HALF YEAR RESULTS 2017

National Australia Bank

Incorporating the requirements of Appendix 4D

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

The half year consolidated report is to be read in conjunction with the Annual Financial Report 2016.

Neville Mock,
Mock Red Hill

National Australia Bank Limited ABN 12 004 044 937

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Results for announcement to the market

Report for the half year ended 31 March 2017

					31 March 2017 $m
Revenue from ordinary activities (1)	page 57	down	4.7%	* to	8,639
Net profit / (loss) after tax from ordinary activities attributable to owners of NAB (2)	page 57	up	246.1%	* to	2,545
Net profit / (loss) attributable to owners of NAB (2)	page 57	up	246.1%	* to	2,545

** On prior corresponding period (six months ended 31 March 2016).*

(1) *Required to be disclosed by ASX Listing Rule 4D. Reported as the sum of the following from the Group's consolidated income statement: Net interest income $6,397 million and total other income $2,242 million. On a cash earnings basis revenue increased by 1.8%. Refer to information on cash earnings on page 2 of Section 1, of the 2017 half year results.*

(2) *Net profit / (loss) attributable to owners of NAB was up 246.1% to $2,545 million, reflecting the loss on CYBG demerger and provisions for conduct costs pursuant to claims under the Conduct Indemnity Deed with CYBG in the 31 March 2016 half year.*

Dividends	Amount per share cents	Franked amount per share %
Interim dividend	99	100
Record date for determining entitlements to the interim dividend		17 May 2017

A Glossary of Terms is included in Section 7.

A reference in this Appendix 4D to the 'Group' is a reference to NAB and its controlled entities. All currency amounts are expressed in Australian dollars unless otherwise stated. References in this document to the March 2017 half year are references to the six months ended 31 March 2017. Other six month periods are referred to in a corresponding manner. National Australia Bank Limited's consolidated financial statements, prepared in accordance with the *Corporations Act 2001* (Cth), are included in Section 5. See page 99 for a complete index of ASX Appendix 4D requirements.

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AUSTRALIA
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Thursday, 4 May 2017

ASX Announcement

NAB 2017 Half Year Results

Highlights

- Cash earnings[1] of $3.29 billion, up 2.3% compared to March 2016 half year
- Statutory net profit of $2.55 billion
- Interim dividend unchanged at 99 cents per share fully franked
- Cash ROE of 14.0%
- CET1 ratio of 10.1%, an increase of 34 basis points compared to September 2016

Key points

The March 2017 half year results are compared with the March 2016 half year results for continuing operations unless otherwise stated, and reflect revisions to prior comparative financial information as detailed in NAB's ASX announcement on 20 April 2017.

- On a statutory basis, net profit attributable to the owners of NAB was $2.55 billion compared to a loss of $1.74 billion for the March 2016 half year. The improved result primarily reflects reduced losses from discontinued operations[2]. Excluding discontinued operations[2], statutory net profit decreased 11.4%.
- Cash earnings[1] were $3.29 billion, an increase of 2.3%. The main difference between statutory and cash earnings relates to the effects of fair value and hedge ineffectiveness, and discontinued operations.
- On a cash earnings basis:
  - Revenue increased 1.8% benefitting from growth in lending, improved fee collection and stronger trading income. Group net interest margin (NIM) declined 11 basis points but excluding Markets and Treasury was down 4 basis points. Compared to the September 2016 half year NIM was stable.
  - Expenses rose 0.8% reflecting higher personnel costs including redundancy charges, and increased technology depreciation and amortisation charges, partly offset by productivity savings.
  - The total charge for Bad and Doubtful Debts (B&DDs) was $394 million, up $19 million or 5.1%. The charge this period includes an increase in collective provision (CP) overlays of $89 million mainly for potential risks relating to the commercial real estate (CRE) portfolio. The Group's total CP overlays for CRE, agriculture, mining and mining related sectors now stand at $291 million.
- The ratio of Group 90+ days past due and gross impaired assets to gross loans and acceptances of 0.85% at 31 March 2017 was stable compared to 30 September 2016.

[1] Refer to note on cash earnings on page 4 of this document.
[2] Included within discontinued operations for the March 2017 half year are the provisions for conduct costs pursuant to claims under the Conduct Indemnity Deed with CYBG and a loss on the completion of the sale of certain UK commercial real estate loans. The comparative information for discontinued operations also includes the post-tax (loss)/profit of both the sale of 80% of Wealth's life insurance business and the CYBG demerger and IPO. Refer to Notes 14 and 15 of the 2017 Half Year Results Announcement for further details.

- The Group's Common Equity Tier 1 (CET1) ratio was 10.1% as at 31 March 2017, an increase of 34 basis points from 30 September 2016. The Group's CET1 target ratio remains between 8.75% – 9.25%. On an internationally comparable basis[3] the CET1 ratio increased 51 basis points from 30 September 2016 to 14.5%.
- The interim dividend is 99 cents per share fully franked, unchanged from the 2016 interim and final dividends.
- The Group maintains a well diversified funding profile and raised $18.8 billion of term wholesale funding in the March 2017 half year across a range of markets. The weighted average term to maturity of the funds raised by the Group over the March 2017 half year was 5.4 years. The net stable funding ratio (NSFR) was 108% at 31 March 2017.
- The Group's leverage ratio as at 31 March 2017 was 5.5% on an APRA basis and 5.9% on an internationally comparable basis[4].
- The Group's quarterly average liquidity coverage ratio as at 31 March 2017 was 122%.

Business Unit Commentary

NAB previously announced changes to its organisational structure as well as its Executive Leadership team effective from 1 August 2016. As a result of these announcements, the Group has changed its reporting to align to customer segments. This change has resulted in three new Australian reportable segments – Business & Private Banking, Consumer Banking & Wealth, and Corporate & Institutional Banking.

- Business & Private Banking grew cash earnings 2.5% to $1,368 million reflecting sound revenue growth and tight cost management, partly offset by higher B&DD charges. NIM improved and lending growth in specialised businesses such as Health and Agribusiness was strong.
- Consumer Banking & Wealth cash earnings were stable at $764 million impacted by higher funding costs, increased competition in home lending, and reduced Wealth income. NIM stabilised compared to the September 2016 half year and more recent home lending market share trends are improving.
- Corporate & Institutional Banking (CIB) cash earnings rose 17.9% to $791 million. This was a strong result underpinned by a disciplined focus on returns. Over the year to March 2017 CIB delivered revenue growth, lower costs, lower B&DD charges and a $15 billion reduction in risk weighted assets.
- NZ Banking local currency cash earnings increased 10.4% to NZ$455 million. Improved economic conditions, and in particular a better outlook for the dairy sector, have resulted in lower B&DD charges. Strong growth in business and home lending reflect successful expansion in priority segments.

[3] Internationally Comparable CET1 ratio at 31 March 2017 aligns with the APRA study entitled "International Capital Comparison Study" released on 13 July 2015.
[4] Leverage ratio calculated using an Internationally Comparable Tier 1 capital measure, including transitional relief for non-Basel III compliant instruments and aligns with the APRA study as per footnote 3.

Executive Commentary

“This is another solid result and reflects improving momentum as we execute on our strategy,” NAB Group CEO Andrew Thorburn said.

“Revenue is up, our asset quality remains sound and we have further strengthened our funding and capital positions. Cost growth has moderated from 2017 first quarter levels as our productivity initiatives gain traction. Our ROE of 14% reflects our disciplined approach to capital allocation.

“There have been solid contributions across the business, in particular our priority segments of small and medium business where we have maintained or grown our leading market shares.

“We continue to invest in creating a truly customer centric culture at NAB, but we know we must do better to achieve a level of advocacy among customers that we can be proud of.

“The rollout of the Net Promoter Score (NPS)[5] system to all our front line teams is an important tool that helps bankers take greater ownership of the customer experience. Every branch, contact centre and business banking centre now receives localised weekly scores and real time customer feedback resulting in improved customer outcomes on our front line.

“Technology underpins our ability to serve customers better by becoming easier and simpler to deal with. Over the half we have made further progress embedding the Personal Banking Origination Platform (PBOP) into our network. Approximately 55% of customers are now receiving unconditional home loan approval within 5 days compared to 7% at September 2016.

“Disciplines in place to reshape our business, including use of automation and meeting more of our customers’ needs digitally, are delivering efficiency benefits. In 1H17 we achieved $102 million of productivity savings against an annual target of greater than $200 million. We remain confident of achieving positive ‘jaws’ over the full year as a number of initiatives gain further traction during the second half of 2017.

“The operating environment for banks remains challenging, including heightened regulatory change, digital disruption and increasing stakeholder expectations. But Australia’s economic fundamentals provide a favourable backdrop including strong population growth and improving business conditions.

“In this environment we are well placed to deliver for our customers and our shareholders,” Mr Thorburn said.

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[5] Net Promoter® and NPS® are registered trademarks and Net Promoter Score and Net Promoter System are trademarks of Bain & Company, Satmetrix Systems and Fred Reichheld.

DISCLAIMER – FORWARD LOOKING STATEMENTS

This announcement contains statements that are, or may be deemed to be, forward-looking statements. These forward-looking statements may be identified by the use of forward-looking terminology, including the terms "believe", "estimate", "plan", "project", "anticipate", "expect", "intend", "likely", "may", "will", "could" or "should" or, in each case, their negative or other variations or other similar expressions, or by discussions of strategy, plans, objectives, targets, goals, future events or intentions. Indications of, and guidance on, future earnings and financial position and performance are also forward-looking statements. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of the Group, which may cause actual results to differ materially from those expressed or implied in such statements. There can be no assurance that actual outcomes will not differ materially from these statements. Further information on important factors that could cause actual results to differ materially from those projected in such statements is contained in the Group's Annual Financial Report.

NOTE ON CASH EARNINGS

Full detail on how cash earnings is defined, a discussion of non-cash earnings items and a full reconciliation of statutory net profit attributable to owners of NAB for the half year ended 31 March 2017 is set out on pages 2 to 7 of the 2017 Half Year Results Announcement under the heading "Profit Reconciliation".

The Group's results and Review of Divisional Operations and Results are presented on a cash earnings basis, unless otherwise stated. Cash earnings is a key financial performance measure used by NAB, the investment community and NAB's Australian peers with a similar business portfolio. NAB also uses cash earnings for its internal management reporting, as it better reflects what NAB considers to be the underlying performance of the Group. It is not a statutory financial measure, is not presented in accordance with Australian Accounting Standards, and is not audited or reviewed in accordance with Australian Auditing Standards. "Cash earnings" is calculated by excluding discontinued operations and certain other items which are included within the statutory net profit attributable to owners of NAB. The Group's financial statements, prepared in accordance with the *Corporations Act 2001* (Cth) and Australian Accounting Standards, and reviewed by the auditors in accordance with Australian Auditing Standards, are included in Section 5 of the 2017 Half Year Results Announcement.

Section 1

Profit Reconciliation

Information about Cash Earnings

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

Explanation and Definition of Cash Earnings

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

Cash earnings is defined as net profit attributable to owners of NAB from continuing operations, adjusted for the items NAB considers appropriate to better reflect the underlying performance of the Group. Cash earnings for the March 2017 half year has been adjusted for the following:

- Distributions.
- Fair value and hedge ineffectiveness.
- Amortisation of acquired intangible assets.

In prior year comparative periods, cash earnings has been adjusted for the following, which did not recur as adjustments in cash earnings for the March 2017 half year:

- Life insurance 20% share of profit, which is included in statutory profit from 1 October 2016 onward.
- Treasury share adjustment, which from 1 October 2016 onward is not required due to NAB no longer consolidating managed schemes which invest in treasury shares, following the Successor Fund Merger on 1 July 2016.

Reconciliation to Statutory Net Profit

Section 5 of the 2017 Half Year Results Announcement contains the Group's Income Statement, including statutory net profit. The statutory net profit for the period is the sum of both net profit / (loss) from continuing operations and discontinued operations. Discontinued operations includes provisions for conduct costs pursuant to claims under the Conduct Indemnity Deed with CYBG. Further detail on discontinued operations is set out in Note 15 to the Consolidated Financial Statements on page 82. The Group's consolidated financial statements, prepared in accordance with the *Corporations Act 2001* (Cth) and applicable Australian Accounting Standards, and reviewed by the auditors in accordance with Australian Auditing Standards, are included in the financial report section of the 2017 Half Year Results Announcement.

A reconciliation of cash earnings to statutory net profit attributable to owners of NAB (statutory net profit, less non-controlling interest in controlled entities) is set out on page 3, and full reconciliations between statutory net profit and cash earnings are included in this section on pages 5-7 of the 2017 Half Year Results Announcement.

Page 4 contains a description of non-cash earnings items for March 2017.

Underlying Profit

Underlying profit is a performance measure used by NAB. It represents cash earnings before various items, including income tax expense and the charge to provide for bad and doubtful debts as presented in the table on page 3. It is not a statutory financial measure and is not presented in accordance with Australian Accounting Standards and is not audited or reviewed in accordance with Australian Auditing Standards.

Group Results [(1)]

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

	Note	Half Year to Mar 17 $m	Sep 16 $m	Mar 16 $m	Mar 17 v Sep 16 %	Mar 17 v Mar 16 %
Net interest income		**6,393**	6,330	6,600	1.0	(3.1)
Other operating income		**2,476**	2,394	2,109	3.4	17.4
Net operating income		**8,869**	8,724	8,709	1.7	1.8
Operating expenses		**(3,785)**	(3,683)	(3,755)	2.8	0.8
Underlying profit		**5,084**	5,041	4,954	0.9	2.6
Charge to provide for bad and doubtful debts		**(394)**	(425)	(375)	(7.3)	5.1
Cash earnings before tax and distributions		**4,690**	4,616	4,579	1.6	2.4
Income tax expense		**(1,347)**	(1,293)	(1,295)	4.2	4.0
Cash earnings before distributions		**3,343**	3,323	3,284	0.6	1.8
Distributions		**(49)**	(60)	(64)	(18.3)	(23.4)
Cash earnings		**3,294**	3,263	3,220	1.0	2.3
Non-cash earnings items (after tax):						
Distributions		**49**	60	64	(18.3)	(23.4)
Treasury shares		**-**	(1)	62	large	large
Fair value and hedge ineffectiveness		**(453)**	(66)	(60)	large	large
Life insurance 20% share of profit		**-**	(17)	(22)	large	large
Amortisation of acquired intangible assets		**(33)**	(43)	(40)	(23.3)	(17.5)
Net profit from continuing operations		**2,857**	3,196	3,224	(10.6)	(11.4)
Net (loss) after tax from discontinued operations	**15**	**(312)**	(1,102)	(4,966)	(71.7)	(93.7)
Net profit / (loss) attributable to owners of NAB		**2,545**	2,094	(1,742)	21.5	large

(1) *Information is presented on a continuing operations basis.*

Non-cash Earnings Items

Distributions

Distributions relating to hybrid equity instruments are treated as an expense for cash earnings purposes and as a reduction in equity (dividend) for statutory reporting purposes. The distributions on other equity instruments are set out in *Section 5, Note 6 - Dividends and Distributions*. The effect of this in the March 2017 half year is to reduce cash earnings by $49 million.

Fair Value and Hedge Ineffectiveness

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

In the March 2017 half year there was a reduction in statutory profit of $674 million ($453 million after tax) from fair value and hedge ineffectiveness. This was largely due to the mark-to-market losses from derivatives used to hedge the Group’s long-term funding issuances, driven by unfavourable movements in interest rates, foreign exchange rates and cross currency spreads, and mark-to-market movements of assets and liabilities designated at fair value reflecting current market conditions.

Amortisation of Acquired Intangible Assets

The amortisation of acquired intangibles represents the amortisation of intangible assets arising from the acquisition of controlled entities and associates such as management agreements and contracts in force. In the March 2017 half year there was a decrease in statutory profit of $35 million ($33 million after tax) due to the amortisation of acquired intangible assets.

Reconciliation between Statutory Net profit (after Tax) from Continuing Operations and Cash Earnings

Half Year ended 31 March 2017	Statutory Net Profit from continuing operations $m	Wealth adj.[(1)] $m	Distri-butions $m	Fair value and hedge ineffec. $m	Amortisation of acquired intangible assets $m	Cash Earnings $m
Net interest income	6,397	(16)	-	12	-	**6,393**
Other operating income	2,242	(429)	-	657	6	**2,476**
Net operating income	8,639	(445)	-	669	6	**8,869**
Operating expenses	(4,256)	442	-	-	29	**(3,785)**
Profit / (loss) before charge to provide for doubtful debts	4,383	(3)	-	669	35	**5,084**
Charge to provide for doubtful debts	(399)	-	-	5	-	**(394)**
Profit / (loss) before tax	3,984	(3)	-	674	35	**4,690**
Income tax (expense) / benefit	(1,126)	2	-	(221)	(2)	**(1,347)**
Net profit / (loss) from continuing operations before distributions and non-controlling interest	2,858	(1)	-	453	33	**3,343**
Net (loss) / profit attributable to non-controlling interest in controlled entities	(1)	1	-	-	-	**-**
Distributions	-	-	(49)	-	-	**(49)**
Net profit / (loss) attributable to owners of NAB from continuing operations	**2,857**	**-**	**(49)**	**453**	**33**	**3,294**

(1) *In the Wealth cash earnings view, volume related expenses are reclassified from operating expenses and net interest income to other operating income.*

Reconciliation between Statutory Net profit (after Tax) from Continuing Operations and Cash Earnings (continued)

Half Year ended 30 September 2016	Statutory Net Profit from continuing operations $m	Wealth adj.(1) $m	Distri-butions $m	Treasury shares $m	Fair value and hedge ineffec. $m	Life insurance 20% share of profit $m	Amortisation of acquired intangible assets $m	Cash Earnings $m
Net interest income	6,333	(3)	-	-	-	-	-	**6,330**
Other operating income	2,723	(443)	-	13	85	17	(1)	**2,394**
Net operating income	9,056	(446)	-	13	85	17	(1)	**8,724**
Operating expenses	(4,135)	404	-	-	-	-	48	**(3,683)**
Profit / (loss) before charge to provide for doubtful debts	4,921	(42)	-	13	85	17	47	**5,041**
Charge to provide for doubtful debts	(427)	-	-	-	2	-	-	**(425)**
Profit / (loss) before tax	4,494	(42)	-	13	87	17	47	**4,616**
Income tax (expense) / benefit	(1,296)	40	-	(12)	(21)	-	(4)	**(1,293)**
Net profit / (loss) from continuing operations before distributions and non-controlling interest	3,198	(2)	-	1	66	17	43	**3,323**
Net (loss) / profit attributable to non-controlling interest in controlled entities	(2)	2	-	-	-	-	-	**-**
Distributions	-	-	(60)	-	-	-	-	**(60)**
Net profit / (loss) attributable to owners of NAB from continuing operations	**3,196**	**-**	**(60)**	**1**	**66**	**17**	**43**	**3,263**

(1) *In the Wealth cash earnings view, policyholder tax is reclassified and offset within other operating income. In addition to this, volume related expenses are reclassified from operating expenses and net interest income to other operating income.*

Reconciliation between Statutory Net profit (after Tax) from Continuing Operations and Cash Earnings (continued)

Half Year ended 31 March 2016	Statutory Net Profit from continuing operations $m	Wealth adj.[1] $m	Distri-butions $m	Treasury shares $m	Fair value and hedge ineffec. $m	Life insurance 20% share of profit $m	Amortisation of acquired intangible assets $m	Cash Earnings $m
Net interest income	6,597	3	-	-	-	-	-	**6,600**
Other operating income	2,469	(358)	-	(81)	56	22	1	**2,109**
Net operating income	9,066	(355)	-	(81)	56	22	1	**8,709**
Operating expenses	(4,196)	397	-	-	-	-	44	**(3,755)**
Profit / (loss) before charge to provide for doubtful debts	4,870	42	-	(81)	56	22	45	**4,954**
Charge to provide for doubtful debts	(386)	-	-	-	11	-	-	**(375)**
Profit / (loss) before tax	4,484	42	-	(81)	67	22	45	**4,579**
Income tax (expense) / benefit	(1,257)	(45)	-	19	(7)	-	(5)	**(1,295)**
Net profit / (loss) from continuing operations before distributions and non-controlling interest	3,227	(3)	-	(62)	60	22	40	**3,284**
Net (loss) / profit attributable to non-controlling interest in controlled entities	(3)	3	-	-	-	-	-	**-**
Distributions	-	-	(64)	-	-	-	-	**(64)**
Net profit / (loss) attributable to owners of NAB from continuing operations	**3,224**	**-**	**(64)**	**(62)**	**60**	**22**	**40**	**3,220**

(1) *In the Wealth cash earnings view, policyholder tax is reclassified and offset within other operating income. In addition to this, volume related expenses are reclassified from operating expenses and net interest income to other operating income.*

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Section 2

Highlights

Group Performance Results [1]

	Note	Half Year to Mar 17 $m	Sep 16 $m	Mar 16 $m	Mar 17 v Sep 16 %	Mar 17 v Mar 16 %
Net interest income		**6,393**	6,330	6,600	1.0	(3.1)
Other operating income		**2,476**	2,394	2,109	3.4	17.4
Net operating income		**8,869**	8,724	8,709	1.7	1.8
Operating expenses		**(3,785)**	(3,683)	(3,755)	2.8	0.8
Underlying profit		**5,084**	5,041	4,954	0.9	2.6
Charge to provide for bad and doubtful debts		**(394)**	(425)	(375)	(7.3)	5.1
Cash earnings before tax and distributions		**4,690**	4,616	4,579	1.6	2.4
Income tax expense		**(1,347)**	(1,293)	(1,295)	4.2	4.0
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Non-cash earnings items (after tax):						
Distributions		**49**	60	64	(18.3)	(23.4)
Treasury shares		**-**	(1)	62	large	large
Fair value and hedge ineffectiveness		**(453)**	(66)	(60)	large	large
Life insurance 20% share of profit		**-**	(17)	(22)	large	large
Amortisation of acquired intangible assets		**(33)**	(43)	(40)	(23.3)	(17.5)
Net profit from continuing operations		**2,857**	3,196	3,224	(10.6)	(11.4)
Net (loss) after tax from discontinued operations	15	**(312)**	(1,102)	(4,966)	(71.7)	(93.7)
Net profit / (loss) attributable to owners of NAB		**2,545**	2,094	(1,742)	21.5	large
Represented by:						
Business and Private Banking		**1,368**	1,338	1,335	2.2	2.5
Consumer Banking and Wealth		**764**	798	767	(4.3)	(0.4)
Corporate and Institutional Banking		**791**	696	671	13.6	17.9
NZ Banking		**429**	426	378	0.7	13.5
Corporate Functions and Other		**(58)**	5	69	large	large
Cash earnings		**3,294**	3,263	3,220	1.0	2.3

Shareholder Summary

	Half Year to Mar 17	Sep 16	Mar 16	Variance Mar 17 v Sep 16	Mar 17 v Mar 16
Dividend per share (cents)	**99**	99	99	-	-
Dividend payout ratio	**79.9%**	80.4%	80.9%	(50 bps)	(100 bps)
Statutory earnings per share (cents) - basic	**93.9**	78.0	(70.1)	15.9	164.0
Statutory earnings per share (cents) - diluted	**91.7**	76.1	(62.0)	15.6	153.7
Statutory earnings per share from continuing operations (cents) - basic	**105.6**	120.2	122.7	(14.6)	(17.1)
Statutory earnings per share from continuing operations (cents) - diluted	**102.6**	115.2	117.8	(12.6)	(15.2)
Cash earnings per share (cents) - basic	**123.9**	123.1	122.3	0.8	1.6
Cash earnings per share (cents) - diluted	**119.6**	117.9	117.5	1.7	2.1
Statutory return on equity	**10.6%**	9.1%	(8.3%)	150 bps	large
Cash return on equity (ROE)	**14.0%**	14.3%	14.3%	(30 bps)	(30 bps)

(1) *Information is presented on a continuing operations basis.*

Key Performance Indicators

	Half Year to			Mar 17 v	Mar 17 v
	Mar 17	Sep 16	Mar 16	Sep 16	Mar 16
Group (1)					
Cash earnings on average assets	**0.83%**	0.78%	0.74%	5 bps	9 bps
Cash earnings on average risk-weighted assets	**1.72%**	1.76%	1.80%	(4 bps)	(8 bps)
Cash earnings per average FTE ($'000)	**194**	187	188	3.7%	3.6%
Jaws	**(1.1%)**	2.1%	(0.4%)	(320 bps)	(70 bps)
Cost to income (CTI) ratio	**42.7%**	42.2%	43.1%	50 bps	(40 bps)
Net interest margin	**1.82%**	1.82%	1.93%	-	(11 bps)
Capital					
Common Equity Tier 1 ratio	**10.11%**	9.77%	9.69%	34 bps	42 bps
Tier 1 ratio	**12.51%**	12.19%	11.77%	32 bps	74 bps
Total capital ratio	**14.71%**	14.14%	13.25%	57 bps	146 bps
Risk-weighted assets ($bn)	**374.5**	388.4	361.4	(3.6%)	3.6%
Volumes ($bn)					
Gross loans and acceptances (2)	**550.0**	545.8	532.3	0.8%	3.3%
Average interest earning assets	**704.3**	695.1	683.9	1.3%	3.0%
Total average assets	**795.2**	837.1	874.0	(5.0%)	(9.0%)
Total customer deposits	**399.6**	390.5	376.7	2.3%	6.1%
Asset quality					
90+ days past due and gross impaired assets to gross loans and acceptances	**0.85%**	0.85%	0.78%	-	7 bps
Collective provision to credit risk-weighted assets	**0.85%**	0.85%	0.98%	-	(13 bps)
Specific provision to gross impaired assets (3)	**44.9%**	38.3%	36.4%	660 bps	850 bps
Other					
Funds under management and administration ($bn)	**204.9**	195.3	186.3	4.9%	10.0%
Full Time Equivalent Employees (FTE) (spot)	**33,552**	34,263	34,780	(2.1%)	(3.5%)
Full Time Equivalent Employees (FTE) (average)	**34,001**	34,835	34,330	(2.4%)	(1.0%)

(1) *Information is presented on a continuing operations basis.*

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

(3) *Consists only of impaired assets where a specific provision has been raised and excludes $726 million (NZ$795 million), (September 2016 $785 million (NZ$823 million), March 2016 $522 million (NZ$579 million)) of NZ Banking dairy exposures currently assessed as no loss based on security held. Collective provisions are held against these loans.*

Divisional Key Performance Indicators

	Half Year to				
	Mar 17	**Sep 16**	**Mar 16**	**Mar 17 v Sep 16**	**Mar 17 v Mar 16**
Business and Private Banking					
Net operating income ($m)	**3,090**	3,033	2,970	1.9%	4.0%
Cash earnings ($m)	**1,368**	1,338	1,335	2.2%	2.5%
Cash earnings on average assets	**1.46%**	1.44%	1.47%	2 bps	(1 bp)
Cash earnings on average risk-weighted assets	**2.45%**	2.50%	2.58%	(5 bps)	(13 bps)
Net interest margin	**2.84%**	2.79%	2.80%	5 bps	4 bps
Cost to income ratio	**33.6%**	33.9%	34.3%	(30 bps)	(70 bps)
Consumer Banking and Wealth					
Net operating income ($m)	**2,692**	2,678	2,690	0.5%	0.1%
Cash earnings ($m)	**764**	798	767	(4.3%)	(0.4%)
Cash earnings on average assets (Consumer Banking)	**0.75%**	0.80%	0.78%	(5 bps)	(3 bps)
Cash earnings on average risk-weighted assets (Consumer Banking)	**1.92%**	2.40%	2.72%	(48 bps)	(80 bps)
Net interest margin (Consumer Banking)	**2.03%**	2.02%	2.12%	1 bp	(9 bps)
Cost to income ratio (Consumer Banking)	**51.2%**	51.2%	51.2%	-	-
Investment income to average FUM/A (bps) (Wealth)	**55**	60	59	(5 bps)	(4 bps)
Operating expenses to average FUM/A (bps) (Wealth)	**40**	38	41	2 bps	(1 bp)
Cost to income ratio (Wealth)	**67.5%**	60.2%	64.3%	730 bps	320 bps
Corporate and Institutional Banking					
Net operating income ($m)	**1,714**	1,671	1,675	2.6%	2.3%
Cash earnings ($m)	**791**	696	671	13.6%	17.9%
Cash earnings on average assets	**0.58%**	0.51%	0.48%	7 bps	10 bps
Cash earnings on average risk-weighted assets	**1.30%**	1.10%	1.03%	20 bps	27 bps
Net interest margin	**0.81%**	0.80%	0.83%	1 bp	(2 bps)
Net interest margin (ex markets)	**1.53%**	1.49%	1.50%	4 bps	3 bps
Cost to income ratio	**36.8%**	38.3%	39.3%	(150 bps)	(250 bps)
NZ Banking					
Net operating income (NZ$m)	**1,103**	1,104	1,077	(0.1%)	2.4%
Cash earnings (NZ$m)	**455**	452	412	0.7%	10.4%
Cash earnings on average assets	**1.16%**	1.20%	1.14%	(4 bps)	2 bps
Cash earnings on average risk-weighted assets	**1.59%**	1.60%	1.53%	(1 bp)	6 bps
Net interest margin	**2.15%**	2.21%	2.27%	(6 bps)	(12 bps)
Cost to income ratio	**39.3%**	39.6%	39.9%	(30 bps)	(60 bps)

Group Performance

Andrew Thorburn

Restatement of Prior Period Financial Information

Following the previously announced changes to the Group's organisational structure and the Executive Leadership team effective from 1 August 2016, the Group has changed its management financial information to align to customer segments. This change has resulted in three new Australian reportable segments being Business and Private Banking, Consumer Banking and Wealth, and Corporate and Institutional Banking.

