWB's reach through to 89 communities. GWB is committed to continuing the support of these communities through difficult times, actively encouraging staff involvement through the donation of time, resources and money to community projects and outreach.

During 2009, significant investment was made in enhancing the GWB experience for new Colorado customers. This involved mailing and calling all customers to explain and assist them through the transition from their previous bank. An innovative "GreaterThan CD" promotion rewarded the communities in which GWB operates and GWB made donations to those communities where deposits were raised.

Training resources and programs have also been developed through the year, recognizing that a motivated, educated and dedicated workforce is central to the success of the business. Programs, including credit training and accreditation are proving very successful.

Great Western Bank

Great Western Bank

Results presented in local currency. See page 76 for results in $AUDm

	Year to			Half Year to		
	Sep 09 US$m	**Sep 08 US$m**	**Sep 09 v Sep 08 %**	**Sep 09 US$m**	**Mar 09 US$m**	**Sep 09 v Mar 09 %**
Net interest income	**143**	42	large	**77**	66	16.7
Other operating income	**41**	14	large	**21**	20	5.0
Net operating income	**184**	56	large	**98**	86	14.0
Operating expenses	**(90)**	(27)	large	**(49)**	(41)	(19.5)
Underlying profit	**94**	29	large	**49**	45	8.9
Charge to provide for bad and doubtful debts	**(14)**	(1)	large	**(9)**	(5)	(80.0)
Cash earnings before tax	**80**	28	large	**40**	40	-
Income tax expense	**(27)**	(10)	large	**(14)**	(13)	(7.7)
Cash earnings	**53**	18	large	**26**	27	(3.7)
Average Volumes (US$bn)						
Gross loans and acceptances	**2.9**	2.6	11.5	**3.1**	2.7	14.8
Interest earning assets	**3.8**	3.3	15.2	**4.0**	3.5	14.3
Total assets	**3.9**	3.6	8.3	**4.2**	3.7	13.5
Retail deposits	**3.4**	3.2	6.2	**3.6**	3.3	9.1
Performance Measures						
Cash earnings on average assets	**1.36%**	1.61%	(25 bps)	**1.24%**	1.46%	(22 bps)
Net interest margin	**3.76%**	3.87%	(11 bps)	**3.86%**	3.78%	8 bps
Cost to income ratio	**48.9%**	48.2%	(70 bps)	**50.0%**	47.7%	(230 bps)
Cash earnings per average FTE (US$'000s)	**61**	71		**58**	66	
FTEs (spot)	**987**	816		**987**	816	

Great Western Bank
Financial Analysis (in local currency)

September 2009 v September 2008

Cash earnings for September 2008 represents four months of operation under NAB, and despite the economic conditions, the underlying GWB business momentum continued, with cash earnings of US$53 million for the 12 months to September 2009, absorbing US$13 million additional provisioning charges and US$4 million in FDIC insurance for the same period.

Net operating income grew in line with solid loan volume growth, which includes US$380 million in loans from the Colorado acquisition. Net interest margin was maintained through disciplined pricing on both loans and deposits and a stable return on government backed securities.

Operating expenses, excluding the impact of the Colorado acquisition and the FDIC insurance special assessment (US$2.1 million), remained flat for the period.

The **charge to provide for bad and doubtful debts** has increased to US$14 million for the September 2009 year. This represents the impact of US$14 million in net write-offs for the year to September 2009 and the maintenance of appropriate coverage over the growing portfolio.

September 2009 v March 2009

Cash earnings of US$26 million for the September 2009 half were consistent with the March 2009 half (US$27 million), with continued momentum in the underlying business and three months earnings from the Colorado portfolio. Increased provisioning of $US9 million and the FDIC special assessment (US$2.1 million) were absorbed in the half by increased revenue. Overall cash earnings on average assets were negatively affected by the higher provisioning in the second half and FDIC costs.

Net operating income increased by US$12 million when compared to the March 2009 half. The net interest margin remained strong, with pricing not being sacrificed for asset growth. Other operating income was affected by increasingly more conservative customer behaviour with reducing overdraft and service fee income by approximately 10% on March. This was offset by higher loan fee income.

An increase in **operating expenses** for the half reflects the impact of assuming the Colorado cost base in the last quarter, with net expenses growing by US$6 million, together with the industry wide FDIC special insurance assessment charge of US$2.1 million for GWB.

The **charge to provide for bad and doubtful debts** continued to increase in the September 2009 half, to US$9 million. Coverage ratios and delinquencies as a percentage of gross loans were held constant.

Other Items

Asset Quality

	As at		
	Sep 09	**Mar 09**	**Sep 08**
Gross impaired assets (US$m)	**33**	35	24
90+ DPD plus gross impaired assets to gross loans and acceptances	**0.96%**	1.27%	0.89%
Specific provision to gross impaired assets	**33.3%**	20.0%	33.3%
Net write-offs to gross loans and acceptances (annualised)	**0.41%**	0.29%	0.04%
Total provision to gross loans and acceptances	**0.99%**	1.12%	1.18%

During 2009 organic asset growth focused on specific target sectors within the GWB footprint, particularly Agri lending, with significantly less focus on construction, land development and commercial real estate. Loans acquired through the Colorado purchase were specifically reviewed and selected to maintain high levels of asset quality.

There is no sub-prime lending in the portfolio and overall asset quality has benefited from diversification into Colorado and the change in mix in the lending portfolio through the Agri strategy. Construction and land development now represents approximately 11% of the overall portfolio, down from 21% at the end of December 2007.

Asset quality in the legacy book has, however, remained under pressure throughout the year as the recession has progressively deepened. Gross impaired assets increased by US$9 million from September 2008 to US$33 million, slightly down from March 2009 at US$35 million.

Total provision to gross loans and acceptances fell through the half year to September 2009, partly reflecting the purchase of high quality performing loans in Colorado.

While devoting resources to early warning and credit watch programs, GWB has actively managed poor performing assets. Despite the deterioration in asset quality, GWB is consistently ahead of the peer group average, with overall provision to gross loans and acceptances of 0.99% against the average of 2.77% across all commercial banks regulated by the FDIC in June 2009. This again reflects the geography of GWB, together with a focused change in asset mix and a relatively conservative credit risk appetite.

Additional resources and focus will continue to be directed at identifying problem assets. The program of embedding credit managers throughout the business will continue.

Great Western Bank

Results presented in Australian dollars. See page 75 for results in local currency

	Year to			Half Year to		
	Sep 09 $m	**Sep 08 $m**	**Sep 09 v Sep 08 %**	**Sep 09 $m**	**Mar 09 $m**	**Sep 09 v Mar 09 %**
Net interest income	**196**	47	large	**97**	99	(2.0)
Other operating income	**56**	16	large	**26**	30	(13.3)
Net operating income	**252**	63	large	**123**	129	(4.7)
Operating expenses	**(122)**	(30)	large	**(60)**	(62)	3.2
Underlying profit	**130**	33	large	**63**	67	(6.0)
Charge to provide for bad and doubtful debts	**(19)**	(1)	large	**(12)**	(7)	(71.4)
Cash earnings before tax	**111**	32	large	**51**	60	(15.0)
Income tax expense	**(38)**	(11)	large	**(18)**	(20)	10.0
Cash earnings	**73**	21	large	**33**	40	(17.5)

Impact of foreign exchange rate movements

Favourable/ (unfavourable) September 09	**Year since Sep 08 $m**	**Sep 09 v Sep 08 Ex FX %**	**Half year since Mar 09 $m**	**Sep 09 v Mar 09 Ex FX %**
Net interest income	**38**	large	**(17)**	16.7
Other Operating Income	**11**	large	**(6)**	5.0
Operating expenses	**(24)**	large	**13**	(19.5)
Charge to provide for bad and doubtful debts	**(4)**	large	**1**	(80.0)
Income tax expense	**(7)**	large	**3**	(7.7)
Cash earnings	**14**	large	**(6)**	(3.7)

Section 5

Financial Report

Consolidated Income Statement

	Note	Year to Sep 09 $m	Year to Sep 08 $m	Half Year to Sep 09 $m	Half Year to Mar 09 $m
Interest income		**31,102**	39,385	**13,443**	17,659
Interest expense		**(19,034)**	(28,287)	**(7,259)**	(11,775)
Net interest income		**12,068**	11,098	**6,184**	5,884
Premium and related revenue		**846**	780	**441**	405
Investment revenue		**726**	(10,162)	**9,042**	(8,316)
Fee income		**439**	530	**228**	211
Claims expense		**(477)**	(492)	**(234)**	(243)
Change in policy liabilities		**(373)**	8,378	**(7,835)**	7,462
Policy acquisition and maintenance expense		**(755)**	(817)	**(384)**	(371)
Investment management expense		**(37)**	(34)	**(18)**	(19)
Movement in external unitholders' liability		**(12)**	1,427	**(1,321)**	1,309
Net life insurance income	14	**357**	(390)	**(81)**	438
Gains less losses on financial instruments at fair value	3	**665**	(118)	**(653)**	1,318
Other operating income	3	**3,687**	3,967	**1,898**	1,789
Total other income		**4,352**	3,849	**1,245**	3,107
Personnel expenses	4	**(4,402)**	(4,142)	**(2,237)**	(2,165)
Occupancy-related expenses	4	**(555)**	(492)	**(286)**	(269)
General expenses	4	**(3,022)**	(2,646)	**(1,580)**	(1,442)
Total operating expenses		**(7,979)**	(7,280)	**(4,103)**	(3,876)
Charge to provide for doubtful debts	9	**(3,815)**	(2,703)	**(2,004)**	(1,811)
Profit before income tax expense		**4,983**	4,574	**1,241**	3,742
Income tax expense	5	**(2,394)**	(39)	**(1,327)**	(1,067)
Net profit/(loss)		**2,589**	4,535	**(86)**	2,675
Net (profit)/loss attributable to minority interest		**-**	1	**11**	(11)
Net profit/(loss) attributable to members of the Company		**2,589**	4,536	**(75)**	2,664

	cents	cents	cents	cents
Basic earnings per share (cents)	**123.4**	262.7	**(9.9)**	138.3
Diluted earnings per share (cents)	**122.5**	260.9	**(9.8)**	136.1

Consolidated Balance Sheet

	Note	As at 30 Sep 09 $m	31 Mar 09 $m	30 Sep 08 $m
Assets				
Cash and liquid assets		**25,834**	18,287	18,209
Due from other banks		**33,265**	30,663	46,996
Trading derivatives		**37,030**	55,403	35,788
Trading securities		**22,219**	25,919	20,767
Investments - available for sale		**7,933**	8,807	1,542
Investments - held to maturity		**17,529**	18,462	17,154
Investments relating to life insurance business	14	**54,254**	44,057	52,896
Other financial assets at fair value		**31,530**	31,851	30,600
Hedging derivatives		**3,926**	6,670	2,126
Loans and advances	8	**344,774**	352,429	353,075
Due from customers on acceptances	8	**55,035**	55,356	53,381
Current tax assets		**-**	326	-
Property, plant and equipment		**1,716**	1,822	1,661
Goodwill and other intangible assets		**6,243**	6,478	6,335
Deferred tax assets		**3,272**	3,163	2,851
Other assets		**9,560**	16,308	13,418
Total assets		**654,120**	676,001	656,799
Liabilities				
Due to other banks		**36,148**	45,879	52,423
Trading derivatives		**38,090**	52,769	32,263
Other financial liabilities at fair value		**21,311**	22,964	23,584
Hedging derivatives		**2,131**	3,414	1,172
Deposits and other borrowings	11	**336,188**	327,759	327,466
Liability on acceptances		**16,891**	17,959	16,075
Life policy liabilities	14	**47,314**	38,351	46,150
Current tax liabilities		**382**	-	25
Provisions		**1,555**	1,072	1,359
Bonds, notes and subordinated debt		**90,792**	108,020	98,239
Other debt issues		**2,627**	1,729	1,622
Defined benefit pension scheme liabilities		**584**	314	-
External unitholders' liability	14	**7,458**	5,781	7,406
Deferred tax liabilities		**793**	774	702
Other liabilities		**14,021**	12,815	15,467
Total liabilities		**616,285**	639,600	623,953
Net assets		**37,835**	36,401	32,846
Equity				
Contributed equity	12	**22,781**	18,440	14,731
Reserves	12	**(976)**	59	549
Retained profits	12	**16,010**	17,904	17,510
Total equity (parent entity interest)		**37,815**	36,403	32,790
Minority interest in controlled entities		**20**	(2)	56
Total equity		**37,835**	36,401	32,846

Consolidated Recognised Income and Expense Statement

	Note	Year to Sep 09 $m	Year to Sep 08 $m	Half Year to Sep 09 $m	Half Year to Mar 09 $m
Actuarial (losses)/gains from defined benefit pension plans	12	(1,125)	4	(288)	(837)
Cash flow hedges					
(Losses)/gains taken to equity	12	(24)	(445)	431	(455)
Losses/(gains) transferred to the income statement	12	66	(94)	66	-
Exchange differences on translation of foreign operations	12	(1,485)	(180)	(1,308)	(177)
Tax on items taken directly to/(transferred directly from) equity		289	167	(86)	375
Other		37	36	21	16
Net income recognised directly in equity		(2,242)	(512)	(1,164)	(1,078)
Net profit/(loss)		2,589	4,535	(86)	2,675
Total net income recognised		347	4,023	(1,250)	1,597
Attributable to:					
Members of the parent		347	4,024	(1,239)	1,586
Minority interest		-	(1)	(11)	11
Total net income recognised		347	4,023	(1,250)	1,597

Consolidated Cash Flow Statement

	Note	Year to		Half Year to	
		Sep 09 $m	Sep 08 $m	Sep 09 $m	Mar 09 $m
Cash flows from operating activities					
Interest received		**31,600**	39,270	**13,505**	18,095
Interest paid		**(20,406)**	(26,892)	**(7,574)**	(12,832)
Dividends received		**7**	7	**4**	3
Life insurance					
Premiums and other revenue received		**8,564**	10,105	**4,790**	3,774
Investment revenue received		**1,614**	2,911	**848**	766
Policy and other payments		**(7,030)**	(7,948)	**(3,285)**	(3,745)
Fees and commissions paid		**(400)**	(402)	**(205)**	(195)
Net trading revenue received		**1,223**	4,121	**(1,901)**	3,124
Other operating income received		**3,873**	4,574	**2,056**	1,817
Cash payments to employees and suppliers					
Personnel expenses paid		**(3,979)**	(4,023)	**(1,831)**	(2,148)
Other operating expenses paid		**(3,877)**	(2,682)	**(1,523)**	(2,354)
Goods and services tax paid		**(30)**	(50)	**(8)**	(22)
Cash payments for income taxes		**(1,419)**	(2,556)	**(426)**	(993)
Cash flows from operating activities before changes in operating assets and liabilities		**9,740**	16,435	**4,450**	5,290
Changes in operating assets and liabilities arising from cash flow movements					
Net placement of deposits with and withdrawal of deposits from supervisory central banks that are not part of cash equivalents		**(20)**	59	**(17)**	(3)
Net payments for and receipts from transactions in acceptances		**(864)**	(18,444)	**(765)**	(99)
Net funds advanced to and receipts from customers for loans and advances		**(11,018)**	(35,758)	**(5,927)**	(5,091)
Net acceptance from and repayment of deposits and other borrowings		**25,459**	59,119	**24,986**	473
Net movement in life insurance business investments		**(1,625)**	(3,118)	**(854)**	(771)
Net movement in other life insurance assets and liabilities		**(701)**	8	**(245)**	(456)
Net receipts from and payments for transactions in treasury bills and other eligible bills held for trading and not part of cash equivalents		**(845)**	133	**1,440**	(2,285)
Net payments for and receipts from transactions in trading securities		**(405)**	720	**1,656**	(2,061)
Net payments for and receipts from trading derivatives		**3,211**	(8,275)	**5,899**	(2,688)
Net funds advanced to and receipts from hedging derivative assets and other financial assets at fair value		**(4,219)**	(7,308)	**1,561**	(5,780)
Net receipts from hedging derivative liabilities and other financial liabilities at fair value		**(391)**	2,598	**(2,598)**	2,207
Net (increase)/decrease in other assets		**(1,819)**	(6,500)	**(2,020)**	201
Net (decrease)/increase in other liabilities		**(3,802)**	9,534	**(11,855)**	8,053
Net cash provided by/(used in) operating activities	13(a)	12,701	9,203	15,711	(3,010)

	Note	Year to Sep 09 $m	Year to Sep 08 $m	Half Year to Sep 09 $m	Half Year to Mar 09 $m
Cash flows from investing activities					
Movement in investments - available for sale					
Purchases		**(22,648)**	(20,039)	**(8,238)**	(14,410)
Proceeds from disposal		**618**	85	**192**	426
Proceeds on maturity		**18,624**	18,099	**11,561**	7,063
Movement in investments - held to maturity					
Purchases		**(19,410)**	(29,865)	**(6,228)**	(13,182)
Proceeds on disposal and on maturity		**20,177**	28,218	**7,081**	13,096
Purchase of controlled entities and business combinations, net of cash acquired	**13(d)**	**194**	(972)	**194**	-
Purchase of property, plant, equipment and software		**(951)**	(865)	**(391)**	(560)
Proceeds from sale of property, plant, equipment and software, net of costs		**208**	574	**146**	62
Net cash (used in)/provided by investing activities		**(3,188)**	(4,765)	**4,317**	(7,505)
Cash flows from financing activities					
Repayments of bonds, notes and subordinated debt		**(33,287)**	(20,368)	**(15,838)**	(17,449)
Proceeds from issue of bonds, notes and subordinated debt, net of costs		**30,600**	33,599	**13,991**	16,609
Proceeds from issue of ordinary shares, net of costs		**5,913**	20	**2,721**	3,192
Proceeds from issue of BNZ income securities, net of costs		**203**	380	**203**	-
Proceeds from other debt issues, net of costs		**1,082**	1,190	**1,082**	-
Dividends and distributions paid (excluding dividend reinvestment plan)		**(1,742)**	(1,702)	**(457)**	(1,285)
Net cash provided by financing activities		**2,769**	13,119	**1,702**	1,067
Net increase/(decrease) in cash and cash equivalents		**12,282**	17,557	**21,730**	(9,448)
Cash and cash equivalents at beginning of period		**12,789**	(4,330)	**3,304**	12,789
Effects of exchange rate changes on balance of cash held in foreign currencies		**(917)**	(438)	**(880)**	(37)
Cash and cash equivalents at end of period	**13(b)**	**24,154**	12,789	**24,154**	3,304

1. Principal Accounting Policies

This preliminary final report is prepared in accordance with the requirements of the ASX listing rules. It should be read in conjunction with any public announcements to the market made by the Company during the year.

This preliminary final report does not, and cannot be expected to, contain all disclosures of the type normally found within a full annual financial report and it is not designed or intended to be a substitute for the 2009 annual financial report.

This report should be read in conjunction with the 2008 annual financial report, the 2009 half year results and, when released, the 2009 annual financial report.

It has been prepared on a basis of accounting policies consistent with those applied in the 30 September 2008 annual financial report except as noted below:

- AASB Interpretation 13 "Customer Loyalty Programmes" has been applied from 1 October 2008. It clarifies the accounting for certain types of customer loyalty programmes, requiring entities to defer recognition of interchange revenue linked to reward programs. Revenue is recognised when reward points have been redeemed or when the obligation has been assumed by a third party. On adoption, the Group has recognised a liability of $71 million and a deferred tax asset of $22 million for this liability resulting in a net reduction in opening retained earnings of $49 million.

Adoption of the following interpretations, which are applicable from 1 October 2008, have not had a material impact on the Group:

- AASB 2008-10 "Amendments to Australian Accounting Standards - Reclassification of Financial Assets" is applicable retrospectively from 1 July 2008. In limited circumstances, it allows certain financial assets to be reclassified. On initial application, and since then, the Group has not reclassified any such financial instruments as permitted by the standard;
- AASB 2008-12 "Amendments to Australian Accounting Standards - Reclassification of Financial Assets - Effective Date and Transition" (December 2008) (AASB 2008-12) clarifies the effective date of AASB 2008-10;
- AASB Interpretation 14 "AASB 119 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction" provides guidance on the amount of surplus that can be recognised as an asset by an employer sponsor of a defined benefit scheme;
- AASB Interpretation 16 "Hedges of a Net Investment in a Foreign Operation" provides guidance on several issues in accounting for a hedge on a net investment in a foreign operation in an entity's consolidated financial statements;
- AASB 2009-3 "Amendments to Australian Accounting Standards - Embedded Derivatives" (April 2009) (AASB 2009-3) requires an assessment of whether an embedded derivative is required to be separated from a host contract when the entity reclassifies a hybrid financial asset out of the fair value through profit and loss category.