The restatement of historical results presented also impacts New Zealand Banking (with the inclusion of NZ Markets Sales Operations) and Corporate Functions and Other (reflecting the inclusion of Australian Treasury and changed attributions consistent with the organisational realignment). There is no change to the consolidated Group financial information reported for the prior financial periods as a result of the organisational realignment to customer segments.

Divisional financial information and ratios of the Australian reportable segments, restated New Zealand Banking and Corporate Functions and Other within Sections 1 to 4, Section 5 *Note 2 Segment Information* and Section 6 of the 2017 Half Year Results Announcement have been restated for the impact of the restructure where applicable for the half year ended 30 September 2016, and half year ended 31 March 2016.

Net Profit Attributable to Owners of NAB

During the March 2017 half year, net profit attributable to owners of NAB (statutory net profit) was $2,545 million, an increase of $451 million compared to the September 2016 half year, and an increase of $4,287 million compared to the March 2016 half year.

Excluding the impact of discontinued operations, a net profit attributable to owners of NAB (statutory net profit) of $2,857 million was delivered for the March 2017 half year. This represented a decrease of $339 million or 10.6% against the September 2016 half year, and a decrease of $367 million or 11.4% against the March 2016 half year. Net profit attributable to owners of NAB is prepared in accordance with the *Corporations Act 2001* (Cth), and applicable Australian Accounting Standards.

Shareholders Returns

The Group's statutory return on equity increased by 150 basis points to 10.6% compared to the September 2016 half year, and increased significantly compared to the March 2016 half year. The Group's cash return on equity decreased by 30 basis points to 14.0% compared to the September 2016 half year, and decreased by 30 basis points compared to the March 2016 half year.

The interim dividend for the March 2017 half year is 99 cents per share. This represents a dividend payout ratio of 79.9% for the March 2017 half year on a cash earnings basis.

The dividend payment is 100% franked and will be paid on 5 July 2017. Shares will be quoted ex-dividend on 16 May 2017.

Earnings Per Share

Basic statutory earnings per share increased by 164.0 cents on the March 2016 half year. Diluted earnings per share increased by 153.7 cents. This reflects the Group's increase in statutory earnings over the period.

Basic statutory earnings per share increased by 15.9 cents or 20.4% on the September 2016 half year. Diluted earnings per share increased by 15.6 cents or 20.5%. This reflects the Group's increase in statutory earnings over the period.

Basic statutory earnings from continuing operations per share decreased by 17.1 cents or 13.9% on the March 2016 half year. Diluted earnings per share decreased by 15.2 cents or 12.9%. This reflects the Group's decrease in statutory earnings from continuing operations over the period.

Basic statutory earnings from continuing operations per share decreased by 14.6 cents or 12.1% on the September 2016 half year. Diluted earnings per share decreased by 12.6 cents or 10.9%. This reflects the Group's decrease in statutory earnings from continuing operations over the period.

Basic cash earnings per share increased by 1.6 cents or 1.3% on the March 2016 half year. Diluted cash earnings per share increased by 2.1 cents or 1.8%. This reflects the Group's increase in cash earnings over the period.

Basic cash earnings per share increased by 0.8 cents or 0.6% on the September 2016 half year. Diluted cash earnings per share increased by 1.7 cents or 1.4%. This reflects the Group's increase in cash earnings over the period.

Strategic Highlights

Vision and Objectives

The Group is executing a refreshed strategy to achieve its vision to be Australia and New Zealand's most respected bank. The Group's strategy is underpinned by three key objectives:

1. Our customers are advocates
2. Our people are engaged
3. Our shareholders are receiving attractive returns

To meet these objectives, the Group aims to deliver initiatives in line with the strategic themes outlined below.

Focusing on our core Australia and New Zealand Customers

The Group has simplified its business and is now focused on its core Australian and New Zealand franchise markets, where it is best positioned to serve its customers.

The Group is prioritising small and medium business customers given our established market position and the attractive returns of these customers. Home owners and investors also remain a priority for the Group.

Investment in these priority segments is delivering improved results for the Group. This is evident in the performance of the Business and Private Banking segment which, during the March 2017 half year, recorded positive revenue growth on higher volumes and stronger margins.

Delivering a great customer experience

The Group is committed to using customer feedback to redesign the end-to-end customer experience across all of NAB's divisions, channels and systems. This approach is known as redesigning Customer Journeys. In the March 2017 half year, the Group launched the redesign of four Customer Journeys that aim to drive customer advocacy through increased efficiencies and better interactions with the customer. Examples of customer outcomes delivered to date include:

- A faster and easier Everyday Account application experience with a significantly reduced application time and SMS notifications to keep customers informed of progress of account opening.
- A simplified Superannuation digital application and onboarding experience with a digital portal that helps customers better understand their retirement options and e-forms pre-populated with existing customer data to save customers' time.

The Group continues to invest in digitisation and innovation to enhance its products and services for customers, as evidenced by:

- The expansion of the eligibility criteria of NAB QuickBiz unsecured loans, which enables more small business customers to access funds quickly.
- The launch of an Application Programming Interface (API) Developer Portal which provides the opportunity for approved third party developers to share data with NAB to deliver more integrated experiences for customers.

The Group is also leveraging new strategic partnerships to fast-track improvements in customer experience, including:

- The launch of the next generation HICAPS solution (HICAPS Mobile) in partnership with Melbourne start-up, Medipass Solutions. The solution allows health patients to book and pay for services via their mobile devices while receiving full transparency of costs. For practitioners the solution reduces the need for a physical terminal.
- A new three-way alliance with leading banks in Israel and Canada, which allows the partners to collaborate on the design of new digital services in addition to sharing customer and start-up insights.

Improving our people, leadership and talent

The Group recognises that culture and performance are inextricably linked and is committed to attracting, developing and inspiring talent to drive a culture that delivers high performance. Evidence of the Group's continued focus in this area includes:

- Significant investment in senior executive assessments to understand the organisational leadership strengths that are driving organisational performance and implementing targeted development programs, with accelerated development for high potential female talent and executives identified as Key Talent;
- Introducing a new performance framework with leaders accountable for coaching every day, supported by monthly performance and development conversations to enable our people to deliver a great customer experience and accelerate Group performance outcomes; and
- Investment in new technology that will track performance, talent, capability and deliver leadership data and insights.

The Group is committed to maintaining its focus on employee engagement, leadership and culture to accelerate execution of the Group's strategy.

Generating attractive returns

The Group has continued to focus its portfolio towards business lines with higher returns where it has strong capability to compete.

The Group's portfolio refocus is reflected in an increase in lending to the Business and Private Banking segment and a decrease in lending to the lower yielding Corporate and Institutional Banking segment (as detailed in Section 4 - Review of Divisional Operations and Results). During the March 2017 half year, the Group delivered a statutory ROE of 10.6% and a cash ROE for continuing operations of 14.0%, which is comfortably above the Group's cost of capital.

Maintaining our foundations

The Group supports its strategy by maintaining balance sheet strength, risk management capability and technology platform stability.

The Group remained well capitalised during the March 2017 half year and is operating above the Common Equity

Tier 1 (CET1) target ratio of 8.75% - 9.25%, with a CET1 ratio of 10.1% as at 31 March 2017.

The Group has maintained strong liquidity through the March 2017 half year with a quarterly average Liquidity Coverage Ratio (LCR) of 122%, which is well above the APRA requirement of 100%. The Group's Net Stable Funding Ratio (NSFR) is also comfortably above the regulatory minimum.

Overall credit risk in the Group's portfolio remains sound, bad and doubtful debts (B&DD) are stable and below the long term average.

The Group successfully progressed its strategic agenda during the March 2017 half year. For the remainder of 2017, the Group will continue to reshape its business – creating a stronger, simpler bank, focused on helping its customers in Australia and New Zealand.

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Section 3

Review of Group Operations and Results

Review of Group Operations and Results [1]

Financial Analysis

March 2017 v March 2016

Net profit attributable to owners of NAB from continuing operations decreased by $367 million or 11.4% compared to the March 2016 half year. Excluding foreign exchange rate movements, net profit attributable to owners of NAB from continuing operations decreased by $345 million or 10.7%. This was largely driven by unfavourable movements in fair value and hedge ineffectiveness, partially offset by higher net operating income.

Cash earnings increased by $74 million or 2.3% compared to the March 2016 half year. Excluding foreign exchange rate movements, cash earnings increased by $85 million or 2.6%. This was largely driven by higher net operating income, partially offset by higher operating expenses and a higher charge to provide for bad and doubtful debts.

Cash earnings on average risk-weighted assets decreased by 8 basis points, driven by higher average risk-weighted assets partially offset by an uplift in cash earnings in the March 2017 half year.

Net interest income decreased by $207 million or 3.1% compared to the March 2016 half year. Excluding foreign exchange rate movements, net interest income decreased by $223 million or 3.4%. This includes a decrease of $241 million which was offset by movements in economic hedges in other operating income. The underlying increase was driven by increased volumes in housing lending, combined with the benefits received from repricing of the portfolios. These were partially offset by competitive market pressure on housing and business lending margins, higher funding and liquidity costs, lower interest income from Group’s risk management activities and lower earnings on capital driven by a decline in the earnings rate.

Other operating income increased by $367 million or 17.4% compared to the March 2016 half year. Excluding foreign exchange rate movements, other operating income increased by $406 million or 19.3%. The result includes an increase of $241 million due to movements in economic hedges, offset in net interest income. The underlying increase was largely driven by higher gains from Group funding and hedging activities, an improved trading performance and higher fee income across the Group driven by repricing and improved lending fee collection. These were partially offset by lower sales of risk management products to the Group's customers.

Operating expenses increased by $30 million or 0.8% compared to the March 2016 half year. Excluding foreign exchange rate movements, operating expenses increased by $49 million or 1.3% due to continued investment in technology and associated higher depreciation and amortisation, combined with increased restructuring expenses and incentive based compensation increases. These were partially offset by productivity savings across the Group's businesses.

The charge to provide for bad and doubtful debts increased by $19 million or 5.1% compared to the March 2016 half year. Excluding foreign exchange rate movements, the charge to provide for bad and doubtful debts increased by $15 million or 4.0%. This was due to higher collective provision charges primarily driven by an overlay for the commercial real estate portfolio. This was partially offset by a decrease in Corporate and Institutional Banking driven by the improvement in credit quality across the broader business lending portfolio and lower charges for the impairment of a small number of larger exposures.

March 2017 v September 2016

Net profit attributable to owners of NAB from continuing operations decreased by $339 million or 10.6% compared to the September 2016 half year. Excluding foreign exchange rate movements, net profit attributable to owners of NAB from continuing operations decreased by $330 million or 10.3%. This was largely due to unfavourable movements in fair value and hedge ineffectiveness and higher expenses, partially offset by higher net operating income and a lower charge for bad and doubtful debts.

Cash earnings increased by $31 million or 1.0% compared to the September 2016 half year. Excluding foreign exchange rate movements, cash earnings increased by $37 million or 1.1%. This was largely driven by higher net operating income and lower charges for bad and doubtful debts, partially offset by higher operating expenses.

Cash earnings on average risk-weighted assets decreased by 4 basis points, driven by higher average risk-weighted assets partially offset by an uplift in cash earnings in the March 2017 half year.

Net interest income increased by $63 million or 1.0% compared to the September 2016 half year. Excluding foreign exchange rate movements, net interest income increased by $58 million or 0.9%. This includes a decrease of $79 million which was offset by movements in economic hedges in other operating income. The underlying increase was due to increased volumes in housing lending combined with the benefits received from repricing of lending portfolios. These were partially offset by competitive market pressure on lending margins, lower income from Group funding and hedging activities and lower earnings on capital driven by a decline in the earnings rate.

Other operating income increased by $82 million or 3.4% compared to the September 2016 half year. Excluding foreign exchange rate movements, other operating income increased by $100 million or 4.2%. The result includes an increase of $79 million due to movements in economic hedges, offset in net interest income. The underlying increase was driven by improved trading performance and higher gains from Group funding and hedging activities.

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(1) *Information is presented on a continuing operations basis.*

Review of Group Operations and Results (continued) [(1)]

Financial Analysis (continued)

March 2017 v September 2016 (continued)

These were partially offset by lower sales of risk management products to the Group's customers and lower margins in Wealth.

Operating expenses increased by $102 million or 2.8% compared to the September 2016 half year. Excluding foreign exchange rate movements, operating expenses increased by $112 million or 3.0% due to increased restructuring expenses, Enterprise Bargaining Agreement ("EBA"), incentive based remuneration increases, combined with higher project spend and continued investment in technology and associated higher depreciation and amortisation. These were partially offset by productivity savings across the Group's businesses.

The charge to provide for bad and doubtful debts decreased by $31 million or 7.3%. Excluding foreign exchange rate movements, the charge to provide for bad and doubtful debts decreased by $33 million or 7.8%. This was largely due to improvements in credit quality across business lending, releases associated with the impairment of a small number of larger exposures and the mining, mining related and agricultural sector overlays raised in September 2016 half year not repeated. These were partially offset by a collective provision overlay raised in March 2017 for the commercial real estate portfolio, combined with an increase in collective charges across the Consumer Banking and Wealth unsecured portfolio largely driven by seasonality.

Impact of Foreign Exchange Rate Movements

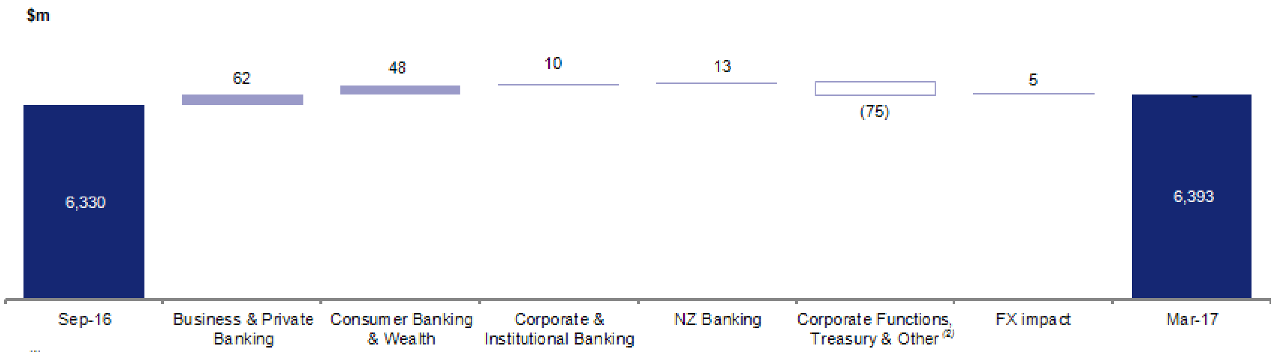
Excluding foreign exchange rate movements, cash earnings increased by $85 million or 2.6% on the March 2016 half year and increased by $37 million or 1.1% on the September 2016 half year. Page 100 contains the March 2017 half year divisional performance summaries excluding foreign exchange rate movements.

(1) *Information is presented on a continuing operations basis.*

Net Interest Income [1]

	Half Year to			Mar 17 v	Mar 17 v
	Mar 17	**Sep 16**	**Mar 16**	**Sep 16 %**	**Mar 16 %**
Net interest income ($m)	**6,393**	6,330	6,600	1.0	(3.1)
Average interest earning assets ($bn)	**704.3**	695.1	683.9	1.3	3.0
Net interest margin (%)	**1.82**	1.82	1.93	-	(11 bps)

Net Interest Income - Contribution to Net Movement [1]



[1] *At constant exchange rates.*

[2] *Corporate Functions, Treasury & Other includes eliminations. Refer to page 52 for the definition of Corporate Functions.*

March 2017 v March 2016

Net interest income decreased by $207 million or 3.1% compared to the March 2016 half year. Excluding foreign exchange rate movements, net interest income decreased by $223 million or 3.4%. This includes a decrease of $241 million which was offset by movements in economic hedges in other operating income. Excluding this movement, the underlying increase was due to:

- Growth in housing lending volumes in Business and Private Banking, Consumer Banking and Wealth and New Zealand Banking, reflecting continued momentum in lending.
- Growth in business lending volumes in Business and Private Banking and New Zealand Banking, reflecting the Group's focus on priority segments.
- Repricing of the lending portfolios in Business and Private Banking and Consumer Banking and Wealth, combined with a focus on improving lending margins in New Zealand Banking.

The underlying increase was partially offset by:

- Higher funding and liquidity costs.
- Increasing competitive pressures affecting housing lending and business lending margins.
- Lower earnings on capital driven by a decline in the earnings rate, reflecting the low interest rate environment.
- Lower net interest income from risk management activities.

March 2017 v September 2016

Net interest income increased by $63 million or 1.0% compared to the September 2016 half year. Excluding foreign exchange rate movements, net interest income increased by $58 million or 0.9%. This includes a decrease of $79 million which was offset by movements in economic hedges in other operating income. Excluding this movement, the underlying increase was due to:

- Growth in housing lending volumes in Consumer Banking and Wealth and New Zealand Banking, reflecting continued momentum in lending.
- Growth in business lending volumes in Business and Private Banking and New Zealand Banking, reflecting the Group's focus on priority segments.
- Repricing of the housing lending portfolios in Business and Private Banking and Consumer Banking and Wealth, combined with a focus on improving lending margins in New Zealand Banking.
- Funding and liquidity costs remained stable, albeit at elevated levels.

The underlying increase was offset by:

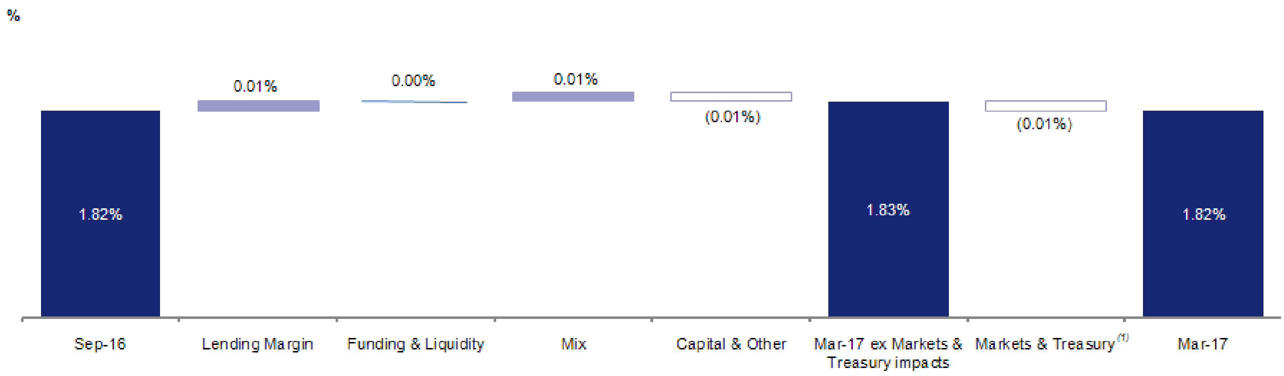
- Increasing competitive pressures affecting housing lending margins.
- Lower earnings on capital driven by a decline in the earnings rate, reflecting the low interest rate environment.

[1] *Information is presented on a continuing operations basis.*

Net Interest Margin [1]

	Half Year to				
	Mar 17 %	Sep 16 %	Mar 16 %	Mar 17 v Sep 16	Mar 17 v Mar 16
Group net interest margin	**1.82**	1.82	1.93	-	(11 bps)
Business and Private Banking	**2.84**	2.79	2.80	5 bps	4 bps
Consumer Banking and Wealth	**2.03**	2.02	2.12	1 bp	(9 bps)
Corporate and Institutional Banking	**0.81**	0.80	0.83	1 bp	(2 bps)
NZ Banking	**2.15**	2.21	2.27	(6 bps)	(12 bps)

Group Net Interest Margin Movement



(1) *Markets & Treasury includes Liquid assets and Marketable securities.*

March 2017 v March 2016

The Group's **net interest margin** decreased by 11 basis points compared to the March 2016 half year due to:

- An increase of three basis points in lending margin due to repricing benefits, partially offset by increasing competitive pressures.
- A decrease of six basis points due to higher funding costs.
- An increase of one basis point in mix due to growth in business lending volumes in Business and Private Banking and New Zealand Banking compared to lower yielding Corporate and Institutional Banking, reflecting the focus on priority segments, combined with higher growth in transactional deposit accounts compared to higher cost term deposit accounts.
- A decrease of two basis points in capital and other mainly due to a lower earnings rate on capital, reflecting the low interest rate environment.
- A decrease of seven basis points in Markets and Treasury due to lower net interest income from Treasury and hedging activities, largely offset in other operating income.

March 2017 v September 2016

The Group's **net interest margin** was unchanged compared to the September 2016 half year due to:

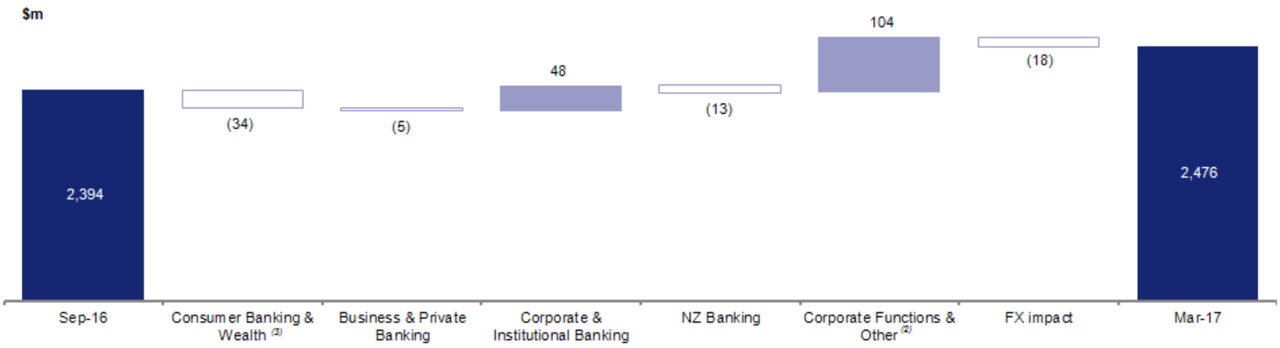
- An increase of one basis point in lending margin due to repricing benefits, partially offset by increasing competitive pressures.
- Funding and liquidity costs remained stable, albeit at elevated levels.
- An increase of one basis point in mix reflecting higher growth in transactional deposit accounts compared to higher cost term deposit accounts. The increase in mix also reflected growth in business lending volumes in Business and Private Banking and New Zealand Banking compared to lower yielding Corporate and Institutional Banking lending, reflecting the focus on priority segments.
- A decrease of one basis point in capital and other mainly due to a lower earnings rate on capital, reflecting the low interest rate environment.
- A decrease of one basis point in Markets and Treasury due to lower net interest income from Treasury and hedging activities, largely offset in other operating income.

(1) *Information is presented on a continuing operations basis.*

Other Operating Income [(1)]

	Half Year to Mar 17 $m	Sep 16 $m	Mar 16 $m	Mar 17 v Sep 16 %	Mar 17 v Mar 16 %
Fees and commissions	**1,071**	1,066	1,027	0.5	4.3
Trading income	**721**	595	350	21.2	large
Other	**684**	733	732	(6.7)	(6.6)
Other operating income	**2,476**	2,394	2,109	3.4	17.4

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



(1) *At constant exchange rates.*
(2) *Corporate Functions & Other includes eliminations. Refer to page 52 for the definition of Corporate Functions.*
(3) *Includes net investment income.*

March 2017 v March 2016

Other operating income increased by $367 million or 17.4% compared to the March 2016 half year. Excluding the impact of foreign exchange, other operating income increased by $406 million or 19.3%.

Fees and commissions increased by $44 million or 4.3% compared to the March 2016 half year ($49 million or 4.8% excluding foreign exchange). Excluding the impact of foreign exchange, the underlying increase was due to higher fee income in Corporate and Institutional Banking, combined with the impact of repricing and improved lending fee collection rates in Consumer Banking and Wealth and Business and Private Banking respectively.

Trading income increased by $371 million or 106% compared to the March 2016 half year ($395 million or 112.9% excluding foreign exchange). This result includes an increase of $241 million due to movements in economic hedges, offset in net interest income. The underlying increase was mainly due to gains from Group funding and hedging activities, improved trading performance and favourable impacts from derivative valuation adjustments, partially offset by lower sales of risk management products to the Group's customers.

Other income decreased by $48 million or 6.6% compared to the March 2016 half year ($38 million or 5.2% excluding foreign exchange). Excluding the impact of foreign exchange, the underlying decrease was mainly due to gains in the March 2016 half relating to the sale of loans in Corporate and Institutional Banking, combined with lower income in Consumer Banking and Wealth due to margin decline, partially offset by the impact of growth in FUM/A.

March 2017 v September 2016

Other operating income increased by $82 million or 3.4% compared to the September 2016 half year. Excluding the impact of foreign exchange, other operating income increased by $100 million or 4.2%.

Fees and commissions increased by $5 million or 0.5% compared to the September 2016 half year ($7 million or 0.7% excluding foreign exchange). Excluding the impact of foreign exchange, the underlying increase was due to improved lending fee collection rates in Business and Private Banking, partially offset by lower fee income due to seasonality in Consumer Banking and Wealth.

Trading income increased by $126 million or 21.2% compared to the September 2016 half year ($136 million or 22.9% excluding foreign exchange). This result includes an increase of $79 million due to movements in economic hedges, offset in net interest income. The underlying increase was due to improved trading performance and gains from Group funding and hedging activities, partially offset by lower sales of risk management products to the Group's customers.

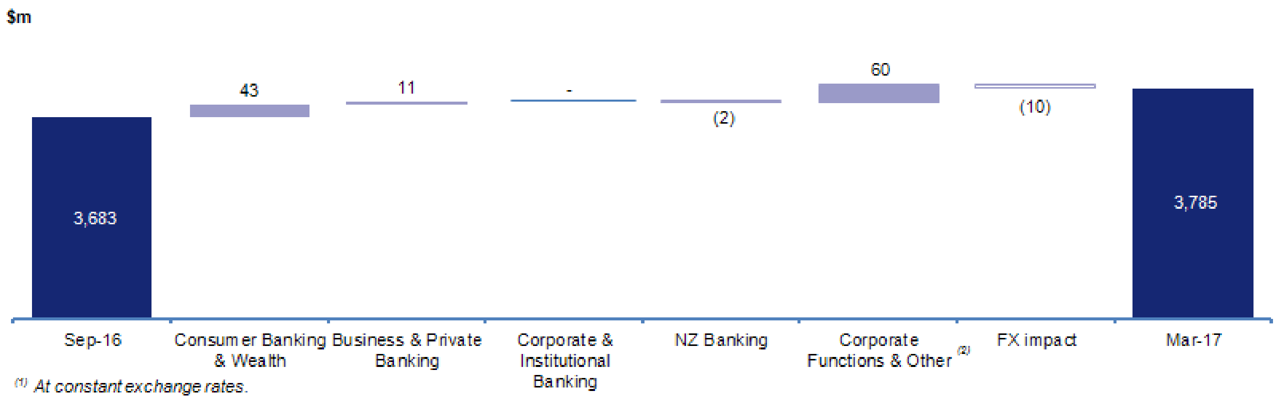
Other income decreased by $49 million or 6.7% compared to the September 2016 half year ($43 million or 5.9% excluding foreign exchange). Excluding the impact of foreign exchange, the decrease was mainly due to margin decline and costs incurred in relation to planned service fees compensation in Consumer Banking and Wealth, partially offset by the impact of growth in FUM/A.