The preparation of financial statements in conformity with Australian Accounting Standards as issued by the Australian Accounting Standards Board and International Financial Reporting Standards as issued by the International Accounting Standards Board requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and the disclosed amount of contingent liabilities. Assumptions made at each balance sheet date, (e.g. the calculation of provisions for doubtful debts, defined benefit pensions and fair value adjustments) are based on best estimates at that date. Although the Group has internal control systems in place to ensure that such estimates are reliably measured, actual amounts may differ from those estimated. It is not anticipated that such differences would be material.

The financial statements have been prepared under the historical cost convention, as modified by the application of fair value measurements required by the relevant accounting standards. These accounting policies have been consistently applied throughout the Group.

Change in presentation of income statement and balance sheet

In prior financial reports, the liability to external unitholders in managed investment schemes controlled by the Group has been disclosed in the consolidated balance sheet as "Managed fund units on issue". Additionally, in prior financial reports, the movement in this liability has been disclosed in the consolidated income statement as "Net (profit)/loss attributable to minority interest". This item has been relabelled as "Movement in external unitholders' liability" and has been presented as part of Net life insurance income to better reflect its nature and to ensure consistency with the balance sheet presentation. The liability has also been relabelled as "External unitholders' liability" to better reflect its nature.

These are presentation changes only and have no impact on the earnings per share or the net profit attributable to the members of the Company.

Currency of presentation

All amounts are expressed in Australian dollars unless otherwise stated.

2. Segment Information

The Group's operating and reportable segments are business units engaged in providing either different products or services or similar products and services in different geographical areas. The businesses are managed separately as each requires a strategy focused on the specific services provided for the economic, competitive and regulatory environment in which it operates.

The Group's business is organised into four operating segments, three of which are managed along regional lines: Australia Region, United Kingdom Region and New Zealand Region, which include banking and wealth management products; as well as nabCapital (which is managed globally). nabCapital is a global division, with key lines of business comprising, Institutional Banking, Corporate Finance, Markets and Treasury, and Structuring and Investments. It operates in three core regions of Australia (which incorporates the smaller businesses in Americas and Asia), New Zealand and the United Kingdom. The Group's Central Functions include Group Finance, Group Risk, Group Economics, New Business & Development (including Great Western Bank), Corporate Legal, Group Funding/Treasury, People and Culture and other unallocated items which are not considered to be separate reportable operating segments.

The Group evaluates operating segments performance on the basis of cash earnings and return on equity. The segment information provided below is prepared on a gross on-going basis, such that operations that will not form part of the continuing Group are excluded from all periods presented.

Revenues, expenses and tax directly associated with each business segment are included in determining their result. Transactions between business segments are based on agreed recharges between segments operating within the same country and are at arm's length between segments operating in different countries.

On 12 March 2009 the Group announced a new organisational strategy and structure. Reporting on the basis of this new structure will be effective from 1 October 2009.

Major Customers

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

Operating and Business Segments

	Operating Segments						
	Australia Region $m	UK Region $m	NZ Region $m	nabCapital $m	Central Functions $m	Eliminations/ Distributions $m	Total $m
Year ended 30 September 2009							
Cash earnings	3,091	164	343	634	(146)	(245)	**3,841**
Net interest income	7,299	1,868	883	1,925	97	-	**12,072**
Total MLC and other operating income	2,801	669	311	869	258	(74)	**4,834**
Total assets	363,508	78,514	43,519	223,128	36,977	(91,526)	**654,120**
Year ended 30 September 2008							
Cash earnings	3,314	542	404	(44)	12	(312)	**3,916**
Net interest income	6,229	1,910	908	2,152	(57)	-	**11,142**
Total MLC and other operating income	3,178	773	311	(26)	115	(79)	**4,272**
Total assets	344,607	93,691	41,441	242,279	36,404	(101,623)	**656,799**
Half year ended 30 September 2009							
Cash earnings	1,502	52	154	289	(82)	(101)	**1,814**
Net interest income	3,812	949	424	901	102	-	**6,188**
Total MLC and other operating income	1,292	324	144	406	74	(36)	**2,204**
Total assets	363,508	78,514	43,519	223,128	36,977	(91,526)	**654,120**
Half year ended 31 March 2009							
Cash earnings	1,589	112	189	345	(64)	(144)	**2,027**
Net interest income	3,487	919	459	1,024	(5)	-	**5,884**
Total MLC and other operating income	1,509	345	167	463	184	(38)	**2,630**
Total assets	353,083	90,776	42,190	237,662	40,483	(88,193)	**676,001**

	Year to		Half Year to	
	Sep 09 $m	Sep 08 $m	Sep 09 $m	Mar 09 $m
Group cash earnings - ongoing [(1)]	**3,841**	3,916	**1,814**	2,027
Disposed operations	**-**	3	**-**	-
Non-cash earnings items (after tax):				
Distributions	**245**	312	**101**	144
Treasury shares	**(256)**	375	**(344)**	88
Fair value and hedge ineffectiveness	**(79)**	(89)	**(555)**	476
IoRE discount rate variation	**(4)**	25	**(28)**	24
Efficiency, quality and service initiatives	**(179)**	-	**(137)**	(42)
Provision for litigation	**(110)**	-	**(64)**	(46)
Provision for tax - NZ structured finance transactions	**(542)**	-	**(542)**	-
ExCaps taxation assessment	**(309)**	-	**(309)**	-
GWB integration costs	**(18)**	(7)	**(11)**	(7)
Gain on Visa IPO	**-**	225	**-**	-
Charge to provide for bad and doubtful debts - economic cycle adjustment	**-**	(150)	**-**	-
Provision for new business initiatives	**-**	(74)	**-**	-
Net profit attributable to members of the company	**2,589**	4,536	**(75)**	2,664

(1) *Includes eliminations and distributions.*

	Year to		Half Year to	
	Sep 09 $m	Sep 08 $m	Sep 09 $m	Mar 09 $m
Net interest income for operating and business segments	**12,072**	11,142	**6,188**	5,884
MLC net adjustment	**(4)**	(33)	**(4)**	-
Disposed operations	**-**	(11)	**-**	-
Net interest income	**12,068**	11,098	**6,184**	5,884

	Year to		Half Year to	
	Sep 09 $m	Sep 08 $m	Sep 09 $m	Mar 09 $m
MLC and other operating income for operating and business segments[(1)]	**4,834**	4,272	**2,204**	2,630
Disposed operations	**-**	45	**-**	-
MLC net adjustment	**307**	(1,462)	**200**	107
Treasury shares	**(311)**	445	**(408)**	97
Fair value and hedge ineffectiveness	**(115)**	(119)	**(792)**	677
IoRE discount rate variation	**(6)**	36	**(40)**	34
Gain on Visa IPO	**-**	242	**-**	-
MLC and other operating income	**4,709**	3,459	**1,164**	3,545

(1) *Includes eliminations and distributions.*

3. Income

	Year to		Half Year to	
	Sep 09 $m	**Sep 08 $m**	**Sep 09 $m**	**Mar 09 $m**
Gains less losses on financial instruments at fair value				
Trading securities	**551**	(343)	**413**	138
Trading derivatives				
Trading purposes	**380**	254	**(297)**	677
Risk management purposes [(1)] [(2)]	**(499)**	(524)	**263**	(762)
Assets, liabilities and derivatives designated in hedge relationships [(3)]	**(51)**	(197)	**(570)**	519
Assets and liabilities designated at fair value [(2)]	**435**	602	**(485)**	920
Gain on Visa IPO	**-**	242	**-**	-
Impairment of investments - available for sale	**(52)**	(93)	**(10)**	(42)
Other	**(99)**	(59)	**33**	(132)
	665	(118)	**(653)**	1,318
Other operating income				
Dividend revenue	**7**	7	**4**	3
Gains from sale of investments - available for sale	**12**	38	**2**	10
Gains from sale of property, plant and equipment and other assets	**25**	25	**25**	-
Banking fees	**1,018**	918	**520**	498
Money transfer fees	**693**	676	**354**	339
Fees and commissions	**1,525**	1,735	**766**	759
Investment management fees	**338**	434	**178**	160
Fleet management fees	**18**	17	**11**	7
Rentals received on leased vehicle assets	**28**	103	**11**	17
Revaluation losses on investment properties	**(15)**	(32)	**(15)**	-
Other income	**38**	46	**42**	(4)
	3,687	3,967	**1,898**	1,789

(1) *These trading derivatives include those used to match assets and liabilities designated at fair value and those used to economically hedge short-term funding.*

(2) *The sum of these line items represents the net fair value of assets and liabilities designated at fair value, the derivatives matched against these assets and liabilities, and the derivatives used to economically hedge short term funding.*

(3) *The impact of hedge ineffectiveness of designated hedging relationships, including economic hedges of long-term funding that do not meet the requirements for hedge accounting.*

4. Operating Expenses

	Year to		Half Year to	
	Sep 09 $m	Sep 08 $m	Sep 09 $m	Mar 09 $m
Personnel expenses				
Salaries and related on-costs	3,020	2,903	1,485	1,535
Superannuation costs - defined contribution plans	214	199	113	101
Superannuation costs - defined benefit plans	11	(7)	8	3
Performance-based compensation				
Cash	413	367	214	199
Equity-based compensation	230	206	117	113
Other expenses	514	474	300	214
	4,402	4,142	2,237	2,165
Occupancy-related expenses				
Operating lease rental expense	372	329	189	183
Other expenses	183	163	97	86
	555	492	286	269
General expenses				
Fees and commission expense	262	131	134	128
Depreciation and amortisation of property, plant and equipment	295	273	147	148
Amortisation of intangible assets	280	245	153	127
Depreciation on leased vehicle assets	9	11	5	4
Operating lease rental expense	30	41	14	16
Advertising and marketing	219	241	104	115
Charge to provide for operational risk event losses	209	44	118	91
Communications, postage and stationery	329	323	157	172
Computer equipment and software	316	304	149	167
Data communication and processing charges	140	117	58	82
Transport expenses	74	72	37	37
Professional fees	324	260	186	138
Travel	82	105	42	40
Loss on disposal of property, plant and equipment and other assets	18	1	18	-
Impairment losses recognised	19	32	19	-
Other expenses	416	446	239	177
	3,022	2,646	1,580	1,442
Total	7,979	7,280	4,103	3,876

5. Income Tax Expense

	Year to		Half Year to	
	Sep 09 $m	Sep 08 $m	Sep 09 $m	Mar 09 $m
Profit before income tax expense	**4,983**	4,574	**1,241**	3,742
Deduct (profit)/loss before income tax expense attributable to the life insurance statutory funds and their controlled trusts [1]	**(673)**	827	**(328)**	(345)
Total profit excluding that attributable to the statutory funds of the life insurance business, before income tax expense	**4,310**	5,401	**913**	3,397
Prima facie income tax at 30%	**1,293**	1,620	**274**	1,019
Add/(deduct): Tax effect of amounts not deductible/(assessable)				
Tax provision for New Zealand structured finance tax case	**339**	-	**339**	-
Tax provision for interest on New Zealand structured finance tax case	**200**	-	**200**	-
Impairment of exchangeable capital units tax receivable	**309**	-	**309**	-
Treasury shares adjustment	**38**	(64)	**58**	(20)
Foreign tax rate differences	**13**	(19)	**12**	1
Assessable foreign income	**8**	2	**5**	3
Depreciation on buildings not deductible	**5**	1	**5**	-
Foreign branch income not assessable	**(65)**	(62)	**(23)**	(42)
Over provision in prior years	**(54)**	(46)	**(22)**	(32)
Offshore banking unit income	**(24)**	-	**(5)**	(19)
Investment allowance	**(24)**	-	**(24)**	-
Restatement of deferred tax balances for changes in UK and NZ tax rates	**(5)**	(1)	**-**	(5)
Gain on Visa shares reduced by previously unrecognised tax losses	**-**	(56)	**-**	-
Dividend income adjustments	**(1)**	(1)	**(1)**	-
Previously unrecognised tax losses	**-**	(93)	**-**	-
Other	**(43)**	(53)	**17**	(60)
Total income tax expense on profit excluding that attributable to the statutory funds of the life insurance business	**1,989**	1,228	**1,144**	845
Income tax expense/(benefit) attributable to the statutory funds of the life insurance business [1]	**405**	(1,189)	**183**	222
Total income tax expense	**2,394**	39	**1,327**	1,067
Effective tax rate, excluding statutory funds attributable to the life insurance business	**46.1%**	22.7%	**125.3%**	24.9%

(1) *Refer to Note 14 for further information regarding the impact of investment markets.*

6. Dividends and Distributions

Dividends on ordinary shares	Amount per share cents	Franked amount per share %	Conduit foreign income per share %	Total amount $m
Final dividend declared in respect of the year ended 30 September 2009	73	100	Nil	**1,532**
Interim dividend paid in respect of the six months ended 31 March 2009	73	100	Nil	**1,400**
Total dividends paid or payable in respect of the year ended 30 September 2009	146			**2,932**

The record date for determining entitlements to the 2009 final dividend is 19 November 2009.

The final dividend has been declared by the directors of the Company and is payable on 17 December 2009.

Final dividend paid in respect of the year ended 30 September 2008	97	100	Nil	**1,669**
Interim dividend paid in respect of the six months ended 31 March 2008	97	100	Nil	**1,584**
Total dividends paid or payable in respect of the year ended 30 September 2008	194			**3,253**

	30 Sep 09		30 Sep 08	
Dividends on preference shares	**Amount per security cents[1]**	**Total amount $m**	**Amount per security cents**	**Total amount $m**
BNZ Income Securities	5.56	**25**	2.89	13
BNZ Income Securities 2	1.15	**3**	-	-
Total dividends on preference shares		**28**		13

(1) *$A equivalent*

	30 Sep 09		30 Sep 08	
Distributions on other equity instruments	**Amount per security $**	**Total amount $m**	**Amount per security $**	**Total amount $m**
National Income Securities - Distributions for the year ended	5.80	**116**	8.70	174
Trust Preferred Securities - Distributions for the year ended	120.00	**48**	122.50	49
Trust Preferred Securities II - Distributions for the year ended	75.00	**60**	60.00	48
National Capital Instruments - Distributions for the year ended	2,625.00	**21**	5,125.00	41
Total distributions		**245**		312

Dividend and distribution plans

The dividend is paid in cash or part of a dividend plan. Cash dividends are paid by way of:

a) cash or cash equivalents; and
b) direct credit.

Dividend plans in operation are:

a) Dividend Reinvestment Plan;
b) Bonus Share Plan (closed to new participants); and
c) United Kingdom Dividend Plan (this enables a UK domiciled shareholder to receive either a dividend in British Pounds Sterling or shares via the Dividend Reinvestment Plan).

The last date for receipt of election notices for the dividend plans is 19 November 2009, 5pm (Melbourne time).

7. Net Tangible Assets

	As at		
	30 Sep 09	**31 Mar 09**	**30 Sep 08**
Net tangible assets per ordinary share ($)	**12.72**	13.14	12.66

8. Loans and Advances including Acceptances

	As at		
	30 Sep 09 $m	**31 Mar 09 $m**	**30 Sep 08 $m**
Overdrafts	**16,196**	17,344	18,863
Credit card outstandings	**7,338**	7,380	7,575
Asset and lease financing	**17,350**	17,837	18,498
Housing loans	**202,538**	200,377	199,749
Other term lending	**128,605**	134,646	131,282
Other	**8,288**	9,309	8,261
Fair value adjustment	**1,220**	1,467	694
Gross loans and advances	**381,535**	388,360	384,922
Acceptances	**55,035**	55,356	53,381
Gross loans and advances including acceptances	**436,570**	443,716	438,303
Represented by:			
Loans at fair value [1]	**29,567**	28,961	25,732
Loans at amortised cost	**351,968**	359,399	359,190
Acceptances	**55,035**	55,356	53,381
Gross loans and advances including acceptances	**436,570**	443,716	438,303
Unearned income and deferred net fee income	**(2,793)**	(2,823)	(3,152)
Provision for doubtful debts	**(4,401)**	(4,147)	(2,963)
Net loans and advances including acceptances	**429,376**	436,746	432,188
Securitised loans [2]	**6,283**	7,718	9,217

[1] *On the balance sheet this amount is included within 'Other financial assets at fair value'. These amounts are 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 2009						
Overdrafts	7,009	7,132	2,018	8	29	**16,196**
Credit card outstandings	5,325	950	1,058	5	-	**7,338**
Asset and lease financing	13,878	3,447	25	-	-	**17,350**
Housing loans	157,817	22,483	20,989	292	957	**202,538**
Other term lending	65,694	35,330	21,064	4,850	1,667	**128,605**
Other	4,283	2,715	114	1,176	-	**8,288**
Fair value adjustment	184	803	233	-	-	**1,220**
Gross loans and advances	254,190	72,860	45,501	6,331	2,653	**381,535**
Acceptances	55,031	4	-	-	-	**55,035**
Gross loans and advances including acceptances	309,221	72,864	45,501	6,331	2,653	**436,570**
Represented by:						
Loans at fair value	4,039	9,716	15,812	-	-	**29,567**
Loans at amortised cost	250,151	63,144	29,689	6,331	2,653	**351,968**
Acceptances	55,031	4	-	-	-	**55,035**
Gross loans and advances including acceptances	309,221	72,864	45,501	6,331	2,653	**436,570**

By product and geographic location	Australia $m	Europe $m	New Zealand $m	United States $m	Asia $m	Total Group $m
As at 31 March 2009						
Overdrafts	6,714	8,514	2,105	6	5	**17,344**
Credit card outstandings	5,204	1,097	1,073	6	-	**7,380**
Asset and lease financing	13,620	4,181	29	-	7	**17,837**
Housing loans	153,560	24,750	20,740	318	1,009	**200,377**
Other term lending	64,893	41,443	20,503	5,788	2,019	**134,646**
Other	4,741	2,023	139	2,406	-	**9,309**
Fair value adjustment	55	1,045	367	-	-	**1,467**
Gross loans and advances	248,787	83,053	44,956	8,524	3,040	**388,360**
Acceptances	55,350	6	-	-	-	**55,356**
Gross loans and advances including acceptances	304,137	83,059	44,956	8,524	3,040	**443,716**
Represented by:						
Loans at fair value	2,734	10,468	15,759	-	-	**28,961**
Loans at amortised cost	246,053	72,585	29,197	8,524	3,040	**359,399**
Acceptances	55,350	6	-	-	-	**55,356**
Gross loans and advances including acceptances	304,137	83,059	44,956	8,524	3,040	**443,716**

By product and geographic location	Australia $m	Europe $m	New Zealand $m	United States $m	Asia $m	Total Group $m
As at 30 September 2008						
Overdrafts	7,001	9,701	2,148	9	4	**18,863**
Credit card outstandings	5,249	1,223	1,097	6	-	**7,575**
Asset and lease financing	13,433	5,034	25	-	6	**18,498**
Housing loans	151,527	26,711	20,364	279	868	**199,749**
Other term lending	61,965	42,716	19,731	5,367	1,503	**131,282**
Other	4,465	1,545	153	2,098	-	**8,261**
Fair value adjustment	148	341	205	-	-	**694**
Gross loans and advances	243,788	87,271	43,723	7,759	2,381	**384,922**
Acceptances	53,375	6	-	-	-	**53,381**
Gross loans and advances including acceptances	297,163	87,277	43,723	7,759	2,381	**438,303**
Represented by:						
Loans at fair value	1,928	8,489	15,315	-	-	**25,732**
Loans at amortised cost	241,860	78,782	28,408	7,759	2,381	**359,190**
Acceptances	53,375	6	-	-	-	**53,381**
Gross loans and advances including acceptances	297,163	87,277	43,723	7,759	2,381	**438,303**

Movement from 31 March 2009 excluding foreign exchange	Increase / (Decrease) from 31 Mar 09 Australia %	Europe %	New Zealand %	United States %	Asia %	Total Group %
Overdrafts	4.4	(4.4)	(3.3)	60.0	large	**(0.4)**
Credit card outstandings	2.3	(1.1)	(0.5)	-	-	**1.5**
Asset and lease financing	1.9	(5.9)	(13.8)	-	large	**0.2**
Housing loans	2.8	3.7	2.1	17.7	21.6	**2.9**
Other term lending	1.2	(2.7)	3.7	7.4	5.8	**0.8**
Other	(6.9)	30.9	(30.9)	(37.4)	-	**(3.6)**
Total gross loans and advances	2.2	0.1	2.1	(4.8)	11.8	**1.7**