(1) *Information is presented on a continuing operations basis.*

Operating Expenses [1]

	Half Year to				
	Mar 17 $m	Sep 16 $m	Mar 16 $m	Mar 17 v Sep 16 %	Mar 17 v Mar 16 %
Personnel expenses	**2,221**	2,144	2,218	3.6	0.1
Occupancy related expenses	**339**	328	330	3.4	2.7
General expenses	**1,225**	1,211	1,207	1.2	1.5
Total operating expenses	**3,785**	3,683	3,755	2.8	0.8

Operating Expenses - Contribution to Net Movement [1]



(1) *At constant exchange rates.*

(2) *Corporate Functions & Other includes eliminations. Refer to page 52 for the definition of Corporate Functions.*

March 2017 v March 2016

Operating expenses have increased $30 million or 0.8% compared to the March 2016 half year. Excluding the impact of foreign exchange, operating expenses have increased $49 million or 1.3%.

Personnel expenses have increased $3 million or 0.1% compared to the March 2016 half year. Excluding the impact of foreign exchange, personnel expenses have increased $15 million or 0.7%. The increase was driven by restructuring costs, the Enterprise Bargaining Agreement ("EBA") and incentive based compensation increases, largely offset by productivity savings across the Group's businesses.

Occupancy related expenses have increased $9 million or 2.7% compared to the March 2016 half year. Excluding the impact of foreign exchange, occupancy expenses have increased $8 million or 2.4%. The increase was mainly driven by property rental increases.

General expenses have increased $18 million or 1.5% compared to the March 2016 half year. Excluding the impact of foreign exchange, operating expenses have increased $26 million or 2.2%. The increase was driven by continued investment in technology and associated depreciation and amortisation charges, partially offset by productivity savings across the Group's businesses.

March 2017 v September 2016

Operating expenses have increased $102 million or 2.8% compared to the September 2016 half year. Excluding the impact of foreign exchange, operating expenses have increased $112 million or 3.0%.

Personnel expenses have increased $77 million or 3.6% compared to the September 2016 half year. Excluding the impact of foreign exchange, personnel expenses have increased $82 million or 3.8%. The increase was driven by restructuring costs, the EBA and incentive based remuneration increases and investment in new capabilities and priority segments, partially offset by productivity savings across the Group's businesses.

Occupancy related expenses have increased $11 million or 3.4% compared to the September 2016 half year. Excluding the impact of foreign exchange, occupancy related expenses have increased $11 million or 3.4%. The increase was mainly driven by property rental increases.

General expenses have increased $14 million or 1.2% compared to the September 2016 half year. Excluding the impact of foreign exchange, general expenses have increased $19 million or 1.6%. The increase was driven by continued investment in technology and associated depreciation and amortisation charges, partially offset by productivity savings across the Group's businesses.

(1) *Information is presented on a continuing operations basis.*

Investment Spend [1]

	Half Year to				
	Mar 17 $m	**Sep 16 $m**	**Mar 16 $m**	**Mar 17 v Sep 16 %**	**Mar 17 v Mar 16 %**
Infrastructure	**214**	250	206	(14.4)	3.9
Compliance / Operational Risk	**167**	155	166	7.7	0.6
Efficiency and Sustainable Revenue	**179**	126	89	42.1	large
Other	**-**	-	8	-	large
Total Investment Spend	**560**	531	469	5.5	19.4

Investment spend is expenditure on projects and initiatives designed to enhance the customer experience, comply with legal and regulatory requirements, and improve capabilities and efficiencies in the Group's business processes. Investment spend for the March 2017 half year was $560 million, an increase of $91 million or 19.4% against the March 2016 half year, and an increase of $29 million or 5.5% against the September 2016 half year.

March 2017 v March 2016

Investment in infrastructure increased $8 million or 3.9% against the March 2016 half year with investment in a new payments platform, partially offset by the reduced spend associated with the completion and deployment of the Personal Banking Origination Platform and the mobile device service platform.

Spend on compliance and operational risk projects increased $1 million or 0.6% largely driven by additional regulatory requirements within the Super and Investments business, financial crimes prevention and global regulatory requirements including The Markets in Financial Instruments Directive (MiFID II) and Common Reporting Standards (CRS). This was largely offset by reduced spend on regulatory reporting, anti money laundering and Basel III.

Investment in efficiency and sustainable revenue projects increased $90 million or 101.1% largely driven by increased spend on productivity initiatives, customer focused digital solutions, innovations to improve the customer experience, transformation of the Super and Investments business, and development of an integrated experience for home loans settled through an online real estate service provider.

March 2017 v September 2016

Investment in infrastructure projects decreased $36 million or 14.4% against the September 2016 half year due to reduced spend in relation to Personal Banking Origination Platform deployment, lower spend on refreshing the ATM fleet and completion and deployment of the mobile device service platform. This was partially offset by increased investment in the new payments platform.

Spend on compliance and operational risk projects has increased $12 million or 7.7% largely driven by increased regulatory spend on Stronger Super and in relation to financial crime prevention, The Markets in Financial Instruments Directive (MiFID II) and Common Reporting Standards (CRS). This was partially offset by reduced investment in regulatory reporting and Basel III.

Investment in efficiency and sustainable revenue projects increased $53 million or 42.1% largely driven by the continued focus on productivity initiatives, customer focused digital solutions, innovation to improve the customer experience, and the development of an integrated experience for home loans settled through an online real estate service provider.

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(1) *Information is presented on a continuing operations basis.*

Taxation (1)

	Half Year to				
	Mar 17	Sep 16	Mar 16	Mar 17 v Sep 16	Mar 17 v Mar 16
Income tax expense ($m)	**1,347**	1,293	1,295	4.2%	4.0%
Effective tax rate (%)	**28.7**	28.0	28.3	70 bps	40 bps

March 2017 v March 2016

Cash earnings income tax expense for the March 2017 half year was $52 million or 4.0% higher than the March 2016 half year.

The **cash earnings effective tax rate** for the March 2017 half year of 28.7% was 40 basis points higher than the March 2016 half year. Given the Group's concentration towards its Australian and New Zealand businesses the effective tax rate is now expected to remain between the Australian tax rate of 30% and the New Zealand tax rate of 28%. In the March 2017 half the impact of foreign tax rate differences has reduced slightly and the impact of non-deductible hybrid distributions has increased following the recent issuance of Capital Notes, contributing to the half on half increase in the effective tax rate.

March 2017 v September 2016

Cash earnings income tax expense for the March 2017 half year was $54 million or 4.2% higher than the September 2016 half year.

The **cash earnings effective tax rate** for the March 2017 half year of 28.7% was 70 basis points higher than the September 2016 half year. The March 2017 effective tax rate is consistent with the expected trend over time, however the September 2016 rate was lower than both comparative periods. The decrease in the effective tax rate in the September 2016 half year was primarily driven by the finalisation of prior year tax returns, and the tax treatment of non-cash items, such as the superannuation trusts which had no impact in the March 2017 half due to the derecognition of the superannuation trusts from the Group's balance sheet in June 2016.

(1) *Information is presented on a continuing operations basis.*

Lending [1]

	As at				
	31 Mar 17 $m	30 Sep 16 $m	31 Mar 16 $m	Mar 17 v Sep 16 %	Mar 17 v Mar 16 %
Housing					
Business and Private Banking	**89,681**	88,012	85,614	1.9	4.8
Consumer Banking and Wealth	**195,787**	190,744	184,902	2.6	5.9
Corporate and Institutional Banking	**2,269**	2,370	2,487	(4.3)	(8.8)
NZ Banking	**33,051**	33,431	30,117	(1.1)	9.7
Total housing	**320,788**	314,557	303,120	2.0	5.8
Non-housing					
Business and Private Banking	**100,771**	100,186	98,624	0.6	2.2
Consumer Banking and Wealth	**7,270**	7,019	7,082	3.6	2.7
Corporate and Institutional Banking	**83,333**	85,115	87,419	(2.1)	(4.7)
NZ Banking	**36,605**	37,188	33,994	(1.6)	7.7
Corporate Functions and Other	**1,276**	1,695	2,074	(24.7)	(38.5)
Total non-housing	**229,255**	231,203	229,193	(0.8)	0.0
Gross loans and advances including acceptances	**550,043**	545,760	532,313	0.8	3.3

March 2017 v March 2016

Lending (gross loans and advances including acceptances) increased by $17.7 billion or 3.3% compared to the March 2016 half year. Excluding the impact of foreign exchange, lending increased by $17.5 billion or 3.3% primarily due to growth in housing lending.

Housing lending increased by $17.7 billion or 5.8% when compared to the March 2016 half year. Excluding the impact of foreign exchange, housing lending increased by $17.2 billion or 5.7% mainly due to:

- An increase of $10.9 billion in Consumer Banking and Wealth reflecting continued growth in the broker channel due to increased marketing and competitive pricing, combined with growth in the proprietary channel, albeit at a slower rate due to tightened lending criteria for some customer groups following changes in regulatory and market conditions.
- An increase of $4.1 billion in Business and Private Banking due to growth in the proprietary channel, albeit at a slower rate due to tightened lending criteria for some customer groups following changes in regulatory and market conditions.
- An increase of $2.5 billion in NZ Banking reflecting growth in both proprietary and broker channels.

Non-housing lending was broadly flat compared to the March 2016 half year. Excluding the impact of foreign exchange, non-housing lending increased by $0.3 billion or 0.1%, mainly due to:

- An increase of $2.1 billion in NZ Banking from growth in priority segments.
- An increase of $2.1 billion in Business and Private Banking, driven by good momentum in specialised businesses as the Group continues to leverage its deep industry specialisation.
- A decrease of $3.4 billion in Corporate and Institutional Banking due to reduced exposures in institutional lending.
- A decrease of $0.8 billion in Corporate Functions mainly due to continued attrition in the NAB UK CRE portfolio.

March 2017 v September 2016

Lending (gross loans and advances including acceptances) increased by $4.3 billion or 0.8% compared to the September 2016 half year. Excluding the impact of foreign exchange, lending increased by $7.6 billion or 1.4% primarily due to growth in housing lending.

Housing lending increased by $6.2 billion or 2.0% when compared to the September 2016 half year. Excluding the impact of foreign exchange, housing lending increased by $7.7 billion or 2.4% mainly due to:

- An increase of $5.0 billion in Consumer Banking and Wealth mainly due to growth in the broker channel from increased marketing, competitive pricing and greater focus on customer retention.
- An increase of $1.7 billion in Business and Private Banking due to improved new business and retention focus.
- An increase of $1.1 billion in NZ Banking reflecting growth in both proprietary and broker channels.

Non-housing lending decreased by $1.9 billion or 0.8% compared to the September 2016 half year. Excluding the impact of foreign exchange, non-housing lending decreased by $0.1 billion, mainly due to:

- A decrease of $1.5 billion in Corporate and Institutional Banking due to reduced exposures in institutional lending.
- A decrease of $0.4 billion in Corporate Functions mainly due to maturity of foreign currency loans in Treasury.
- An increase of $1.0 billion in NZ Banking from growth in priority segments.
- An increase of $0.6 billion in Business and Private Banking due to good momentum in specialised businesses as the Group continues to leverage its deep industry specialisation.

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(1) *Information is presented on a continuing operations basis.*

Goodwill and Other Intangible Assets [(1)]

Goodwill decreased by $51 million compared to the September 2016 half year, due to the sale of a subsidiary (NabInvest Oxley Singapore Pte Limited) plus the effects of foreign exchange.

Intangible assets comprise capitalised software and other intangible assets. Intangible assets increased by $142 million or 5.9% compared to the September 2016 half year. This increase was attributable to continued investment in transforming the customer experience in the March 2017 half year, along with efficiency and compliance projects, partially offset by an increase in amortisation.

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

- In Australia, further investment in enhancing the digital capabilities of the Australian franchise and transforming the customer experience, as well as regulatory compliance initiatives; and
- In New Zealand, continued investment in capabilities to support the implementation of the BNZ strategic plan, particularly its digitisation and automation agenda.

The movement in capitalised software is as follows:

	Half Year ended		
	Mar 17	**Sep 16**	**Mar 16**
	$m	**$m**	**$m**
Balance at beginning of period	**2,344**	2,127	2,032
Additions	**336**	365	245
Disposals and write-offs	**-**	(3)	(7)
Amortisation	**(181)**	(152)	(138)
Foreign currency translation adjustments	**(9)**	7	(5)
Capitalised software	**2,490**	2,344	2,127

(1) *Information is presented on a continuing operations basis.*

Customer Deposits [1]

	As at				
	31 Mar 17 $m	30 Sep 16 $m	31 Mar 16 $m	Mar 17 v Sep 16 %	Mar 17 v Mar 16 %
Business and Private Banking	**127,017**	123,519	117,221	2.8	8.4
Consumer Banking and Wealth	**112,693**	110,400	106,741	2.1	5.6
Corporate and Institutional Banking	**93,652**	94,100	95,443	(0.5)	(1.9)
NZ Banking	**48,461**	48,160	43,941	0.6	10.3
Corporate Functions and Other	**17,737**	14,321	13,337	23.9	33.0
Total customer deposits	**399,560**	390,500	376,683	2.3	6.1

March 2017 v March 2016

Customer deposits increased by $22.9 billion or 6.1% compared to the March 2016 half year. Excluding foreign exchange, customer deposits increased by $22.7 billion or 6.0%. This is as a result of the Group continuing to execute on its funding strategy, which includes growth in stable customer deposits. Growth (excluding the impact of foreign exchange) was due to:

- An increase of $9.8 billion or 8.4% in Business and Private Banking. This was due to growth in term deposits of $3.8 billion, transactional account deposits of $3.0 billion and on-demand deposits of $3.0 billion.
- An increase of $6.0 billion or 5.6% in Consumer Banking and Wealth. This was due to growth in term deposits of $3.3 billion, transactional account deposits of $1.8 billion and on-demand deposits of $0.9 billion.
- An increase of $3.9 billion or 8.8% in NZ Banking. This was due to growth in term deposits of $2.9 billion, transactional account deposits of $0.7 billion and on-demand deposits of $0.3 billion.
- An increase of $4.6 billion or 34.6% in Corporate Functions and Other. This was due to an increase in Treasury on-demand deposits of $5.0 billion partially offset by a decrease in term deposits of $0.4 billion.
- A decrease of $1.6 billion or 1.6% in Corporate and Institutional Banking. This was due to a decrease in term deposits of $4.7 billion partially offset by an increase in on-demand deposits of $3.1 billion.

March 2017 v September 2016

Customer deposits increased by $9.1 billion or 2.3% compared to the September 2016 full year. Excluding foreign exchange, customer deposits increased by $11.4 billion or 2.9%. Growth (excluding the impact of foreign exchange) was due to:

- An increase of $3.5 billion or 2.8% in Business and Private Banking. This was due to growth in transactional account deposits of $1.6 billion, on-demand deposits of $1.4 billion and term deposits of $0.5 billion.
- An increase of $2.3 billion or 2.1% in Consumer Banking and Wealth. This was due to growth in on-demand deposits of $0.9 billion, transactional account deposits of $0.9 billion and term deposits of $0.5 billion.
- An increase of $2.4 billion or 5.0% in NZ Banking. This was due to growth in term deposits of $1.3 billion, on-demand deposits of $0.8 billion and transactional account deposits of $0.3 billion.
- An increase of $3.5 billion or 24.6% in Corporate Functions and Other. This was due to growth in Treasury on-demand deposits of $3.0 billion and term deposits of $0.5 billion.
- A decrease of $0.3 billion or 0.3% in Corporate and Institutional Banking. This was due to a decrease in term deposits of $3.8 billion partially offset by an increase in on-demand deposits of $3.5 billion.

(1) *Information is presented on a continuing operations basis.*

Asset Quality [1]

Bad and Doubtful Debt Charge

	Half Year to		
	Mar 17	Sep 16	Mar 16
	$m	$m	$m
Specific charge to provide for bad and doubtful debts - new, increased, write-backs	**474**	530	481
Specific charge to provide for bad and doubtful debts - recoveries	**(46)**	(56)	(55)
Specific charge to provide for bad and doubtful debts	**428**	474	426
Collective (write-back) / charge to provide for bad and doubtful debts	**(34)**	(49)	(51)
Total charge to provide for bad and doubtful debts	**394**	425	375

	Half Year to		
	Mar 17	Sep 16	Mar 16
Bad and doubtful debts charge to gross loans and acceptances (annualised)	**0.14%**	0.16%	0.14%
Net write-offs to gross loans and acceptances (annualised) [1]	**0.15%**	0.13%	0.10%

[1] *Net write-offs include net write-offs of fair value loans.*

Provisions for Bad and Doubtful Debts

	As at		
	31 Mar 17	30 Sep 16	31 Mar 16
	$m	$m	$m
Collective provision for bad and doubtful debts	**2,695**	2,811	2,978
Specific provision for bad and doubtful debts	**748**	712	602
Total provision for bad and doubtful debts	**3,443**	3,523	3,580

	As at		
	31 Mar 17	30 Sep 16	31 Mar 16
Total provision to gross loans and acceptances	**0.63%**	0.65%	0.67%
Total provisions to net write-offs (annualised) [1] [2]	**415%**	557%	671%
Net impaired assets to total equity (parent entity interest)	**3.2%**	3.8%	3.2%
Specific provision to gross impaired assets [3]	**44.9%**	38.3%	36.4%
Collective provision to credit risk-weighted assets	**0.85%**	0.85%	0.98%
Collective provision to gross loans and acceptances	**0.49%**	0.52%	0.56%

[1] *March 2017 and March 2016 metrics refer to the half year ratio annualised, September 2016 metrics refers to the full year ratio.*

[2] *Net write-offs include net write-offs of fair value loans.*

[3] *Consists only of impaired assets where a specific provision has been raised and excludes $726 million (NZ$795 million), (September 2016 $785 million (NZ$823 million), March 2016 $522 million (NZ$579 million)) of NZ Banking dairy exposures currently assessed as no loss based on security held. Collective provisions are held against these loans.*

Half Yearly Bad and Doubtful Debt Charge

The total charge for B&DD for the March 2017 half year was $394 million, a decrease of $31 million or 7.3% when compared to the September 2016 half year and $19 million higher than the March 2016 half year.

Specific provision B&DD charges of $428 million decreased by $46 million when compared to the September 2016 half year, driven by:

- Lower charges in Business and Private Banking due to reduced levels of new impairments.
- Lower specific provision charges in the New Zealand Banking portfolio.

This was partially offset by charges in Corporate and Institutional Banking, relating to the impairment of a small number of larger exposures.

The March 2017 half year collective provision B&DD write-back was $34 million, mainly driven by:

- Release of collective provisions associated with the raising of specific provisions on a small number of larger exposures.
- Underlying improvements in credit quality in the broader business lending portfolio.

This was partially offset by:

- Collective provision charges for the retail portfolio within Consumer Banking and Wealth.
- A new collective provision overlay raised for the commercial real estate portfolio.

[1] *Information is presented on a continuing operations basis.*

Asset Quality (continued) [1]

Provisions for Bad and Doubtful Debts

Total provisions for B&DDs decreased by $80 million over the March 2017 half year to $3,443 million.

Specific provisions increased by $36 million to $748 million during the March 2017 half year due to the impairment of a small number of larger exposures in Australia, partly offset by successful work-out strategies.

The Group's coverage of specific provisions to gross impaired assets increased from 38.3% at September 2016 to 44.9% at March 2017, mainly due to a reduction in gross impaired assets as a result of successful work-out strategies.

Total collective provisions decreased by $116 million to $2,695 million at March 2017 half year, mainly due to:

- Release of collective provisions due to the raising of specific provisions associated with a small number of larger impaired exposures.
- Reduction in the collective provisions associated with loans recorded at fair value and derivatives.

This was partially offset by a new collective provision overlay for the commercial real estate portfolio.

The collective provision to credit risk weighted assets ratio is flat at 0.85% compared to September 2016.

90+ Days Past Due and Gross Impaired Assets

Asset Quality	**As at**		
	31 Mar 17	**30 Sep 16**	**31 Mar 16**
90+ days past due loans ($m)	**2,282**	1,975	2,003
Gross impaired assets ($m) [1]	**2,393**	2,642	2,174
90+ days past due and gross impaired assets ($m)	**4,675**	4,617	4,177

(1) *Gross impaired assets include $726 million (NZ$795 million), (September 2016 $785 million (NZ$823 million), March 2016 $522 million (NZ$579 million)) of NZ Banking dairy exposures currently assessed as no loss based on security held. Collective provisions are held against these loans.*

	As at		
	31 Mar 17	**30 Sep 16**	**31 Mar 16**
90+ days past due loans to gross loans and acceptances	**0.41%**	0.36%	0.37%
Gross impaired assets to gross loans and acceptances	**0.44%**	0.49%	0.41%
90+ days past due and gross impaired assets to gross loans and acceptances	**0.85%**	0.85%	0.78%

90+ Days Past Due

The Group ratio of 90+ days past due loans to gross loans and acceptances increased by five basis points to 0.41% during the March 2017 half year primarily across the Australian mortgage portfolio. This is largely driven by an increase in delinquencies in Victoria and NSW, albeit off a low base, together with Western Australia due to the mining sector stress impacting economic conditions in this state.

Gross Impaired Assets

The Group ratio of gross impaired assets to gross loans and acceptances decreased by five basis points to 0.44% during the March 2017 half year. This reduction was predominantly driven by a number of successful work-out strategies across the Australian businesses, combined with the improving dairy price outlook in New Zealand leading to a moderation in the impaired dairy portfolio, for which no loss (based on security held) is currently expected. This was partly offset by the impairment of a small number of larger exposures.

Net Write-Offs

The Group ratio of net write-offs to gross loans and acceptances increased by two basis points to 0.15% over the March 2017 half year, driven by higher write-off levels within Corporate and Institutional Banking for a small number of larger exposures, whilst net write-offs remained stable for both the Group retail portfolio (0.09% of gross loans and acceptances) and the Group housing portfolio (0.02% of gross loans and acceptances).

(1) *Information is presented on a continuing operations basis.*

Capital Management and Funding

Balance Sheet Management Overview

The Group maintains a strong capital, funding and liquidity position, in line with its ongoing commitment to balance sheet strength. This includes:

- Maintaining a well-diversified wholesale funding portfolio with the ability to access a range of funding and capital options across various senior, subordinated, secured and hybrid debt markets.
- Remaining vigilant in its evaluation of the economic and regulatory environment, and continuing to ensure that the balance sheet remains strong to enable the Group to respond to changing market conditions and regulatory requirements.

Regulatory Reform

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

Basel III:

- The March 2017 Leverage Ratio is disclosed within NAB's March 2017 Pillar 3 Report. The minimum Leverage Ratio is yet to be determined by APRA.
- The BCBS has announced its revised market risk framework due to come into effect from 2019 globally. APRA has advised final domestic standards are not expected prior to January 2020, with implementation 12 months thereafter. The Credit Valuation Adjustment (CVA) framework is currently in BCBS consultation.
- In December 2016, APRA released an amended Prudential Standard APS 210 "Liquidity", which includes the Net Stable Funding Ratio (NSFR). A ratio of at least 100% is required on both a Level 1 and 2 basis from 1 January 2018.

Federal Government's Financial System Inquiry (Inquiry):

- In July 2016, APRA released an update to its 2015 study comparing the capital position of the Australian major banks against their international peers.
- From 1 July 2016 risk weights applicable to internal ratings-based mortgage loans increased.
- APRA is expected to release further detail in coming months on the approach to set capital standards such that capital ratios are 'unquestionably strong'.

Total Loss-Absorbing Capacity (TLAC):

- The Financial Stability Board (FSB) issued the TLAC standard in November 2015 for global systemically important banks (G-SIBs). In line with the recommendations in the Inquiry, APRA could implement a loss absorbing capacity framework in accordance with emerging international practice. At this stage, APRA has not yet issued guidance on how TLAC might be implemented.

Revised BCBS standards:

- Themes driving the BCBS's revision of standards include improving transparency, consistency and credibility of internal ratings based (IRB) models. Draft proposals include revisions to the standardised approaches for calculating regulatory capital for credit risk and operational risk, revisions to IRB approaches for credit risk and the introduction of a capital floor framework. Final Basel Standards are expected in the near future, with APRA's response expected sometime thereafter.
- In April 2016, the BCBS released the revised interest rate risk in the banking book (IRRBB) framework, which is due to come into effect internationally by 2018.

Other regulatory changes

- On 1 April 2017 the Group transitioned to a revised Level 2 Group structure following clarification of the ADI Level 2 Group definition by APRA. Upon transition this change had minimal impact on the Group's capital position. Remaining transitional arrangements arising from debt issued directly by National Wealth Management Holdings (NWMH) are no longer required.
- APRA's revisions to Prudential Standard APS 120 "Securitisation". This brings together proposals to simplify securitisation for originating ADIs and the updated BCBS securitisation framework. The revised APS 120 will take effect from 1 January 2018.
- APRA's consultation on the standardised approach to counterparty credit risk (SA-CCR) introduces the new Prudential Standard APS 180 "Counterparty Credit Risk". Requirements will not take effect until January 2019 at the earliest.
- APRA's standards on the non-capital components of the supervision of conglomerate groups (Level 3 framework) will be effective from 1 July 2017. Level 3 capital requirements are expected to be determined following the finalisation of other domestic and international policy initiatives, with APRA advising implementation will be no earlier than 2019. APRA's quantitative impact analysis suggests no additional capital will be required as a result of the implementation.

Capital Management

The Group's capital management strategy is focused on adequacy, efficiency and flexibility. The capital adequacy objective ensures sufficient capital is held in excess of internal risk-based required capital assessments and regulatory requirements, and is maintained in line with the Group's balance sheet risk appetite and investor expectations. This approach is consistent across the Group's subsidiaries.

The Group's CET1 ratio operating target range remains between 8.75% and 9.25% and is regularly reviewed in the context of the external economic and regulatory outlook with the objective of maintaining balance sheet strength.

Capital Management and Funding (continued)

Capital Management (continued)

Capital Ratios

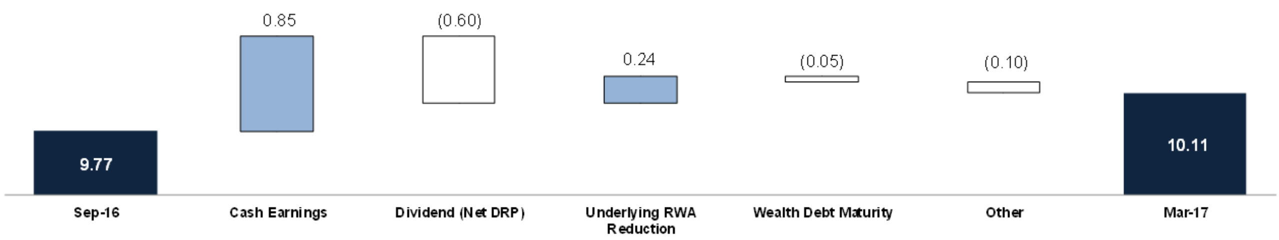
Capital ratios and risk weighted assets (RWA) are set out below:

	As at				
Capital Ratios	**31 Mar 17 %**	**30 Sep 16 %**	**31 Mar 16 %**	**Mar 17 v Sep 16 %**	**Mar 17 v Mar 16 %**
Common Equity Tier 1 ratio	**10.11**	9.77	9.69	34 bps	42 bps
Tier 1 ratio	**12.51**	12.19	11.77	32 bps	74 bps
Total capital ratio	**14.71**	14.14	13.25	57 bps	146 bps

	As at				
Risk-weighted assets [(1)]	**31 Mar 17 $m**	**30 Sep 16 $m**	**31 Mar 16 $m**	**Mar 17 v Sep 16 %**	**Mar 17 v Mar 16 %**
Credit risk	**317,853**	331,510	303,458	(4.1)	4.7
Market risk	**7,001**	7,299	7,250	(4.1)	(3.4)
Operational risk	**37,500**	37,500	40,000	-	(6.3)
Interest rate risk in the banking book	**12,133**	12,136	10,725	-	13.1
Total risk-weighted assets	**374,487**	388,445	361,433	(3.6)	3.6

(1) *Prior period RWA numbers have not been restated to reflect the continuing operations as they are used to calculate the regulatory capital ratios as at each prior reporting period as disclosed above.*

Movements in Basel III Common Equity Tier 1 Ratio



Capital Movements During the Period

The Group's CET1 ratio was 10.1% at 31 March 2017. The key movements in capital over the March 2017 half year include:

- Cash earnings less the dividend net of Dividend Reinvestment Plan (DRP) participation (25 basis points).
- Underlying RWA reduction (excluding foreign exchange impacts) (24 basis points) was largely driven by Credit Risk RWA.