Movement from 30 September 2008 excluding foreign exchange	Increase / (Decrease) from 30 Sep 08 Australia %	Europe %	New Zealand %	United States %	Asia %	Total Group %
Overdrafts	0.1	(9.3)	(4.0)	-	large	**(4.6)**
Credit card outstandings	1.4	(4.1)	(1.5)	-	-	**0.3**
Asset and lease financing	3.3	(15.5)	4.2	-	large	**(1.1)**
Housing loans	4.2	3.9	5.3	15.0	21.0	**4.3**
Other term lending	6.0	2.1	9.1	(0.9)	21.7	**5.3**
Other	(3.2)	large	(1.1)	(38.5)	-	**13.1**
Total gross loans and advances	4.3	3.0	6.3	(10.5)	22.3	**4.1**

9. Doubtful Debts

	As at		
	30 Sep 09 $m	31 Mar 09 $m	30 Sep 08 $m
Specific provision for doubtful debts	**1,453**	1,277	645
Collective provision for doubtful debts	**2,948**	2,870	2,318
Net provision for doubtful debts	**4,401**	4,147	2,963
Specific provision on loans at fair value [(1)] [(2)]	**98**	39	-
Collective provision on loans at fair value [(1)]	**247**	249	221
Collective provision on derivatives at fair value [(3)]	**358**	426	110
Net provision for doubtful debts and provisions held on assets at fair value	**5,104**	4,861	3,294

(1) *Included within the carrying value of loans recorded at fair value.*
(2) *Specific provision on fair value loans excludes $36 million for September 2008.*
(3) *Included within the carrying value of trading derivatives. Included within this balance for September 2009 is a management overlay in relation to conduit assets and derivatives of $160 million (March 2009 $160 million; September 2008 nil).*

Movement in provisions for doubtful debts

	Year to Sep 09			Year to Sep 08		
	Specific $m	Collective $m	Total $m	Specific $m	Collective $m	Total $m
Opening balance	**645**	**2,318**	**2,963**	307	1,800	2,107
Acquisition of controlled entities [(1)]	**-**	**-**	**-**	5	36	41
Transfer to/(from) specific/collective provision	**2,975**	**(2,975)**	**-**	1,202	(1,202)	-
Bad debts recovered	**165**	**-**	**165**	192	-	192
Bad debts written off	**(2,282)**	**-**	**(2,282)**	(1,052)	-	(1,052)
Charge to income statement [(2)]	**-**	**3,763**	**3,763**	-	1,692	1,692
Foreign currency translation and other adjustments	**(50)**	**(158)**	**(208)**	(9)	(8)	(17)
Total provisions for doubtful debts	**1,453**	**2,948**	**4,401**	645	2,318	2,963

(1) *The September 2008 movement represents an adjustment to the acquisition accounting of Great Western Bancorporation.*
(2) *Excludes $52 million of impairment charges on conduit assets classified as Investments - held to maturity for the year to September 2009 (September 2008: $1,011million).*

	Half Year to Sep 09			Half Year to Mar 09		
	Specific $m	Collective $m	Total $m	Specific $m	Collective $m	Total $m
Opening balance	**1,277**	**2,870**	**4,147**	645	2,318	2,963
Acquisition of controlled entities [(1)]	**2**	**-**	**2**	(2)	-	(2)
Transfer to/(from) specific/collective provision	**1,770**	**(1,770)**	**-**	1,205	(1,205)	-
Bad debts recovered	**75**	**-**	**75**	90	-	90
Bad debts written off	**(1,645)**	**-**	**(1,645)**	(637)	-	(637)
Charge to income statement [(2)]	**-**	**1,952**	**1,952**	-	1,811	1,811
Foreign currency translation and other adjustments	**(26)**	**(104)**	**(130)**	(24)	(54)	(78)
Total provisions for doubtful debts	**1,453**	**2,948**	**4,401**	1,277	2,870	4,147

(1) *The specific provision movement represents an adjustment to the acquisition accounting of Great Western Bank Corporation and subsequent pay downs.*
(2) *Excludes $52 million of impairment charges on conduit assets classified as Investments - held to maturity for the half year to September 2009 (March 2009: nil).*

	Year to		Half Year to	
Total charge for doubtful debts by geographic location	Sep 09 $m	Sep 08 $m	Sep 09 $m	Mar 09 $m
Australia	**2,244**	1,084	**1,127**	1,117
Europe	**1,297**	535	**699**	598
New Zealand	**155**	60	**73**	82
United States	**57**	9	**53**	4
Asia	**10**	4	**-**	10
Total charge to provide for doubtful debts - recognised in provision	**3,763**	1,692	**1,952**	1,811
Total charge on investments - held to maturity	**52**	1,011	**52**	-
Total charge to provide for doubtful debts - recognised in income statement	**3,815**	2,703	**2,004**	1,811

10. Asset Quality

Summary of total impaired assets	As at 30 Sep 09 $m	31 Mar 09 $m	30 Sep 08 $m
Impaired assets [(1) (2) (3)]	**5,116**	3,927	2,149
Restructured loans [(4)]	**384**	-	-
Gross total impaired assets	**5,500**	3,927	2,149
Less: Specific provisions - total impaired assets [(5)]	**(1,551)**	(1,277)	(645)
Net total impaired assets	**3,949**	2,650	1,504

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

(2) Impaired assets do not include conduit assets classified as Investments - held to maturity in the balance sheet. There were $266 million of impaired conduit assets within this category at 30 September 2009 (31 March 2009 $360 million, 30 September 2008 $323 million). The movement is attributable to changes in foreign exchange.

(3) Gross impaired assets for September 2009 includes $366 million of Gross impaired fair value assets. Whilst not included above, for March 2009 and September 2008 the value of Gross impaired fair value assets was $142 million and $90 million respectively.

(4) These loans represent facilities which have been classified as restructured for reasons relating to the financial difficulty of the counterparty but exclude $312 million of facilities which have been classified as restructured for reasons which do not relate to the financial difficulty of the counterparty.

(5) Specific provisions - impaired assets for September 2009 include $98 million of Specific provisions on impaired fair value assets. Whilst not included above, for March 2009 and September 2008 the value of Specific provisions on impaired fair value assets was $39 million and $36 million respectively.

Movement in gross impaired assets	Australia $m	Europe $m	New Zealand $m	United States $m	Asia $m	Total Group $m
Balance at 31 March 2008	1,143	275	36	20	-	**1,474**
New	802	574	176	16	2	**1,570**
Impaired assets of entities acquired	-	-	-	18	-	**18**
Written off	(306)	(173)	(30)	(1)	-	**(510)**
Returned to performing or repaid	(291)	(86)	(40)	(11)	-	**(428)**
Foreign currency translation adjustments	-	23	(1)	3	-	**25**
Balance at 30 September 2008	1,348	613	141	45	2	**2,149**
New	1,368	1,028	246	123	-	**2,765**
Written off	(106)	(184)	(31)	(4)	-	**(325)**
Returned to performing or repaid	(294)	(137)	(42)	(96)	-	**(569)**
Foreign currency translation adjustments	-	(99)	(1)	7	-	**(93)**
Balance at 31 March 2009	2,316	1,221	313	75	2	**3,927**
Adjustment for fair value impaired assets	-	210	156	-	-	**366**
New	2,247	1,119	171	172	-	**3,709**
Written off	(750)	(566)	(37)	(20)	-	**(1,373)**
Returned to performing or repaid	(618)	(138)	(80)	(93)	(2)	**(931)**
Foreign currency translation adjustments	-	(173)	-	(25)	-	**(198)**
Gross impaired assets at 30 September 2009	3,195	1,673	523	109	-	**5,500**

Gross impaired assets to gross loans & acceptances - by geographic location	As at 30 Sep 09 %	31 Mar 09 %	30 Sep 08 %
Australia	**1.03**	0.76	0.45
Europe	**2.30**	1.47	0.70
New Zealand	**1.15**	0.70	0.32
United States	**1.72**	0.88	0.58
Asia	**-**	0.07	0.08
Total gross impaired assets to gross loans & acceptances	**1.26**	0.89	0.49

Group coverage ratios	30 Sep 09	31 Mar 09	30 Sep 08
Net impaired assets to total equity (1) (2)	**10.4**	7.3	4.6
Specific provision to gross impaired assets (3) (4)	**28.2**	33.5	30.0
Collective provision to credit risk-weighted assets (ex. housing) (5)	**1.46**	1.38	1.07
90 days past due plus gross impaired assets to gross loans and acceptances (4)	**1.75**	1.36	0.83
Net write-offs to gross loans and acceptances (annualised)	**0.48**	0.25	0.20
Total provision as a percentage of net write-offs (6)	**241**	443	383
Total provision to gross loans and acceptances (6)	**1.17**	1.10	0.75

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

(2) *Net impaired assets for September 2009 include $268 million of Net impaired fair value assets. Whilst not included in the calculations above, the Net Impaired assets for March 2009 and September 2008 were $103 million and $54 million respectively.*

(3) *Specific provisions - impaired assets for September 2009 include $98 million of Specific provisions on impaired fair value assets. Whilst not included in the calculations above, for March 2009 and September 2008 the value of Specific provisions on impaired fair value assets was $39 million and $36 million respectively.*

(4) *Gross impaired assets for September 2009 includes $366 million of Gross impaired fair value assets. Whilst not included in the calculations above, for March 2009 and September 2008 the value of Gross impaired fair value assets was $142 million and $90 million respectively.*

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

(6) *Includes economic cycle adjustment, doubtful debt provision against loans at amortised cost and total provisions held on assets at fair value.*

The amounts below are not classified as impaired assets and therefore are not included in the summary on the previous page.

Summary of non-impaired loans 90 days past due	As at 30 Sep 09 $m	31 Mar 09 $m	30 Sep 08 $m
Total non-impaired assets past due 90 days or more with adequate security	**1,905**	1,839	1,259
Non-impaired assets portfolio facilities past due 90 to 180 days	**229**	254	247
Total 90 day past due loans	**2,134**	2,093	1,506
Total 90 day past due loans to gross loans and acceptances (%)	**0.49**	0.47	0.34

Non-impaired loans 90 days past due - by geographic location	As at 30 Sep 09 $m	31 Mar 09 $m	30 Sep 08 $m
Australia	**1,445**	1,464	1,079
Europe	**517**	498	346
New Zealand	**172**	126	79
United States	**-**	1	1
Asia	**-**	4	1
Total 90 day past due loans	**2,134**	2,093	1,506

11. Deposits and Other Borrowings

	As at		
	30 Sep 09 $m	**31 Mar 09 $m**	**30 Sep 08 $m**
Deposits not bearing interest	**14,309**	13,067	12,457
On-demand and short-term deposits	**126,088**	129,669	116,391
Certificates of deposit	**66,827**	65,781	76,968
Term deposits	**117,647**	108,474	100,065
Total deposits	**324,871**	316,991	305,881
Securities sold under agreements to repurchase	**1,283**	2,286	2,286
Borrowings	**20,242**	21,153	33,867
Fair value adjustment	**157**	224	(83)
Total deposits and other borrowings	**346,553**	340,654	341,951
Represented by:			
Total deposits and other borrowings at fair value [1]	**10,365**	12,895	14,485
Total deposits and other borrowings at cost	**336,188**	327,759	327,466
Total deposits and other borrowings	**346,553**	340,654	341,951

[1] *On the balance sheet this amount is included within 'Other financial liabilities at fair value'. These amounts are included in the product and geographical analysis below.*

By product and geographic location	**Australia $m**	**Europe $m**	**New Zealand $m**	**United States $m**	**Asia $m**	**Total Group $m**
As at 30 September 2009						
Deposits not bearing interest	11,087	1,795	551	875	1	**14,309**
On-demand and short-term deposits	84,541	30,490	8,370	2,497	190	**126,088**
Certificates of deposit	23,305	36,394	2,143	4,985	-	**66,827**
Term deposits	73,549	17,856	14,576	2,973	8,693	**117,647**
Total deposits	192,482	86,535	25,640	11,330	8,884	**324,871**
Securities sold under agreements to repurchase	584	-	-	699	-	**1,283**
Borrowings	6,242	-	5,118	8,882	-	**20,242**
Fair value adjustment	-	154	3	-	-	**157**
Total deposits and other borrowings	199,308	86,689	30,761	20,911	8,884	**346,553**
Represented by:						
Total deposits and other borrowings at fair value	-	1,515	8,850	-	-	**10,365**
Total deposits and other borrowings at cost	199,308	85,174	21,911	20,911	8,884	**336,188**
Total deposits and other borrowings	199,308	86,689	30,761	20,911	8,884	**346,553**

By product and geographic location	**Australia $m**	**Europe $m**	**New Zealand $m**	**United States $m**	**Asia $m**	**Total Group $m**
As at 31 March 2009						
Deposits not bearing interest	9,638	1,886	572	968	3	**13,067**
On-demand and short-term deposits	84,625	31,219	9,393	4,228	204	**129,669**
Certificates of deposit	26,757	28,456	3,180	7,388	-	**65,781**
Term deposits	63,998	19,459	13,081	5,013	6,923	**108,474**
Total deposits	185,018	81,020	26,226	17,597	7,130	**316,991**
Securities sold under agreements to repurchase	956	-	-	1,330	-	**2,286**
Borrowings	8,679	-	6,264	6,210	-	**21,153**
Fair value adjustment	-	217	7	-	-	**224**
Total deposits and other borrowings	194,653	81,237	32,497	25,137	7,130	**340,654**
Represented by:						
Total deposits and other borrowings at fair value	-	1,680	11,215	-	-	**12,895**
Total deposits and other borrowings at cost	194,653	79,557	21,282	25,137	7,130	**327,759**
Total deposits and other borrowings	194,653	81,237	32,497	25,137	7,130	**340,654**

By product and geographic location	Australia $m	Europe $m	New Zealand $m	United States $m	Asia $m	Total Group $m
As at 30 September 2008						
Deposits not bearing interest	9,129	1,966	550	811	1	**12,457**
On-demand and short-term deposits	73,299	31,745	7,639	3,581	127	**116,391**
Certificates of deposit	43,985	23,104	3,211	6,668	-	**76,968**
Term deposits	56,260	18,916	15,234	2,775	6,880	**100,065**
Total deposits	182,673	75,731	26,634	13,835	7,008	**305,881**
Securities sold under agreements to repurchase	2,223	-	-	63	-	**2,286**
Borrowings	13,937	578	6,829	12,523	-	**33,867**
Fair value adjustment	-	(16)	(67)	-	-	**(83)**
Total deposits and other borrowings	198,833	76,293	33,396	26,421	7,008	**341,951**
Represented by:						
Total deposits and other borrowings at fair value	-	2,433	12,052	-	-	**14,485**
Total deposits and other borrowings at cost	198,833	73,860	21,344	26,421	7,008	**327,466**
Total deposits and other borrowings	198,833	76,293	33,396	26,421	7,008	**341,951**

Movement from 31 March 2009 excluding foreign exchange	Increase / (Decrease) from 31 Mar 09 Australia %	Europe %	New Zealand %	United States %	Asia %	Total Group %
Deposits not bearing interest	15.0	8.7	(2.8)	15.9	(50.0)	**13.4**
On-demand and short-term deposits	(0.1)	11.5	(10.1)	(24.3)	19.5	**1.1**
Certificates of deposit	(12.9)	46.0	(32.0)	(13.5)	-	**10.3**
Term deposits	14.9	4.5	12.4	(24.0)	60.9	**13.8**
Total deposits	4.0	21.9	(1.4)	(17.5)	59.7	**7.8**
Securities sold under agreements to repurchase	(38.9)	-	-	(32.7)	-	**(35.7)**
Borrowings	(28.1)	-	(17.6)	83.3	-	**2.6**
Total deposits and other borrowings	2.4	21.8	(4.5)	6.6	59.7	**7.2**

Movement from 30 September 2008 excluding foreign exchange	Increase / (Decrease) from 30 Sep 08 Australia %	Europe %	New Zealand %	United States %	Asia %	Total Group %
Deposits not bearing interest	21.4	12.7	2.4	18.4	-	**19.2**
On-demand and short-term deposits	15.3	18.5	11.9	(23.5)	63.8	**14.7**
Certificates of deposit	(47.0)	94.4	(31.8)	(18.0)	-	**(7.1)**
Term deposits	30.7	17.6	(1.8)	17.5	38.6	**23.7**
Total deposits	5.4	41.0	(1.7)	(10.2)	39.1	**12.4**
Securities sold under agreements to repurchase	(73.7)	-	-	large	-	**(43.7)**
Borrowings	(55.2)	large	(23.4)	(22.2)	-	**(37.7)**
Total deposits and other borrowings	0.2	40.2	(5.9)	(13.2)	39.1	**7.0**

12. Contributed Equity and Reserves

Contributed equity	As at 30 Sep 09 $m	31 Mar 09 $m	30 Sep 08 $m
Issued and paid-up ordinary share capital			
Ordinary shares, fully paid	17,867	13,729	10,020
Issued and paid-up preference share capital			
BNZ Income Securities	380	380	380
BNZ Income Securities 2	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	22,781	18,440	14,731

Movements in contributed equity	Year to Sep 09 $m	Year to Sep 08 $m	Half Year to Sep 09 $m	Half Year to Mar 09 $m
Ordinary share capital				
Balance at beginning of period	10,020	8,110	13,729	10,020
Shares issued				
Dividend reinvestment plan	1,540	1,668	1,037	503
Exercise price: Executive share option plan no. 2	-	20	-	-
Shares issued under placement	4,914	-	1,969	2,945
Share purchase plan	999	-	752	247
Employee share savings plan	7	5	4	3
Debt conversion to equity	-	598	-	-
Vesting of issued equity-based payments	267	-	267	-
Net loss realised on treasury shares	(114)	(40)	(41)	(73)
Purchase and vesting of treasury shares	234	(341)	150	84
Balance at end of period	17,867	10,020	17,867	13,729
BNZ Income Securities				
Balance at beginning of period	380	-	380	380
Movement during period	-	380	-	-
Balance at end of period	380	380	380	380
BNZ Income Securities 2				
Balance at beginning of period	-	-	-	-
Movement during period	203	-	203	-
Balance at end of period	203	-	203	-
National Income Securities				
Balance at beginning of period	1,945	1,945	1,945	1,945
Movement during period	-	-	-	-
Balance at end of period	1,945	1,945	1,945	1,945
Trust Preferred Securities				
Balance at beginning of period	975	975	975	975
Movement during period	-	-	-	-
Balance at end of period	975	975	975	975
Trust Preferred Securities II				
Balance at beginning of period	1,014	1,014	1,014	1,014
Movement during period	-	-	-	-
Balance at end of period	1,014	1,014	1,014	1,014
National Capital Instruments				
Balance at beginning of period	397	397	397	397
Movement during period	-	-	-	-
Balance at end of period	397	397	397	397

Reserves	As at 30 Sep 09 $m	31 Mar 09 $m	30 Sep 08 $m
General reserve	**1,009**	871	997
Asset revaluation reserve	**76**	76	76
Foreign currency translation reserve	**(2,525)**	(1,217)	(1,040)
Cash flow hedge reserve	**(142)**	(485)	(178)
Equity-based payments reserve	**560**	782	663
General reserve for credit losses	**-**	-	-
Available for sale investments reserve	**46**	32	31
Total reserves	**(976)**	59	549

Movements in reserves	Year to Sep 09 $m	Year to Sep 08 $m	Half Year to Sep 09 $m	Half Year to Mar 09 $m
General reserve				
Balance at beginning of period	**997**	866	**871**	997
Transfer from/(to) retained profits	**12**	131	**138**	(126)
Balance at end of period	**1,009**	997	**1,009**	871
Asset revaluation reserve				
Balance at beginning of period	**76**	102	**76**	76
Revaluation of land and buildings	**3**	(9)	**3**	-
Transfer to retained profits	**(2)**	(20)	**(2)**	-
Tax on revaluation adjustments	**(1)**	3	**(1)**	-
Balance at end of period	**76**	76	**76**	76
Foreign currency translation reserve				
Balance at beginning of period	**(1,040)**	(860)	**(1,217)**	(1,040)
Currency translation adjustments	**(1,485)**	(180)	**(1,308)**	(177)
Balance at end of period	**(2,525)**	(1,040)	**(2,525)**	(1,217)
Cash flow hedge reserve				
Balance at beginning of period	**(178)**	197	**(485)**	(178)
(Losses)/gains on cash flow hedging instruments	**(24)**	(445)	**431**	(455)
Losses/(gains) transferred to the income statement	**66**	(94)	**66**	-
Tax on cash flow hedging instruments	**(6)**	164	**(154)**	148
Balance at end of period	**(142)**	(178)	**(142)**	(485)
Equity-based payments reserve				
Balance at beginning of period	**663**	451	**782**	663
Current period equity-based payments expense	**244**	224	**125**	119
Transfer of vested equity-based payments:				
Vesting of issued equity-based payments	**(267)**	-	**(267)**	-
Purchase and vesting of treasury shares	**(86)**	-	**(86)**	-
Tax on equity-based payments	**6**	(12)	**6**	-
Balance at end of period	**560**	663	**560**	782

	Year to		Half Year to	
	Sep 09 $m	Sep 08 $m	Sep 09 $m	Mar 09 $m
General reserve for credit losses (1)				
Balance at beginning of period	**-**	325	**-**	-
Transfer to retained profits	**-**	(325)	**-**	-
Balance at end of period	**-**	-	**-**	-

(1) *From 1 July 2006, a general reserve for credit losses was established to align with APRA's proposed benchmark of 0.5% of collective provisions on a post tax basis to credit risk-weighted assets under Basel I. This reserve was reversed upon the Group becoming accredited under Basel II.*
The Group has been engaged in discussions with APRA in relation to the calculation of the general reserve for credit losses. This is an industry issue, and also foreshadows probable changes to loan loss methodology being deliberated by the International Accounting Standards Board. The calculation of the general reserve for credit losses is expected to be finalised by 31 December 2009, with an estimated reduction in the Group's Tier 1 capital ratio by approximately 10 to 12 basis points. A general reserve will be created through a deduction from retained earnings. This will not impact cash earnings, net profit or the Total Capital ratio.