Dividend and Dividend Reinvestment Plan (DRP)

The Group periodically adjusts the DRP to reflect its capital position and outlook. The interim dividend for the year ending 30 September 2017 is 99 cents and the DRP discount is nil with no participation limit.

Additional Tier 1 Capital Initiatives

On 4 October 2016 the Group exercised its right to redeem National Capital Instruments (NCI) of $400 million, originally issued on 18 September 2006.

Tier 2 Capital Initiatives

The Group's Tier 2 Capital initiatives during the half year to March 2017 included the following issuances of subordinated notes:

- 21 December 2016, JPY10 billion due 2026.
- 19 January 2017, $275 million due 2032.
- 20 March 2017, $943 million due 2028 (NAB Subordinated Notes 2 (NSN2)).

For these transactions, the Subordinated Notes convert into fully paid ordinary shares of NAB where APRA determines this to be necessary on the grounds that NAB would otherwise become non-viable.

In connection with the issuance of NSN2, $539 million of NAB Subordinated Notes (NSN) was redeemed by NAB on 20 March 2017. The amount of NSN currently outstanding is $634 million. On 20 April 2017 NAB gave notice of its election to redeem all outstanding NSN on 19 June 2017.

Pillar 3 Disclosures

Further disclosures with respect to capital adequacy and risk management will be made in the March 2017 Pillar 3 Report as required by APRA Prudential Standard APS 330 "Public Disclosure".

Capital Management and Funding (continued)

Funding

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

Funding Indices

The Group employs a range of NAB Board approved metrics to set its risk appetite and measure balance sheet strength. A key structural measure used is the Stable Funding Index (SFI), which is made up of the Customer Funding Index (CFI) and Term Funding Index (TFI). The CFI represents the proportion of the Group's core assets that are funded by customer deposits. Similarly, the TFI represents the proportion of the Group's core assets that are funded by term wholesale funding with a remaining term to maturity of greater than 12 months.

The Group's funding indices have increased over the March 2017 half year; the Group CFI improving from 69% to 70% and the SFI from 91% to 92%. The SFI was supported by deposit growth in excess of lending growth. The TFI has remained at 22% over the March 2017 half year as term funding issuance was largely offset by the maturity profile and the impact of foreign exchange.

Group Funding Indices (CFI, TFI and SFI)

	Half Year to		
	Mar 17	Sep 16	Mar 16
Group Funding Indices	%	%	%
Customer Funding Index	**70**	69	68
Term Funding Index	**22**	22	21
Stable Funding Index	**92**	91	89

Customer Funding

The Group has continued to grow deposits in the March 2017 half year. NAB's deposit strategy is to grow a stable and reliable deposit base informed by market conditions, funding requirements and customer relationships.

The Monthly Banking Statistics published by APRA show that for the six months ended March 2017, NAB has grown Australian domestic household deposits by 3.0% (0.9x system), business deposits (excluding deposits from financial corporations) by 2.9% (0.5x system) and has decreased deposits from financial institutions by 4.2%.

Term Wholesale Funding

Global funding conditions remained supportive of term issuance across all major markets during the March half year, although there were periods of variability driven by global events. It was a volatile start to the 2017 financial year as the credit markets cautiously monitored the lead up to the US elections resulting in the widening of credit spreads. Post the outcome of the US elections, credit markets improved providing a strong backdrop for primary issuance with the momentum continuing into the new calendar year. Whilst overall current conditions are reasonably stable, markets remain sensitive to ongoing macroeconomic, geo-political and financial risks.

The Group maintains a well-diversified funding profile based across issuance type, currency, investor location and tenor, and issued $18.8 billion during the March half year.

NAB raised $16.8 billion, including $11.6 billion senior unsecured, $3.9 billion of secured funding and $1.3 billion of Tier 2 subordinated debt. Bank of New Zealand raised $2.0 billion during the March half year.

The weighted average maturity of term wholesale funding raised by the Group over the 2017 half year was approximately 5.4 years to the first call date. The weighted average remaining maturity of the Group's term wholesale funding portfolio is 3.6 years.

Half Year 2017 Term Wholesale Funding by Deal Type ($18.8 billion)

	As at		
Wholesale Funding by Deal Type	**31 Mar 17**	**30 Sep 16**	**31 Mar 16**
Senior Public Offshore	**54%**	45%	40%
Senior Public Domestic	**12%**	22%	25%
Secured Public Offshore	**20%**	11%	17%
Secured Public Domestic	**-**	6%	2%
Private Placements	**7%**	10%	13%
Subordinated Public Debt	**6%**	5%	3%
Subordinated Private Debt	**1%**	1%	-
Total	**100%**	100%	100%

Half Year 2017 Term Wholesale Funding by Currency ($18.8 billion)

	As at		
Wholesale Funding by Currency	**31 Mar 17**	**30 Sep 16**	**31 Mar 16**
USD	**47%**	44%	49%
AUD	**20%**	30%	27%
EUR	**17%**	16%	9%
JPY	**7%**	1%	1%
GBP	**6%**	1%	3%
Other	**3%**	8%	11%
Total	**100%**	100%	100%

Capital Management and Funding (continued)

Funding (continued)

Short-term Wholesale Funding

The Group consistently accessed international and domestic short-term wholesale funding markets during the March 2017 half year.

Reliance on offshore short term wholesale funding has been consistently decreasing and is approximately 8% of total funding and equity over the March 2017 half year.

In addition, repurchase agreements are primarily utilised to support normal markets and trading activities. Repurchase agreements entered into are materially offset by reverse repurchase agreements with similar tenors and are not used to fund the bank's core activities.

Liquid Asset Portfolio

The Group maintains well diversified and high quality liquid asset portfolios to support regulatory and internal requirements in the various countries in which it operates. The market value of total liquid assets held as at 31 March 2017 was $131 billion excluding contingent liquidity. This represents an increase of $13 billion from 30 September 2016 and an increase of $11 billion from 31 March 2016. Total liquid assets increased to partly offset the reduction in the Group's approved Committed Liquidity Facility (CLF), from $55.4 billion for 2016 to $50.4 billion for 2017.

Holdings of liquid assets include $115 billion of regulatory liquid assets (consisting of both High Quality Liquid Assets (HQLA) and CLF eligible assets) as at 31 March 2017.

In addition to these liquid assets, the Group holds internal securitisation pools of Residential Mortgage Backed Securities (RMBS) as a source of contingent liquidity. These assets may also support the CLF. Internal RMBS held at 31 March 2017 was $46 billion (post applicable central bank deduction). This was a decrease of $1 billion from 30 September 2016 and an increase of $1 billion from 31 March 2016.

Liquid assets that qualify for inclusion in the Group's Liquidity Coverage Ratio (LCR) and Internal RMBS (net of applicable regulatory deductions) were on average $139 billion for the quarter ending 31 March 2017 resulting in an average Group LCR of 122%.

Credit Ratings

The Group closely monitors rating agency developments and maintains regular communication with the rating agencies. Entities in the Group are rated by S&P Global Ratings (S&P), Moody's Investors Service (Moody's) and Fitch Ratings (Fitch).

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

Section 4

Review of Divisional Operations and Results

Divisional Performance Summary

Half Year ended 31 March 2017	Business & Private Banking $m	Consumer Banking & Wealth $m	Corporate & Institutional Banking $m	NZ Banking $m	Corporate Functions & Other $m	Eliminations $m	Group Cash Earnings $m
Net interest income	2,564	1,875	953	776	225	-	**6,393**
Other operating income	526	817	761	264	128	(20)	**2,476**
Net operating income	3,090	2,692	1,714	1,040	353	(20)	**8,869**
Operating expenses	(1,038)	(1,465)	(631)	(408)	(263)	20	**(3,785)**
Underlying profit/(loss)	2,052	1,227	1,083	632	90	-	**5,084**
Charge to provide for bad and doubtful debts	(98)	(162)	(14)	(38)	(82)	-	**(394)**
Cash earnings before tax and distributions	1,954	1,065	1,069	594	8	-	**4,690**
Income tax expense	(586)	(301)	(278)	(165)	(17)	-	**(1,347)**
Cash earnings before distributions	1,368	764	791	429	(9)	-	**3,343**
Distributions	-	-	-	-	(49)	-	**(49)**
Cash earnings	**1,368**	**764**	**791**	**429**	**(58)**	**-**	**3,294**

Key balance sheet items ($bn)							Total
Gross loans and acceptances	190.5	203.0	85.6	69.7	1.2	-	**550.0**
Customer deposits	127.0	112.7	93.7	48.5	17.7	-	**399.6**

Divisional Performance Summary

Half Year ended 30 September 2016	**Business & Private Banking $m**	**Consumer Banking & Wealth $m**	**Corporate & Institutional Banking $m**	**NZ Banking $m**	**Corporate Functions & Other $m**	**Eliminations $m**	**Group Cash Earnings $m**
Net interest income	2,502	1,827	947	760	294	-	**6,330**
Other operating income	531	851	724	276	46	(34)	**2,394**
Net operating income	3,033	2,678	1,671	1,036	340	(34)	**8,724**
Operating expenses	(1,027)	(1,422)	(640)	(409)	(219)	34	**(3,683)**
Underlying profit/(loss)	2,006	1,256	1,031	627	121	-	**5,041**
Charge to provide for bad and doubtful debts	(96)	(120)	(82)	(39)	(88)	-	**(425)**
Cash earnings before tax and distributions	1,910	1,136	949	588	33	-	**4,616**
Income tax expense	(572)	(338)	(253)	(162)	32	-	**(1,293)**
Cash earnings before distributions	1,338	798	696	426	65	-	**3,323**
Distributions	-	-	-	-	(60)	-	**(60)**
Cash earnings	**1,338**	**798**	**696**	**426**	**5**	**-**	**3,263**

Key balance sheet items ($bn)							**Total**
Gross loans and acceptances	188.2	197.8	87.5	70.6	1.7	-	**545.8**
Customer deposits	123.5	110.4	94.1	48.2	14.3	-	**390.5**

Divisional Performance Summary

Half Year ended 31 March 2016	Business & Private Banking $m	Consumer Banking & Wealth $m	Corporate & Institutional Banking $m	NZ Banking $m	Corporate Functions & Other $m	Eliminations $m	Group Cash Earnings $m
Net interest income	2,453	1,882	972	736	557	-	**6,600**
Other operating income	517	808	703	257	(159)	(17)	**2,109**
Net operating income	2,970	2,690	1,675	993	398	(17)	**8,709**
Operating expenses	(1,018)	(1,448)	(658)	(397)	(251)	17	**(3,755)**
Underlying profit/(loss)	1,952	1,242	1,017	596	147	-	**4,954**
Charge to provide for bad and doubtful debts	(44)	(162)	(135)	(77)	43	-	**(375)**
Cash earnings before tax and distributions	1,908	1,080	882	519	190	-	**4,579**
Income tax expense	(573)	(313)	(211)	(141)	(57)	-	**(1,295)**
Cash earnings before distributions	1,335	767	671	378	133	-	**3,284**
Distributions	-	-	-	-	(64)	-	**(64)**
Cash earnings	**1,335**	**767**	**671**	**378**	**69**	**-**	**3,220**

Key balance sheet items ($bn)							Total
Gross loans and acceptances	184.2	192.0	89.9	64.1	2.1	-	**532.3**
Customer deposits	117.2	106.7	95.5	43.9	13.4	-	**376.7**

Business and Private Banking

Business and Private Banking brings together the Group's NAB Business division with Specialised Banking (including Agribusiness; NAB Health; and Government, Education, Community and Franchising); Business Direct and Small Business; NAB Private; and JBWere.

	Half Year to				
	Mar 17 $m	**Sep 16 $m**	**Mar 16 $m**	**Mar 17 v Sep 16 %**	**Mar 17 v Mar 16 %**
Net interest income	**2,564**	2,502	2,453	2.5	4.5
Other operating income	**526**	531	517	(0.9)	1.7
Net operating income	**3,090**	3,033	2,970	1.9	4.0
Operating expenses	**(1,038)**	(1,027)	(1,018)	1.1	2.0
Underlying profit	**2,052**	2,006	1,952	2.3	5.1
Charge to provide for bad and doubtful debts	**(98)**	(96)	(44)	2.1	large
Cash earnings before tax	**1,954**	1,910	1,908	2.3	2.4
Income tax expense	**(586)**	(572)	(573)	2.4	2.3
Cash earnings	**1,368**	1,338	1,335	2.2	2.5
Volumes ($bn)					
Housing lending	**89.7**	88.0	85.6	1.9	4.8
Business lending	**97.8**	96.9	95.4	0.9	2.5
Other lending	**3.0**	3.3	3.2	(9.1)	(6.3)
Gross loans and acceptances	**190.5**	188.2	184.2	1.2	3.4
Average interest earning assets	**180.8**	179.3	175.3	0.8	3.1
Total assets	**189.8**	187.2	183.1	1.4	3.7
Customer deposits	**127.0**	123.5	117.2	2.8	8.4
Total risk-weighted assets	**111.1**	112.1	103.9	(0.9)	6.9
Performance Measures					
Cash earnings on average assets	**1.46%**	1.44%	1.47%	2 bps	(1 bp)
Cash earnings on average risk-weighted assets	**2.45%**	2.50%	2.58%	(5 bps)	(13 bps)
Net interest margin	**2.84%**	2.79%	2.80%	5 bps	4 bps
Cost to income ratio	**33.6%**	33.9%	34.3%	(30 bps)	(70 bps)

	As at		
Asset Quality	**31 Mar 17**	**30 Sep 16**	**31 Mar 16**
90+DPD assets plus gross impaired assets to gross loans and acceptances	**0.79%**	0.75%	0.77%
Bad and doubtful debt charge to gross loans and acceptances (annualised) (1)	**0.10%**	0.07%	0.05%

(1) *March 2017 and March 2016 refer to the half year ratio annualised, September 2016 refers to the full year ratio.*

Business and Private Banking

Financial Analysis

March 2017 v March 2016

Cash earnings increased by $33 million or 2.5% against the March 2016 half year driven by improved net operating income, partially offset by higher bad and doubtful debt charges and higher operating expenses.

Cash earnings on average assets decreased one basis point to 1.46% due to a higher increase in average assets than in cash earnings compared to the March 2016 half year.

Cash earnings on average risk-weighted assets decreased 13 basis points to 2.45% reflecting the higher mortgage risk-weighted assets required by the outcome of the FSI.

Net interest income increased by $111 million or 4.5% due to continued momentum in lending and deposit volumes and benefits received from repricing of lending and deposit products. This was partially offset by competitive market pressure affecting housing and business lending margins, higher funding costs and lower earnings on capital driven by a decline in the earnings rate, reflecting the low interest rate environment.

Average interest earnings assets increased by $5.5 billion or 3.1% due to growth in both housing and business lending.

Customer deposits increased by $9.8 billion or 8.4% as a result of the business continuing to execute on its funding strategy, which includes growth in stable and reliable customer deposits. Growth was achieved across term deposits, on-demand and transaction accounts.

Net interest margin increased by four basis points due to repricing benefits received on both lending and deposits driven by the alignment of pricing to the current risk settings, combined with a favourable impact from changes in portfolio mix, particularly in deposits. This was partially offset by competitive pressures affecting housing and business lending margins, higher funding costs and a reduction in the earnings rate on capital.

Other Operating income increased $9 million or 1.7% driven by lending fees due to higher volumes, improved fee collection rates on both housing and business lending and higher fee income in JBWere, partially offset by lower customer risk management income and lower account fees.

Operating expenses increased $20 million or 2.0% against the March 2016 half year. This was driven by Enterprise Bargaining Agreement (EBA) and incentive based remuneration increases, continued investment in technology and associated depreciation and amortisation, partially offset by productivity savings.

The **charge to provide for bad and doubtful debts** increased by $54 million against the March 2016 half year. This was driven by higher collective provision write-backs recognised in the March 2016 half year from asset quality improvement, compared to the March 2017 half year. In addition, specific provision charges were higher in the March 2017 half year due to an increase in the number of individual impaired exposures across different industries.

The ratio of **90+ DPD assets plus gross impaired assets to gross loans and acceptances** increased two basis points to 0.79% compared to the March 2016 half year.

The **charge to provide for bad and doubtful debts to gross loans and acceptances** increased five basis points to 0.10% compared to the March 2016 half year mainly as a result of lower collective provision write-backs and higher specific charges recognised in the March 2017 half year.

March 2017 v September 2016

Cash earnings increased by $30 million or 2.2% against the September 2016 half year driven by improved net operating income partially offset by higher expenses.

Cash earnings on average assets increased two basis points to 1.46% reflecting the increase in cash earnings.

Cash earnings on average risk-weighted assets decreased five basis points to 2.45% due to higher mortgage risk-weighted assets required by the outcome of the FSI.

Net interest income increased by $62 million or 2.5% due to growth in lending and deposit volumes and benefits received from repricing of lending and deposit products. This was partially offset by the impacts of competitive pressures on housing and business lending margins and a lower earnings rate on capital, reflecting the low interest rate environment.

Average interest earnings assets increased by $1.5 billion or 0.8% due to growth in both housing and business lending.

Customer deposits increased by $3.5 billion or 2.8% mainly due to growth in on-demand and business transaction accounts reflecting a continued focus on growing stable customer deposits.

Net interest margin increased by five basis points due to repricing benefits received on both lending and deposits, combined with a favourable impact from changes in portfolio mix, particularly in deposits. Funding and liquidity costs remained stable, albeit at elevated levels. This was partially offset by competitive pressure in customer pricing on housing and business lending and a lower earnings rate on capital.

Other operating income decreased $5 million or 0.9% as a result of lower customer risk management income driven by competitive pressures impacting margins, lower account fees and seasonality in annual package fees. This was partially offset by higher lending fees from improved fee collection.

Business and Private Banking

Financial Analysis (continued)

March 2017 v September 2016 (continued)

Operating expenses increased $11 million or 1.1% compared to September 2016 half year. The increase was driven by EBA and incentive based remuneration increases, continued investment in technology and associated depreciation and amortisation charges, partially offset by productivity savings.

The **charge to provide for bad and doubtful debts** increased $2 million or 2.1% against the September 2016 half year reflecting stable asset quality environment.

The ratio of **90+ DPD assets plus gross impaired assets to gross loans and acceptances** increased four basis points to 0.79% on the September 2016 half year mainly due to an increase in 90+ DPD, largely driven by ongoing mining town stress and general weakness in economic conditions in Western Australia and Queensland.

The **charge to provide for bad and doubtful debts to gross loans and acceptances** increased three basis points to 0.10% on the September 2016 half year.

Consumer Banking and Wealth

Consumer Banking and Wealth is responsible for the NAB and UBank consumer banking franchises and the financial planning network, including NAB Financial Planning and aligned financial advisors. The division manages more than 5 million consumer relationships in Australia through its national network of branches and through centralised sales and service teams. The division also generates income and provides advice through independent third parties including mortgage brokers and a financial planning network of over 1,800 self-employed, aligned and salaried advisers in Australia.

	Half Year to				
	Mar 17 $m	**Sep 16 $m**	**Mar 16 $m**	**Mar 17 v Sep 16 %**	**Mar 17 v Mar 16 %**
Net interest income	**1,875**	1,827	1,882	2.6	(0.4)
Net investment income	**499**	525	506	(5.0)	(1.4)
Other operating income	**318**	326	302	(2.5)	5.3
Net operating income	**2,692**	2,678	2,690	0.5	0.1
Operating expenses	**(1,465)**	(1,422)	(1,448)	3.0	1.2
Underlying profit	**1,227**	1,256	1,242	(2.3)	(1.2)
Charge to provide for bad and doubtful debts	**(162)**	(120)	(162)	35.0	-
Cash earnings before tax	**1,065**	1,136	1,080	(6.3)	(1.4)
Income tax expense	**(301)**	(338)	(313)	(10.9)	(3.8)
Cash earnings	**764**	798	767	(4.3)	(0.4)
Volumes ($bn)					
Housing lending	**195.8**	190.7	184.9	2.7	5.9
Other lending	**7.2**	7.1	7.1	1.4	1.4
Gross loans and acceptances	**203.0**	197.8	192.0	2.6	5.7
Average interest earning assets	**185.5**	181.0	177.6	2.5	4.4
Total assets	**211.3**	206.0	202.8	2.6	4.2
Customer deposits	**112.7**	110.4	106.7	2.1	5.6
Total risk-weighted assets	**65.8**	64.5	46.8	2.0	40.6
Performance Measures					
Cash earnings on average assets	**0.75%**	0.80%	0.78%	(5 bps)	(3 bps)
Cash earnings on average risk-weighted assets (Consumer Banking)	**1.92%**	2.40%	2.72%	(48 bps)	(80 bps)
Net interest margin (Consumer Banking)	**2.03%**	2.02%	2.12%	1 bp	(9 bps)
Cost to income ratio (Consumer Banking)	**51.2%**	51.2%	51.2%	-	-
Cost to income ratio (Wealth)	**67.5%**	60.2%	64.3%	730 bps	320 bps
Funds under management and administration (spot) ($m)	**185,798**	177,418	169,797	4.7	9.4
Funds under management and administration (average) ($m)	**180,580**	175,052	170,818	3.2	5.7
Operating expenses to average FUM/A (bps) (Wealth)	**40**	38	41	2 bps	(1 bp)
Investment income to average FUM/A (bps) (Wealth)	**55**	60	59	(5 bps)	(4 bps)

	As at		
Asset Quality	**31 Mar 17**	**30 Sep 16**	**31 Mar 16**
90+DPD assets plus gross impaired assets to gross loans and acceptances	**0.75%**	0.67%	0.64%
Bad and doubtful debt charge to gross loans and acceptances (annualised) (1)	**0.16%**	0.14%	0.17%

(1) *March 2017 and March 2016 refer to the half year ratio annualised, September 2016 refers to the full year ratio.*

Consumer Banking and Wealth

Financial Analysis

March 2017 v March 2016

Cash earnings decreased slightly by $3 million or 0.4% compared to the March 2016 half year, largely as a result of increased investment in the business.

Cash earnings on average assets decreased three basis points to 0.75% reflecting a small decline in cash earnings compared to the March 2016 half year.

Cash earnings on average risk-weighted assets decreased 80 basis points to 1.92%, reflecting an increase in risk weighted assets following the higher mortgage risk weights required by the outcome of the FSI.

Net interest income decreased by $7 million or 0.4% compared to the March 2016 half year driven by higher funding costs and greater competitive pressure on lending margins. These were partially offset by increased income as a result of higher volumes and repricing benefits.

Average interest earning assets increased by $7.9 billion or 4.4% driven by growth in housing lending.

Customer deposits increased by $6.0 billion or 5.6% through an increase in term deposits, on-demand deposits and transactional accounts.

Net interest margin decreased by nine basis points driven by lower lending margins due to increased funding costs and competitive pressure on customer pricing, partially offset by repricing of both lending and deposits.

Net investment income decreased by $7 million or 1.4% due to margin decline, driven by MySuper plan transitions, consistent with broader industry experience, the decline of higher margin off sale Retail products and a change in business mix to lower margin wholesale and institutional products. This is partially offset by revenue growth from higher FUM/A as a result of investment market growth for the year.

Average FUM/A increased by $9.8 billion or 5.7% primarily due to growth in investment markets.

Other operating income increased by $16 million or 5.3% due to increased fee income driven by repricing and lending volume growth.

Operating expenses increased by $17 million or 1.2% as a result of increased investment in technology and associated amortisation costs, ongoing Wealth transformation and capability programs, combined with increased marketing spend, offset by productivity savings.

The **charge to provide for bad and doubtful debts** was flat compared to the March 2016 half year, with increases in specific provision charges due to ongoing mining town stress, offset by the non-recurrence of the overlay recognised during the March 2016 half year in the unsecured retail portfolio.

The ratio of **90+DPD assets plus gross impaired assets to gross loans and acceptances** increased by 11 basis points to 0.75% compared to the March 2016 half year reflecting an increase in mortgages 90+DPD mainly due to an increase in delinquencies in Victoria and NSW, albeit off a low base, together with Western Australia due to the mining sector stress impacting economic conditions in this state.

The **charge to provide for bad and doubtful debts to gross loans and acceptances** decreased by one basis point.

March 2017 v September 2016

Cash earnings decreased by $34 million or 4.3% compared to the September 2016 half year, driven by higher net operating income, offset by increased investment in the business including ongoing Wealth transformation and capability programs, and higher charges to provide for bad and doubtful debts.

Cash earnings on average assets decreased five basis points to 0.75% reflecting the decrease in cash earnings compared to the September 2016 half year.

Cash earnings on average risk-weighted assets decreased by 48 basis points to 1.92% reflecting lower cash earnings, combined with an increase in risk-weighted assets following the higher mortgage risk weights required by the outcome of the FSI.

Net interest income increased by $48 million or 2.6% driven by increased volumes in lending and deposits, combined with repricing benefits, partially offset by competitive pressure on lending margins.

Average interest earning assets increased by $4.5 billion or 2.5% largely due to an increase in housing lending.

Customer deposits increased by $2.3 billion or 2.1% as a result of an increase in on-demand deposits, transactional accounts and term deposits.

Net interest margin increased one basis point compared to the September 2016 half year, driven by repricing benefits in both lending and deposits, largely offset by competitive pressure on customer pricing.

Net investment income decreased by $26 million or 5.0% due to a change in business mix margins, combined with costs incurred in relation to planned service fee compensation, partially offset by revenue growth from higher FUM/A as a result of investment market growth for the half year.

Average FUM/A increased by $5.5 billion or 3.2% primarily due to improved investment markets.

Other operating income decreased by $8 million or 2.5% due to lower fees and retail sales reflecting seasonality.

Consumer Banking and Wealth

Financial Analysis (continued)

March 2017 v September 2016 (continued)

Operating expenses increased by $43 million or 3.0% as a result of increased investment in technology, ongoing Wealth transformation and capability programs, combined with increased regulatory spend, partially offset by productivity savings.

The **charge to provide for bad and doubtful debts** increased by $42 million or 35% compared to the September 2016 half year. This was largely due to an increase in collective charges in the unsecured portfolio driven by seasonality.

The ratio of **90+DPD assets plus gross impaired assets to gross loans and acceptances** increased by eight basis points to 0.75% compared to the September 2016 half year reflecting an increase in mortgages 90+DPD mainly due to an increase in delinquencies in Victoria and NSW, albeit off a low base, together with Western Australia due to the mining sector stress impacting economic conditions in this state.

The **charge to provide for bad and doubtful debts to gross loans and acceptances** increased by two basis points reflecting higher bad and doubtful debt charges in the March 2017 half year.

Consumer Banking and Wealth

Consumer Banking

	Half Year to				
	Mar 17 $m	**Sep 16 $m**	**Mar 16 $m**	**Mar 17 v Sep 16 %**	**Mar 17 v Mar 16 %**
Net interest income	**1,875**	1,827	1,882	2.6	(0.4)
Other operating income	**284**	296	264	(4.1)	7.6
Net operating income	**2,159**	2,123	2,146	1.7	0.6
Operating expenses	**(1,105)**	(1,088)	(1,098)	1.6	0.6
Underlying profit	**1,054**	1,035	1,048	1.8	0.6
Charge to provide for bad and doubtful debts	**(162)**	(120)	(162)	35.0	-
Cash earnings before tax	**892**	915	886	(2.5)	0.7
Income tax expense	**(268)**	(279)	(265)	(3.9)	1.1
Cash earnings	**624**	636	621	(1.9)	0.5

Wealth

	Half Year to				
	Mar 17 $m	**Sep 16 $m**	**Mar 16 $m**	**Mar 17 v Sep 16 %**	**Mar 17 v Mar 16 %**
Net investment income	**499**	525	506	(5.0)	(1.4)
Other operating income	**34**	30	38	13.3	(10.5)
Net operating income	**533**	555	544	(4.0)	(2.0)
Operating expenses	**(360)**	(334)	(350)	7.8	2.9
Cash earnings before tax	**173**	221	194	(21.7)	(10.8)
Income tax expense	**(33)**	(59)	(48)	(44.1)	(31.3)
Cash earnings	**140**	162	146	(13.6)	(4.1)

Corporate and Institutional Banking

Corporate and Institutional Banking provides a range of products and services critical to the success of the Group's Corporate and Institutional customers. Its offerings include lending and transactional solutions, capital and cash flow solutions. It utilises its sales, trading and research capabilities to support customers across traded markets including fixed income, money markets, credit, derivatives, currencies and commodities as well as providing innovative funding solutions and an access point to global capital markets. Corporate and Institutional Banking also provides institutional custody services and provides the management function for all of NAB's offshore branches.