	Year to		Half Year to	
	Sep 09 $m	Sep 08 $m	Sep 09 $m	Mar 09 $m
Available for sale investments reserve				
Balance at beginning of period	**31**	(10)	**32**	31
Net revaluation (losses)/gains	**(18)**	(48)	**8**	(26)
Impairment transferred to income statement	**52**	93	**10**	42
Tax on available for sale investments	**(19)**	(4)	**(4)**	(15)
Balance at end of period	**46**	31	**46**	32

	Year to		Half Year to	
Reconciliation of movement in retained profits	Sep 09 $m	Sep 08 $m	Sep 09 $m	Mar 09 $m
Balance at beginning of period	**17,510**	16,059	**17,904**	17,510
Adjustment from adoption of new accounting standard	**(49)**	-	**-**	(49)
Actuarial (losses)/gains on defined benefit pension plans	**(1,125)**	4	**(288)**	(837)
Tax on items taken directly to equity	**315**	4	**73**	242
Net profit/(loss) attributable to members of the Company	**2,589**	4,536	**(75)**	2,664
Total available for appropriation	**19,240**	20,603	**17,614**	19,530
Transfer from FCTR	**3**	-	**-**	3
Transfer from general reserve for credit losses	**-**	325	**-**	-
Transfer (to)/from general reserves	**(12)**	(131)	**(138)**	126
Transfer from asset revaluation reserve	**2**	20	**2**	-
Dividends paid	**(2,978)**	(2,995)	**(1,367)**	(1,611)
Distributions on other equity instruments	**(245)**	(312)	**(101)**	(144)
Balance at end of period	**16,010**	17,510	**16,010**	17,904

13. Notes to the Cash Flow Statement

(a) Reconciliation of net profit attributable to members of the Company to net cash used in operating activities

	Year to		Half Year to	
	30 Sep 09 $m	30 Sep 08 $m	30 Sep 09 $m	Mar 09 $m
Net profit attributable to members of the Company	2,589	4,536	(75)	2,664
Add/(deduct):				
Decrease/(increase) in interest receivable	1,008	(481)	185	823
(Decrease)/increase in interest payable	(1,372)	1,395	(315)	(1,057)
(Decrease)/increase in unearned income	(510)	366	(123)	(387)
Fair value movements				
Assets, liabilities and derivatives held at fair value	407	4,329	(1,225)	1,632
Net adjustment to bid/offer valuation	99	59	(33)	132
Increase/(decrease) in personnel provisions	162	(92)	270	(108)
Increase/(decrease) in other operating provisions	54	71	237	(183)
Equity based payments recognised in equity or reserves	244	225	125	119
Superannuation costs - defined benefit pension plans	11	(7)	8	3
Impairment losses on non-financial assets	19	32	19	-
Impairment of investments - available for sale	52	93	10	42
Charge to provide for bad and doubtful debts	3,815	2,703	2,004	1,811
Provision for new business initiatives	-	106	-	-
Depreciation and amortisation expense	584	529	305	279
Movement in life insurance policyholder liabilities	1,099	(6,060)	8,905	(7,806)
Unrealised loss/(gain) on investments relating to life insurance business	589	11,561	(7,281)	7,870
Decrease/(increase) in other assets [1]	541	231	597	(56)
Decrease in other liabilities	(607)	(340)	(55)	(552)
Increase/(decrease) in income tax payable	545	(546)	1,192	(647)
Increase/(decrease) in deferred tax liabilities	1,087	(516)	87	1,000
Increase in deferred tax assets	(657)	(1,455)	(378)	(279)
Add/(deduct): Operating cash flow items not included in profit	2,961	(7,232)	11,261	(8,300)
(Deduct)/add: Investing or financing cash flows included in profit				
Profit on investments classified as available for sale and held to maturity	(12)	(280)	(2)	(10)
Profit on sale of property, plant, equipment and other assets	(7)	(24)	(7)	-
Net cash provided by/ (used in) operating activities	12,701	9,203	15,711	(3,010)

[1] *Movement in Other Assets includes $825 million consideration paid on 30 September 2009 for the acquisition of 100% of the issued share capital of Aviva Australia Holdings Limited, effective 1 October 2009.*

(b) Reconciliation of cash and cash equivalents

Cash and cash equivalents at the end of the year as shown in the statement of cash flows is reconciled to the related items on the balance sheet as follows:

	Year to		Half Year to	
Cash and cash equivalents	30 Sep 09 $m	30 Sep 08 $m	30 Sep 09 $m	Mar 09 $m
Assets				
Cash and liquid assets (excluding money at short call)	25,834	18,209	25,834	18,287
Treasury and other eligible bills	1,283	79	1,283	305
Due from other banks (excluding mandatory deposits with supervisory central banks)	33,185	46,924	33,185	30,591
	60,302	65,212	60,302	49,183
Liabilities				
Due to other banks	(36,148)	(52,423)	(36,148)	(45,879)
Total cash and cash equivalents	24,154	12,789	24,154	3,304

(c) Non-cash financing and investing activities

	Year to		Half Year to	
	30 Sep 09 $m	30 Sep 08 $m	30 Sep 09 $m	Mar 09 $m
New share issues				
Dividend reinvestment plan	**1,540**	1,668	**1,037**	503
Bonus share plan	**60**	83	**24**	36
Movement in assets under finance lease	**(16)**	34	**(8)**	(8)

(d) Acquisitions of controlled entities and business combinations

The following acquisitions and business combinations were made during the last two years to 30 September 2009:

- on 26 June 2009, Great Western Bank purchased certain assets and assumed certain liabilities of First Community Bank headquartered in New Mexico; and Wachovia Bank headquartered in North Carolina in the United States Of America;
- on 7 August 2008, the Group acquired 70% of an investment property business, NabInvest Oxley Singapore Pte Ltd;
- on 3 June 2008, National Americas Investment Inc. acquired 100% of the ordinary shares of Great Western Bancorporation, the holding company of Great Western Bank, based in the United States;
- on 9 November 2007, MLC Limited acquired 51% of a funds management business, Northward Capital Pty Ltd;
- on 2 November 2007, the Group acquired 90% of an investment property business, New City Living Japan KK; and
- on 31 October 2007, the Group acquired 100% of an investment property business, Austcorp 670 Hunter Street Fund.

Details of the acquisitions were as follows:

	Year to		Half Year to	
Cost of acquisition	30 Sep 09 $m	30 Sep 08 $m	30 Sep 09 $m	Mar 09 $m
Cash paid	**-**	1,025	**-**	-
Deferred cash consideration	**-**	94	**-**	-
Direct costs of acquisition	**-**	10	**-**	-
Total cost of acquisitions	**-**	1,129	**-**	-

	Year to		Half Year to	
	30 Sep 09 $m	30 Sep 08 $m	30 Sep 09 $m	Mar 09 $m
Cash and liquid assets	**194**	240	**194**	-
Due from other banks	**-**	72	**-**	-
Investments available for sale	**-**	680	**-**	-
Loans and advances	**434**	3,257	**434**	-
Property, plant and equipment	**26**	81	**26**	-
Goodwill and other intangible assets	**8**	83	**8**	-
Deferred tax assets	**-**	9	**-**	-
Other assets	**-**	366	**-**	-
Due to other banks	**-**	(249)	**-**	-
Deposits and other borrowings	**(679)**	(4,054)	**(679)**	-
Bonds, notes and subordinated debt	**-**	(51)	**-**	-
Other liabilities	**(7)**	(87)	**(7)**	-
Net identifiable assets and liabilities	**(24)**	347	**(24)**	-
Goodwill on acquisition	**24**	782	**24**	-
Total purchase consideration	**-**	1,129	**-**	-
Less: Deferred consideration	**-**	(94)	**-**	-
Less: Cash and cash equivalents acquired				
Cash and liquid assets	**(194)**	(240)	**(194)**	-
Due from other banks	**-**	(72)	**-**	-
Due to other banks	**-**	249	**-**	-
Net cash (inflow)/outflow	**(194)**	972	**(194)**	-

The Group holds no material interests in associates or joint ventures as at 30 September 2009.

14. Life Insurance Operations

Income statement items	Year to Sep 09 $m	Year to Sep 08 $m	Half Year to Sep 09 $m	Half Year to Mar 09 $m
Premium and related revenue	**846**	780	**441**	405
Investment revenue	**726**	(10,162)	**9,042**	(8,316)
Fee income	**439**	530	**228**	211
Claims expense	**(477)**	(492)	**(234)**	(243)
Change in policy liabilities	**(373)**	8,378	**(7,835)**	7,462
Policy acquisition and maintenance expense	**(755)**	(817)	**(384)**	(371)
Investment management expense	**(37)**	(34)	**(18)**	(19)
Movement in external unitholders' liability	**(12)**	1,427	**(1,321)**	1,309
Net life insurance income	**357**	(390)	**(81)**	438
Profit/(loss) before income tax expense attributable to the life insurance statutory funds and their controlled trusts	**673**	(827)	**328**	345
Income tax expense/(benefit) attributable to the statutory funds of the life insurance business	**405**	(1,189)	**183**	222

Related balance sheet items	As at 30 Sep 09 $m	As at 31 Mar 09 $m	As at 30 Sep 08 $m
Investments relating to life insurance business	**54,254**	44,057	52,896
Life policy liabilities	**47,314**	38,351	46,150
External unitholders' liability	**7,458**	5,781	7,406

In accordance with Australian accounting standards, investment revenue includes returns on assets held in the Group's investment-linked business and returns on assets held in the life insurance business. Life policy liabilities and external unitholders' liability on issue represent amounts owed to policy holders and unit holders of consolidated trusts. Movements in these liabilities reflect policy and unit holders' share in the performance of investment assets and accordingly the share of net life insurance income.

Overall positive investment market experience within domestic and global financial markets over the course of the 30 September 2009 full year has impacted individual components of the Group's life insurance operations as follows:

- an increase in investment revenue attributable to unit linked investments and life insurance business that is largely offset by movements in amounts owing to policyholders.
- an increase in investment revenue attributable to equity investment holdings in consolidated trusts. The external unitholders' of the trusts share in these gains; their share is reflected as the movement in external unitholders' liability.
- the income tax expense attributable to life insurance business includes both policyholder and shareholder tax across a range of products and is impacted by the positive earnings for both policyholders and shareholders.

15. Contingent Liabilities and Commitments

Legal Proceedings

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

The Group does not consider that the outcome of any proceedings, either individually or in aggregate, is likely to have a material effect on its financial position. Where appropriate, provisions have been made.

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

Tax Dispute - Exchangeable Capital Units Capital Raising

The Australian Taxation Office ("ATO") has disallowed various deductions made by the Group in relation to exchangeable capital units ("ExCaps") for the tax years 1997 to 2003. As at 30 September 2009, taking into account the ATO's decision to remit or reduce some interest and penalties, the maximum aggregate contingent exposure is approximately $479 million, being $309 million primary tax and $170 million interest and penalties (after tax). The Group has paid approximately $309 million of that exposure to the ATO in accordance with ATO practice on disputed assessments which was recognised in tax expense during 2009. Interest may accrue on the unpaid disputed amounts.

The Group did not claim tax deductions on outgoings in relation to the ExCaps after 1 October 2003 whilst the tax treatment was in dispute, and the ExCaps were redeemed during the 2007 year.

The Group disputes the ATO's tax treatment of the ExCaps and intends to appeal.

Tax Dispute - Wealth Management Re-Insurance

In August 2007 the ATO concluded a review of a reinsurance contract entered into by the Australian Wealth Management business in the 1998 tax year and amended in the 2000 tax year. The ATO issued an amended assessment to MLC Lifetime for approximately $54 million of primary tax and interest and penalties of $16 million (after tax), a total of $70 million (after tax).

In accordance with ATO practice on disputed assessments, the NAB Group has paid 50 per cent of the amounts owing under the amended assessments. This payment has been recognised as an asset by the NAB Group on the basis that the NAB Group expects full recovery of the amount paid to the ATO. Interest may accrue on the unpaid disputed amount.

An objection was lodged by the NAB Group disputing the ATO's amended assessment. The ATO disallowed the objection. The NAB Group is confident that its position in relation to the application of the taxation law to this transaction is correct and intends to vigorously defend its position. Accordingly, the NAB Group has lodged an appeal to the Federal Court. The Court hearing is likely to be scheduled for July 2010.

Based on this treatment no provision has been raised for this matter.

Tax Dispute - New Zealand Structured Finance Transactions

Following a review by the New Zealand Inland Revenue Department (the "IRD") of certain structured finance transactions in the New Zealand banking industry, Bank of New Zealand ("BNZ") and some of its wholly owned controlled entities have received amended tax assessments for the 1998 to 2005 years from the IRD with respect to six structured finance transactions. The amended assessments are for income tax of NZ$416 million. In addition, as at 30 September 2009, interest of approximately NZ$245 million (net of tax) will be payable. Penalties, which could possibly be up to 100% of the tax shortfall, have not yet been imposed by the IRD.

These amended assessments were challenged in the NZ High Court and a judgment was delivered on 15 July 2009, finding against BNZ. BNZ considers that elements of the judgment are wrong in fact and law and lodged an appeal with the Court of Appeal on 11 August 2009.

A provision of NZ$661 million has been raised (NZ$416 million core tax, NZ$245 million interest (net of tax)) to reflect the impact of the High Court decision. The provision is recognised under income tax expense.

Investigation of Potential Class Action

In April 2009, Maurice Blackburn Lawyers (an Australian law firm) announced that it was investigating a potential class action against the Group for alleged non-disclosures relating to the Group's exposure to Asset Backed Securities Collateralised Debt Obligations. The Group has no detailed information as to the nature of the possible claim. No proceeding has been initiated, nor ever may be initiated. If it is, it will be vigorously defended.

United Kingdom Test Case on Unarranged Overdraft Charges

The unarranged overdraft charges legal test case is ongoing at present. The High Court has ruled that none of the Bank's unarranged overdraft charges amount to penalties at common law. In relation to accounts held by consumers, the Court of Appeal has ruled that such charges can be assessed for fairness under the Unfair Terms in Consumer Contracts Regulations (UK) 1999. The banks participating in the test case, which include Clydesdale Bank PLC, were given leave to appeal to the House of Lords and that appeal was heard between 23 and 25 June 2009. As yet there has been no judgment.

There has not been any ruling on whether the charges are in fact unfair; that aspect is proceeding and the OFT has chosen Clydesdale Bank PLC as one of three banks to advance that matter with. The three banks have been chosen because they represent a fair cross-section of the industry and not because their terms are regarded as any less fair than any of the others. In the meantime, the Financial Services Authority (FSA) has extended the waiver (under the terms of which banks do not have to process claims for a return of charges where no financial hardship is involved) until January 2010 and the stays of individual cases in the Courts remain in place.

In relation to business accounts, the High Court has ruled that none of the banks' contracts contain penalties at common law.

United Kingdom Financial Services Compensation Scheme

The UK Financial Services Compensation Scheme (FSCS) provides compensation to depositors in the event that a financial institution is unable to repay amounts due. Following the failure of a number of financial institutions, claims have been triggered against the FSCS, initially to pay interest on borrowing which the FSCS has raised from the UK Government to support the protected deposits. These borrowings are anticipated to be repaid from the realisation of the assets of the institutions, and in the interim the FSCS has estimated levies due to 31 March 2010 and a charge of £12 million has been recognised in the period for the Group's calculated liability. If the assets of the failed institutions are insufficient to repay the Government loan, additional levies will become payable in future periods.

16. Events Subsequent to Balance Date

Business combinations

On 22 June 2009, the Group announced that it had agreed to acquire Aviva Australia Holdings Limited (AAHL). Effective 1 October 2009, National Wealth Management Holdings Limited completed the acquisition of 100% of the issued share capital of AAHL for initial cash consideration of $825 million, subject to adjustment for the movement in net assets of the acquired business from 31 December 2008 to the acquisition date. As at the date of this preliminary final report, the acquisition balance sheet is still being prepared and information on the pre-acquisition carrying amounts and fair values of assets acquired and liabilities and contingent liabilities assumed is not yet available. The acquisition is expected to enhance the Group's offering in key wealth management segments including life insurance and investment platforms.

Claims for potential mis-selling of Payment Protection Insurance (PPI)

Following the investigation by the UK Competition Commission into the sale of Payment Protection Insurance, a report was published on 29 January 2009 concluding a lack of competition in the UK market as a result of various factors including lack of transparency and barriers to entry for stand alone providers. A range of remedies to address the issue have been imposed and further to the investigation, the FSA announced proposals on 30 September 2009 to require banks to re-open previously rejected complaints and to re-assess them in light of new guidance. Provision has been made for costs arising from expected claims, although at this stage there remains some uncertainty surrounding legislative changes and their potential impact.

Compliance Statement

This preliminary final report is prepared in accordance with the ASX listing rules. It should be read in conjunction with any announcement to the market made by the entity during the period.

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

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
28 October 2009

Section 6

Supplementary Information

1. Disclosures on Special Purpose Entities

The following supplementary disclosures are based on Financial Stability Forum (FSF) recommendations that were included in the Forum's report dated 7 April 2008; entitled *Enhancing Market and Institutional Resilience*.

(a) Special Purpose Entities (SPEs)

Controlled entities are those entities, including special purpose entities (SPEs), over which the Group has the power to govern the financial and operating policies so as to obtain benefits from their activities. Control rather than ownership interest is the sole criterion for determining a parent entity relationship. SPEs require consolidation in circumstances such as those where the Group has access to the majority of the residual income or is exposed to the majority of the residual risk associated with the SPE.

(b) Securitisation SPEs

Objectives

The Group engages in securitisation activities for two main purposes:

- Securitisation activities for business purposes, including arranging and managing securitisations for third parties (clients) as well as securities arbitrage (funding of purchased assets) activities [1], primarily through SPEs that provide funding for single or multiple transactions.
- Securitisation of its own assets for funding and liquidity purposes, primarily for risk and capital management reasons. These transactions have always been recorded on the balance sheet since the adoption of AIFRS as the derecognition criteria is not met. Refer Note 8 in Section 5.

The first category represents third-party asset securitisation SPEs. The Group's participation in these SPEs is discussed below.

Third Party Asset Securitisation SPEs

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

For these transactions, securitisation structures are established by the Group, comprising one or numerous SPEs to purchase and fund customer assets, including in securitised form. Previously securitisation structures also included purchasing of rated securities arbitrage assets (purchased assets). Securities arbitrage activities have been discontinued by the Group. Each SPE funds the acquisition of assets or securities backed by the assets by:

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

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

These supplementary disclosures focus on the exposure of the Group through its use of SPEs for various types of programmes (both on and off balance sheet) including:

- Securitisation SPEs.
- Funding program SPEs.
- Other SPEs.

Most of the transactions in which the Group gains exposure to the securitisation SPEs are funded through its sponsored multi-seller ABCP conduits and by securitisation funding facilities and warehouse facilities. These facilities are provided to the NAB sponsored SPEs established under Titan Securitisation, TSL (USA) Inc, Quasar Securitisation, CentreStar and MiraStar Securitisation. The Group undertakes one or more of the following roles of arranger, manager (through wholly-owned subsidiaries), standby liquidity provider, securitisation funding facility provider, asset liquidity provider, warehouse facility provider, derivative provider and dealer.