	Half Year to				
	Mar 17 $m	Sep 16 $m	Mar 16 $m	Mar 17 v Sep 16 %	Mar 17 v Mar 16 %
Net interest income	**953**	947	972	0.6	(2.0)
Other operating income	**761**	724	703	5.1	8.3
Net operating income	**1,714**	1,671	1,675	2.6	2.3
Operating expenses	**(631)**	(640)	(658)	(1.4)	(4.1)
Underlying profit	**1,083**	1,031	1,017	5.0	6.5
Charge to provide for bad and doubtful debts	**(14)**	(82)	(135)	(82.9)	(89.6)
Cash earnings before tax	**1,069**	949	882	12.6	21.2
Income tax expense	**(278)**	(253)	(211)	9.9	31.8
Cash earnings	**791**	696	671	13.6	17.9

Net operating income					
Lending and deposits income	**973**	931	996	4.5	(2.3)
Markets income (ex derivative valuation adjustments)	**476**	450	472	5.8	0.8
Derivative valuation adjustments (1)	**46**	52	(1)	(11.4)	large
Other income	**219**	238	208	(8.0)	5.3
Total net operating income	**1,714**	1,671	1,675	2.6	2.3

(1) *Derivative valuation adjustments consist of CVA and FVA.*

	Half Year to				
Volumes ($bn)	Mar 17 $m	Sep 16 $m	Mar 16 $m	Mar 17 v Sep 16 %	Mar 17 v Mar 16 %
Capital Financing	**25.5**	24.8	23.1	2.8	10.4
Business Lending	**57.6**	60.0	64.0	(4.0)	(10.0)
Other Lending	**2.5**	2.7	2.8	(7.4)	(10.7)
Gross loans and acceptances	**85.6**	87.5	89.9	(2.2)	(4.8)
Average interest earning assets	**235.1**	237.2	234.6	(0.9)	0.2
Total assets	**258.2**	257.3	272.0	0.3	(5.1)
Customer deposits	**93.7**	94.1	95.5	(0.4)	(1.9)
Total risk-weighted assets	**114.2**	124.3	129.4	(8.1)	(11.7)

Performance Measures					
Cash earnings on average assets	**0.58%**	0.51%	0.48%	7 bps	10 bps
Cash earnings on average risk-weighted assets	**1.30%**	1.10%	1.03%	20 bps	27 bps
Net interest margin	**0.81%**	0.80%	0.83%	1 bp	(2 bps)
Net interest margin (ex markets)	**1.53%**	1.49%	1.50%	4 bps	3 bps
Cost to income ratio	**36.8%**	38.3%	39.3%	(150 bps)	(250 bps)

	As at		
Asset Quality	31 Mar 17	30 Sep 16	31 Mar 16
90+DPD assets plus gross impaired assets to gross loans and acceptances	**0.53%**	0.77%	0.64%
Bad and doubtful debt charge to gross loans and acceptances (annualised) (1)	**0.03%**	0.25%	0.30%

(1) *March 2017 and March 2016 refer to the half year ratio annualised, September 2016 refers to the full year ratio.*

Corporate and Institutional Banking

Financial Analysis

March 2017 v March 2016

Cash earnings increased $120 million or 17.9% compared to the March 2016 half year. Excluding the impact of foreign exchange, cash earnings increased by $133 million. This was driven by increased operating income from improved trading performance and higher derivative valuation adjustments combined with lower bad and doubtful debts in the March 2017 half year.

Cash earnings on average assets increased 10 basis points to 0.58% compared to the March 2016 half year largely reflecting improved cash earnings performance and a small increase in average assets.

Cash earnings on average risk weighted assets increased by 27 basis points to 1.30% reflecting improved earnings on reduced average risk weighted assets as a result of capital optimisation initiatives executed during the year.

Net interest income decreased by $19 million or 2.0% due to a decline in volumes as a result of increased competition for business lending.

Average interest earning assets increased by $0.5 billion or 0.2% as a result of an increase in average assets related to markets interest earning assets partially offset by a decline in gross loans and acceptances.

Customer deposits decreased by $1.8 billion or 1.9% as a result of a decline in less attractive institutional term deposits.

Net interest margin (ex markets) increased by three basis points to 1.53% due to increased margins on term deposits and savings on demand accounts partially offset by a decline in business lending margins as a result of increased competition.

Other operating income increased by $58 million or 8.3% compared to the March 2016 half year. Excluding the impact of foreign exchange, other operating income increased by $83 million. The increase was driven by improved trading performance and higher derivative valuation adjustments, partially offset by lower sales of customer risk management products.

Operating expenses decreased by $27 million or 4.1% compared to the March 2016 half year. Excluding the impact of foreign exchange, operating expenses decreased by $4 million. The decrease was driven by productivity savings from restructuring operations partially offset by Enterprise Bargaining Agreement and incentive based remuneration increases, continued investment in technology and associated amortisation charges.

The **charge to provide for bad and doubtful debts** decreased by $121 million or 89.6% compared to the March 2016 half year. Excluding the impact of foreign exchange, the charge to provide for bad and doubtful debts decreased by $123 million. The decrease was driven by a reduction in collective provision charges from the March 2016 half due to improvement in credit quality across the broader business lending portfolio and lower charges for the impairment of a small number of larger exposures.

The ratio of **90+ DPD plus gross impaired assets to gross loans and acceptances** has decreased 11 basis points to 0.53% from the March 2016 half due to successful work-out strategies across the division.

The **charge to provide for bad and doubtful debts to gross loans and acceptances** decreased 27 basis points to 0.03% compared to the March 2016 half year reflecting decreased bad and doubtful debt charges and improved credit quality in the business lending portfolio.

March 2017 v September 2016

Cash earnings increased $95 million or 13.6% compared to the September 2016 half year. Excluding the impact of foreign exchange, cash earnings increased by $99 million. The increase was driven by improved fees on Capital Financing transactions, trading performance and lower bad and doubtful debts compared to the September 2016 half year.

Cash earnings on average assets increased seven basis point to 0.58% compared to the September 2016 half year largely reflecting an increase in cash earnings associated with the markets business.

Cash earnings on risk weighted assets increased 20 basis points to 1.30% reflecting improved earnings on reduced risk weighted assets as a result of capital disciplines and optimisation initiatives.

Net interest income increased by $6 million or 0.6% due to an increase in income from deposits and other business lending products largely offset by a decline in business lending volumes.

Average interest earning assets decreased by $2.1 billion or 0.9% due to a decline in gross loans and acceptances as a result of returns focussed portfolio management partially offset by an increase in assets in the markets business.

Customer deposits decreased by $0.4 billion or 0.4% as a result of a decline in less attractive institutional deposits.

Net interest margin (ex markets) has increased four basis points to 1.53% due to improved margins on term deposits, savings on demand accounts and the business lending portfolio as a result of returns focussed portfolio management .

Other operating income increased by $37 million or 5.1%. Excluding the impact of foreign exchange, other operating income increased by $48 million compared to the September 2016 half year. The increase was driven by higher income in Capital Financing and trading performance, partially offset by lower sales of customer risk management products.

Corporate and Institutional Banking

Financial Analysis (continued)

March 2017 v September 2016 (continued)

Operating expenses decreased by $9 million or 1.4% compared to the September 2016 half year. Excluding the impact of foreign exchange, operating expenses were flat. The decrease is driven by productivity savings from restructuring operations offset by EBA and incentive based remuneration increases, continued investment in technology and associated amortisation charges.

The **charge to provide for bad and doubtful debts** decreased by $68 million or 82.9% compared to the September 2016 half year. Excluding the impact of foreign exchange, the charge to provide for bad and doubtful debts decreased by $69 million. The decrease was due to a reduction in collective provision charges due to improvement in credit quality across the broader business lending portfolio.

The ratio of **90+ DPD plus gross impaired assets to gross loans and acceptances** decreased 24 basis points to 0.53% from the September 2016 half due to the disposal of, or recovery against, a small number of larger exposures.

The **charge to provide for bad and doubtful debts to gross loans and acceptances** decreased 22 basis points to 0.03% compared to the September 2016 half year reflecting the decrease in the charge to provide for bad and doubtful debts due to improved credit quality in the business lending portfolio and recovery or disposal of a small number of larger exposures relative to the decrease in gross loans and acceptances.

New Zealand Banking

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

Results presented in local currency. See page 51 for results in Australian dollars and page 99 for foreign exchange rates.

	Half Year to				
	Mar 17 $m	**Sep 16 $m**	**Mar 16 $m**	**Mar 17 v Sep 16 %**	**Mar 17 v Mar 16 %**
Net interest income	**823**	809	798	1.7	3.1
Other operating income	**280**	295	279	(5.1)	0.4
Net operating income	**1,103**	1,104	1,077	(0.1)	2.4
Operating expenses	**(433)**	(437)	(430)	(0.9)	0.7
Underlying profit	**670**	667	647	0.4	3.6
Charge to provide for bad and doubtful debts	**(40)**	(41)	(84)	(2.4)	(52.4)
Cash earnings before tax	**630**	626	563	0.6	11.9
Income tax expense	**(175)**	(174)	(151)	0.6	15.9
Cash earnings	**455**	452	412	0.7	10.4

Volumes ($bn)					
Housing lending	**36.2**	35.1	33.4	3.1	8.4
Business lending	**38.7**	37.7	36.4	2.7	6.3
Other lending	**1.3**	1.3	1.3	-	-
Gross loans and acceptances	**76.2**	74.1	71.1	2.8	7.2
Average interest earning assets	**76.6**	73.3	70.4	4.5	8.8
Total assets	**79.8**	77.5	74.0	3.0	7.8
Customer deposits	**53.0**	50.5	48.8	5.0	8.6
Total risk-weighted assets	**57.7**	57.5	55.7	0.3	3.6

Performance Measures					
Cash earnings on average assets	**1.16%**	1.20%	1.14%	(4 bps)	2 bps
Cash earnings on average risk-weighted assets	**1.59%**	1.60%	1.53%	(1 bp)	6 bps
Net interest margin	**2.15%**	2.21%	2.27%	(6 bps)	(12 bps)
Cost to income ratio	**39.3%**	39.6%	39.9%	(30 bps)	(60 bps)
FTEs (spot)	**4,788**	4,963	5,012	(3.5)	(4.5)

	As at
Market Share [1]	**28 Feb 17**
Housing lending	**15.6%**
Agribusiness	**22.3%**
Business lending	**23.6%**
Total deposits	**18.0%**

(1) *Source: RBNZ February 2017. RBNZ published data collection has changed based on a new collection template implemented with all NZ Banks. The new categories are not on a comparable basis as September 2016 and March 2016.*

	As at		
Distribution	**31 Mar 17**	**30 Sep 16**	**31 Mar 16**
Number of retail branches	**161**	171	173
Number of ATMs	**488**	478	479
Number of internet banking customers (no. '000s)	**745**	723	705

	As at		
Asset Quality	**31 Mar 17**	**30 Sep 16**	**31 Mar 16**
90+DPD assets plus gross impaired assets to gross loans and acceptances [1]	**1.61%**	1.69%	1.43%
Bad and doubtful debt charge to gross loans and acceptances (annualised) [2]	**0.10%**	0.17%	0.24%

(1) *Gross impaired assets include NZ$795 million, (September 2016 NZ$823 million, March 2016 NZ$579 million) of NZ Banking dairy exposures currently assessed as no loss based on security held. Collective provisions are held against these loans.*

(2) *March 2017 and March 2016 refer to the half year ratio annualised, September 2016 refers to the full year ratio.*

New Zealand Banking

Financial Analysis (in local currency)

March 2017 v March 2016

Cash earnings increased by NZ$43 million or 10.4% compared to March 2016 driven by improved net interest income and lower charges for bad and doubtful debts, partially offset by higher expenses.

Cash earnings on average assets increased two basis points to 1.16% mainly due to higher cash earnings.

Cash earnings on average risk-weighted assets increased six basis points to 1.59% mainly due to increased cash earnings.

Net interest income increased by NZ$25 million or 3.1%, driven by improved lending margins and growth in lending and deposit volumes, partly offset by increased funding costs and lower earnings on capital in the March 2017 half year.

Average interest earnings assets increased by NZ $6.2bn, largely due to growth in housing and business lending volumes.

Gross loans and acceptances increased by NZ$5.1 billion or 7.2% driven by both housing and business lending. Business lending volumes increased by NZ$2.3 billion or 6.3% and housing volumes increased by NZ$2.8 billion or 8.4%, as a result of strong system growth.

Customer deposits increased by NZ$4.2 billion or 8.6%. This was as a result of a strategic focus to grow deposits in line with lending growth and balance sheet structure objectives.

Net interest margin decreased by 12 basis points to 2.15% driven by higher funding costs and lower earnings on capital partly offset by improved lending margins in both housing and business lending.

Other operating income increased by NZ$1 million or 0.4% mainly due to improved fees and commissions and retail wealth income, partially offset by lower markets sales income.

Operating expenses increased by NZ$3 million or 0.7% mainly due to the investment in distribution channels in Auckland and Broker channels resulting in higher depreciation and amortisation expense, partly offset by operational efficiencies.

The **charge to provide for bad and doubtful debts** decreased by NZ$44 million or 52.4% as a result of improved economic conditions, including the outlook for the dairy portfolio.

The level of **90+ DPD plus gross impaired assets** to gross loans and advances increased by 18 basis points to 1.61% in the March 2017 half year largely due an increase to the dairy exposures assessed as default no loss[1] in impaired assets in the September 2016 half year.

March 2017 v September 2016

Cash earnings increased by NZ$3 million or 0.7% compared to the September 2016 half year driven by higher net interest income and lower expenses, partly offset by lower other operating income.

Cash earnings on average assets decreased four basis points to 1.16% mainly due to higher average assets.

Cash earnings on average risk-weighted assets decreased one basis point to 1.59% mainly due to higher average risk-weighted assets.

Net interest income increased NZ$14 million or 1.7% as a result of improved lending margins and growth in lending and deposit volumes, partly offset by increased funding costs and lower earnings on capital in the March 2017 half year.

Average interest earnings assets increased by NZ $3.3bn, largely due to growth in housing and business lending volumes.

Gross loans and acceptances increased by NZ$2.1 billion or 2.8%, supported by strong momentum in both housing and business lending and investment in priority segments. Housing volumes increased by NZ$1.1 billion or 3.1% as a result of strong growth in both the broker and propriety channels, while and business lending volumes increased by NZ$1.0 billion or 2.7% as a result of higher lending demand.

Customer deposits increased NZ$2.5 billion or 5.0% in line with lending growth and balance sheet structure objectives.

Net interest margin decreased by six basis points to 2.15%, driven by higher funding costs and lower earnings on capital. This was partly offset by improved lending margin in both housing and business lending.

Other operating income decreased by NZ$15 million or 5.1% mainly due to lower market sales income and lower revenues in the credit card portfolio, combined with timing of dividend income and equity investment revaluations which typically occur in the second half of each year.

Operating expenses decreased by NZ$4 million or 0.9% mainly due to delivery of operational efficiencies, partially offset by higher depreciation and amortisation expense.

The **charge to provide for bad and doubtful debts** decreased by NZ$1m or 2.4%, driven by lower charges in the dairy portfolio, partially offset by increased collective provisioning coverage across other sectors in the portfolio.

The level of **90+ DPD plus gross impaired assets** to gross loans and advances improved by eight basis points to 1.61% in the March 2017 half year largely due to improvements in the dairy portfolio.

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(1) *Gross impaired assets include $795 million of dairy exposure currently assessed as no loss based on security held (September 2016 $823 million, March 2016 $579 million).*

New Zealand Banking

Results presented in Australian dollars. *See page 49 for results in local currency.*

	Half Year to				
	Mar 17 $m	**Sep 16 $m**	**Mar 16 $m**	**Mar 17 v Sep 16 %**	**Mar 17 v Mar 16 %**
Net interest income	**776**	760	736	2.1	5.4
Other operating income	**264**	276	257	(4.3)	2.7
Net operating income	**1,040**	1,036	993	0.4	4.7
Operating expenses	**(408)**	(409)	(397)	(0.2)	2.8
Underlying profit	**632**	627	596	0.8	6.0
Charge to provide for bad and doubtful debts	**(38)**	(39)	(77)	(2.6)	(50.6)
Cash earnings before tax	**594**	588	519	1.0	14.5
Income tax expense	**(165)**	(162)	(141)	1.9	17.0
Cash earnings	**429**	426	378	0.7	13.5

Impact of foreign exchange rate movements

Favourable/ (unfavourable) Mar 17	**Half Year since Sep 16 $m**	**Mar 17 v Sep 16 Ex FX %**	**Year since Mar 16 $m**	**Mar 17 v Mar 16 Ex FX %**
Net interest income	**3**	1.7	**17**	3.1
Other operating income	**1**	(4.7)	**6**	0.4
Operating expenses	**(1)**	(0.5)	**(9)**	0.5
Charge to provide for bad and doubtful debts	**(1)**	(5.1)	**(1)**	(51.9)
Income tax expense	**-**	1.9	**(4)**	14.2
Cash earnings	**2**	0.2	**9**	11.1

Corporate Functions and Other

The Group's 'Corporate Functions' business includes functions that support all businesses including Treasury, Other Corporate Functions activities and NAB UK CRE. Treasury acts as the central vehicle for movements of capital and structural funding to support the Group's operations, together with capital, balance sheet management and the liquid asset portfolio. Other Corporate Functions activities include Technology and Operations and Support Units (which includes Office of the CEO, Risk, Finance and People).

	Half Year to				
	Mar 17 $m	**Sep 16 $m**	**Mar 16 $m**	**Mar 17 v Sep 16 %**	**Mar 17 v Mar 16 %**
Net operating income	**353**	340	398	3.8	(11.3)
Operating expenses	**(263)**	(219)	(251)	20.1	4.8
Underlying profit	**90**	121	147	(25.6)	(38.8)
(Charge to provide for) / write-back of bad and doubtful debts	**(82)**	(88)	43	(6.8)	large
Cash earnings before tax and distributions	**8**	33	190	(75.8)	(95.8)
Income tax (expense) / benefit	**(17)**	32	(57)	large	(70.2)
Cash earnings before distributions	**(9)**	65	133	large	large
Distributions	**(49)**	(60)	(64)	(18.3)	(23.4)
Cash earnings	**(58)**	5	69	large	large

March 2017 v March 2016

Cash earnings decreased by $127 million compared to the March 2016 half year. Excluding the impact of foreign exchange, cash earnings decreased by $120 million. This decrease was driven by lower net operating income, higher charge to provide for bad and doubtful debts and an increase in operating expenses, partially offset by lower income tax expense and distributions.

Net operating income decreased by $45 million or 11.3%. Excluding the impact of foreign exchange, net operating income decreased by $38 million due to lower income from Treasury, capital management and hedging activities.

Operating expenses increased by $12 million or 4.8%. Excluding the impact of foreign exchange, operating expenses increased by $17 million largely due to restructuring costs.

The **charge to provide for bad and doubtful debts** increased by $125 million. Excluding the impact of foreign exchange, the charge to provide for bad and doubtful debts increased by $124 million mainly due to a collective provision overlay for the commercial real estate portfolio and the write-back from a new credit system implementation in the March 2016 half year which did not reoccur.

Income tax expense decreased by $40 million or 70.2%. Excluding the impact of foreign exchange, income tax decreased by $45 million in line with lower cash earnings and group tax adjustments which are largely recognised in Corporate Functions.

Distributions decreased by $15 million or 23.4%. Excluding the impact of foreign exchange, distributions decreased by $14 million mainly due to the lower number of equity instruments held during the period and lower interest rates.

March 2017 v September 2016

Cash earnings decreased by $63 million compared to the September 2016 half year. Excluding the impact of foreign exchange, cash earnings decreased by $59 million. This decrease was driven by higher operating expenses and income tax expense, partially offset by higher net operating income, a lower charge to provide for bad and doubtful debts and lower distributions.

Net operating income increased by $13 million or 3.8%. Excluding the impact of foreign exchange, net operating income increased by $15 million due to higher income from Treasury, capital management and hedging activities.

Operating expenses increased by $44 million or 20.1%. Excluding the impact of foreign exchange, operating expenses increased by $46 million. This was mainly due to restructuring costs ($31 million).

The **charge to provide for bad and doubtful debts** decreased by $6 million or 6.8%. Excluding the impact of foreign exchange, the charge to provide for bad and doubtful debts decreased by $6 million mainly due to a collective provision overlay for the commercial real estate portfolio, partially offset by a collective provision overlay for mining, mining related and agricultural sectors recognised in the September half year which did not reoccur.

Income tax expense increased by $49 million. Excluding the impact of foreign exchange, income tax expense increased by $45 million mainly due to group tax adjustments which are largely recognised in Corporate Functions.

Distributions decreased by $11 million or 18.3%. Excluding the impact of foreign exchange, distributions decreased by $11 million mainly due to the lower number of equity instruments held during the period and lower interest rates.

Section 5

Financial Report

Report of the Directors

The directors of National Australia Bank Limited (NAB) (ABN 12 004 044 937) present their report, together with the financial statements of NAB and its controlled entities (the Group) for the half year ended 31 March 2017.

Directors

Directors who held office during or since the end of the half year are:

Dr Kenneth R Henry
Chairman from December 2015 and Director since November 2011

Andrew G Thorburn
Managing Director and Chief Executive Officer since August 2014

David H Armstrong
Director since August 2014

Philip W Chronican
Director since May 2016

Peeyush K Gupta
Director since November 2014

Anne J Loveridge
Director since December 2015

Geraldine C McBride
Director since March 2014

Doug A McKay
Director since February 2016

Anthony KT Yuen
Director since March 2010

Daniel T Gilbert
Director since September 2004. Mr Gilbert retired from the Board on 16 December 2016.

Jillian S Segal
Director since September 2004. Ms Segal retired from the Board on 16 December 2016.

Rounding of Amounts

Pursuant to the ASIC Corporations (Rounding in Financial/ Directors' Reports) Instrument 2016/191, NAB has rounded off amounts in this report and the accompanying financial statements to the nearest million dollars, except where indicated.

Review of Group Operations

The Group is executing a strategy to achieve its vision to be Australia and New Zealand's most respected bank, with the objective to deliver superior returns to shareholders.

To meet this objective, the Group aims to deliver initiatives in line with the following strategic themes:

- Focusing on core Australian and New Zealand customers.
- Delivering a great customer experience.
- Improving our people, leadership and talent.
- Generating attractive returns.

During FY15 and FY16, the Group executed a major divestment program, exiting a number of non-core assets. This has simplified the Group and allowed it to focus on its core Australian and New Zealand franchise markets, where it is best positioned to serve its customers.

The Group is prioritising small and medium business customers given its established market position [(1)] and ability to serve these customers. Home owners and investors also remain a priority for the Group.

The March 2017 half year results reflect continued improvement across the largely domestic businesses of Business and Private Banking and Corporate and Institutional Banking, driven by continued margin management, combined with strong markets trading. The Group has improved its balance sheet strength, increasing its CET1 ratio by 42bps to 10.1% compared to the 31 March 2016 results.

Business and Private Banking delivered higher volumes in housing and business lending and improved net interest margin. The charge to bad and doubtful debts increased compared to the half year ended 31 March 2016 due to higher collective provision write-backs recognised in the March 2016 half year from asset quality improvement, compared to the March 2017 half year. In addition, specific provision charges were higher in the March 2017 half year due to an increase in the number of individual impaired exposures across different industries.

Consumer Banking and Wealth increased its investment in technology and ongoing Wealth transformation and capability programs. Revenue was broadly flat in the half, with benefits from higher volumes in both lending and deposits, combined with repricing benefits, largely offset by competitive pressure on customer pricing.

Corporate and Institutional Banking increased revenue due to strong markets trading. This was combined with lower bad and doubtful debts as the prior half included a charge for a small number of exposures that did not repeat to the same extent in the March 2017 half year.

(1) *Per the Market Share Report, APRA Business Lending Market Share analysis.*

Report of the Directors (continued)

Review of Group Results

Net profit from continuing operations decreased by $369 million or 11.4% for the 31 March 2017 half year compared to the 31 March 2016 half year. This was largely due to lower revenue primarily from unfavourable movements in fair value and hedge ineffectiveness and higher operating expenses.

Net interest income decreased by $200 million or 3.0%. This includes a decrease of $241 million which was offset by movements in economic hedges in other operating income. Excluding this movement, the underlying increase was driven by increased volumes in housing lending, combined with the benefits received from repricing. This was partially offset by competitive market pressure on housing and business lending margins, higher funding and liquidity costs, lower interest income from Group's risk management activities and lower earnings on capital driven by a decline in the earnings rate.

Total other income decreased by $227 million or 9.2%. This includes an increase of $241 million due to movements in economic hedges, offset in net interest income. The underlying decrease was largely driven by unfavourable movements in fair value and hedge ineffectiveness and lower sales of risk management products to the Group's customers. These were partially offset by higher gains from Group funding and hedging activities, an improved trading performance and higher fee income across the Group driven by repricing and improved lending fee collection.

Operating expenses increased by $60 million or 1.4% mainly due to continued investment in technology and associated higher depreciation and amortisation charges, combined with increased restructuring expenses and incentive based compensation increases. These were partially offset by productivity savings across the Group's businesses.

Charges to provide for doubtful debts increased by $13 million or 3.4% due to higher collective provision charges primarily driven by an overlay for the commercial real estate portfolio. This was partially offset by a decrease in Corporate and Institutional Banking driven by the improvement in credit quality over the broader business lending portfolio and lower charges for the impairment of a small number of larger exposures.

Total assets increased by $12,605 million or 1.6% compared to 30 September 2016 mainly due to growth in liquid assets and marketable securities, reflecting the Group's continuing desire to maintain balance sheet flexibility. This was combined with an increase in loans and advances due to continued momentum in housing lending in both Australia and New Zealand. Business lending was broadly flat reflecting a decrease in Corporate and Institutional Banking due to reduced exposures in institutional lending, partially offset by growth in priority segments of Business and Private Banking and NZ Banking. The increases were partially offset by a decrease in trading and hedging derivatives assets driven by an increase and steepening of yield curves globally, leading to a decrease in the fair value of derivative instruments.

Total liabilities increased by $13,064 million or 1.8% due to growth in deposits and other borrowings to support the increase in the Group's lending and the liquidity portfolio. The increase was partially offset by a decrease in trading and hedging derivative liabilities in line with the decrease in derivative assets.

Corporate Governance

The Board has received the relevant assurances required under Recommendation 4.2 of the ASX Corporate Governance Principles and Recommendations jointly from the Group Chief Executive Officer and the Group Chief Financial Officer in respect of the half year financial report for the period ended 31 March 2017.

The directors of NAB have a significant responsibility with respect to the integrity of external reporting. This involves reviewing and monitoring, with the assistance of the Audit Committee and management, the processes, controls and procedures that are in place to maintain the integrity of the Group's financial statements. Further details on the role of the Board and its Committees can be found online in the Corporate Governance section of the Group's website at www.nab.com.au.

Auditor's independence declaration

A copy of the auditor's independence declaration as required by section 307C of the *Corporations Act* 2001 (Cth) is set out on the following page and forms part of this report.

Directors' signatures

Signed in accordance with the resolution of the directors:

Dr Kenneth R Henry
Chairman

Mr Andrew G Thorburn
Group Chief Executive Officer

4 May 2017

Ernst & Young
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Melbourne VIC 3000 Australia
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Auditor's Independence Declaration to the Directors of National Australia Bank Limited

As lead auditor for the review of National Australia Bank Limited for the half-year ended 31 March 2017, I declare to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and

b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of National Australia Bank Limited and the entities it controlled during the financial period.