The NAB sponsored securitisation SPEs are consolidated in the financial statements.

Non-NAB sponsored securitisation SPEs for third party securitisation assets

For these transactions, securitisation SPEs are established by market participants, other than the Group, to acquire and fund various assets by issuing securities to external investors. The Group's exposures to these SPEs arise from provision of standby liquidity facilities that can be drawn in the event that ABCP cannot be reissued to external investors and, in some cases, other facilities provided to fund and support acquired assets. These entities are generally not consolidated, with facilities provided by the Group (and drawn) being included in loans and advances.

Securitisation Funding and Standby Liquidity Facilities

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

Table 1 summarises the Group's exposures to both NAB-sponsored and non-NAB sponsored SPEs via securitisation funding facilities and standby liquidity facilities provided to ABCP conduits. The table shows 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, MTN and third party funding, the carrying value of the SPE assets (other than cash), and the associated fair value.

Note: The standby liquidity facilities are only available to fund repayment of outstanding ABCP in cases where it cannot be rolled. For these facilities, the unutilised limit over and above the drawn and available amount cannot be accessed to fund additional assets until ABCP is reissued.

Selected comparative information for 31 March 2009 is provided, with further detail available in the 31 March 2009 half-year Financial Report.

[1] Securities arbitrage (funding of purchased assets) activities are being wound down by the Group and, along with several client originated SPE exposures, no longer deemed part of the Group's core activities (largely Northern Hemisphere originated exposures), are being quarantined and will be managed separately as part of the Group's Specialised Group Assets portfolio.

Table 1 As at 30 September 2009	Group facilities Limit $m	Drawn & Available [1] $m	Drawn-down $m	Provisions [2] $m	SPE Securities on issue [3] $m	Total asset value [4] $m	Fair value [5] $m
SPE purchased ABS CDOs:							
Senior tranche ABS CDO	265	**265**	265		-	265	78
Mezzanine tranche ABS CDO	1	**1**	1		-	1	5
Total SPE purchased ABS CDOs [6]	266	**266**	266	(120)	-	266	83
SPE other purchased assets:							
Infrastructure (credit wrapped bonds) [7]	378	**375**	375		60	435	418
Leveraged loans (CLOs)	1,653	**1,653**	1,653		-	1,653	1,387
Commercial property (CMBS)	674	**674**	674		-	674	427
Corporates (SCDO)	1,585	**1,585**	1,585		-	1,585	972
Total SPE other purchased assets	4,290	**4,287**	4,287	-	60	4,347	3,204
NAB client originated assets:							
Auto / Equipment	954	**537**	516		399	914	911
Credit wrapped bonds	772	**726**	726		500	1,226	1,153
Prime residential mortgages	4,344	**3,344**	2,712		652	3,364	3,364
Non-conforming residential mortgages	1,280	**1,244**	1,047		327	1,373	1,308
Sub-prime residential mortgages	162	**162**	162		-	162	118
Subscription loans	1,131	**1,015**	-		1,015	1,013	1,013
Commercial Property (CMBS)	58	**58**	58		-	58	51
NAB CLO	466	**466**	466		-	466	466
Credit wrapped ABS	786	**786**	786		-	786	358
Other	252	**224**	224		10	233	205
Total NAB client originated assets	10,205	**8,562**	6,697	-	2,903	9,595	8,947
Represented by:							
NAB sponsored SPEs	8,588	**7,354**	6,339		1,819	8,153	7,505
Non-NAB sponsored SPEs	1,617	**1,208**	358		1,084	1,442	1,442
Total NAB client originated assets	10,205	**8,562**	6,697	(93)	2,903	9,595	8,947
Total [8]	14,761	**13,115**	11,250	(213)	2,963	14,208	12,234

As at 31 March 2009	Group facilities: Limit $m	Drawn & Available (1) $m	Drawn-down $m	Provisions (2) $m	SPE: Securities on issue (3) $m	Total asset value (4) $m	Fair value (5) $m
Total SPE purchased ABS CDOs (6)	360	**360**	360	(153)	-	360	79
Total SPE other purchased assets	5,112	**4,972**	4,972	-	-	5,032	2,703
Total NAB client originated assets	14,300	**11,666**	6,717	-	6,000	12,718	11,458
Represented by:							
NAB sponsored conduits	12,388	**9,754**	6,124	-	4,681	10,817	9,571
Non-NAB sponsored conduits	1,912	**1,912**	593	-	1,319	1,901	1,887
Total NAB client originated assets	14,300	**11,666**	6,717	(35)	6,000	12,718	11,458
Total standby liquidity facilities	19,772	**16,998**	12,049	(188)	6,000	18,110	14,240

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

(2) *Includes both specific and collective provisions. An additional $50 million provision has been recorded in the September 2009 half year relating to credit wrapped ABS due to monoline downgrades. A management overlay of $160 million was taken in March 2009 in respect of conduit related assets and derivative transactions to reflect the uncertainty created by the deteriorating economic conditions and the impact of any potential default.*

(3) *Securities on issue exclude amounts drawn under the facilities and include ABCP issued of $1,866 million, including $60 million supported by a third party liquidity facility provider, and medium term notes of $1,037 million.*

(4) *Comprises total non-cash assets of the SPEs excluding any provisions. For non-NAB sponsored SPEs, this only includes that portion of the SPE assets to which the Group is exposed through the securitisation funding facilities or the standby liquidity facilities. This is the amount recorded on the Group's balance sheet.*

(5) *Consistent with Note 44 Fair value of financial instruments to the Annual Financial Report there is a requirement to disclose the net fair value of on and off-balance sheet financial instruments and this is included in the table. The estimated fair values are based on relevant information available at 30 September. 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 discounted cash flows and other valuation techniques that are commonly used by market participants. These techniques address factors such as interest rates, credit risk and liquidity. In addition, it is the Group's intent to hold its financial instruments to maturity. The difference to fair value represents the significant change in discount rates in the current distressed markets. This is relevant in a trading environment, but is not relevant to assets held to maturity and loans and advances. This is consistent with the treatment of the assets of the wider Group. The fair value of the SCDO portfolio reflects the Group's exposure subsequent to the purchase of additional protection (refer "Protection purchased to hedge exposure to SPE other purchased assets" for further information). The fair value of infrastructure (credit wrapped bonds), credit wrapped bonds and credit wrapped ABS assigns zero value to the protection afforded by insurance policies from financial guaranty (monoline) insurers.*

(6) *nabCapital has exposure to a portfolio of ABS CDOs that contain exposure to US sub-prime mortgage assets. Provisions in the aggregate of $1,011 million were taken in 2008 to reflect expected losses on this portfolio. While most assets within this portfolio were written off in full, a single asset remains. The specific provision against this asset is approximately 46% of its current balance.*

(7) *The total asset value of infrastructure (credit wrapped bonds) purchased by other SPEs is substantially funded by facilities provided by the Group. The balance of $60 million is funded externally to the group.*

(8) *In the 31 March 2009 half year results, $17.0 billion was drawn and available. The movement comprises a reduction for repayments of $4.8 billion, a decrease for exchange rate movements of $1.6 billion and an increase for redraws and new business of $2.5 billion.*

Table 2 shows the total drawn and available securitisation funding and standby liquidity facility of the Group to all securitisation SPEs by Geography.

Table 2 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 2009						
SPE purchased ABS CDOs:						
Senior tranche ABS CDO	-	-	265	-	**265**	28.0
Mezzanine tranche ABS CDO	-	-	1	-	**1**	28.2
Total SPE purchased ABS CDOs	-	-	266	-	**266**	28.0
SPE other purchased assets:						
Infrastructure (credit wrapped bonds) [(3)]	265	110	-	-	**375**	1.6
Leveraged loans (CLOs) [(4)]	-	871	780	2	**1,653**	5.2
Commercial property (CMBS) [(5)]	-	674	-	-	**674**	4.0
Corporates (SCDO) [(6)]	52	529	905	99	**1,585**	6.1
Total SPE other purchased assets	317	2,184	1,685	101	**4,287**	5.0
NAB client originated assets:						
Auto / Equipment	537	-	-	-	**537**	3.7
Credit wrapped bonds [(3)]	726	-	-	-	**726**	8.2
Prime residential mortgages	3,344	-	-	-	**3,344**	23.4
Non-conforming residential mortgages	654	590	-	-	**1,244**	21.4
Sub-prime residential mortgages	-	-	162	-	**162**	25.2
Subscription loans	10	236	669	100	**1,015**	1.9
Commercial Property (CMBS)	2	-	56	-	**58**	4.5
NAB CLO	345	99	22	-	**466**	3.2
Credit wrapped ABS [(3)] [(7)]	-	-	752	34	**786**	24.7
Other	102	35	62	25	**224**	3.4
Total NAB client originated assets	5,720	960	1,723	159	**8,562**	16.5
Total exposure to standby liquidity facilities	6,037	3,144	3,674	260	**13,115**	12.8

As at 31 March 2009	**Australia & New Zealand $m**	**Europe $m**	**North America $m**	**Asia & Other $m**	**Total drawn & available $m**	**Weighted Average Term to Maturity yrs**
Total SPE purchased ABS CDOs	-	-	360	-	**360**	28.0
Total SPE other purchased assets	300	2,438	2,098	136	**4,972**	4.4
Total NAB client originated assets	6,660	1,061	3,834	111	**11,666**	15.4
Total exposure to standby liquidity facilities	6,960	3,499	6,292	247	**16,998**	12.4

(1) *Location of underlying exposure i.e. the location of the ultimate borrower/reference entity.*

(2) *Reflects the weighted average contractual maturity of the underlying assets of the SPE.*

(3) *Credit wrapped bonds and ABS are wrapped by financial guaranty (monoline) insurers.*

(4) *Includes nine transactions, in all but one case with exposure to the most senior class of notes, and initial subordination ranging from 27 - 38%. Reported defaults to date range from 1.6 - 9.7% with modest realised losses on underlying corporate loan collateral. Excess spread available to cover ongoing losses generally exceeds 1% per annum of the current principal balance of each CLO transaction.*

(5) *Includes four UK transactions backed by Greater London and regional properties, with exposure to the most senior bonds, and ratio of relevant note tranche to property value ranging from 62 - 76%. Generally speaking, the properties securing larger loans are let with quality tenants, have low vacancy rates and good lease profiles. The loan vintages are generally 2006 and 2007.*

(6) *Includes six credit linked notes backed by six single tranche corporate credit CDOs (portfolios of credit default swaps). Additional protection has been purchased (refer "Protection purchased to hedge exposure to SPE other purchased assets").*

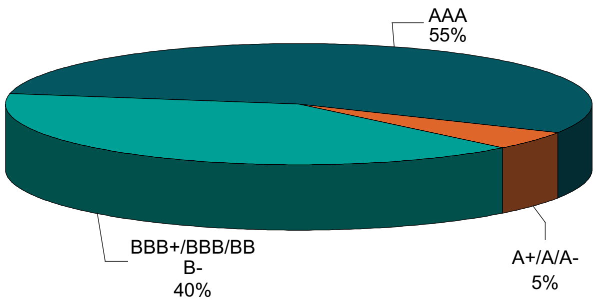
(7) *Amount reclassified from North America at 31 March 2009 to Asia and Other to reflect the disaggregation of the underlying structure.*

Further Analysis of Facilities

Rating analysis

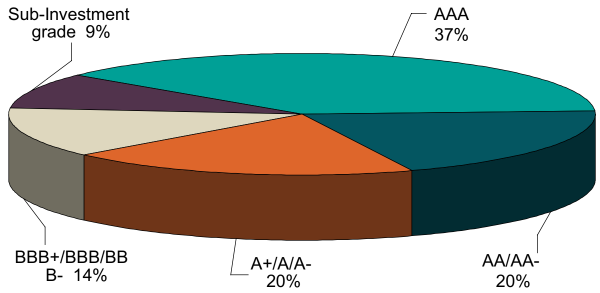
The ABS CDO of $266 million not written off is currently rated CC- by S&P and Ca by Moody's

S&P equivalent ratings at 30 September 2009 - $4.3 billion SPE other purchased assets [1]



(1) Includes internally rated assets mapped to S&P risk grades, taking into account the risk mitigation strategy on the SCDOs.

S&P equivalent ratings at 30 September 2009 - $8.6 billion NAB client originated assets [1] [2]



(1) Includes NAB internally rated assets mapped to S&P risk grades.
(2) The current ratings of three credit wrapped bonds are based on the A- and BBB ratings of the underlying assets.

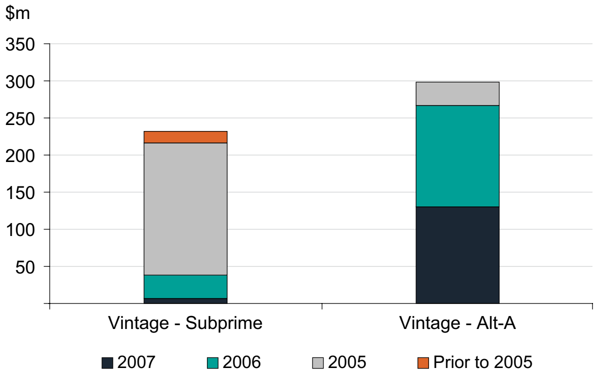
Asset quality information relevant to specific exposures

Table 3 shows asset quality and past due analysis of the underlying collateral of NAB client originated assets.

Table 3 As at 30 September 2009	Weighted average current LVR %	Mortgage Insurance coverage %	Days Past Due 31-60 %	 61-90 %	 >90 %
NAB client originated assets:					
Auto / Equipment [1]	n/a	n/a	1.28	0.30	0.59
Prime residential mortgages	61.60	100.00	0.44	0.16	0.27
Non-conforming residential mortgages	70.71	-	2.71	2.58	8.23
Sub-prime residential mortgages [2]	82.63	50.50	5.34	2.40	7.23

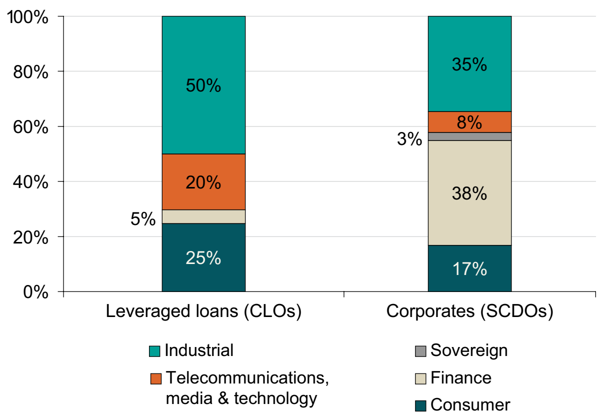
(1) All auto/equipment transactions benefit from various types of credit enhancements including subordination, excess spread, etc.
(2) Current mortgage insurance coverage on sub-prime residential mortgages is shown. The >90 days percentage does not include loans in foreclosure or homes foreclosed upon but not liquidated, which together represent an additional 28% of the current principal balance.

Vintage of sub-prime and Alt-A exposures [1] [2]



(1) US sub-prime exposure of the Group was $232 million as at 30 September 2009. This amount represents $23 million included in ABS CDOs not written off, $162 million of sub-prime residential mortgage backed securities and $47 million as part of credit wrapped ABS in the NAB client originated assets.
(2) US Alt-A exposure of the Group was $298 million as at 30 September 2009. This amount represents $126 million included in ABS CDOs not written off, and $172 million as part of credit wrapped ABS in the NAB client originated assets.

Industry splits - SPE other purchased assets [1] [2]



(1) Leveraged loans (CLOs) total $1.7 billion.
(2) Corporates (SCDOs) total $1.6 billion.

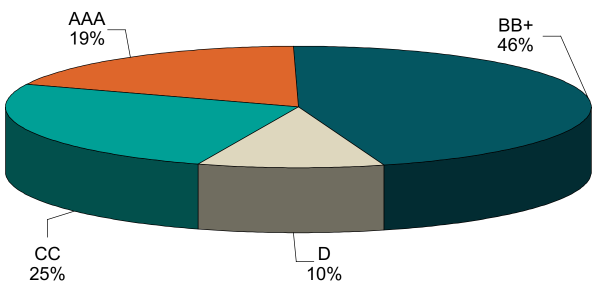
Securitisation SPE Credit Exposure to the Financial Guarantor Sector (monoline insurers)

Table 4 summarises the indirect exposures to third party transactions supported by monoline financial guarantees and contingent risk via guaranteed investment contracts (SCDOs). In the event of monoline failure, the benefit of the financial guarantee falls away, resulting in exposure to the underlying asset.

Table 4	Carrying value of assets with exposure to monoline insurers Sep 09 $m	Mar 09 $m
Against SPE other purchased assets:		
Infrastructure (credit wrapped bonds) (1)	378	375
Guaranteed investment contracts (provided to SCDOs) (2)	455	947
Against NAB client originated assets:		
Credit wrapped bonds (1)	772	722
Credit wrapped ABS (3)	786	1,095
Other	40	51
Total	2,431	3,190

(1) *These bonds are issued by well known essential infrastructure and energy borrowers and are themselves high quality investment grade assets.*
(2) *Funds invested by SPEs in two of six SCDOs have been placed in guaranteed investment contracts, which have been guaranteed by monolines resulting in a contingent exposure.*
(3) *Monoline-wrapped portfolio of ABS, some of which have also been individually monoline-wrapped.*

Current S&P rating of monolines (1)



(1) *The D rated monoline provides a guarantee for one of the credit wrapped bonds. Rating of the underlying assets is BBB+. The CC rated monoline provides a guarantee for three of the credit wrapped securities. The ratings of the underlying assets are A-, BBB+ and B. An additional provision of $50 million has been raised in respect of credit wrapped ABS.*

Protection Purchased to Hedge Exposure to SPE Other Purchased Assets

In September 2008 the Group completed a risk mitigation strategy in relation to its exposure to Corporates (SCDO) within its securitisation SPE portfolio. As a result, long-dated hedges were entered into with a large, highly reputable, global bank counterparty which strengthened the Group's position and substantially reduced the likelihood of loss arising from the SCDOs. Subordination was improved as a result of risk mitigation activities, and the portfolio is generally managed to maintain the credit quality of the tranche.

Additional smaller hedges on certain SCDOs were executed in June 2009. Further ratings migration and defaults are expected. The exposure is being managed by a dedicated specialised team, together with input from an external portfolio manager. Additional modest hedging may be considered from time to time. The SCDOs are currently externally rated between AA+ and BBB-. As a result of the changes to the external ratings models by external ratings agencies in the first half of 2009, the current ratings are trending downwards towards the Group's own internal ratings. During March 2009 a management overlay of $160 million was taken in respect of conduit related assets and derivative transactions to reflect the uncertainty created by the deteriorating economic conditions and any potential default.

Other Exposures

In addition to securitisation funding facilities and standby liquidity facilities discussed in Table 2, there are securitisation SPE exposures arising from warehouse facilities (refer Table 5), asset liquidity facilities ($118 million), credit enhancements ($156 million), investments in non-NAB sponsored SPEs ($228 million), derivatives ($660 million), redraw facilities ($15 million).

Credit enhancements are arrangements in which the Group holds a securitisation exposure that is available to absorb losses in the pool and thereby provides credit protection. Derivative transactions include interest rate and currency derivatives provided to securitisation SPEs.

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

Table 5 shows the limit and drawn amount under the facility. All underlying exposures are in Australia and New Zealand. The undrawn limit is available to fund additional assets.

Table 5 As at 30 September 2009	Limit $m	Drawn-down $m
NAB client originated assets:		
Auto / Equipment	57	57
Prime residential mortgages	2,592	2,093
Non-conforming residential mortgages	297	224
Other	124	124
Total warehouse facilities (1)	3,070	2,498

As at 31 March 2009	Limit $m	Drawn-down $m
Total warehouse facilities	2,329	1,739

(1) *Of the drawn down amount $394 million is via consolidated NAB-sponsored SPEs resulting in the recognition of the underlying assets on the balance sheet.*

Table 6 shows available asset quality and past due analysis of underlying collateral of warehouse facilities.