Ernst & Young

Ernst & Young

Andrew Price
Partner
Melbourne

4 May 2017

Consolidated Financial Statements

Income Statement [1]

		Half Year to		
		Mar 17	Sep 16	Mar 16
	Note	$m	$m	$m
Interest income		**13,351**	13,724	13,905
Interest expense		**(6,954)**	(7,391)	(7,308)
Net interest income		**6,397**	6,333	6,597
Net investment income [1]	3	**-**	2,651	1,819
Change in policy liabilities [1]		**-**	(1,633)	(1,228)
Movement in external unitholders' liability [1]		**-**	(806)	(209)
Gains less losses on financial instruments at fair value	3	**63**	528	299
Other operating income	3	**2,179**	1,983	1,788
Total other income		**2,242**	2,723	2,469
Personnel expenses	4	**(2,277)**	(2,222)	(2,309)
Occupancy-related expenses	4	**(261)**	(248)	(245)
General expenses	4	**(1,718)**	(1,665)	(1,642)
Total operating expenses		**(4,256)**	(4,135)	(4,196)
Charge to provide for doubtful debts	8	**(399)**	(427)	(386)
Profit before income tax expense		**3,984**	4,494	4,484
Income tax expense	5	**(1,126)**	(1,296)	(1,257)
Net profit for the period from continuing operations		**2,858**	3,198	3,227
Net (loss) after tax for the period from discontinued operations	15	**(312)**	(1,102)	(4,966)
Net profit / (loss) for the period		**2,546**	2,096	(1,739)
Attributable to owners of NAB		**2,545**	2,094	(1,742)
Attributable to non-controlling interests		**1**	2	3

[1] *Includes the impact of movements in Life investment contracts to 1 July 2016, being the date on which the Successor Fund Merger occurred and the related investment assets and investment contract liabilities were deconsolidated.*

	cents	cents	cents
Basic earnings per share	**93.9**	78.0	(70.1)
Diluted earnings per share	**91.7**	76.1	(62.0)

	cents	cents	cents
Basic earnings per share from continuing operations	**105.6**	120.2	122.7
Diluted earnings per share from continuing operations	**102.6**	115.2	117.8

[1] *Information is presented on a continuing operations basis.*

Statement of Comprehensive Income [1]

		Half Year to		
		Mar 17	**Sep 16**	**Mar 16**
	Note	**$m**	**$m**	**$m**
Net profit for the period from continuing operations		**2,858**	3,198	3,227
Other comprehensive income				
Items that will not be reclassified to profit or loss				
Fair value changes on financial liabilities designated at fair value attributable to the Group's own credit risk	**11**	**67**	(324)	211
Revaluation of land and buildings		**-**	(1)	-
Exchange differences on translation of other contributed equity		**(27)**	(69)	(114)
Equity instruments at fair value through other comprehensive income reserve:				
Revaluation (losses) / gains		**(3)**	1	(52)
Tax on items transferred directly to / (from) equity		**10**	47	(24)
Total items that will not be reclassified to profit or loss		**47**	(346)	21
Items that will be reclassified subsequently to profit or loss				
Cash flow hedges:				
(Losses) / gains on cash flow hedging instruments		**(129)**	63	(25)
Losses / (gains) transferred to the income statement		**7**	(7)	1
Exchange differences on translation of foreign operations		**(331)**	370	(121)
Debt instruments at fair value through other comprehensive income reserve:				
Revaluation gains / (losses)		**72**	53	(39)
Gains from sale transferred to the income statement		**(2)**	(11)	(5)
Loss allowance on debt instruments at fair value through other comprehensive income		**1**	4	-
Tax on items transferred directly to / (from) equity		**9**	(53)	75
Total items that will be reclassified subsequently to profit or loss		**(373)**	419	(114)
Other comprehensive income for the period, net of income tax		**(326)**	73	(93)
Total comprehensive income for the period from continuing operations		**2,532**	3,271	3,134
Net (loss) for the period from discontinued operations	**15**	**(312)**	(1,102)	(4,966)
Other comprehensive income for the period from discontinued operations, net of income tax		**-**	-	979
Total comprehensive income for the period		**2,220**	2,169	(853)
Attributable to owners of NAB		**2,219**	2,167	(856)
Attributable to non-controlling interests		**1**	2	3

(1) *Information is presented on a continuing operations basis.*

Balance Sheet

	Note	As at 31 Mar 17 $m	30 Sep 16 $m	31 Mar 16 $m
Assets				
Cash and liquid assets		**40,373**	30,630	33,174
Due from other banks		**53,725**	45,236	44,578
Trading derivatives		**33,166**	43,131	58,509
Trading securities		**48,501**	45,971	42,801
Debt instruments at fair value through other comprehensive income		**43,499**	40,689	41,920
Investments relating to life insurance business		**81**	86	90,005
Other financial assets at fair value		**18,520**	21,496	23,949
Hedging derivatives		**5,387**	6,407	6,740
Loans and advances		**520,954**	510,045	490,756
Due from customers on acceptances		**8,548**	12,205	15,544
Current tax assets		**133**	-	-
Property, plant and equipment		**1,337**	1,423	1,468
Goodwill and other intangible assets		**5,393**	5,302	6,820
Deferred tax assets		**1,711**	1,925	1,254
Other assets [(1)]		**8,899**	13,076	11,212
Total assets		**790,227**	777,622	868,730
Liabilities				
Due to other banks		**47,618**	43,903	47,821
Trading derivatives		**34,022**	41,654	59,002
Other financial liabilities at fair value		**28,161**	33,224	28,159
Hedging derivatives		**3,397**	3,245	2,664
Deposits and other borrowings	**10**	**487,252**	459,714	448,659
Life policy liabilities		**-**	-	76,689
Current tax liabilities		**-**	297	362
Provisions		**1,381**	1,432	928
Bonds, notes and subordinated debt		**124,027**	127,942	125,199
Other debt issues		**6,205**	6,248	6,143
External unitholders' liability		**-**	-	14,538
Other liabilities [(2)]		**7,308**	8,648	8,484
Total liabilities		**739,371**	726,307	818,648
Net assets		**50,856**	51,315	50,082
Equity				
Contributed equity	**11**	**34,341**	34,285	32,666
Reserves	**11**	**170**	629	358
Retained profits	**11**	**16,334**	16,378	17,033
Total equity (parent entity interest)		**50,845**	51,292	50,057
Non-controlling interest in controlled entities		**11**	23	25
Total equity		**50,856**	51,315	50,082

(1) *Includes cash collateral placed with third parties, accrued interest receivable, other debt instruments at amortised cost, equity instruments at fair value through other comprehensive income and investments in associates.*

(2) *Includes cash collateral received from third parties, payables and accrued expenses and accrued interest payable.*

Condensed Cash Flow Statement

		Half Year to		
	Note	Mar 17 $m	Sep 16[1] $m	Mar 16[1] $m
Cash flows from operating activities				
Interest received		**13,238**	13,569	14,769
Interest paid		**(7,045)**	(7,298)	(8,294)
Dividends received		**7**	10	11
Income taxes paid		**(1,310)**	(1,294)	(1,854)
Other cash flows from operating activities before changes in operating assets and liabilities		**(1,777)**	(4,056)	(4,149)
Changes in operating assets and liabilities arising from cash flow movements		**16,572**	1,633	13,148
Net cash provided by operating activities [2]		**19,685**	2,564	13,631
Net cash (used in) / provided by investing activities [3]		**(1,597)**	1,464	(11,434)
Cash flows from financing activities				
Repayments of bonds, notes and subordinated debt		**(15,836)**	(18,008)	(8,119)
Proceeds from issue of bonds, notes and subordinated debt, net of costs		**16,923**	19,730	18,640
Repayments of other contributed equity		**(400)**	-	-
Proceeds from other debt issues, net of costs		**-**	105	6
Repayment of other debt issues		**(40)**	-	-
Dividends and distributions paid (excluding dividend reinvestment plan)		**(2,353)**	(2,315)	(2,278)
Net cash (used in) / provided by financing activities		**(1,706)**	(488)	8,249
Net increase in cash and cash equivalents		**16,382**	3,540	10,446
Cash and cash equivalents at beginning of period		**27,960**	26,652	20,528
Effects of exchange rate changes on balance of cash held in foreign currencies		**(425)**	(2,232)	(4,322)
Cash and cash equivalents at end of period	**12**	**43,917**	27,960	26,652

(1) *The comparative cash flow statements include the cash flows of discontinued operations for the period up to the date on which the Group lost control of those operations. The September 2016 half year includes cash flows of Wealth's life insurance business and the March 2016 half year includes cash flows of both the life insurance business and CYBG.*

(2) *The March 2017 half year includes cash outflows related to the Group's discontinued operations, being $64 million related to CYBG and $78 million related to Wealth's life insurance business.*

(3) *Net cash provided by / (used in) investing activities includes a $2,206 million cash inflow (September 2016 $1,375 million cash outflow, March 2016 $10,405 million cash outflow) being proceeds from the sale of controlled entities, net of cash disposed. The March 2017 amount relates to proceeds from the sale of 80% of Wealth's life insurance business which were accrued at 30 September 2016.*

Statement of Changes in Equity

	Contributed equity[1] $m	Reserves[1] $m	Retained profits[1] $m	Total $m	Non-controlling interest in controlled entities $m	Total equity $m
Balance at 1 October 2015	34,651	(362)	21,205	55,494	19	**55,513**
Net profit for the period from continuing operations	-	-	3,224	3,224	3	**3,227**
Net loss for the period from discontinued operations	-	-	(4,966)	(4,966)	-	**(4,966)**
Other comprehensive income for the period from continuing operations	-	(280)	187	(93)	-	**(93)**
Other comprehensive income for the period from discontinued operations	-	955	24	979	-	**979**
Total comprehensive income for the period	-	675	(1,531)	(856)	3	**(853)**
Transactions with owners, recorded directly in equity:						
Contributions by and distributions to owners						
Issue of ordinary shares	307	-	-	307	-	**307**
Treasury shares adjustment relating to life insurance business [2]	248	-	-	248	-	**248**
Transfer from / (to) retained profits	-	64	(64)	-	-	**-**
Transfer from equity-based compensation reserve	105	(105)	-	-	-	**-**
Equity-based compensation	-	92	-	92	-	**92**
Dividends paid	-	-	(2,519)	(2,519)	(2)	**(2,521)**
Distributions on other equity instruments	-	-	(64)	(64)	-	**(64)**
Capital distribution on CYBG demerger	(2,645)	-	-	(2,645)	-	**(2,645)**
Released on divestment of discontinued operations	-	(6)	6	-	-	**-**
Changes in ownership interests [3]						
Movement of non-controlling interest in controlled entities	-	-	-	-	5	**5**
Balance at 31 March 2016	32,666	358	17,033	50,057	25	**50,082**
Net profit for the period from continuing operations	-	-	3,196	3,196	2	**3,198**
Net loss for the period from discontinued operations	-	-	(1,102)	(1,102)	-	**(1,102)**
Other comprehensive income for the period from continuing operations	-	376	(303)	73	-	**73**
Total comprehensive income for the period	-	376	1,791	2,167	2	**2,169**
Transactions with owners, recorded directly in equity:						
Contributions by and distributions to owners						
Issue of ordinary shares	289	-	-	289	-	**289**
Treasury shares adjustment relating to life insurance business [2]	1,269	-	-	1,269	-	**1,269**
Transfer from / (to) retained profits	-	(155)	155	-	-	**-**
Transfer from equity-based compensation reserve	61	(61)	-	-	-	**-**
Equity-based compensation	-	111	-	111	-	**111**
Dividends paid	-	-	(2,541)	(2,541)	(3)	**(2,544)**
Distributions on other equity instruments	-	-	(60)	(60)	-	**(60)**
Changes in ownership interests [3]						
Movement of non-controlling interest in controlled entities	-	-	-	-	(1)	**(1)**
Balance at 30 September 2016	34,285	629	16,378	51,292	23	**51,315**
Net profit for the period from continuing operations	-	-	2,857	2,857	1	**2,858**
Net loss for the period from discontinued operations	-	-	(312)	(312)	-	**(312)**
Other comprehensive income for the period from continuing operations	-	(403)	77	(326)	-	**(326)**
Total comprehensive income for the period	-	(403)	2,622	2,219	1	**2,220**
Transactions with owners, recorded directly in equity:						
Contributions by and distributions to owners						
Issue of ordinary shares	294	-	-	294	-	**294**
Redemption of National Capital Instruments [4]	(397)	-	(3)	(400)	-	**(400)**
Transfer from / (to) retained profits	-	19	(19)	-	-	**-**
Transfer from equity-based compensation reserve	159	(159)	-	-	-	**-**
Equity-based compensation	-	84	-	84	-	**84**
Dividends paid	-	-	(2,595)	(2,595)	(3)	**(2,598)**
Distributions on other equity instruments	-	-	(49)	(49)	-	**(49)**
Changes in ownership interests [3]						
Movement of non-controlling interest in controlled entities	-	-	-	-	(10)	**(10)**
Balance at 31 March 2017	34,341	170	16,334	50,845	11	**50,856**

(1) *Refer to Note 11 - Contributed equity and reserves.*

(2) *Relates to shares in NAB previously held by Wealth's life insurance business which are no longer held by a controlled entity of the Group.*

(3) *Changes in ownership interests in controlled entities that does not result in a loss of control.*

(4) *National Capital Instruments were fully redeemed on 4 October 2016.*

Notes to the Consolidated Financial Statements

1. Principal Accounting Policies

This interim financial report for the half year reporting period ended 31 March 2017 has been prepared in accordance with the Australian Securities Exchange (ASX) Listing Rules, the *Corporations Act 2001* (Cth) and AASB 134 "Interim Financial Reporting".

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

This interim financial report does not contain all disclosures of the type normally found within an annual financial report and therefore cannot be expected to provide as full an understanding of the financial position and financial performance of the Group as that given by the annual financial report. This report should be read in conjunction with the Group's 2016 Annual Financial Report and any public announcements made up until the date of this interim financial report.

Accounting policies are consistent with those applied in the Group's 2016 Annual Financial Report. There were no amendments to Australian Accounting Standards adopted during the period that have a material impact on the Group.

Discontinued operations are excluded from the results of the continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the income statement.

a) Critical accounting assumptions and estimates

The preparation of this report requires the use of critical accounting estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and the disclosed amounts of liabilities. Areas where assumptions are significant and are based on best estimates include:

- Impairment charges on loans and advances.
- Fair value of financial assets and liabilities.
- Assessment of goodwill for impairment and allocation to cash generating units.
- Provisions other than loan impairment.
- Provisions for conduct related matters including obligations to CYBG related to UK conduct risk under the terms of the Conduct Indemnity Deed.

As a result of the organisational restructure effective from 1 August 2016, new cash generating units were identified from 1 October 2016 and goodwill was allocated to the newly identified cash generating units for assessment of impairment. No other significant changes in assumptions have occurred in the 31 March 2017 half year reporting period compared to those applied in the 2016 Annual Financial Report.

b) Currency of presentation

All amounts are expressed in Australian dollars unless otherwise stated.

2. Segment Information [1]

The Group evaluates reportable segments' performance on the basis of cash earnings. Cash earnings is a non-IFRS key financial performance measure used by NAB, the investment community and NAB's Australian peers with similar business portfolios. It is not a statutory financial measure and is not presented in accordance with Australian Accounting Standards nor audited or reviewed in accordance with Australian Auditing Standards. Cash earnings represents the net profit attributable to owners of NAB from continuing operations, adjusted for certain non-cash items, distributions and significant items.

Following the implementation of the organisational restructure effective from 1 August 2016, the Group's business now consists of the following reportable segments: Business and Private Banking; Consumer Banking and Wealth; Corporate and Institutional Banking; and NZ Banking. In addition, information on Corporate Functions and Other is included in this note to reconcile to Group information.

Major Customers

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

Reportable Segments

	Half Year ended 31 March 2017			
	Cash Earnings	Net interest income	Total other income	Total assets[1]
Segment Information	**$m**	**$m**	**$m**	**$m**
Business and Private Banking	1,368	2,564	526	189,819
Consumer Banking and Wealth	764	1,875	817	211,347
Corporate and Institutional Banking	791	953	761	258,172
NZ Banking	429	776	264	72,880
Corporate Functions and Other	(58)	225	128	109,489
Eliminations	-	-	(20)	(51,480)
Total	**3,294**	**6,393**	**2,476**	**790,227**

(1) *Balances have not been restated to exclude discontinued operations.*

	Half Year ended 30 September 2016			
	Cash Earnings	Net interest income	Total other income	Total assets[1]
Segment Information	**$m**	**$m**	**$m**	**$m**
Business and Private Banking	1,338	2,502	531	187,200
Consumer Banking and Wealth	798	1,827	851	206,016
Corporate and Institutional Banking	696	947	724	257,303
NZ Banking	426	760	276	73,916
Corporate Functions and Other	5	294	46	104,177
Eliminations	-	-	(34)	(50,990)
Total	**3,263**	**6,330**	**2,394**	**777,622**

(1) *Balances have not been restated to exclude discontinued operations.*

	Half Year ended 31 March 2016			
	Cash Earnings	Net interest income	Total other income	Total assets[1]
Segment Information	**$m**	**$m**	**$m**	**$m**
Business and Private Banking	1,335	2,453	517	183,130
Consumer Banking and Wealth	767	1,882	808	296,569
Corporate and Institutional Banking	671	972	703	272,046
NZ Banking	378	736	257	66,721
Corporate Functions and Other	69	557	(159)	99,939
Eliminations	-	-	(17)	(49,675)
Total	**3,220**	**6,600**	**2,109**	**868,730**

(1) *Balances have not been restated to exclude discontinued operations.*

(1) *Information is presented on a continuing operations basis.*

2. Segment Information (continued) [1]

Reconciliations between reportable segment information and statutory results

	Half Year to		
Reconciliation of cash earnings to Net profit attributable to owners of NAB	**Mar 17 $m**	**Sep 16 $m**	**Mar 16 $m**
Cash earnings [1]	**3,294**	3,263	3,220
Non-cash earnings items (after tax):			
Distributions	**49**	60	64
Treasury shares	**-**	(1)	62
Fair value and hedge ineffectiveness	**(453)**	(66)	(60)
Life insurance 20% share of profit [2]	**-**	(17)	(22)
Amortisation of acquired intangible assets	**(33)**	(43)	(40)
Net (loss) from discontinued operations	**(312)**	(1,102)	(4,966)
Net profit / (loss) attributable to owners of NAB	**2,545**	2,094	(1,742)

(1) *Includes eliminations and distributions.*
(2) *Included in statutory profit from 1 October 2016 onward.*

	Half Year to		
Reconciliation of net interest income	**Mar 17 $m**	**Sep 16 $m**	**Mar 16 $m**
Net interest income on a cash earnings basis	**6,393**	6,330	6,600
Wealth net adjustment [1]	**16**	3	(3)
Fair value and hedge ineffectiveness	**(12)**	-	-
Net interest income on a statutory basis	**6,397**	6,333	6,597

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

	Half Year to		
Reconciliation of other income	**Mar 17 $m**	**Sep 16 $m**	**Mar 16 $m**
Other income on a cash earning basis	**2,476**	2,394	2,109
Wealth net adjustment [1]	**429**	443	358
Treasury shares	**-**	(13)	81
Fair value and hedge ineffectiveness	**(657)**	(85)	(56)
Life insurance 20% share of profit [2]	**-**	(17)	(22)
Amortisation of acquired intangible assets	**(6)**	1	(1)
Other income on a statutory basis	**2,242**	2,723	2,469

(1) *The Wealth net adjustment represents a reallocation of the income statement of the Wealth business prepared on a cash earnings basis into the appropriate statutory income lines.*
(2) *Included in statutory profit from 1 October 2016 onward.*

(1) *Information is presented on a continuing operations basis.*

3. Other Income [1]

	Half Year to		
	Mar 17 $m	Sep 16 $m	Mar 16 $m
Net investment income			
Investment revenue [1]	-	2,508	1,529
Fee income [1]	-	143	290
Total net investment income	-	2,651	1,819
Gains less losses on financial instruments at fair value			
Trading securities	(774)	986	289
Trading derivatives	1,444	(474)	199
Assets, liabilities and derivatives designated in hedge relationships [2]	(557)	(128)	46
Assets and liabilities designated at fair value	(127)	102	(289)
Other	77	42	54
Total gains less losses on financial instruments at fair value	63	528	299
Other operating income			
Dividend revenue	7	10	11
Gains from sale of investments, loans, property, plant and equipment and other assets	6	20	32
Banking fees	465	446	425
Money transfer fees	303	305	291
Fees and commissions	1,084	933	763
Investment management fees	137	132	123
Other income	177	137	143
Total other operating income	2,179	1,983	1,788

(1) *Includes the impact of movements in Life investment contracts to 1 July 2016, being the date on which the Successor Fund Merger occurred and the related investment assets and investment contract liabilities were deconsolidated.*

(2) *Represents hedge ineffectiveness of designated hedging relationships.*

(1) *Information is presented on a continuing operations basis.*

4. Operating Expenses [1]

	Half Year to Mar 17 $m	Sep 16 $m	Mar 16 $m
Personnel expenses			
Salaries and related on-costs [1]	**1,713**	1,718	1,723
Superannuation costs - defined contribution plans	**136**	138	137
Performance-based compensation:			
Cash	**258**	215	242
Equity-based compensation	**84**	101	96
Total performance-based compensation	**342**	316	338
Other expenses	**86**	50	111
Total personnel expenses	**2,277**	2,222	2,309
Occupancy-related expenses			
Operating lease rental expense	**218**	205	199
Other expenses	**43**	43	46
Total occupancy-related expenses	**261**	248	245
General expenses			
Fees and commission expense [1]	**318**	233	268
Depreciation and amortisation of property, plant and equipment	**152**	143	131
Amortisation of intangible assets	**208**	168	179
Advertising and marketing	**85**	119	77
Charge to provide for operational risk event losses	**58**	30	18
Communications, postage and stationery	**86**	151	121
Computer equipment and software	**341**	312	309
Data communication and processing charges	**39**	47	42
Professional fees	**220**	264	236
Loss on disposal of property, plant and equipment and other assets	**4**	6	2
Impairment losses / (reversals) recognised	**-**	3	3
Other expenses	**207**	189	256
Total general expenses	**1,718**	1,665	1,642
Total operating expenses	**4,256**	4,135	4,196

[1] *Comparative information has been restated to accord with changes in presentations made in the current period, reflecting a reallocation of expenses between 'salaries and related on-costs' and 'fees and commission expense'.*

[1] *Information is presented on a continuing operations basis.*

5. Income Tax Expense [1]

Reconciliation of income tax expense shown in the income statement with prima facie tax payable on the pre-tax accounting profit

	Half Year to		
	Mar 17	Sep 16	Mar 16
	$m	$m	$m
Profit before income tax expense	**3,984**	4,494	4,484
Prima facie income tax at 30%	**1,195**	1,348	1,345
Add / (deduct): Tax effect of amounts not deductible / (assessable):			
Assessable foreign income	**3**	1	3
Foreign tax rate differences	**(27)**	(6)	(30)
Foreign branch income not assessable	**(39)**	(27)	(33)
Under / (over) provision in prior years	**(7)**	(24)	(2)
Offshore banking unit income	**(32)**	(30)	(26)
Restatement of deferred tax balances for tax rate changes	**(4)**	4	-
Treasury shares adjustment	**-**	(8)	(6)
Non-deductible hybrid distributions	**35**	31	27
Losses not tax effected	**-**	17	25
Other	**2**	(10)	(46)
Total income tax expense	**1,126**	1,296	1,257
Effective tax rate (%)	**28.3%**	28.8%	28.0%

[1] *Information is presented on a continuing operations basis.*

6. Dividends and Distributions

The Group has recognised the following dividends on ordinary shares:

	Half Year to					
	Mar 17		Sep 16		Mar 16	
	Amount per share	Total amount	Amount per share	Total amount	Amount per share	Total amount
Dividends on ordinary shares	cents	$m	cents	$m	cents	$m
Dividends declared	**99**	**2,630**	99	2,618	99	2,600
Deduct: Bonus shares in lieu of dividend	**n/a**	**(35)**	n/a	(29)	n/a	(28)
Dividends paid by NAB	**n/a**	**2,595**	n/a	2,589	n/a	2,572
Deduct: Dividends on treasury shares [1]	**n/a**	**-**	n/a	(48)	n/a	(53)
Add: Dividends paid to non-controlling interest in controlled entities	**n/a**	**3**	n/a	3	n/a	2
Total dividends paid by the Group	**n/a**	**2,598**	n/a	2,544	n/a	2,521

(1) *Includes Treasury Shares held in the Group's investments businesses (consolidated until the Successor Fund Merger on 1 July 2016) and excludes any Treasury Shares held in respect of employee incentive schemes.*

Franked dividends declared or paid during the period were fully franked at a tax rate of 30% (2016: 30%).

In 2016, the CYBG demerger resulted in the distribution of CYBG shares valued at $2,645 million to NAB shareholders.

Interim dividend

On 4 May 2017, the directors declared the following dividend:

	Amount per share	Franked amount per share	Foreign income per share	Total amount
	cents	%	%	$m
Interim dividend declared in respect of the year ended 30 September 2017	99	100	Nil	**2,649**

The record date for determining entitlements to the 2017 interim dividend is 17 May 2017. The interim dividend has been declared by the directors of NAB and is payable on 5 July 2017. The financial effect of this dividend has not been brought to account in the financial statements for the half year ended 31 March 2017 and will be recognised in subsequent financial reports.

	Half Year to					
	Mar 17		Sep 16		Mar 16	
	Amount per security [1]	Total amount	Amount per security [1]	Total amount	Amount per security [1]	Total amount
Distributions on other equity instruments	$	$m	$	$m	$	$m
National Income Securities	**1.52**	**30**	1.69	33	1.73	35
Trust Preferred Securities [2]	**46.17**	**19**	50.94	20	57.56	23
National Capital Instruments [3]	**-**	**-**	785.39	7	808.95	6
Total distributions on other equity instruments		**49**		60		64

(1) *Amount per security is based on actual dollar value divided by the number of units on issue.*

(2) *$A equivalent.*

(3) *National Capital Instruments were fully redeemed on 4 October 2016.*

Dividend and distribution plans

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

The last date for receipt of election notices for the Dividend Reinvestment Plan and the Bonus Share Plan is 5pm (Australian Eastern Standard time) on 18 May 2017.

7. Loans and Advances including Acceptances

	As at		
	31 Mar 17 $m	**30 Sep 16 $m**	**31 Mar 16 $m**
Housing loans	**320,788**	314,557	303,120
Other term lending	**189,479**	187,695	180,920
Asset and lease financing	**11,201**	10,949	10,868
Overdrafts	**5,833**	6,304	6,220
Credit card outstandings	**7,545**	7,518	7,512
Other	**6,181**	5,759	7,439
Fair value adjustment	**468**	773	690
Gross loans and advances	**541,495**	533,555	516,769
Acceptances	**8,548**	12,205	15,544
Gross loans and advances including acceptances	**550,043**	545,760	532,313
Represented by:			
Loans and advances at fair value [1]	**17,029**	19,864	22,373
Loans and advances at amortised cost	**524,466**	513,691	494,396
Acceptances	**8,548**	12,205	15,544
Gross loans and advances including acceptances	**550,043**	545,760	532,313
Unearned income and deferred net fee income	**(392)**	(532)	(591)
Provision for doubtful debts	**(3,120)**	(3,114)	(3,049)
Net loans and advances including acceptances	**546,531**	542,114	528,673
Securitised loans and loans supporting covered bonds [2]	**38,726**	41,002	34,125

[1] *On the balance sheet, this amount is included within other financial assets at fair value. This amount is included in the product and geographical analysis below.*

[2] *Loans supporting securitisation and covered bonds are included within the balance of net loans and advances including acceptances.*

By product and geographic location	**Australia $m**	**New Zealand $m**	**Other International $m**	**Total Group $m**
As at 31 March 2017				
Housing loans	285,538	33,051	2,199	**320,788**
Other term lending	146,847	33,968	8,664	**189,479**
Asset and lease financing	10,740	6	455	**11,201**
Overdrafts	3,930	1,853	50	**5,833**
Credit card outstandings	6,473	1,072	-	**7,545**
Other	4,171	511	1,499	**6,181**
Fair value adjustment	437	57	(26)	**468**
Gross loans and advances	458,136	70,518	12,841	**541,495**
Acceptances	8,548	-	-	**8,548**
Gross loans and advances including acceptances	466,684	70,518	12,841	**550,043**
Represented by:				
Loans and advances at fair value	12,599	4,405	25	**17,029**
Loans and advances at amortised cost	445,537	66,113	12,816	**524,466**
Acceptances	8,548	-	-	**8,548**
Gross loans and advances including acceptances	466,684	70,518	12,841	**550,043**

By product and geographic location	**Australia $m**	**New Zealand $m**	**Other International $m**	**Total Group $m**
As at 30 September 2016				
Housing loans	278,848	33,431	2,278	**314,557**
Other term lending	144,044	34,064	9,587	**187,695**
Asset and lease financing	10,477	3	469	**10,949**
Overdrafts	4,222	2,081	1	**6,304**
Credit card outstandings	6,439	1,079	-	**7,518**
Other	3,997	537	1,225	**5,759**
Fair value adjustment	685	122	(34)	**773**
Gross loans and advances	448,712	71,317	13,526	**533,555**
Acceptances	12,205	-	-	**12,205**
Gross loans and advances including acceptances	460,917	71,317	13,526	**545,760**
Represented by:				
Loans and advances at fair value	14,523	5,304	37	**19,864**
Loans and advances at amortised cost	434,189	66,013	13,489	**513,691**
Acceptances	12,205	-	-	**12,205**
Gross loans and advances including acceptances	460,917	71,317	13,526	**545,760**

7. Loans and Advances including Acceptances (continued)

By product and geographic location	Australia $m	New Zealand $m	Other International $m	Total Group $m
As at 31 March 2016				
Housing loans	270,640	30,117	2,363	**303,120**
Other term lending	139,364	30,820	10,736	**180,920**
Asset and lease financing	10,366	5	497	**10,868**
Overdrafts	4,213	2,000	7	**6,220**
Credit card outstandings	6,486	1,026	-	**7,512**
Other	4,320	591	2,528	**7,439**
Fair value adjustment	607	136	(53)	**690**
Gross loans and advances	435,996	64,695	16,078	**516,769**
Acceptances	15,544	-	-	**15,544**
Gross loans and advances including acceptances	451,540	64,695	16,078	**532,313**
Represented by:				
Loans and advances at fair value	16,294	5,884	195	**22,373**
Loans and advances at amortised cost	419,702	58,811	15,883	**494,396**
Acceptances	15,544	-	-	**15,544**
Gross loans and advances including acceptances	451,540	64,695	16,078	**532,313**

8. Provision for Doubtful Debts

	As at		
	31 Mar 17	30 Sep 16	31 Mar 16
	$m	$m	$m
Specific provision for doubtful debts - Lifetime Expected Credit Losses (ECL)	**747**	706	596
Collective provision for doubtful debts - Lifetime ECL	**2,046**	2,079	2,022
Collective provision for doubtful debts - 12 months ECL	**327**	329	431
Total collective provision for doubtful debts	**2,373**	2,408	2,453
Total provision for doubtful debts	**3,120**	3,114	3,049
Specific provision on loans at fair value [1]	**1**	6	6
Collective provision on loans and derivatives at fair value and other debt instruments [1] [2]	**322**	403	525
Total provision for doubtful debts and provisions held on assets at fair value	**3,443**	3,523	3,580

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

[2] *Included within this amount is a collective provision relating to derivatives of $195 million (September 2016 $259 million, March 2016 $300 million). The March 2017 balance includes provisions on other debt instruments at fair value through other comprehensive income of $1 million (September 2016 $1 million, March 2016 $1 million).*

Movement in provisions for doubtful debts

	Collective provision 12-mth ECL	Collective provision Lifetime ECL not credit impaired	Collective provision Lifetime ECL credit impaired	Specific provision Lifetime ECL credit impaired	Total
	$m	$m	$m	$m	$m
Balance at 1 October 2015	455	1,988	440	637	**3,520**
Changes due to financial assets recognised in the opening balance that have:					
Transferred to 12-mth ECL	408	(391)	(17)	-	**-**
Transferred to Lifetime ECL not credit impaired	(38)	85	(47)	-	**-**
Transfer to Lifetime ECL credit impaired - collective provision	(2)	(76)	78	-	**-**
Transfer to Lifetime ECL credit impaired - specific provision	(1)	(32)	(97)	130	**-**
Bad debts recovered	-	-	-	63	**63**
Bad debts written-off	-	-	-	(358)	**(358)**
Charge to income statement from continuing operations	(321)	258	151	298	**386**
Charge to income statement from discontinued operations [1]	21	8	21	20	**70**
Derecognised in respect of the group disposal [2]	(85)	(222)	(94)	(174)	**(575)**
Foreign currency translation and other adjustments	(6)	(24)	(7)	(20)	**(57)**
Balance at 31 March 2016	**431**	**1,594**	**428**	**596**	**3,049**
Changes due to financial assets recognised in the opening balance that have:					
Transferred to 12-mth ECL	285	(270)	(15)	-	**-**
Transferred to Lifetime ECL not credit impaired	(32)	73	(41)	-	**-**
Transfer to Lifetime ECL credit impaired - collective provision	(2)	(59)	61	-	**-**
Transfer to Lifetime ECL credit impaired - specific provision	(1)	(89)	(98)	188	**-**
Bad debts recovered	-	-	-	56	**56**
Bad debts written-off	-	-	-	(420)	**(420)**
Charge to income statement from continuing operations	(342)	401	84	284	**427**
Foreign currency translation and other adjustments	(10)	7	3	2	**2**
Balance at 30 September 2016	**329**	**1,657**	**422**	**706**	**3,114**
Changes due to financial assets recognised in the opening balance that have:					
Transferred to 12-mth ECL	227	(216)	(11)	-	**-**
Transferred to Lifetime ECL not credit impaired	(31)	73	(42)	-	**-**
Transfer to Lifetime ECL credit impaired - collective provision	(2)	(45)	47	-	**-**
Transfer to Lifetime ECL credit impaired - specific provision	(1)	(121)	(73)	195	**-**
Bad debts recovered	-	-	-	46	**46**
Bad debts written-off	-	-	-	(460)	**(460)**
Charge to income statement from continuing operations	(195)	273	87	234	**399**
Foreign currency translation and other adjustments	-	(8)	3	26	**21**
Balance at 31 March 2017	**327**	**1,613**	**433**	**747**	**3,120**

[1] *Includes discontinued operations of CYBG.*

[2] *The March 2016 half year reflects the demerger of CYBG.*

9. Asset Quality

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

	As at		
Summary of total impaired assets	**31 Mar 17 $m**	**30 Sep 16 $m**	**31 Mar 16 $m**
Impaired assets [(1)]	**2,393**	2,642	2,173
Restructured loans	**-**	-	1
Gross total impaired assets [(2)]	**2,393**	2,642	2,174
Specific provisions - total impaired assets	**(748)**	(712)	(602)
Net total impaired assets	**1,645**	1,930	1,572

(1) *Impaired assets include $726 million (NZ$795 million), (September 2016 $785 million (NZ$823 million), March 2016 $522 million (NZ$579 million)) of NZ Banking dairy exposures currently assessed as no loss based on security held. Collective provisions are held against these loans.*

(2) *Gross impaired assets include $119 million (September 2016 $135 million, March 2016 $87 million) of gross impaired other financial assets at fair value.*

Movement in gross impaired assets	**Australia $m**	**New Zealand $m**	**Other International $m**	**Total Group $m**
Balance as at 1 October 2015	1,241	197	612	**2,050**
New [(1)]	657	609	79	**1,345**
Written-off	(139)	(13)	(31)	**(183)**
Returned to performing or repaid	(361)	(51)	(56)	**(468)**
Derecognised in respect of the disposal group [(2)]	-	-	(514)	**(514)**
Foreign currency translation adjustments	-	(14)	(42)	**(56)**
Balance as at 31 March 2016	1,398	728	48	**2,174**
New [(1)]	619	367	60	**1,046**
Written-off	(187)	(23)	(31)	**(241)**
Returned to performing or repaid	(272)	(87)	(10)	**(369)**
Foreign currency translation adjustments	-	43	(11)	**32**
Balance as at 30 September 2016	1,558	1,028	56	**2,642**
New [(1)]	572	93	25	**690**
Written-off	(251)	(13)	(18)	**(282)**
Returned to performing or repaid	(496)	(124)	(35)	**(655)**
Foreign currency translation adjustments	(1)	(42)	41	**(2)**
Gross impaired assets as at 31 March 2017	1,382	942	69	**2,393**

(1) *New gross impaired assets during the March 2017 half year include $31 million (NZ$33 million) (September 2016 half year $300 million (NZ$319 million), March 2016 half year $522 million (NZ$579 million)) of NZ Banking dairy exposures currently assessed as no loss based on security held. Collective provisions are held against these loans.*

(2) *Includes discontinued operations of CYBG in the March 2016 half year.*

The amounts below are not classified as impaired assets and therefore are not included in the above summary.

	As at		
Summary of 90+ days past due loans	**31 Mar 17 $m**	**30 Sep 16 $m**	**31 Mar 16 $m**
Total assets past due 90 days or more with adequate security	**1,944**	1,672	1,682
Total portfolio managed facilities past due 90 to 180 days	**338**	303	321
Total 90+ days past due loans	**2,282**	1,975	2,003
Total 90+ days past due loans to gross loans and acceptances (%)	**0.41**	0.36	0.37

	As at		
90+ days past due loans - by geographic location	**31 Mar 17 $m**	**30 Sep 16 $m**	**31 Mar 16 $m**
Australia	**2,086**	1,806	1,794
New Zealand	**182**	165	190
Other international	**14**	4	19
90+ days past due loans	**2,282**	1,975	2,003

10. Deposits and Other Borrowings

	As at		
	31 Mar 17	**30 Sep 16**	**31 Mar 16**
	$m	**$m**	**$m**
Term deposits	**156,568**	158,763	151,493
On-demand and short-term deposits	**198,847**	190,018	186,533
Certificates of deposit	**52,149**	46,018	49,017
Deposits not bearing interest (1)	**44,138**	41,698	38,640
Total deposits	**451,702**	436,497	425,683
Borrowings	**22,415**	18,785	20,058
Securities sold under agreements to repurchase	**19,543**	16,064	11,189
Fair value adjustment	**8**	21	14
Total deposits and other borrowings	**493,668**	471,367	456,944
Represented by:			
Total deposits and other borrowings at fair value	**6,416**	11,653	8,285
Total deposits and other borrowings at amortised cost	**487,252**	459,714	448,659
Total deposits and other borrowings	**493,668**	471,367	456,944

(1) *Deposits not bearing interest include mortgage offset accounts.*

By product and geographic location	**Australia** $m	**New Zealand** $m	**Other International** $m	**Total Group** $m
As at 31 March 2017				
Term deposits	117,540	26,695	12,333	**156,568**
On-demand and short-term deposits	160,606	18,111	20,130	**198,847**
Certificates of deposit	36,181	1,480	14,488	**52,149**
Deposits not bearing interest	39,591	4,508	39	**44,138**
Total deposits	353,918	50,794	46,990	**451,702**
Borrowings	18,825	3,103	487	**22,415**
Securities sold under agreements to repurchase	550	-	18,993	**19,543**
Fair value adjustment	-	8	-	**8**
Total deposits and other borrowings	373,293	53,905	66,470	**493,668**
Represented by:				
Total deposits and other borrowings at fair value	-	6,416	-	**6,416**
Total deposits and other borrowings at amortised cost	373,293	47,489	66,470	**487,252**
Total deposits and other borrowings	373,293	53,905	66,470	**493,668**

By product and geographic location	**Australia** $m	**New Zealand** $m	**Other International** $m	**Total Group** $m
As at 30 September 2016				
Term deposits	120,390	26,430	11,943	**158,763**
On-demand and short-term deposits	155,818	18,234	15,966	**190,018**
Certificates of deposit	35,298	2,255	8,465	**46,018**
Deposits not bearing interest	37,292	4,401	5	**41,698**
Total deposits	348,798	51,320	36,379	**436,497**
Borrowings	14,990	3,495	300	**18,785**
Securities sold under agreements to repurchase	787	-	15,277	**16,064**
Fair value adjustment	-	21	-	**21**
Total deposits and other borrowings	364,575	54,836	51,956	**471,367**
Represented by:				
Total deposits and other borrowings at fair value	-	11,653	-	**11,653**
Total deposits and other borrowings at amortised cost	364,575	43,183	51,956	**459,714**
Total deposits and other borrowings	364,575	54,836	51,956	**471,367**

10. Deposits and Other Borrowings (continued)

By product and geographic location	Australia $m	New Zealand $m	Other International $m	Total Group $m
As at 31 March 2016				
Term deposits	115,103	23,476	12,914	**151,493**
On-demand and short-term deposits	154,296	17,612	14,625	**186,533**
Certificates of deposit	35,172	1,485	12,360	**49,017**
Deposits not bearing interest	34,858	3,778	4	**38,640**
Total deposits	339,429	46,351	39,903	**425,683**
Borrowings	16,919	2,363	776	**20,058**
Securities sold under agreements to repurchase	2,080	-	9,109	**11,189**
Fair value adjustment	-	14	-	**14**
Total deposits and other borrowings	358,428	48,728	49,788	**456,944**
Represented by:				
Total deposits and other borrowings at fair value	-	8,285	-	**8,285**
Total deposits and other borrowings at amortised cost	358,428	40,443	49,788	**448,659**
Total deposits and other borrowings	358,428	48,728	49,788	**456,944**

11. Contributed Equity and Reserves

	As at		
	31 Mar 17	30 Sep 16	31 Mar 16
Contributed equity	$m	$m	$m
Issued and paid-up ordinary share capital			
Ordinary shares, fully paid	**31,421**	30,968	29,349
Other contributed equity			
National Income Securities	**1,945**	1,945	1,945
Trust Preferred Securities	**975**	975	975
National Capital Instruments	**-**	397	397
Total contributed equity	**34,341**	34,285	32,666

	Half Year to		
	Mar 17	Sep 16	Mar 16
Movements in issued and paid-up ordinary share capital	$m	$m	$m
Ordinary share capital			
Balance at beginning of period	**30,968**	29,349	31,334
Shares issued:			
Dividend reinvestment plan (DRP)	**294**	289	307
Transfer from equity-based compensation reserve	**159**	61	105
Capital distribution on CYBG demerger	**-**	-	(2,645)
Treasury shares sold relating to life insurance business [(1)]	**-**	1,269	248
Balance at end of period	**31,421**	30,968	29,349

(1) *Relates to shares in NAB previously held by Wealth's life insurance business which are no longer held by a controlled entity of the Group.*

	As at		
	31 Mar 17	30 Sep 16	31 Mar 16
Reserves	$m	$m	$m
Foreign currency translation reserve	**(415)**	(71)	(350)
Asset revaluation reserve	**83**	83	68
Cash flow hedge reserve	**40**	143	106
Equity-based compensation reserve	**157**	234	190
General reserve for credit losses	**96**	75	130
Debt instruments at fair value through other comprehensive income reserve	**127**	80	46
Equity instruments at fair value through other comprehensive income reserve	**82**	85	168
Total reserves	**170**	629	358

	Half Year to		
	Mar 17	Sep 16	Mar 16
Reconciliation of movement in retained profits	$m	$m	$m
Balance at beginning of period	**16,378**	17,033	21,205
Actuarial gains / (losses) on defined benefit superannuation plans	**-**	-	31
Fair value changes on financial liabilities designated at fair value attributable to the Group's own credit risk	**67**	(324)	211
Tax on items taken directly to / (from) equity	**10**	21	(31)
Net profit attributable to owners of NAB from continuing operations	**2,857**	3,196	3,224
Net (loss) attributable to owners of NAB from discontinued operations	**(312)**	(1,102)	(4,966)
Transfer from equity instruments at fair value through other comprehensive income reserve	**-**	94	-
Transfer (to) / from general reserve for credit losses	**(21)**	55	(66)
Transfer from asset revaluation reserve	**-**	-	1
Transfer of rights lapsed from equity-based compensation reserve	**2**	6	1
Dividends paid	**(2,595)**	(2,541)	(2,519)
Distributions on other equity instruments	**(49)**	(60)	(64)
Gains on disposal of interest in subsidiary [(1)]	**-**	-	6
Reclassification of National Capital Instruments transaction costs	**(3)**	-	-
Balance at end of period	**16,334**	16,378	17,033

(1) *Represents gains / (losses) from discontinued operations recognised directly in retained profits.*

12. Notes to the Condensed Cash Flow Statement

(a) Reconciliation of cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents includes cash and liquid assets and amounts due from other banks (including reverse repurchase agreements and short-term government securities), net of amounts due to other banks that are readily convertible to known amounts of cash within three months.

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

	As at		
	31 Mar 17	30 Sep 16	31 Mar 16
Cash and cash equivalents	$m	$m	$m
Assets			
Cash and liquid assets	**40,373**	30,630	33,174
Treasury and other eligible bills	**358**	574	507
Due from other banks (excluding mandatory deposits with supervisory central banks)	**48,385**	37,349	36,810
Total cash and cash equivalents assets	**89,116**	68,553	70,491
Liabilities			
Due to other banks	**(45,199)**	(40,593)	(43,839)
Total cash and cash equivalents	**43,917**	27,960	26,652

Included within due from other banks is the cash deposit of $1,055 million (£646 million) (September 2016 $1,175 million (£691 million), March 2016 $2,090 million (£1,115 million)) held with The Bank of England in connection with the CYBG demerger, that is required to collateralise NAB's obligations under the Capped Indemnity as agreed with the United Kingdom Prudential Regulation Authority (PRA).

Prior period cash and liquid assets included cash and liquid assets within Wealth's life insurance business statutory funds (September 2016 $nil, March 2016 $2,287 million) which were subject to restrictions imposed under the *Life Insurance Act* 1995 (Cth) and other restrictions and therefore were not available for use in operating, investing or financing activities of other parts of the Group.

(b) Non-cash financing and investing transactions

	Half Year to		
	Mar 17	Sep 16	Mar 16
	$m	$m	$m
New share issues			
Dividend reinvestment plan	**294**	289	307
New debt issues			
Subordinated medium-term notes reinvestment offer	**539**	-	-

13. Fair Value of Financial Instruments

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

The table below shows a comparison of the carrying amounts, as reported on the balance sheet, and an estimate of the fair value of those financial assets and liabilities measured at amortised cost where the carrying amounts of the financial assets and financial liabilities recorded at amortised cost in the balance sheet are not approximately equal to their fair value.

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

	As at 31 March 2017		As at 30 September 2016		As at 31 March 2016	
	Carrying Value $m	Fair Value $m	Carrying Value $m	Fair Value $m	Carrying Value $m	Fair Value $m
Financial assets						
Loans and advances	**520,954**	**521,754**	510,045	511,015	490,756	491,637
Financial liabilities						
Deposits and other borrowings	**487,252**	**487,471**	459,714	460,027	448,659	449,001
Bonds, notes and subordinated debt [(1)]	**124,027**	**125,688**	127,942	129,253	125,199	126,502

(1) *Fair value hedge accounting is applied to certain bonds, notes and subordinated debt, and as a result the carrying amount includes fair value hedge adjustments.*

(b) Fair value measurements recognised on the balance sheet

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

- Level 1 - Financial instruments that have been valued by reference to unadjusted quoted prices for identical financial assets or financial liabilities in active markets. Financial instruments included in this category are Commonwealth of Australia and New Zealand government bonds, and spot and exchange traded derivatives.
- Level 2 - Financial instruments that have been valued through valuation techniques incorporating inputs other than quoted prices within Level 1 that are observable for the financial asset or financial liability, either directly (as prices) or indirectly (derived from prices). Financial instruments included in this category are over-the-counter trading and hedging derivatives, semi-government bonds, financial institution and corporate bonds, mortgage-backed securities, loans measured at fair value, and issued bonds, notes and subordinated debt measured at fair value.
- Level 3 - Financial instruments that have been valued through valuation techniques incorporating inputs that are not based on observable market data. Unobservable inputs are those not readily available in an active market due to market illiquidity or complexity of the product. Financial instruments included in this category are bespoke trading derivatives, trading derivatives where the credit valuation adjustment is considered unobservable and significant to the valuation, and certain asset-backed securities valued using unobservable inputs.

Techniques to determine the fair value of financial instruments categorised as Level 2 or Level 3 include discounted cash flow models, option pricing models or other market accepted valuation techniques. These valuation techniques address factors such as interest rates, credit risk and liquidity.

13. Fair Value of Financial Instruments (continued)

(b) Fair value measurements recognised on the balance sheet (continued)

	Fair value measurement as at 31 March 2017			
	Level 1 $m	Level 2 $m	Level 3 $m	Total $m
Financial assets				
Trading derivatives	429	32,568	169	33,166
Trading securities	26,739	21,762	-	48,501
Debt instruments at fair value through other comprehensive income	3,760	39,570	169	43,499
Investments relating to life insurance business	-	81	-	81
Other financial assets at fair value	45	18,443	32	18,520
Hedging derivatives	-	5,387	-	5,387
Equity instruments at fair value through other comprehensive income (1)	8	-	254	262
Total financial assets measured at fair value	**30,981**	**117,811**	**624**	**149,416**
Financial liabilities				
Trading derivatives	841	33,044	137	34,022
Other financial liabilities at fair value	375	27,785	1	28,161
Hedging derivatives	-	3,397	-	3,397
Total financial liabilities measured at fair value	**1,216**	**64,226**	**138**	**65,580**

(1) *Equity instruments at fair value through other comprehensive income are included in other assets on the balance sheet.*

	Fair value measurement as at 30 September 2016			
	Level 1 $m	Level 2 $m	Level 3 $m	Total $m
Financial assets				
Trading derivatives	689	42,142	300	43,131
Trading securities	21,661	24,310	-	45,971
Debt instruments at fair value through other comprehensive income	2,852	37,563	274	40,689
Investments relating to life insurance business	-	86	-	86
Other financial assets at fair value	43	21,416	37	21,496
Hedging derivatives	-	6,407	-	6,407
Equity instruments at fair value through other comprehensive income (1)	9	-	264	273
Total financial assets measured at fair value	**25,254**	**131,924**	**875**	**158,053**
Financial liabilities				
Trading derivatives	771	40,628	255	41,654
Other financial liabilities at fair value	310	32,913	1	33,224
Hedging derivatives	-	3,245	-	3,245
Total financial liabilities measured at fair value	**1,081**	**76,786**	**256**	**78,123**

(1) *Equity instruments at fair value through other comprehensive income are included in other assets on the balance sheet.*

	Fair value measurement as at 31 March 2016			
	Level 1 $m	Level 2 $m	Level 3 $m	Total $m
Financial assets				
Trading derivatives	796	57,587	126	58,509
Trading securities	19,303	23,498	-	42,801
Debt instruments at fair value through other comprehensive income	2,910	39,010	-	41,920
Investments relating to life insurance business	915	85,801	3,289	90,005
Other financial assets at fair value	9	23,746	194	23,949
Hedging derivatives	-	6,740	-	6,740
Equity instruments at fair value through other comprehensive income (1)	9	-	483	492
Total financial assets measured at fair value	**23,942**	**236,382**	**4,092**	**264,416**
Financial liabilities				
Trading derivatives	959	57,993	50	59,002
Other financial liabilities at fair value	699	27,460	-	28,159
Hedging derivatives	-	2,664	-	2,664
Life investment contract liabilities	-	73,875	-	73,875
External unitholders' liability	-	14,538	-	14,538
Total financial liabilities measured at fair value	**1,658**	**176,530**	**50**	**178,238**

(1) *Equity instruments at fair value through other comprehensive income are included in other assets on the balance sheet.*

There were no material transfers between Level 1 and 2.

13. Fair Value of Financial Instruments (continued)

(b) Fair value measurements recognised on the balance sheet (continued)

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

	Half Year to 31 March 2017					
	Assets				Liabilities	
	Trading derivatives $m	Debt instruments at fair value through other comprehensive income $m	Other financial assets at fair value $m	Equity instruments at fair value through other comprehensive income[1]	Trading derivatives $m	Other financial liabilities at fair value $m
Balance at the beginning of period	300	274	37	264	255	1
Total gains / losses						
In profit or loss [2]	(122)	-	6	-	(109)	-
In other comprehensive income [3]	-	(22)	-	(3)	-	-
Purchases and issues	-	23	-	3	-	-
Sales and settlements	-	-	(1)	(10)	-	-
Transfers into Level 3 [4]	1	18	-	-	-	-
Transfers out of Level 3 [4]	-	(124)	(9)	-	-	-
Foreign currency translation adjustments	(10)	-	(1)	-	(9)	-
Balance at the end of period	169	169	32	254	137	1
Total gains / losses for the reporting period related to assets and liabilities held at the end of the reporting period						
- In profit or loss	(122)	-	6	-	(109)	-
- In other comprehensive income	-	(22)	-	(3)	-	-

(1) *Equity instruments at fair value through other comprehensive income are included in other assets on the balance sheet.*

(2) *Net gains or losses were recorded in gains less losses on financial instruments at fair value within other income.*

(3) *Net gains or losses were recorded in the reserves for debt instruments or equity instruments at fair value through other comprehensive income as appropriate.*

(4) *Transfers into Level 3 were due to the lack of observable inputs for valuation of certain financial instruments. Transfers out of Level 3 were due to the valuation inputs becoming observable during the period. Transfers between levels are deemed to have occurred at the beginning of the reporting period in which the instruments were transferred.*

The Group's exposure to fair value measurements based in full or in part on unobservable inputs is restricted to a small number of financial instruments, which comprise an insignificant component of the portfolios in which they belong. As such, a change in the assumptions used to value the instruments as at 31 March 2017 to reasonably possible alternatives would not have a material effect.

14. Contingent Liabilities

(i) Legal proceedings

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

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

(ii) Class actions

In March 2013, a potential representative action against New Zealand banks was announced in relation to certain fees. On 20 August 2014, representative proceedings were filed against Bank of New Zealand (BNZ) with Litigation Lending Services (NZ) Limited funding the action. On 24 September 2014, 30 April 2015, 3 December 2015 and 4 May 2016, these proceedings were stayed. The potential outcome of these proceedings cannot be determined with any certainty at this stage.

In August 2016, a class action complaint was filed in the United States District Court for the Southern District of New York regarding alleged conduct concerning the Bank Bill Swap Reference Rate (BBSW), which is administered by the Australian Financial Markets Association. The complaint named a number of defendants, including NAB, ANZ, CBA and Westpac, and references the proceedings brought by ASIC against NAB, ANZ and Westpac in relation to BBSW. When the class action was commenced BNZ was named a defendant. However, in December 2016, an amended complaint was filed in which BNZ is no longer named as a defendant. The potential outcome of these proceeding cannot be determined with any certainty at this stage.

(iii) UK conduct issues and the Conduct Indemnity Deed

As part of the arrangements relating to the CYBG demerger, NAB and CYBG entered into a Conduct Indemnity Deed under which NAB agreed, subject to certain limitations, to provide an indemnity in respect of certain historic conduct liabilities (Capped Indemnity) up to a cap of £1.115 billion (Capped Indemnity Amount). The Capped Indemnity provides CYBG with economic protection against certain costs and liabilities (including financial penalties imposed by a regulator) resulting from conduct issues relating to:

- payment protection insurance (PPI), certain interest rate hedging products (IRHP) and certain fixed rate tailored business loans (FRTBLs); and
- other conduct matters, measured by reference to the following thresholds: (a) claims relating to an industry wide compensation customer redress program entered into as part of a settlement with a regulator exceeding £2.5 million, in aggregate; and (b) all other claims that exceed £5 million, in aggregate, and affect more than 50 customers,

which, in each case, relate to conduct in the period prior to 8 February 2016 (the Demerger Date) whether or not known at the Demerger Date. Such conduct issues include acts, omissions and agreements by or on behalf of CYBG Group with respect to customers which either constitute a breach of or failure to comply with applicable law or regulations, or are determined by CYBG in good faith to be reasonably likely on a balance of probabilities to constitute a breach of or failure to comply with applicable law or regulations. Certain other conduct matters, including matters arising from a review of investment advice sales, have now satisfied the thresholds for inclusion as conduct issues covered by the Capped Indemnity.

It is not expected that payments to CYBG under the Capped Indemnity will be taxable in the hands of CYBG Group, but if tax were to be payable then the Conduct Indemnity Deed contains provisions pursuant to which NAB has agreed to compensate CYBG for any actual tax incurred that would not have been incurred but for the receipt of amounts under the Capped Indemnity.