Table 6 As at 30 September 2009	Weighted average current LVR %	Mortgage Insurance coverage %	Days Past Due 31-60 %	61-90 %	> 90 %
NAB client originated assets:					
Auto / Equipment	n/a	n/a	0.10	0.04	0.10
Prime residential mortgages (1)	73.76	100.00	2.20	0.38	13.85
Non-conforming residential mortgages	64.45	-	0.95	0.28	1.92

(1) *Includes the most senior position in a transaction structured to invest in fully insured non-performing prime mortgages.*

Risk Weights for Securitisation Exposure

This table shows the risk weights for securitisation exposures as calculated under APS 120, predominately using the Standardised Approach and includes conduit exposures (table 1), warehouse facilities (table 5) and other securitisation SPE exposures disclosed in the "Other Exposures" section above. Refer to page 26 for discussion on the provisions of the conduit portfolio.

	Sep 09		Mar 09	
Table 7	**Exposure $m**	**RWA $m**	**Exposure $m**	**RWA $m**
≤ 10%	3,742	270	-	-
> 10% ≤ 25%	6,754	1,076	16,706	2,197
> 25% ≤ 35%	183	64	977	342
> 35% ≤ 50%	621	309	640	320
> 50% ≤ 75%	536	370	536	389
> 75% ≤ 100%	2,935	2,935	2,311	2,311
>100% ≤ 650%	2,375	5,944	920	2,301
Deductions (1)	484	-	448	-
Total securitisation exposure	17,630	10,968	22,538	7,860

(1) *Exposure comprises the limit from tables 1 and 5, certain other securitisation SPE exposures (asset liquidity facilities ($118 million), redraw facilities ($15 million) and certain derivative transactions ($88 million)), credit enhancements ($156 million), and excludes loans and receivables included in the banking book ($457 million) and an ABS CDO specific provision ($120 million).*

Roles in securitisation

The Group may undertake any of the following roles in its third party asset securitisation activities:

- Arranger (the structurer of securitisation transactions);
- Sponsor (the entity that established the securitisation SPEs and often provides other services). NAB sponsored SPEs are established under Titan Securitisation, TSL (USA) Inc, Quasar Securitisation, CentreStar and MiraStar Securitisation;
- Manager (operator of securitisation SPEs including managing assets and liabilities and providing accounting and administrative services);
- Securitisation funding facility provider (a lender to securitisation SPEs where tenor of the funding extends beyond 1 year and may match the expected redemption date of the underlying security held by the SPE);
- Standby liquidity provider (a provider of liquidity available to repay ABCP if unable to reissue);
- Asset liquidity provider (a provider of liquidity to cover mismatches in cashflow for securitisation structures)
- Warehouse facility provider (a lender to securitisation SPEs pending refinance via issuance of securities);
- Derivative provider;
- Investor in securities issued;
- Letter of credit provider (a provider of credit enhancement to securitisation structures); and
- Dealer (a buyer and seller in the primary and secondary markets of securities).

Accounting Treatment

In general, facilities provided to securitisations are treated the same way as facilities to any other borrower or counterparty.

Interest and line fees received are treated as revenue in the period in which they are accrued. Arrangement fees are treated as revenue and recognised as revenue over the life of the securitisation transaction. Derivatives such as interest rate swaps, basis swaps or cross-currency swaps have the same accounting treatment as non-securitisation derivatives.

NAB sponsored securitisation SPEs are consolidated by the Group.

(c) Funding program SPEs

The Group has established programs to raise funding from the issue of equity instruments or debt instruments.

Material funding programs of the Group that use SPEs are as follows:

Table 8	**Sep 09 $m**	**Mar 09 $m**
Trust Preferred Securities	975	975
Trust Preferred Securities II	1,014	1,014
National Capital Instruments	397	397
BNZ Income Securities	380	380
BNZ Income Securities 2	203	-

The SPEs used in the above funding programs are controlled by the Group under Australian Accounting Standards as issued by the AASB and International Financial Reporting Standards as issued by the IASB and are recorded on-balance sheet as equity items of the Group.

Other funding programs of the Group do not use SPEs and are recorded in the books of the Company. Further details on funding programs can be found at www.nabgroup.com.

Securitisation of own assets are included in Note 8 in Section 5.

(d) Other SPEs

nabCapital is involved in transactions that involve the use of SPEs. All of these SPEs are recorded on the balance sheet.

Table 9	**Sep 09 $m**	**Mar 09 $m**
Consolidated SPEs		
Investments in debt securities	1,361	1,837
Investments in property trusts	155	188
Funding transactions	(1,277)	(1,457)
Lease finance	1,118	1,263

The Group invests in debt instruments through various SPEs, mainly in the form of Bonds, Certificates of Deposits and Loans. The assets within the portfolio are subject to the Group's normal credit approval and review processes and all assets continue to perform.

The Group also utilises SPEs to invest in a range of property and other equity related investments as well as a means to access alternate sources of funding.

Lease Financing involves extending finance to clients in order to meet their particular asset financing requirements mainly in the mining, mobile infrastructure and transport industries.

2. Net Interest Margins and Spreads

Group	Year to Sep 09 %	Sep 08 %	Sep 09 v Sep 08	Half Year to Sep 09 %	Mar 09 %	Sep 09 v Mar 09
Net interest spread [1]	**1.94**	1.69	25 bps	**2.01**	1.90	11 bps
Benefit of net free liabilities, provisions and equity	**0.22**	0.50	(28 bps)	**0.24**	0.17	7 bps
Net interest margin [2]	**2.16**	2.19	(3 bps)	**2.25**	2.07	18 bps

(1) *Net interest spread represents the difference between the average interest rate earned and the average interest rate incurred on funds.*
(2) *Net interest margin is net interest income as a percentage of average interest earning assets.*

Interest earning assets	Year to Sep 09 $bn	Mix %	Sep 08 $bn	Mix %	Movement in mix % of Group AIEA
Australia Banking	**279.7**	**50.0**	255.4	50.4	(0.4)
UK Region	**83.2**	**14.9**	73.0	14.4	0.5
NZ Region	**41.5**	**7.4**	37.6	7.4	-
nabCapital	**202.4**	**36.2**	192.4	38.0	(1.8)
Other [1]	**(47.4)**	**(8.5)**	(51.9)	(10.2)	1.7
Group	**559.4**	**100.0**	506.5	100.0	-

Net interest income and margins	Year to Sep 09 $m	NIM %	Sep 08 $m	NIM %	NIM Change
Australia Banking	**7,256**	**2.59**	6,188	2.42	17 bps
UK Region	**1,868**	**2.24**	1,910	2.62	(38 bps)
NZ Region	**883**	**2.13**	908	2.42	(29 bps)
nabCapital	**1,925**	**0.95**	2,152	1.12	(17 bps)
Other [1]	**140**	**(0.30)**	(16)	0.03	(33 bps)
Group - ongoing operations	**12,072**	**2.16**	11,142	2.20	(4 bps)
Disposed operations & MLC net interest income	**(4)**	**-**	(44)	(0.01)	1 bps
Group - per income statement	**12,068**	**2.16**	11,098	2.19	(3 bps)

Contribution to Group Margin	Impact of Change in NIM [2]	Change in Mix [3]	Impact on Group NIM
Australia Banking	9 bps	-	**9 bps**
UK Region	(5 bps)	-	**(5 bps)**
NZ Region	(2 bps)	-	**(2 bps)**
nabCapital	(7 bps)	2 bps	**(5 bps)**
Other [1]	3 bps	(4 bps)	**(1 bps)**
Group - ongoing operations	(2 bps)	(2 bps)	**(4 bps)**
Disposed operations & MLC net interest income	1 bps	-	**1 bps**
Group	(1 bps)	(2 bps)	**(3 bps)**

(1) *Includes Other (Including Asia), Group Funding and Corporate Centre operations and intercompany eliminations.*
(2) *The increase/(decrease) in net interest margin assuming no change in mix of average interest earning assets.*
(3) *The increase/(decrease) in net interest margin caused by changes in regional mix of average interest earning assets.*

3. Loans and Advances by Industry and Geography

As at 30 September 2009	Australia $m	Europe $m	New Zealand $m	United States $m	Asia $m	Total $m
Government and public authorities	1,273	65	576	129	-	**2,043**
Agriculture, forestry, fishing and mining	14,944	3,228	7,820	755	12	**26,759**
Financial, investment and insurance	10,698	4,738	1,288	2,006	64	**18,794**
Real estate - construction	1,869	2,008	384	479	56	**4,796**
Manufacturing	7,857	2,369	2,084	135	77	**12,522**
Real estate - mortgage	157,817	22,483	20,989	292	957	**202,538**
Instalment loans to individuals and other personal lending (including credit cards)	8,990	5,411	1,490	333	8	**16,232**
Asset and lease financing	13,878	3,447	25	-	-	**17,350**
Commercial property services	50,301	16,156	6,256	-	947	**73,660**
Other commercial and industrial	41,594	12,959	4,589	2,202	532	**61,876**
Gross loans and advances including acceptances [(1)]	309,221	72,864	45,501	6,331	2,653	**436,570**
Deduct:						
Unearned income and deferred net fee income	(2,072)	(669)	(31)	(14)	(7)	**(2,793)**
Provisions for doubtful debts	(3,087)	(955)	(256)	(89)	(14)	**(4,401)**
Total net loans and advances including acceptances	304,062	71,240	45,214	6,228	2,632	**429,376**

As at 31 March 2009	Australia $m	Europe $m	New Zealand $m	United States $m	Asia $m	Total $m
Government and public authorities	962	103	490	121	-	**1,676**
Agriculture, forestry, fishing and mining	12,922	3,409	7,416	660	36	**24,443**
Financial, investment and insurance	10,429	3,464	903	3,871	78	**18,745**
Real estate - construction [(2)]	1,953	2,541	402	598	437	**5,931**
Manufacturing	8,352	2,885	2,173	254	76	**13,740**
Real estate - mortgage	153,560	24,750	20,740	318	1,009	**200,377**
Instalment loans to individuals and other personal lending (including credit cards)	8,905	6,122	1,524	369	6	**16,926**
Asset and lease financing	13,620	4,181	29	-	7	**17,837**
Commercial property services	49,401	19,489	6,666	-	886	**76,442**
Other commercial and industrial	44,033	16,115	4,613	2,333	505	**67,599**
Gross loans and advances including acceptances [(1)]	304,137	83,059	44,956	8,524	3,040	**443,716**
Deduct:						
Unearned income and deferred net fee income	(1,963)	(805)	(30)	(18)	(7)	**(2,823)**
Provisions for doubtful debts	(2,798)	(1,034)	(216)	(80)	(19)	**(4,147)**
Total net loans and advances including acceptances	299,376	81,220	44,710	8,426	3,014	**436,746**

As at 30 September 2008	Australia $m	Europe $m	New Zealand $m	United States $m	Asia $m	Total $m
Government and public authorities	953	91	542	44	-	**1,630**
Agriculture, forestry, fishing and mining	13,506	3,407	6,837	501	42	**24,293**
Financial, investment and insurance [(3)]	12,532	3,932	1,052	3,795	198	**21,509**
Real estate - construction	1,807	3,233	231	640	178	**6,089**
Manufacturing	7,818	2,963	2,074	358	12	**13,225**
Real estate - mortgage	151,526	26,711	20,365	279	868	**199,749**
Instalment loans to individuals and other personal lending (including credit cards)	9,357	6,661	1,402	346	6	**17,772**
Asset and lease financing	13,433	5,034	25	-	6	**18,498**
Commercial property services	45,654	20,052	6,279	-	683	**72,668**
Other commercial and industrial	40,577	15,193	4,916	1,796	388	**62,870**
Gross loans and advances including acceptances [(1)]	297,163	87,277	43,723	7,759	2,381	**438,303**
Deduct:						
Unearned income and deferred net fee income	(2,192)	(917)	(26)	(13)	(4)	**(3,152)**
Provisions for doubtful debts	(1,897)	(822)	(163)	(73)	(8)	**(2,963)**
Total net loans and advances including acceptances	293,074	85,538	43,534	7,673	2,369	**432,188**

(1) *Includes loans at fair value.*

(2) *One exposure has been reclassified from Real estate - construction for the March 2009 half within Asia.*

(3) *One exposure has been reclassified from Financial, investment and insurance for the September 2008 half within Asia.*

4. Average Balance Sheet and Related Interest

The following tables set forth the major categories of interest earning assets and interest bearing liabilities, together with their respective interest rates earned or paid by the Group. Averages are predominantly daily averages. Interest income figures include interest income on impaired assets to the extent cash payments have been received. Amounts classified as Other International represent interest earning assets or interest bearing liabilities of the controlled entities and overseas branches, excluding Europe. Impaired assets are included within interest earning assets within loans and advances.

Average assets and interest income

	Year ended Sep 09			Year ended Sep 08		
	Average balance $m	Interest $m	Average rate %	Average balance $m	Interest $m	Average rate %
Average interest earning assets						
Due from other banks						
Australia	14,923	608	4.1	15,925	968	6.1
Europe	23,305	462	2.0	13,642	644	4.7
Other International	4,591	85	1.9	3,874	201	5.2
Marketable debt securities						
Australia	29,239	1,595	5.5	30,033	2,247	7.5
Europe	14,498	347	2.4	13,040	712	5.5
Other International	12,881	378	2.9	8,409	430	5.1
Loans and advances - housing						
Australia	153,565	9,375	6.1	145,816	11,697	8.0
Europe	25,333	982	3.9	25,065	1,467	5.9
Other International	21,634	1,572	7.3	20,774	1,708	8.2
Loans and advances - non-housing						
Australia	93,275	6,680	7.2	85,535	7,626	8.9
Europe	58,738	2,903	4.9	54,223	4,026	7.4
Other International	33,176	1,914	5.8	30,133	2,576	8.5
Acceptances						
Australia	55,303	3,604	6.5	51,858	4,315	8.3
Europe	4	-	-	6	-	-
Other interest earning assets						
Australia	2,951	395	n/a	4,592	576	n/a
Europe	11,924	166	n/a	1,268	72	n/a
Other International	4,017	36	n/a	2,315	120	n/a
Total average interest earning assets and interest revenue by:						
Australia	349,256	22,257	6.4	333,759	27,429	8.2
Europe	133,802	4,860	3.6	107,244	6,921	6.5
Other International	76,299	3,985	5.2	65,505	5,035	7.7
Total average interest earning assets and interest revenue	559,357	31,102	5.6	506,508	39,385	7.8
Average non-interest earning assets						
Investments relating to life insurance business [(1)]						
Australia	48,853			58,426		
Other International	38			44		
Other assets	84,664			45,998		
Total average non-interest earning assets	133,555			104,468		
Provision for doubtful debts						
Australia	(2,532)			(1,586)		
Europe	(1,393)			(632)		
Other International	(297)			(329)		
Total average assets	688,690			608,429		
Percentage of total average interest earning assets applicable to international operations	37.6%			34.1%		

(1) *Included within investments relating to life insurance business are interest earning debt securities. The interest earned from these securities is reported in life insurance income, and has therefore been treated as non-interest earning for the purposes of this note. The assets and liabilities held in the statutory funds of the Group's Australian life insurance business are subject to the restrictions of the Life Insurance Act 1995 (Cth).*

Average liabilities and interest expense

	Year ended Sep 09			Year ended Sep 08		
	Average balance $m	Interest $m	Average rate %	Average balance $m	Interest $m	Average rate %
Average interest bearing liabilities						
Term deposits and certificates of deposit						
Australia	**97,966**	**5,028**	**5.1**	82,734	5,973	7.2
Europe	**52,752**	**1,221**	**2.3**	34,946	1,725	4.9
Other International	**35,324**	**1,330**	**3.8**	29,793	2,032	6.8
On-demand and savings (short-term) deposits						
Australia	**85,852**	**2,313**	**2.7**	72,869	3,763	5.2
Europe	**32,359**	**284**	**0.9**	30,058	939	3.1
Other International	**12,505**	**232**	**1.9**	11,095	436	3.9
Due to other banks and official institutions						
Australia	**17,641**	**684**	**3.9**	17,966	1,150	6.4
Europe	**23,625**	**402**	**1.7**	22,366	973	4.4
Other International	**9,958**	**186**	**1.9**	8,882	350	3.9
Short-term borrowings						
Australia	**12,417**	**576**	**4.6**	19,225	1,168	6.1
Europe	**145**	**5**	**3.5**	107	5	4.7
Other International	**16,630**	**251**	**1.5**	16,459	557	3.4
Long-term borrowings						
Australia (1)	**89,453**	**4,213**	**4.7**	75,925	5,996	7.9
Europe	**13,082**	**413**	**3.2**	11,805	700	5.9
Other International	**6,929**	**245**	**3.5**	6,141	291	4.7
Liability on acceptances						
Australia	**17,049**	**1,200**	**7.0**	22,755	1,466	6.4
Europe	**4**	**-**	**-**	6	-	-
Other interest bearing liabilities						
Australia	**265**	**73**	**n/a**	277	151	n/a
Europe	**47**	**27**	**n/a**	582	54	n/a
Other International	**1,504**	**351**	**n/a**	987	558	n/a
Total average interest bearing liabilities and interest expense by:						
Australia	**320,643**	**14,087**	**4.4**	291,751	19,667	6.7
Europe	**122,014**	**2,352**	**1.9**	99,870	4,396	4.4
Other International	**82,850**	**2,595**	**3.1**	73,357	4,224	5.8
Total average interest bearing liabilities and interest expense	**525,507**	**19,034**	**3.6**	464,978	28,287	6.1
Average non-interest bearing liabilities						
Deposits not bearing interest						
Australia	**9,894**			9,160		
Europe	**1,942**			1,357		
Other International	**1,444**			1,368		
Life insurance policy liabilities						
Australia	**42,950**			49,610		
Other liabilities	**70,459**			50,853		
Total average non-interest bearing liabilities	**126,689**			112,348		
Total average liabilities	**652,196**			577,326		

(1) *The movement in the average rate paid on long term borrowings has been affected by the classification of the principal amount of the cross-currency swaps that hedge against the underlying borrowings in Australia. The cross-currency swaps are classified as non-interest earning assets. If the cross-currency swaps were included in long term borrowings, the average rate would be as follows: 5.0% for the year ended 30 September 2009 and 7.5% for the year ended 30 September 2008.*

	Year ended Sep 09			Year ended Sep 08		
	Average balance $m	Interest $m	Average rate %	Average balance $m	Interest $m	Average rate %
Average equity						
Ordinary shares	**13,954**			8,503		
Trust Preferred Securities	**975**			975		
Trust Preferred Securities II	**1,014**			1,014		
National Income Securities	**1,945**			1,945		
National Capital Instruments	**397**			397		
BNZ Income Securities	**380**			193		
BNZ Income Securities 2	**53**			-		
Contributed equity	**18,718**			13,027		
Reserves	**31**			594		
Retained profits	**17,730**			17,318		
Parent entity interest	**36,479**			30,939		
Minority interest in controlled entities	**15**			164		
Total average equity	**36,494**			31,103		
Total average liabilities and equity	**688,690**			608,429		
Percentage of total average interest bearing liabilities applicable to international operations	**39.0%**			37.3%		

5. Capital Adequacy

Life Insurance and Funds Management Activities

Under APRA's Prudential Standards, life insurance and funds management activities are de-consolidated for the purposes of calculating capital adequacy and excluded from the risk based capital adequacy framework. The intangible component of the investment in these controlled entities is deducted from Tier 1 capital, with the balance of the investment deducted 50% from Tier 1 and 50% from Tier 2 capital. Additionally, any profits from these activities included in the Group's results are excluded from the determination of Tier 1 capital to the extent that they have not been remitted to the company.

	As at		
Reconciliation to shareholder's funds	**30 Sep 09 $m**	**31 Mar 09 $m**	**30 Sep 08 $m**
Contributed equity	**22,781**	18,440	14,731
Reserves	**(976)**	59	549
Retained profits	**16,010**	17,904	17,510
Minority interest	**20**	(2)	56
Total equity per consolidated balance sheet	**37,835**	36,401	32,846
Liability-accounted Residual Tier 1 hybrid capital (1)	**2,438**	1,365	1,311
Treasury shares	**1,188**	893	1,026
Minority interest in non-consolidated securitisation vehicles	**-**	42	-
Eligible deferred fee income	**315**	275	267
Revaluation reserves	**(122)**	(108)	(107)
Estimated final dividend	**(1,532)**	(1,400)	(1,670)
Estimated reinvestment under dividend reinvestment plan and bonus share plan	**459**	574	685
Deconsolidation of Wealth Management profits (net of dividends)	**(419)**	(179)	(324)
Adjusted total equity for capital purposes	**40,162**	37,863	34,034
Banking goodwill	**(1,694)**	(1,474)	(1,333)
Wealth Management goodwill and other intangibles	**(4,211)**	(3,892)	(3,895)
DTA (excluding DTA on the collective provision for doubtful debts) (2)	**(1,209)**	(1,160)	(908)
Non qualifying minority interest	**(17)**	(2)	(2)
Capitalised expenses (3)	**(132)**	(150)	(198)
Capitalised software (excluding Wealth Management)	**(928)**	(963)	(956)
Defined benefit pension surplus	**(15)**	(30)	(423)
Change in own creditworthiness	**(31)**	(188)	(172)
Cash flow hedge reserve (4)	**237**	485	178
Deductions taken 50% from Tier 1 and 50% from Tier 2			
Investment in non-consolidated controlled entities (net of intangible component)	**(881)**	(581)	(575)
Expected loss in excess of eligible provisions	**(355)**	(402)	(303)
Other securitisation deductions	**(239)**	(220)	(204)
Residual Tier 1 capital in excess of APRA limits - qualifies as Upper Tier 2 capital	**(13)**	-	-
Tier 1 capital	**30,674**	29,286	25,243

	As at		
	30 Sep 09 $m	31 Mar 09 $m	30 Sep 08 $m
Collective provision for doubtful debts [5]	**564**	573	420
Revaluation reserves	**55**	48	48
Perpetual floating rate notes	**190**	364	312
Residual Tier 1 capital in excess of APRA limits - qualifies as Upper Tier 2 capital	**13**	-	-
Eligible dated subordinated debt	**9,296**	13,873	12,621
Deductions taken 50% from Tier 1 and 50% from Tier 2			
Investment in non-consolidated controlled entities (net of intangible component)	**(881)**	(581)	(575)
Expected loss in excess of eligible provisions	**(355)**	(402)	(303)
Other securitisation deductions	**(239)**	(220)	(204)
Tier 2 capital	**8,643**	13,655	12,319
Total capital	**39,317**	42,941	37,562
Risk-weighted assets - credit risk	**311,975**	321,616	310,131
Risk-weighted assets - market risk	**3,415**	5,121	5,088
Risk-weighted assets - operational risk	**22,972**	24,336	23,649
Risk-weighted assets - interest rate risk in the banking book	**4,160**	1,300	4,643
Total risk-weighted assets	**342,522**	352,373	343,511
Risk adjusted capital ratios			
Tier 1	**8.96%**	8.31%	7.35%
Tier 2	**2.52%**	3.88%	3.59%
Total capital	**11.48%**	12.19%	10.93%

	As at		
Regulatory capital summary	30 Sep 09 $m	31 Mar 09 $m	30 Sep 08 $m
Fundamental Tier 1 capital	**32,810**	31,786	28,012
Non-innovative residual Tier 1 capital	**2,738**	2,242	2,242
Innovative residual Tier 1 capital	**4,614**	3,835	3,780
Residual Tier 1 capital in excess of APRA limits - qualifies as Upper Tier 2 capital	**(13)**	-	-
Total residual Tier 1 capital	**7,339**	6,077	6,022
Tier 1 deductions	**(9,475)**	(8,577)	(8,791)
Tier 1 capital	**30,674**	29,286	25,243
Tier 2 capital	**8,643**	13,655	12,319
Total capital	**39,317**	42,941	37,562

(1) *Residual Tier 1 capital that is classified as debt for accounting purposes but qualifies as Tier 1 capital for regulatory purposes. This includes National Capital Instruments issued in September 2006, Residual Tier 1 Convertible Notes issued in September 2008, Residual Tier 1 Stapled Securities issued in September 2008 and September 2009, and Residual Tier 1 Capital Notes issued in September 2009.*

(2) *APRA requires any excess deferred tax assets (DTA) (excluding DTA on the collective provision for doubtful debts) over deferred tax liabilities to be deducted from Tier 1 capital.*

(3) *Comprises capitalised costs associated with debt raisings and securitisations. Loan origination fees are netted against eligible deferred fee income.*

(4) *The methodology for the compilation of regulatory capital treatment for cash flow hedge reserve has been changed in September 09 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.*

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. There are currently three entities within the Wealth Management group with credit ratings, National Wealth Management Holdings Limited which is rated AA- by Standard and Poors; and MLC Lifetime Company Limited and MLC Ltd, both of which have the same long-term credit rating as the National (AA).

	Risk Weighted Assets as at			Exposures as at		
	30 Sep 09 $m	**31 Mar 09 $m**	**30 Sep 08 $m**	**30 Sep 09 $m**	**31 Mar 09 $m**	**30 Sep 08 $m**
Credit risk (1)						
IRB approach						
Corporate (including SME) (2)	**137,460**	156,070	149,395	**195,289**	223,740	227,945
Sovereign (3)	**1,041**	-	-	**13,559**	-	-
Bank	**6,914**	6,584	11,482	**61,697**	68,384	96,983
Residential Mortgage	**47,924**	44,449	44,977	**208,419**	201,362	197,704
Qualifying revolving retail	**4,031**	4,610	4,537	**9,987**	11,596	11,515
Retail SME (4)	**6,994**	-	-	**15,171**	-	-
Other retail	**3,916**	2,991	2,966	**4,806**	3,012	2,951
Total IRB approach (5)	**208,280**	214,704	213,357	**508,928**	508,094	537,098
Specialised lending (SL) exposures subject to slotting criteria	**23,218**	21,598	14,675	**26,678**	26,605	16,999
Standardised approach						
Australian and foreign governments	**91**	334	534	**5,827**	21,808	6,608
Bank	**777**	1,084	306	**13,391**	15,293	25,068
Residential Mortgage	**20,336**	20,376	18,073	**31,633**	33,259	34,432
Corporate	**32,465**	37,921	40,008	**34,798**	39,846	45,458
Other	**8,799**	10,323	9,573	**8,767**	10,304	9,518
Total standardised approach	**62,468**	70,038	68,494	**94,416**	120,510	121,084
Other						
Securitisation (6)	**10,968**	7,860	5,983	**17,630**	22,538	24,987
Equity	**1,030**	831	657	**266**	212	176
Other (7)	**6,011**	6,585	6,965	**7,366**	8,873	9,148
Total Other	**18,009**	15,276	13,605	**25,262**	31,623	34,311
Total credit risk	**311,975**	321,616	310,131	**655,284**	686,832	709,492
Market risk (8)	**3,415**	5,121	5,088			
Operational risk	**22,972**	24,336	23,649			
Interest rate risk in the banking book	**4,160**	1,300	4,643			
Total risk weighted assets & exposures	**342,522**	352,373	343,511			

(1) *Risk Weighted Assets ("RWA") which are calculated in accordance with APRA's requirements under Basel II, are required to incorporate a scaling factor of 1.06 to assets that are not subject to specific risk weights. Effective 30 September 2009, BNZ exposures consolidated within the banking group numbers are calculated under RBNZ requirements. The impact of the change in methodology from APRA requirements to RBNZ requirements resulted in an increase of RWA of $AUD 4.0 billion.*

(2) *The Group has a large middle market corporate portfolio in its Australian operations. Exposures meeting the Retail SME portfolio classification were previously included in the Group's corporate portfolio.*

(3) *Effective 30 September 2009 the Group received approval to change the treatment of the sovereign asset class for IRB portfolios, excluding BNZ (which is awaiting RBNZ approval in December quarter 2009), from the standardised to advanced IRB approach.*

(4) *Effective 30 September 2009 the Group received approval from APRA to segment the retail SME portfolio.*

(5) *For IRB approach: 'Bank' includes ADIs, overseas banks and non-commercial public sector entities. 'Residential mortgage' includes exposures that are partly or fully secured by residential properties. 'Qualifying revolving retail' exposures are revolving, unsecured and unconditionally cancellable (both contractually and in practice), for individuals and not explicitly for business purposes.*

(6) *APRA outlined accreditation requirements for the APS 120 portfolio in March 2009. These are applicable to the period post 31 March 2009, and provide for the application of the ratings based, IAA or standardised approach to the different asset classes (as well as depending on the specifics of individual structures) comprising the APS 120 portfolio. The impact of the accreditation requirements account for a large part of the increase in securitisation RWA of approximately $3.1 billion between 31 March 2009 and 30 September 2009.*

(7) *'Other' includes non-lending asset exposures which are not covered in the above categories.*

(8) *The decrease in Total Traded Market Risk RWA since 31 March 2009 was partly due to an APRA approved change in methodology with respect to calculating regulatory capital for general market risk. The change in methodology, from a 'sum of regions' basis to a 'global diversified VaR' basis, contributed to a decrease in the general market risk (Internal Model) RWA of approximately $0.5 billion.*

6. Earnings per Share

Earnings per Share	Year to Sep 09 Basic	Sep 09 Diluted [1]	Sep 08 Basic	Sep 08 Diluted [1]
Earnings ($m)				
Net profit attributable to members of the Company	2,589	2,589	4,536	4,536
Distributions on other equity instruments	(273)	(273)	(312)	(312)
Potential dilutive adjustments				
Interest expense on convertible notes (after tax)	-	-	-	1
Adjusted earnings	2,316	2,316	4,224	4,225
Weighted average ordinary shares (no. '000)				
Weighted average ordinary shares	1,922,189	1,922,189	1,642,935	1,642,935
Treasury shares	(45,368)	(36,135)	(35,285)	(31,006)
Potential dilutive ordinary shares				
Performance options and performance rights	-	895	-	1,046
Partly paid ordinary shares	-	117	-	159
Employee share plans	-	4,211	-	6,073
Convertible notes	-	-	-	207
Total weighted average ordinary shares	1,876,821	1,891,277	1,607,650	1,619,414
Earnings per share (cents)	123.4	122.5	262.7	260.9

[1] *During the year ended 30 September 2009 the impact of convertible notes has not been included in the diluted earnings per share because they were anti-dilutive. During the year ended 30 September 2008, the impact of some convertible notes have not been included in the diluted earnings per share because they were anti-dilutive.*

Earnings per Share	Half Year to Sep 09 Basic	Sep 09 Diluted [1]	Mar 09 Basic	Mar 09 Diluted [1]
Earnings ($m)				
Net profit attributable to members of the Company	(75)	(75)	2,664	2,664
Distributions on other equity instruments	(116)	(116)	(157)	(157)
Potential dilutive adjustments				
Interest expense on convertible notes (after tax)	-	-	-	20
Adjusted earnings	(191)	(191)	2,507	2,527
Weighted average ordinary shares (no. '000)				
Weighted average ordinary shares	1,984,974	1,984,974	1,859,066	1,859,066
Treasury shares	(48,306)	(36,360)	(46,045)	(36,679)
Potential dilutive ordinary shares				
Performance options and performance rights	-	1,060	-	467
Partly paid ordinary shares	-	124	-	110
Employee share plans	-	4,211	-	6,513
Convertible notes	-	-	-	27,807
Total weighted average ordinary shares	1,936,668	1,954,009	1,813,021	1,857,284
Earnings per share (cents)	(9.9)	(9.8)	138.3	136.1

[1] *During the half year ended 30 September 2009, the impact of convertible notes has not been included in the diluted earnings per share because they were anti-dilutive.*

Cash Earnings per Share	Year to Sep 09 Basic	Diluted	Sep 08 Basic	Diluted
Earnings ($m)				
Cash earnings [2] - ongoing operations	3,841	3,841	3,916	3,916
Distributions on other equity instruments	(28)	(28)	-	-
Potential dilutive adjustments				
Interest expense on convertible notes (after tax)	-	36	-	-
Adjusted cash earnings	3,813	3,849	3,916	3,916
Weighted average ordinary shares (no. '000)				
Weighted average ordinary shares	1,922,189	1,922,189	1,642,935	1,642,935
Potential dilutive weighted average ordinary shares				
Performance options and performance rights	-	895	-	1,046
Partly paid ordinary shares	-	117	-	159
Employee share plans	-	4,211	-	6,073
Convertible notes	-	21,906	-	-
Total weighted average ordinary shares	1,922,189	1,949,318	1,642,935	1,650,213
Cash earnings per share (cents)	198.4	197.5	238.4	237.3

[2] *Refer to Section 6 'Supplementary Information' for a reconciliation of cash earnings to Group net profit.*

Cash Earnings per Share	Half Year to Sep 09 Basic	Diluted	Mar 09 Basic	Diluted
Earnings ($m)				
Cash earnings [2] - ongoing operations	1,814	1,814	2,027	2,027
Distributions on other equity instruments	(15)	(15)	(13)	(13)
Potential dilutive adjustments				
Interest expense on convertible notes (after tax)	-	16	-	20
Adjusted cash earnings	1,799	1,815	2,014	2,034
Weighted average ordinary shares (no. '000)				
Weighted average ordinary shares	1,984,974	1,984,974	1,859,066	1,859,066
Potential dilutive weighted average ordinary shares				
Performance options and performance rights	-	1,060	-	467
Partly paid ordinary shares	-	124	-	110
Employee share plans	-	4,211	-	6,513
Convertible notes	-	25,131	-	27,807
Total weighted average ordinary shares	1,984,974	2,015,500	1,859,066	1,893,963
Cash earnings per share (cents)	90.6	90.1	108.3	107.4

[2] *Refer to Section 6 'Supplementary Information' for a reconciliation of cash earnings to Group net profit.*

7. Number of Ordinary Shares

	Year to	
	Sep 09 No. '000	Sep 08 No. '000
Ordinary shares, fully paid		
Balance at beginning of period	**1,717,627**	1,621,066
Shares issued		
Dividend reinvestment plan	**74,899**	60,395
Bonus share plan	**2,953**	2,590
Debt conversion to equity	**-**	25,450
Employee share plans	**9,701**	7,179
Executive option plan no. 2	**4**	899
Shares issued under placement	**243,023**	-
Share purchase plan	**47,366**	-
Paying up of partly paid shares	**22**	48
	2,095,595	1,717,627
Ordinary shares, partly paid to 25 cents		
Balance at beginning of period	**225**	273
Paying up of partly paid shares	**(22)**	(48)
	203	225
Total number of ordinary shares on issue at end of period (including treasury shares)	**2,095,798**	1,717,852
Less: treasury shares	**(47,629)**	(43,108)
Total number of ordinary shares on issue at end of period (excluding treasury shares)	**2,048,169**	1,674,744

	Half Year to	
	Sep 09 No. '000	Mar 09 No. '000
Ordinary shares, fully paid		
Balance at beginning of period	**1,918,282**	1,717,627
Shares issued		
Dividend reinvestment plan	**48,017**	26,882
Bonus share plan	**1,070**	1,883
Employee share plans	**228**	9,473
Executive option plan no. 2	**3**	1
Shares issued under placement	**93,023**	150,000
Share purchase plan	**34,968**	12,398
Paying up of partly paid shares	**4**	18
	2,095,595	1,918,282
Ordinary shares, partly paid to 25 cents		
Balance at beginning of period	**207**	225
Paying up of partly paid shares	**(4)**	(18)
	203	207
Total number of ordinary shares on issue at end of period (including treasury shares)	**2,095,798**	1,918,489
Less: treasury shares	**(47,629)**	(48,982)
Total number of ordinary shares on issue at end of period (excluding treasury shares)	**2,048,169**	1,869,507

8. Exchange Rates

	Income Statement - average				Balance Sheet - spot		
	Year to		Half Year to		As at		
	Sep 09	Sep 08	Sep 09	Mar 09	30 Sep 09	31 Mar 09	30 Sep 08
British Pounds	**0.4721**	0.4602	**0.4991**	0.4450	**0.5483**	0.4804	0.4443
Euros	**0.5397**	0.6031	**0.5701**	0.5094	**0.6016**	0.5186	0.5581
United States Dollars	**0.7321**	0.9069	**0.7964**	0.6678	**0.8797**	0.6865	0.8019
New Zealand Dollars	**1.2269**	1.1934	**1.2479**	1.2058	**1.2188**	1.2080	1.1931

9. Australian Life Company Margins

Sources of Operating Profit from Australian Life Companies life insurance funds	Year to			Half Year to		
	Sep 09 $m	Sep 08 $m	Sep 09 v Sep 08 %	Sep 09 $m	Mar 09 $m	Sep 09 v Mar 09 %
Life company - planned profit margins	**228**	279	(18.3)	**114**	114	-
Life company - experience profit	**(21)**	21	large	**(9)**	(12)	25.0
Life company operating margins [1]	**207**	300	(31.0)	**105**	102	2.9
IoRE (after tax) [2]	**45**	49	(8.2)	**34**	11	large
Net profit of life insurance funds after minority interest	**252**	349	(27.8)	**139**	113	23.0

(1) *Reflects operating 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 minority interest of $49m (Sep 08 $24m; HY Sep 09 $62m; HY Mar 09($13m)) and IoRE discount rate variantion of ($4m) (Sep 08 $25m; HY Sep 09 ($28m); HY Mar 09 $24m); IoRE attributable to non life insurance funds of ($23m) (Sep 08 ($37m); HY Sep 09 ($10m); HY Mar 09 ($13m)) is excluded.*

10. ASX Appendix 4E

11. Reconciliation between Statutory Net Profit after Tax and Cash Earnings

Year ended 30 September 2009	Statutory Profit $m	MLC Adj. (1) $m	Distri-butions $m	Treasury Shares $m	Fair Value and Hedge Ineffec. $m	IoRE Disc. Rate $m	Efficiency, quality and service initiatives $m	Provision for Litigation $m	Provision for Tax on NZ Struct. Fin. Trans. $m	ExCaps Taxation Assmt. $m	GWB Integration Costs $m	Cash Earnings - Ongoing $m
Net interest income	12,068	4	-	-	-	-	-	-	-	-	-	**12,072**
Net life insurance income	357	(674)	-	311	-	6	-	-	-	-	-	**-**
Other operating income	4,352	(701)	-	-	115	-	-	-	-	-	-	**3,766**
MLC net operating income	-	1,068	-	-	-	-	-	-	-	-	-	**1,068**
Net operating income	16,777	(303)	-	311	115	6	-	-	-	-	-	**16,906**
Operating expenses	(7,979)	(42)	-	-	-	-	254	157	5	-	25	**(7,580)**
Operating profit pre charge to provide for doubtful debts	8,798	(345)	-	311	115	6	254	157	5	-	25	**9,326**
Charge to provide for doubtful debts	(3,815)	-	-	-	-	-	-	-	-	-	-	**(3,815)**
Operating profit before tax	4,983	(345)	-	311	115	6	254	157	5	-	25	**5,511**
Income tax expense	(2,394)	319	-	(55)	(36)	(2)	(75)	(47)	537	309	(7)	**(1,451)**
Operating profit before distributions and minority interest	2,589	(26)	-	256	79	4	179	110	542	309	18	**4,060**
Net profit - minority interest	-	-	-	-	-	-	-	-	-	-	-	**-**
IoRE (after tax)	-	26	-	-	-	-	-	-	-	-	-	**26**
Distributions	-	-	(245)	-	-	-	-	-	-	-	-	**(245)**
Net profit attributable to members of the Company	2,589	-	(245)	256	79	4	179	110	542	309	18	**3,841**

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

Year ended 30 September 2008	Statutory Profit $m	MLC Adj. (1) $m	Distri-butions $m	Treasury Shares $m	Fair Value and Hedge Ineffec. $m	IoRE Disc. Rate $m	GWB Integration Costs $m	Visa IPO $m	Economic Cycle Adj. $m	New Business Initiatives $m	Disposed Operations (2) $m	Cash Earnings - Ongoing $m
Net interest income	11,098	33	-	-	-	-	-	-	-	-	11	**11,142**
Net life insurance income	(390)	871	-	(445)	-	(36)	-	-	-	-	-	**-**
Other operating income	3,849	(666)	-	-	119	-	-	(242)	-	-	(45)	**3,015**
MLC net operating income	-	1,257	-	-	-	-	-	-	-	-	-	**1,257**
Net operating income	14,557	1,495	-	(445)	119	(36)	-	(242)	-	-	(34)	**15,414**
Operating expenses	(7,280)	(142)	-	-	-	-	10	-	-	106	30	**(7,276)**
Operating profit pre charge to provide for doubtful debts	7,277	1,353	-	(445)	119	(36)	10	(242)	-	106	(4)	**8,138**
Charge to provide for doubtful debts	(2,703)	-	-	-	-	-	-	-	214	-	-	**(2,489)**
Operating profit before tax	4,574	1,353	-	(445)	119	(36)	10	(242)	214	106	(4)	**5,649**
Income tax expense	(39)	(1,339)	-	70	(30)	11	(3)	17	(64)	(32)	1	**(1,408)**
Operating profit before distributions and minority interest	4,535	14	-	(375)	89	(25)	7	(225)	150	74	(3)	**4,241**
Net profit - minority interest	1	-	-	-	-	-	-	-	-	-	-	**1**
IoRE (after tax)	-	(14)	-	-	-	-	-	-	-	-	-	**(14)**
Distributions	-	-	(312)	-	-	-	-	-	-	-	-	**(312)**
Net profit attributable to members of the Company	4,536	-	(312)	(375)	89	(25)	7	(225)	150	74	(3)	**3,916**

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

(2) *Represents the Group's Commercial Fleet business, which was disposed on 5 March 2008.*

Half Year ended 30 September 2009	Statutory Profit $m	MLC Adj. [1] $m	Distri-butions $m	Treasury Shares $m	Fair Value and Hedge Ineffec. $m	IoRE Disc. Rate $m	Efficiency, quality and service initiatives $m	Provision for Litigation $m	Provision for Tax on NZ Struct. Fin. Trans. $m	ExCaps Taxation Assmt. $m	GWB Integration Costs $m	Cash Earnings - Ongoing $m
Net interest income	6,184	4	-	-	-	-	-	-	-	-	-	**6,188**
Net life insurance income	(81)	(367)	-	408	-	40	-	-	-	-	-	**-**
Other operating income	1,245	(362)	-	-	792	-	-	-	-	-	-	**1,675**
MLC net operating income	-	529	-	-	-	-	-	-	-	-	-	**529**
Net operating income	7,348	(196)	-	408	792	40	-	-	-	-	-	**8,392**
Operating expenses	(4,103)	(14)	-	-	-	-	194	92	5	-	16	**(3,810)**
Operating profit pre charge to provide for doubtful debts	3,245	(210)	-	408	792	40	194	92	5	-	16	**4,582**
Charge to provide for doubtful debts	(2,004)	-	-	-	-	-	-	-	-	-	-	**(2,004)**
Operating profit before tax	1,241	(210)	-	408	792	40	194	92	5	-	16	**2,578**
Income tax expense	(1,327)	158	-	(64)	(237)	(12)	(57)	(28)	537	309	(5)	**(726)**
Operating profit before distributions and minority interest	(86)	(52)	-	344	555	28	137	64	542	309	11	**1,852**
Net profit - minority interest	11	-	-	-	-	-	-	-	-	-	-	**11**
IoRE (after tax)	-	52	-	-	-	-	-	-	-	-	-	**52**
Distributions	-	-	(101)	-	-	-	-	-	-	-	-	**(101)**
Net profit attributable to members of the Company	(75)	-	(101)	344	555	28	137	64	542	309	11	**1,814**

[1] *Refer to Note 12 in Section 6 for further details regarding the MLC adjustment.*

Half Year ended 31 March 2009	Statutory Profit $m	MLC Adj. [1] $m	Distri-butions $m	Treasury Shares $m	Fair Value and Hedge Ineffec. $m	IoRE Disc. Rate $m	Efficiency, quality and service initiatives $m	Provision for Litigation $m	GWB Integration Costs $m	Cash Earnings - Ongoing $m
Net interest income	5,884	-	-	-	-	-	-	-	-	**5,884**
Net life insurance income	438	(307)	-	(97)	-	(34)	-	-	-	**-**
Other operating income	3,107	(339)	-	-	(677)	-	-	-	-	**2,091**
MLC net operating income	-	539	-	-	-	-	-	-	-	**539**
Net operating income	9,429	(107)	-	(97)	(677)	(34)	-	-	-	**8,514**
Operating expenses	(3,876)	(28)	-	-	-	-	60	65	9	**(3,770)**
Operating profit pre charge to provide for doubtful debts	5,553	(135)	-	(97)	(677)	(34)	60	65	9	**4,744**
Charge to provide for doubtful debts	(1,811)	-	-	-	-	-	-	-	-	**(1,811)**
Operating profit before tax	3,742	(135)	-	(97)	(677)	(34)	60	65	9	**2,933**
Income tax expense	(1,067)	161	-	9	201	10	(18)	(19)	(2)	**(725)**
Operating profit before distributions and minority interest	2,675	26	-	(88)	(476)	(24)	42	46	7	**2,208**
Net profit - minority interest	(11)	-	-	-	-	-	-	-	-	**(11)**
IoRE (after tax)	-	(26)	-	-	-	-	-	-	-	**(26)**
Distributions	-	-	(144)	-	-	-	-	-	-	**(144)**
Net profit attributable to members of the Company	2,664	-	(144)	(88)	(476)	(24)	42	46	7	**2,027**

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

12. MLC Reconciling Items

Year ended 30 September 2009	Life Reclassification [a] Cash IoRE [i] $m	Policy-holder tax [ii] $m	Other NLII reclassification [iii] $m	Non-Life Reclassification [b] $m	Other $m	MLC Adj $m
Net interest income	32	-	-	(29)	1	**4**
Net life insurance income	(78)	(313)	(283)	-	-	**(674)**
Other operating income	-	-	36	(739)	2	**(701)**
MLC net operating income	-	-	557	519	(8)	**1,068**
Net operating income	(46)	(313)	310	(249)	(5)	**(303)**
Operating expenses	-	-	(298)	249	7	**(42)**
Operating profit pre charge to provide for doubtful debts	(46)	(313)	12	-	2	**(345)**
Charge to provide for doubtful debts	-	-	-	-	-	**-**
Operating profit before tax	(46)	(313)	12	-	2	**(345)**
Income tax expense	20	313	(12)	-	(2)	**319**
Operating profit before distributions and minority interest	(26)	-	-	-	-	**(26)**
Net profit - minority interest	-	-	-	-	-	**-**
IoRE (after tax)	26	-	-	-	-	**26**
Distributions	-	-	-	-	-	**-**
Net profit attributable to members of the Company	-	-	-	-	-	**-**

Year ended 30 September 2008	Life Reclassification [a] Cash IoRE [i] $m	Policy-holder tax [ii] $m	Other NLII reclassification [iii] $m	Non-Life Reclassification [b] $m	Other $m	MLC Adj $m
Net interest income	54	-	-	(20)	(1)	**33**
Net life insurance income	(37)	1,323	(416)	-	1	**871**
Other operating income	-	-	33	(695)	(4)	**(666)**
MLC net operating income	-	-	699	537	21	**1,257**
Net operating income	17	1,323	316	(178)	17	**1,495**
Operating expenses	-	-	(305)	178	(15)	**(142)**
Operating profit pre charge to provide for doubtful debts	17	1,323	11	-	2	**1,353**
Charge to provide for doubtful debts	-	-	-	-	-	**-**
Operating profit before tax	17	1,323	11	-	2	**1,353**
Income tax expense	(3)	(1,323)	(11)	-	(2)	**(1,339)**
Operating profit before distributions and minority interest	14	-	-	-	-	**14**
Net profit - minority interest	-	-	-	-	-	**-**
IoRE (after tax)	(14)	-	-	-	-	**(14)**
Distributions	-	-	-	-	-	**-**
Net profit attributable to members of the Company	-	-	-	-	-	**-**

Half Year ended 30 September 2009	Life Reclassification (a) Cash IoRE (i) $m	Policy-holder tax (ii) $m	Other NLII reclassification (iii) $m	Non-Life Reclassification (b) $m	Other $m	MLC Adj $m
Net interest income	13	-	-	(9)	-	**4**
Net life insurance income	(77)	(131)	(159)	-	-	**(367)**
Other operating income	-	-	19	(384)	3	**(362)**
MLC net operating income	-	-	273	261	(5)	**529**
Net operating income	(64)	(131)	133	(132)	(2)	**(196)**
Operating expenses	-	-	(149)	132	3	**(14)**
Operating profit pre charge to provide for doubtful debts	(64)	(131)	(16)	-	1	**(210)**
Charge to provide for doubtful debts	-	-	-	-	-	**-**
Operating profit before tax	(64)	(131)	(16)	-	1	**(210)**
Income tax expense	12	131	16	-	(1)	**158**
Operating profit before distributions and minority interest	(52)	-	-	-	-	**(52)**
Net profit - minority interest	-	-	-	-	-	**-**
IoRE (after tax)	52	-	-	-	-	**52**
Distributions	-	-	-	-	-	**-**
Net profit attributable to members of the Company	-	-	-	-	-	**-**

Half Year ended 31 March 2009	Life Reclassification (a) Cash IoRE (i) $m	Policy-holder tax (ii) $m	Other NLII reclassification (iii) $m	Non-Life Reclassification (b) $m	Other $m	MLC Adj $m
Net interest income	19	-	-	(20)	1	**-**
Net life insurance income	(1)	(182)	(124)	-	-	**(307)**
Other operating income	-	-	17	(355)	(1)	**(339)**
MLC net operating income	-	-	284	258	(3)	**539**
Net operating income	18	(182)	177	(117)	(3)	**(107)**
Operating expenses	-	-	(149)	117	4	**(28)**
Operating profit pre charge to provide for doubtful debts	18	(182)	28	-	1	**(135)**
Charge to provide for doubtful debts	-	-	-	-	-	**-**
Operating profit before tax	18	(182)	28	-	1	**(135)**
Income tax expense	8	182	(28)	-	(1)	**161**
Operating profit before distributions and minority interest	26	-	-	-	-	**26**
Net profit - minority interest	-	-	-	-	-	**-**
IoRE (after tax)	(26)	-	-	-	-	**(26)**
Distributions	-	-	-	-	-	**-**
Net profit attributable to members of the Company	-	-	-	-	-	**-**

a) *Reclassification of Net Life Insurance Income ("NLII") NLII is a statutory disclosure only and as such all items shown under NLII are reclassified for management reporting purposes. A summary of the respective NLII adjustments is provided below:*

(i) *Cash IoRE: Interest on Retained Earnings is a separate disclosable item for management reporting purposes. Under the statutory view, components of IoRE are disclosed in the following lines: - Net Interest income: this is the net interest cost of subordinated and senior debt raised for capital management purposes. - NLII: includes interest earnings on insurance VARC (Value of Acquisition Recovery Components) and investment earnings on surplus assets.*

(ii) *Policyholder tax reclassification: The MLC investment linked business is written within statutory funds. As a result NLII includes both shareholder and policyholder amounts for statutory reporting purposes. For management reporting purposes only the shareholder component is disclosed. From a statutory reporting disclosure point of view all policyholder amounts offset within the NLII disclosure, except for tax on the investment-linked business. As a result there is a reclassification between NLII and tax for these amounts.*

(iii) *Other NLII Reclassification: These are all other components of NLII, not adjusted for above, which are included in MLC net operating income, operating expenses and income tax expense in the management view. These include premiums, investment earnings, claims, change in policy liabilities, policy acquisition and maintenance costs and investments management costs.*

b) *Non-Life Reclassifications: Non-life net interest income, other operating income and volume related expenses (included in operating expenses) are reclassified to MLC net operating income for management reporting purposes.*

Section 7

Glossary of Terms

Term	Description
ABCP	Asset-backed commercial paper.
ABS	Asset-backed securities.
ABS CDO - Super-senior note holder	CDO of ABS where a conduit has invested in the most senior note.
ABS CDO - Junior note holder	CDO of ABS where a conduit has invested in a note which is subordinated to other note(s).
Alt-A	In USA, residential mortgage loans advanced to borrowers falling just outside prime lending criteria, but without the more significant credit or debt servicing limitations seen in subprime lending.
Auto / Equipment	Automotive and equipment receivables.
Average assets	Represents the average of assets over the period adjusted for disposed operations.
Banking	Banking operations include the Group's: - Retail, business and agri-business banking operations operating in the Australia Region, UK Region, NZ Region and Great Western Bank. - Institutional Banking, Corporate Finance, Markets and Structuring and Investments business within nabCapital. - Treasury and support functions operating in the Regions and within Central Functions.
Cash earnings	Is a non-GAAP key performance measure and financial target used by the Group. Dividends paid by the Company are based on after-tax cash earnings. It is also a key performance measure used by the investment community, as well as by those Australian peers of the Group with a similar business portfolio. It does not refer to, or in any way purport to represent the cash flows, funding or liquidity position of the Group. It does not refer to any amount represented on a Cash flow statement. Cash earnings is defined as: Net profit attributable to members of the company Less: Distributions Treasury shares Fair value and hedge ineffectiveness IoRE discount rate variation GWB Integration costs Revaluation gains/(losses) on exchangeable capital units Net profit/(loss) on sale of controlled entities Fair value gains/losses on economic hedge of the proceeds on sale of controlled entities Significant items Add: Impairment of goodwill
Cash earnings on average equity	Calculated as cash earnings - ongoing divided by average shareholders' equity, excluding minority interests and other equity instruments and adjusted for treasury shares and exchangeable capital units valuation adjustments.
Cash earnings - ongoing	Cash earnings adjusted for disposed operations. The disposed operations results are excluded to assist in the interpretation of the Group's result as it facilitates a like-for-like comparison.
Cash earnings per share - basic	Calculated as cash earnings - ongoing divided by the weighted average number of shares adjusted to include treasury shares.
Cash earnings per share - diluted	Cash earnings - ongoing, adjusted for interest expense on exchangeable capital units, divided by the weighted average number of ordinary shares, adjusted to include treasury shares and exchangeable capital units.
CDO	Collateralised Debt Obligation.
CDS	Credit Default Swap.
CLO	Collateralised Loan Obligations.
CMBS	Commercial Mortgage-Backed Securities.
Conduit	SPE used to fund assets through the issuance of ABCP or MTN.
Core Assets	Include loans and advances to customers and banks (including leases and acceptances) net of securitised assets; fixed assets and investments held to maturity.
Cost to Income Ratio	Represents banking operating expenses (before inter-segment eliminations) as a percentage of total banking operating revenue (before inter-segment eliminations).
Credit wrapped ABS	Securities backed by monoline-guaranteed portfolios of ABS.
Credit wrapped bonds	Monoline-guaranteed infrastructure, utility and energy related corporate bonds.
Customer Deposits	Deposits (Interest Bearing, Non-Interest Bearing, TDs, Central Bank Deposits).
Customer Funding Index (CFI)	Customer Deposits divided by Core Assets.
Disposed operations	Are operations that will not form part of the continuing Group. These include operations sold and those that have been announced to the market that have yet to reach completion. This may differ from the treatment for statutory accounting purposes but facilitates a like-for-like comparison.

Term	Description
Distributions	Payments to holders of other equity instruments issues such as National Income Securities, Trust Preferred Securities, Trust Preferred Securities II and National Capital Instruments. Distributions are subtracted from net profit to reflect the amount that is attributable to ordinary shareholders.
Dividend Payout Ratio	Dividends paid on ordinary shares divided by cash earnings per share.
Earnings Per Share	Calculated in accordance with the requirements of AASB 133 "Earnings per Share."
Fair value and hedge ineffectiveness	Represents volatility attributable to the Group's application of the fair value option, ineffectiveness from designated accounting and economic hedge relationships and economic hedges of significant approved funding activities where hedge accounting has not been applied.
Fair value gains/losses on economic hedge of the proceeds on sale of controlled entities	Represents the fair value movement on derivatives taken out to protect against foreign exchange rate movements on the proceeds of the sale of controlled entities.
FSF	Financial Stability Forum.
Full time equivalent employees (FTEs)	Include all permanent full time staff, part time staff equivalents and external contractors employed by third party agencies.
GWB integration costs	GWB Integration costs include costs of integration and the amortisation of intangible assets recognised upon acquisition.
Impaired Assets	Consist of: - retail loans (excluding credit card loans and portfolio managed facilities) which are contractually past due 90 days with security insufficient to cover principal and arrears of interest revenue; - non retail loans which are contractually past due and there is sufficient doubt about the ultimate collectability of principal and interest; and - impaired off-balance sheet credit exposures where current circumstances indicate that losses may be incurred. Unsecured portfolio managed facilities are also classified as impaired assets when they become 180 days past due (if not written off).
Impairment of goodwill	Is an impairment expense recognised on the application of an impairment test. As it relates to an intangible asset, and financial statement users generally do not regard impairment of goodwill as being useful information in analysing investments, management believes it is prudent to isolate this amount from the underlying operating result.
Insurance	Includes the provision of personal insurance by MLC.
Investments	Includes funds managed in the provision of investment and superannuation solutions by MLC.
IoRE	Investment earnings (net of tax) on shareholders retained profits and capital from life businesses, net of capital funding costs (IoRE) is comprised of three things: - investment earnings on surplus assets which are held in the Statutory Funds to meet capital adequacy requirements under the Life Act. - interest on insurance VARC (Value of Acquisition Expense Recovery Component) net of reinsurance costs. VARC is defined as the current termination value less policy liabilities, and represents the value of acquisition costs recoverable from future premiums. Interest on VARC represents the unwinding of the discount rate on VARC. - less the borrowing costs of any capital funding initiatives.
IoRE discount rate variation	Is the movement in Investment Earnings on Shareholders' Retained Profits (IoRE) attributable to the impact of changes in long term discount rates.
Leveraged loans CLOs	CLOs backed by pools of broadly syndicated commercial bank loans.
LMI	Lenders Mortgage Insurance.
Monolines	Monoline Insurers (monoline insurance companies) guarantee the timely payment of interest and repayment of principal in case an issuer of the guaranteed instrument defaults. They are so named because they provide service to only one industry.
MTN	Medium Term Notes.
Net interest margin	Net interest income as a percentage of average interest earning assets.
Net profit attributable to members of the company	Represents the Group's statutory profit after tax and reflects the amount of net profit that is attributable to ordinary shareholders.
Net profit attributable to minority interest	Reflects the allocation of profit to minority interests in the Group, and is adjusted from net profit to reflect the amount of net profit that is attributable to ordinary shareholders.
Net Tangible Assets per Share	Net assets excluding intangible assets, minority interests, preference shares and other equity instruments divided by ordinary shares on issue at the end of the period.
Non-conforming residential mortgage	In Australia and UK, residential mortgage loans that are advanced to borrowers who do not generally meet prime lending guidelines and LMI eligibility.
Non-LMI prime residential mortgage	Prime residential mortgages but without LMI cover.
Non-impaired assets 90+ days past due	Non-impaired assets 90+ days past due consist of well-secured assets that are more than 90 days past due and portfolio-managed facilities that are not well secured and between 90 and 180 days past due.
Prime residential mortgages	In Australia, residential mortgage loans advanced by traditional residential mortgage lenders and eligible to be covered by an LMI policy.

Term	Description
Revaluation gains/(losses) on exchange-able capital units (ExCaps)	The Group's exposure to foreign exchange risk is eliminated through the existence of certain conversion features that convert the ExCaps to equity at pre-determined exchange rates. There are no remaining ExCaps on issue at the end of the period.
Risk weighted assets	On and off balance sheet assets of the Bank are allocated a risk weighting based on the amount of capital required to support the asset. Under Basel II the Group calculates risk weighted assets for credit risk, market risk, operational risk and interest rate risk in the banking book.
SCDO	Synthetic Collateralised Debt Obligation.
Scorecards	A decision model incorporating algorithms that calculates a customer risk score, the outcome of which is used in the credit assessment process.
Securitisation	Structured finance technique which involves pooling and packaging cash-flow converting financial assets into securities that can be sold to investors.
Significant items	Those items included on the face of the statutory Income Statement when it is necessary to explain the elements of financial performance. Factors to consider include materiality and the nature and function of the components of income and expenses.
Special Purpose Entity (SPE)	An entity created to accomplish a narrow well-defined objective (eg securitisation of financial assets). An SPE may take the form of a corporation, trust, partnership or unincorporated entity. SPEs are often created with legal arrangements that impose strict limits on the activities of the SPE.
Stable Funding Index (SFI)	Term Funding Index (TFI) plus Customer Funding Index (CFI).
Sub-prime residential mortgages	In USA, residential mortgage loans advanced to borrowers unable to qualify under traditional lending criteria due to poor credit history or debt payment capacity.
Subscription loans	Investment loans to equity investment funds.
Term Funding Index (TFI)	Term Wholesale Funding (with a remaining maturity to first call date greater than 12 months) divided by Core Assets.
Tier 1 ratio	Tier 1 capital as defined by APRA divided by risk weighted assets.
Tier 2 ratio	Tier 2 capital as defined by APRA divided by risk weighted assets.
Total Shareholder Return (TSR)	Total Shareholder Return (TSR) is a concept used to compare the performance of different companies' stocks and shares over time. It combines share price appreciation and dividends paid to show the total return to the shareholder. The absolute size of the TSR will vary with stock markets, but the relative position reflects the market perception of overall performance relative to a reference group.
Treasury shares	Relates to the movement in treasury share assets (direct investments in National Australia Bank Limited) caused by the movement in the share price and/or volume along with dividend income.
Weighted Average Number of Shares	Calculated in accordance with the requirements of AASB 133 'Earnings per Share.'

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