Claims may be made by CYBG under the Capped Indemnity when it or any member of CYBG Group raises a new provision or increases an existing provision in respect of any such conduct issues. Under a loss sharing arrangement, CYBG will be responsible for 9.7% of the liabilities under any provision for such conduct issues with NAB responsible for the remainder under the Capped Indemnity up to the Capped Indemnity Amount. The Capped Indemnity is perpetual in nature, although NAB has rights in certain circumstances to negotiate arrangements to terminate the Capped Indemnity subject to the approval of the PRA.

For the half year ended 31 March 2017, CYBG has made claims under the Capped Indemnity for £36 million, leaving £646 million outstanding as available support under the Capped Indemnity (Unutilised Indemnity Amount). In addition, CYBG has notified NAB that it will increase the amount of its provision held in respect of PPI by £150 million at its half year results. Consequently, NAB has increased the amount of provisions held against claims under the Conduct Indemnity Deed by £135 million (representing the portion of the increased CYBG provision for which NAB would be responsible for under the loss sharing arrangement). We expect CYBG will make a claim under the Conduct Indemnity Deed for this amount, reducing the Unutilised Indemnity Amount to £511 million.

The Unutilised Indemnity Amount at any point in time is accounted for by NAB as a contingent liability, with any potential future losses incurred under the indemnity expensed within discontinued operations. The frequency and timing of any potential future losses is presently unknown. The amount of the Capped Indemnity that will be utilised by any potential future losses cannot be determined with any certainty at this stage.

NAB collateralised its obligations under the Capped Indemnity by placing a cash deposit of £1.115 billion with The Bank of England from the Demerger Date. The cash deposit with The Bank of England has been reduced commensurate with the amounts claimed under the Capped Indemnity such that the cash deposit amount is equal to the Unutilised Indemnity Amount (plus accrued

14. Contingent Liabilities (continued)

(iii) UK conduct issues and the Conduct Indemnity Deed (continued)

interest). The Unutilised Indemnity Amount is treated as a Common Equity Tier 1 (CET1) deduction for NAB.

Except for the Capped Indemnity and the tax provisions set out in the Conduct Indemnity Deed, CYBG has agreed to release NAB from liability for any other conduct-related claims by any member of CYBG Group against NAB.

NAB is in the process of making insurance claims in relation to certain UK conduct-related losses suffered by the Group. The outcome of such claims cannot be determined with any certainty at this stage.

(iv) Industry investigations by Australian regulators

ASIC is conducting an industry-wide investigation into advice fees paid by customers pursuant to ongoing service arrangements with financial advice firms, including NAB. Under the service arrangements, customers generally pay an adviser service fee in consideration for a range of services provided to the customer. NAB is investigating whether customers who have paid to receive ongoing services have been provided with the agreed services in accordance with the relevant service agreement and NAB's standards. NAB is co-operating with ASIC to agree a methodology for investigating and assessing this matter. The outcomes of the investigation are uncertain at this time.

(v) Legal proceedings commenced by Australian regulators

Following an industry-wide review by ASIC into participants in the BBSW market, ASIC commenced Federal Court proceedings against NAB on 7 June 2016. ASIC has also commenced similar proceedings against ANZ and Westpac. ASIC's allegations against NAB include claims of market manipulation and unconscionable conduct in relation to trading in the BBSW market during the period from June 2010 to December 2012. NAB disagrees with ASIC's allegations which means that the matter will be decided by the Federal Court process.

(vi) Wealth advice review

Since September 2014, the Australian Senate Economics References Committee has been conducting an inquiry into aspects of the financial advice industry, including potential unethical or misleading financial advice and compensation processes for consumers impacted by that advice. This inquiry has been re-formed in the current Parliament, utilising previous hearings and submissions from the previous Parliament, and is due to report by 30 June 2017.

In October 2015, NAB began contacting certain groups of customers where there was a concern that they may have received non-compliant advice since 2009 to: (a) assess the appropriateness of that advice; and (b) identify whether customers had suffered loss as a result of non-compliant advice that would warrant compensation. These cases are progressing through the review program with compensation in some cases offered and paid. Three cases have progressed to the Financial Ombudsman Service.

The outcomes and total costs associated with this work are uncertain. NAB is also aware that two plaintiff law firms have advertised that they are investigating claims on behalf of NAB customers who have suffered losses as a result of financial advice received from NAB advisers. No formal action has been taken against the Group in this regard.

(vii) NZ Ministry of Business, Innovation and Employment compliance audit

The New Zealand Labour Inspectorate of the Ministry of Business, Innovation and Employment has been undertaking a programme of compliance audits of a number of New Zealand organisations in respect of the Holidays Act 2003 (the "Holidays Act"). BNZ requested early participation in this programme in May 2016 and received the Labour Inspectorate's final report, which set out its findings regarding BNZ's compliance with the Holidays Act, on 18 January 2017. The findings suggested that BNZ has not complied with certain requirements of the Holidays Act, including in respect of annual and public holiday payments to certain employees. BNZ is reviewing the findings and intends to work with the Labour Inspectorate to reach an appropriate resolution. At this stage, the final outcome of the audit, including possible remediation, cannot be determined with any certainty.

15. Discontinued Operations

During the financial year to 30 September 2016, the Group finalised two major transactions, the sale of 80% of Wealth's life insurance business and the demerger and initial public offering of CYBG Group, resulting in two separate discontinued operations. The comparative income statements and statements of comprehensive income have been restated to show discontinued operations separately from continuing operations.

Adjustments to amounts previously presented in discontinued operations that are directly related to the disposal of a discontinued operation in a prior period are classified separately in discontinued operations in the current period. For the half year to 31 March 2017, a net loss of $323 million before tax ($312 million after tax) was recognised in discontinued operations. This balance includes a loss of $282 million relating to the Conduct Indemnity Deed entered into with CYBG, predominantly in respect to PPI, and a loss on the completion of the sale of certain UK commercial real estate loans. Refer to *Note 14 – Contingent liabilities* for further information on the Conduct Indemnity Deed.

16. Events Subsequent to Reporting Date

There are no matters, items, transactions or events of a material or unusual nature that have arisen in the interval between the end of the reporting period (31 March 2017) and the date of this report that, in the opinion of the directors, have significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in future years.

Directors' Declaration

The directors of National Australia Bank Limited declare that, in the directors' opinion:

a) as at the date of this declaration, there are reasonable grounds to believe that NAB will be able to pay its debts as and when they become due and payable; and

b) the financial statements and the notes, as set out on pages 57 to 82, are in accordance with the *Corporations Act* 2001 (Cth), including:

i. section 304, which requires that the half year financial report comply with Accounting Standards made by the Australian Accounting Standards Board for the purposes of the *Corporations Act* 2001 (Cth) and any further requirements in the *Corporations Regulations* 2001; and
ii. section 305, which requires that the financial statements and notes give a true and fair view of the financial position of the Group as at 31 March 2017, and of the performance of the Group for the six months ended 31 March 2017.

Dated this 4th day of May, 2017 and signed in accordance with a resolution of the directors.

Dr Kenneth R Henry
Chairman

Mr Andrew G Thorburn
Group Chief Executive Officer

Building a better working world

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To the members of National Australia Bank Limited

Report on the Half Year Financial Report

We have reviewed the accompanying half year financial report of National Australia Bank Limited (the "Company"), which comprises the consolidated balance sheet as at 31 March 2017, the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated condensed cash flow statement for the half year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the Company and the entities it controlled (the "Group") at the half year end or from time to time during the half year.

Directors' Responsibility for the Half Year Financial Report

The directors of the Company are responsible for the preparation of the half year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the half year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 March 2017 and its performance for the half year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of National Australia Bank Limited and the entities it controlled during the half year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the Company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half year financial report of National Australia Bank Limited is not in accordance with the *Corporations Act 2001*, including:

a. giving a true and fair view of the Group's financial position as at 31 March 2017 and of its performance for the half year ended on that date; and

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

Ernst & Young

Ernst & Young

Andrew Price
Partner
Melbourne

4 May 2017

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Section 6

Supplementary Information

1. Australian Banking and Wealth

	Half Year to				
Net interest income	**Mar 17 $m**	**Sep 16 $m**	**Mar 16 $m**	**Mar 17 v Sep 16 %**	**Mar 17 v Mar 16 %**
Housing lending	**1,630**	1,632	1,740	(0.1)	(6.3)
Business lending	**1,660**	1,647	1,627	0.8	2.0
Other banking products	**499**	497	465	0.4	7.3
Deposits	**1,490**	1,382	1,351	7.8	10.3
NAB Risk Management	**113**	118	124	(4.2)	(8.9)
Total net interest income	**5,392**	5,276	5,307	2.2	1.6
Other operating income					
Housing lending	**128**	129	128	(0.8)	-
Business lending	**326**	304	319	7.2	2.2
Other banking products	**469**	476	448	(1.5)	4.7
Deposits	**33**	34	41	(2.9)	(19.5)
Customer Risk Management	**297**	354	302	(16.1)	(1.7)
NAB Risk Management	**256**	179	196	43.0	30.6
Wealth income	**589**	609	594	(3.3)	(0.8)
Total other operating income	**2,098**	2,085	2,028	0.6	3.5
Bad and doubtful debt charge					
Specific charge to provide for bad and doubtful debts	**415**	449	410	(7.6)	1.2
Collective (write-back) / charge to provide for bad and doubtful debts	**(141)**	(151)	(69)	(6.6)	large
Total charge to provide for bad and doubtful debts	**274**	298	341	(8.1)	(19.6)
Housing lending	**24**	55	42	(56.4)	(42.9)
Business lending	**88**	141	167	(37.6)	(47.3)
Other banking products	**162**	102	132	58.8	22.7
Total charge to provide for bad and doubtful debts	**274**	298	341	(8.1)	(19.6)
Net interest margin					
Housing lending net interest margin	**1.27%**	1.28%	1.40%	(1 bp)	(13 bps)
Business lending net interest margin	**1.84%**	1.82%	1.80%	2 bps	4 bps
Volumes ($bn)					
Housing lending	**287.7**	281.1	273.0	2.3	5.4
Business lending	**180.9**	181.8	182.7	(0.5)	(1.0)
Other lending	**10.5**	10.5	10.4	-	1.0
Gross loans and acceptances	**479.1**	473.4	466.1	1.2	2.8
Customer deposits	**333.4**	328.0	319.4	1.6	4.4

	As at		
Market Share	**31 Mar 17**	**30 Sep 16**	**31 Mar 16**
Business lending [(1)]	**21.5%**	21.7%	21.9%
Business lending [(2)]	**20.7%**	21.1%	21.3%
Business deposits [(1)]	**19.1%**	20.0%	20.3%
Housing lending [(1)]	**15.6%**	15.6%	15.8%
Household deposits [(1)]	**14.3%**	14.3%	14.4%

	As at		
Distribution	**31 Mar 17**	**30 Sep 16**	**31 Mar 16**
Number of branches and business banking centres	**810**	820	821
Number of ATMs	**2,984**	2,976	2,943
Number of internet banking customers (million)	**3.81**	3.80	3.64

(1) *Source: APRA Banking System.*

(2) *Source: RBA Financial System.*

1. Australian Banking and Wealth (continued)

Funds Under Management and Administration

Movement in FUM/A ($m)	As at Mar 16[1]	Inflows	Outflows	Netflows	Investment earnings	Other[2]	As at Mar 17
Retail Platforms [3]	77,164	12,434	(10,334)	2,100	7,675	569	**87,508**
Business and Corporate Superannuation	34,947	3,964	(4,444)	(480)	3,335	(593)	**37,209**
Offsale Retail Products and Other	11,718	468	(1,784)	(1,316)	1,413	(647)	**11,168**
Retail	123,829	16,866	(16,562)	304	12,423	(671)	**135,885**
Wholesale	62,441	8,126	(8,304)	(178)	4,859	1,862	**68,984**
Total Wealth	186,270	24,992	(24,866)	126	17,282	1,191	**204,869**

Movement in FUM/A ($m)	As at Sep 16[1]	Inflows	Outflows	Netflows	Investment earnings	Other[2]	As at Mar 17
Retail Platforms [3]	82,542	5,848	(5,419)	429	4,244	293	**87,508**
Business and Corporate Superannuation	36,111	2,004	(2,129)	(125)	1,223	-	**37,209**
Offsale Retail Products and Other	11,486	204	(810)	(606)	714	(426)	**11,168**
Retail	130,139	8,056	(8,358)	(302)	6,181	(133)	**135,885**
Wholesale	65,136	4,397	(4,025)	372	2,069	1,407	**68,984**
Total Wealth	195,275	12,453	(12,383)	70	8,250	1,274	**204,869**

(1) *Opening balances have been adjusted to reflect revisions to JBWere FUM/A reporting.*
(2) *Other includes trust distributions.*
(3) *Retail Platforms include JBWere.*

	As at		
FUM/A by Asset Class	**31 Mar 17**	**30 Sep 16**	**31 Mar 16**
Australian equities	**39%**	40%	38%
International equities	**22%**	22%	20%
Australian fixed interest	**14%**	12%	14%
International fixed interest	**8%**	8%	9%
Australian cash	**10%**	10%	11%
International direct property	**4%**	4%	4%
International listed property	**1%**	2%	2%
Australian listed property	**2%**	2%	2%

2. Loans and Advances by Industry and Geography

As at 31 March 2017	Australia $m	New Zealand $m	Other International $m	Total $m
Real estate - mortgage	285,538	33,051	2,199	**320,788**
Other commercial and industrial	56,758	8,244	4,485	**69,487**
Commercial property services	57,310	8,283	335	**65,928**
Agriculture, forestry, fishing and mining	21,426	13,566	94	**35,086**
Financial, investment and insurance	14,374	1,941	4,609	**20,924**
Asset and lease financing	10,740	6	455	**11,201**
Instalment loans to individuals and other personal lending (including credit cards)	9,615	1,433	105	**11,153**
Manufacturing	7,356	2,880	308	**10,544**
Real estate - construction	1,604	908	213	**2,725**
Government and public authorities	1,963	206	38	**2,207**
Gross loans and advances including acceptances [(1)]	466,684	70,518	12,841	**550,043**
Deduct:				
Unearned income and deferred net fee income	(411)	75	(56)	**(392)**
Provisions for doubtful debts	(2,580)	(476)	(64)	**(3,120)**
Total net loans and advances including acceptances	463,693	70,117	12,721	**546,531**

(1) *Includes loans at fair value.*

As at 30 September 2016	Australia $m	New Zealand $m	Other International $m	Total $m
Real estate - mortgage	278,848	33,431	2,278	**314,557**
Other commercial and industrial	55,175	8,300	4,516	**67,991**
Commercial property services	57,826	8,496	169	**66,491**
Agriculture, forestry, fishing and mining	22,158	14,185	86	**36,429**
Financial, investment and insurance	16,075	1,628	4,818	**22,521**
Asset and lease financing	10,477	3	469	**10,949**
Instalment loans to individuals and other personal lending (including credit cards)	9,593	1,384	112	**11,089**
Manufacturing	7,117	2,884	665	**10,666**
Real estate - construction	1,607	831	374	**2,812**
Government and public authorities	2,041	175	39	**2,255**
Gross loans and advances including acceptances [(1)]	460,917	71,317	13,526	**545,760**
Deduct:				
Unearned income and deferred net fee income	(552)	80	(60)	**(532)**
Provisions for doubtful debts	(2,581)	(474)	(59)	**(3,114)**
Total net loans and advances including acceptances	457,784	70,923	13,407	**542,114**

(1) *Includes loans at fair value.*

As at 31 March 2016	Australia $m	New Zealand $m	Other International $m	Total $m
Real estate - mortgage	270,640	30,117	2,363	**303,120**
Other commercial and industrial	55,042	7,380	5,416	**67,838**
Commercial property services	56,963	7,519	490	**64,972**
Agriculture, forestry, fishing and mining	21,197	13,004	106	**34,307**
Financial, investment and insurance	16,226	1,332	4,488	**22,046**
Asset and lease financing	10,366	5	497	**10,868**
Instalment loans to individuals and other personal lending (including credit cards)	9,628	1,452	131	**11,211**
Manufacturing	7,771	2,942	1,835	**12,548**
Real estate - construction	1,641	852	712	**3,205**
Government and public authorities	2,066	92	40	**2,198**
Gross loans and advances including acceptances [(1)]	451,540	64,695	16,078	**532,313**
Deduct:				
Unearned income and deferred net fee income	(580)	61	(72)	**(591)**
Provisions for doubtful debts	(2,528)	(439)	(82)	**(3,049)**
Total net loans and advances including acceptances	448,432	64,317	15,924	**528,673**

(1) *Includes loans at fair value.*

3. Average Balance Sheet and Related Interest [1]

The following tables show the major categories of interest earning assets and interest bearing liabilities, together with their respective interest rates earned or incurred by the Group. Averages are predominantly daily averages. Amounts classified as Other International represent interest earning assets and interest bearing liabilities of the controlled entities and overseas branches domiciled in the United Kingdom, the United States and Asia. Impaired assets are included within loans and advances in interest earning assets.

Average assets and interest income

	Half Year ended Mar 17			Half Year ended Sep 16			Half Year ended Mar 16		
	Average balance	Interest	Average rate	Average balance	Interest	Average rate	Average balance	Interest	Average rate
	$m	$m	%	$m	$m	%	$m	$m	%
Average interest earning assets									
Due from other banks									
Australia	**13,601**	**101**	**1.5**	12,090	116	1.9	14,083	141	2.0
New Zealand	**3,610**	**26**	**1.4**	3,897	29	1.5	3,416	25	1.5
Other International	**36,505**	**147**	**0.8**	39,052	111	0.6	39,075	163	0.8
Total due from other banks	**53,716**	**274**	**1.0**	55,039	256	0.9	56,574	329	1.2
Marketable debt securities									
Australia	**69,873**	**916**	**2.6**	68,436	935	2.7	67,064	881	2.6
New Zealand	**5,200**	**61**	**2.4**	5,126	67	2.6	4,956	75	3.0
Other International	**13,624**	**66**	**1.0**	13,612	66	1.0	14,705	73	1.0
Total marketable debt securities	**88,697**	**1,043**	**2.4**	87,174	1,068	2.5	86,725	1,029	2.4
Loans and advances - housing									
Australia	**256,003**	**5,449**	**4.3**	251,356	5,616	4.5	244,754	5,734	4.7
New Zealand	**32,217**	**780**	**4.9**	30,673	810	5.3	28,763	811	5.6
Other International	**2,239**	**36**	**3.2**	2,348	37	3.2	2,496	39	3.1
Total loans and advances - housing	**290,459**	**6,265**	**4.3**	284,377	6,463	4.5	276,013	6,584	4.8
Loans and advances - non-housing									
Australia	**180,950**	**4,386**	**4.9**	180,093	4,557	5.1	177,377	4,599	5.2
New Zealand	**38,120**	**867**	**4.6**	36,418	857	4.7	34,457	888	5.2
Other International	**10,497**	**128**	**2.4**	11,983	138	2.3	14,595	170	2.3
Total loans and advances - non-housing	**229,567**	**5,381**	**4.7**	228,494	5,552	4.9	226,429	5,657	5.0
Other interest earning assets									
Australia	**5,177**	**166**	**n/a**	5,786	185	n/a	6,784	173	n/a
New Zealand	**524**	**19**	**n/a**	159	9	n/a	196	5	n/a
Other International	**36,190**	**203**	**n/a**	34,109	191	n/a	31,189	128	n/a
Total other interest earning assets	**41,891**	**388**	**n/a**	40,054	385	n/a	38,169	306	n/a
Total average interest earning assets and interest income by:									
Australia	**525,604**	**11,018**	**4.2**	517,761	11,409	4.4	510,062	11,528	4.5
New Zealand	**79,671**	**1,753**	**4.4**	76,273	1,772	4.6	71,788	1,804	5.0
Other International	**99,055**	**580**	**1.2**	101,104	543	1.1	102,060	573	1.1
Total average interest earning assets and interest income	**704,330**	**13,351**	**3.8**	695,138	13,724	3.9	683,910	13,905	4.1

[1] *Information is presented on a continuing operations basis.*

3. Average Balance Sheet and Related Interest (continued) [1]

Average assets and interest income

	Half Year ended		
	Mar 17	**Sep 16**	**Mar 16**
	$m	**$m**	**$m**
Average non-interest earning assets			
Investments relating to life insurance business			
Australia	**-**	46,761	86,790
New Zealand	**80**	76	66
Total investments relating to life insurance business	**80**	46,837	86,856
Other assets	**93,798**	98,115	106,262
Total average non-interest earning assets	**93,878**	144,952	193,118
Provision for doubtful debts			
Australia	**(2,501)**	(2,452)	(2,505)
New Zealand	**(480)**	(465)	(416)
Other International	**(76)**	(74)	(90)
Total provision for doubtful debts	**(3,057)**	(2,991)	(3,011)
Total average assets	**795,151**	837,099	874,017

(1) *Information is presented on a continuing operations basis.*

3. Average Balance Sheet and Related Interest (continued) [1]

Average liabilities and interest expense

	Half Year ended Mar 17			Half Year ended Sep 16			Half Year ended Mar 16		
	Average balance $m	Interest $m	Average rate %	Average balance $m	Interest $m	Average rate %	Average balance $m	Interest $m	Average rate %
Average interest bearing liabilities									
Due to other banks									
Australia	**25,266**	**193**	**1.5**	26,036	231	1.8	25,795	248	1.9
New Zealand	**1,933**	**7**	**0.7**	1,749	9	1.0	1,555	7	0.9
Other International	**20,497**	**77**	**0.8**	21,857	80	0.7	25,337	71	0.6
Total due to other banks	**47,696**	**277**	**1.2**	49,642	320	1.3	52,687	326	1.2
On-demand and short-term deposits									
Australia	**159,235**	**1,046**	**1.3**	157,195	1,205	1.5	156,754	1,392	1.8
New Zealand	**18,481**	**86**	**0.9**	18,268	109	1.2	17,671	147	1.7
Other International	**14,994**	**39**	**0.5**	17,263	33	0.4	14,346	16	0.2
Total on-demand and short-term deposits	**192,710**	**1,171**	**1.2**	192,726	1,347	1.4	188,771	1,555	1.6
Certificates of deposit									
Australia	**35,377**	**349**	**2.0**	35,263	407	2.3	33,526	383	2.3
New Zealand	**2,018**	**19**	**1.9**	2,470	30	2.4	2,221	32	2.9
Other International	**10,416**	**59**	**1.1**	9,974	41	0.8	13,520	33	0.5
Total certificates of deposit	**47,811**	**427**	**1.8**	47,707	478	2.0	49,267	448	1.8
Term deposits									
Australia	**120,299**	**1,618**	**2.7**	120,459	1,762	2.9	112,578	1,652	2.9
New Zealand	**27,272**	**456**	**3.4**	25,299	435	3.4	23,633	449	3.8
Other International	**12,433**	**93**	**1.5**	12,717	90	1.4	14,276	95	1.3
Total term deposits	**160,004**	**2,167**	**2.7**	158,475	2,287	2.9	150,487	2,196	2.9
Other borrowings									
Australia	**16,150**	**143**	**1.8**	19,098	135	1.4	26,258	125	1.0
New Zealand	**3,401**	**28**	**1.7**	2,977	19	1.3	2,797	8	0.6
Other International	**21,684**	**110**	**1.0**	15,808	75	0.9	17,205	60	0.7
Total other borrowings	**41,235**	**281**	**1.4**	37,883	229	1.2	46,260	193	0.8
Bonds, notes and subordinated debt									
Australia	**112,972**	**1,801**	**3.2**	119,190	1,881	3.2	115,952	1,869	3.2
New Zealand	**17,024**	**316**	**3.7**	15,203	344	4.5	14,384	341	4.7
Other International	**15,331**	**187**	**2.4**	13,281	158	2.4	10,875	117	2.2
Total bonds, notes and subordinated debt	**145,327**	**2,304**	**3.2**	147,674	2,383	3.2	141,211	2,327	3.3
Other interest bearing liabilities									
Australia	**5,793**	**295**	**n/a**	3,332	310	n/a	3,359	224	n/a
New Zealand	**-**	**-**	**n/a**	3	-	n/a	1	-	n/a
Other International	**1,728**	**32**	**n/a**	5,588	37	n/a	2,983	39	n/a
Total other interest bearing liabilities	**7,521**	**327**	**n/a**	8,923	347	n/a	6,343	263	n/a
Total average interest bearing liabilities and interest expense by:									
Australia	**475,092**	**5,445**	**2.3**	480,573	5,931	2.5	474,222	5,893	2.5
New Zealand	**70,129**	**912**	**2.6**	65,969	946	2.9	62,262	984	3.2
Other International	**97,083**	**597**	**1.2**	96,488	514	1.1	98,542	431	0.9
Total average interest bearing liabilities and interest expense	**642,304**	**6,954**	**2.2**	643,030	7,391	2.3	635,026	7,308	2.3

(1) *Information is presented on a continuing operations basis.*

3. Average Balance Sheet and Related Interest (continued) [(1)]

Average liabilities and equity

	Half Year ended		
	Mar 17 $m	**Sep 16 $m**	**Mar 16 $m**
Average non-interest bearing liabilities			
Deposits not bearing interest			
Australia	**38,858**	35,840	34,438
New Zealand	**4,462**	4,101	3,550
Other International	**4**	5	4
Total deposits not bearing interest	**43,324**	39,946	37,992
Life insurance policy liabilities			
Australia	**-**	38,950	73,295
Total life insurance liabilities	**-**	38,950	73,295
Other liabilities	**59,243**	67,175	80,901
Total average non-interest bearing liabilities	**102,567**	146,071	192,188
Total average liabilities	**744,871**	789,101	827,214
Average equity			
Total equity (parent entity interest)	**50,257**	47,974	46,779
Non-controlling interest in controlled entities	**23**	24	24
Total average equity	**50,280**	47,998	46,803
Total average liabilities and equity	**795,151**	837,099	874,017

4. Net Interest Margins and Spreads [(1)]

	Half Year to				
Group	**Mar 17 %**	**Sep 16 %**	**Mar 16 %**	**Mar 17 v Sep 16**	**Mar 17 v Mar 16**
Net interest spread	**1.63**	1.65	1.76	(2 bps)	(13 bps)
Benefit of net free liabilities, provisions and equity	**0.19**	0.17	0.17	2 bps	2 bps
Net interest margin - statutory basis	**1.82**	1.82	1.93	-	(11 bps)

(1) *Information is presented on a continuing operations basis.*

5. Capital Adequacy - Basel III

The APRA Basel III capital standards have been in effect since 1 January 2013. Under APRA Prudential Standards, Wealth activities are de-consolidated from the Group for the purposes of calculating capital adequacy and excluded from the risk based capital adequacy framework. Under Basel III, the investment in Wealth entities is deducted from CET1 capital. Additionally, any profits from these activities included in the Group's results are excluded from CET1 capital to the extent that they have not been remitted to NAB. The principal Wealth entities are separately regulated and need to meet APRA Prudential Standards. The Group conservatively manages the Wealth capital adequacy and solvency position separately from the banking business, with a capital buffer in excess of minimum regulatory requirements.

	As at		
	31 Mar 17	**30 Sep 16**	**31 Mar 16**
Reconciliation to shareholders' funds	**$m**	**$m**	**$m**
Contributed equity	**34,341**	34,285	32,666
Reserves	**170**	629	358
Retained profits	**16,334**	16,378	17,033
Non-controlling interest in controlled entities	**11**	23	25
Total equity per consolidated balance sheet	**50,856**	51,315	50,082
Equity-accounted Additional Tier 1 capital before application of Basel III transitional arrangements	**(2,919)**	(3,317)	(3,317)
Non-controlling interest in controlled entities	**(11)**	(23)	(25)
Treasury shares	**6**	6	1,322
General reserve for credit losses	**(96)**	(75)	(130)
Deconsolidation of Wealth equity	**853**	909	(142)
Common Equity Tier 1 Capital before regulatory adjustments	**48,689**	48,815	47,790
Banking goodwill and other intangibles	**(547)**	(547)	(549)
Wealth goodwill and other intangibles	**(2,371)**	(2,375)	(3,993)
Investment in non-consolidated controlled entities (net of intangible component)	**(1,556)**	(1,551)	(1,676)
Deferred tax assets in excess of deferred tax liabilities	**(1,295)**	(1,466)	(1,282)
Capitalised expenses	**(537)**	(474)	(385)
Capitalised software (excluding Wealth)	**(2,430)**	(2,285)	(2,076)
Defined benefit pension scheme surplus	**(20)**	(18)	(18)
Change in own creditworthiness	**142**	214	(115)
Cash flow hedge reserve	**(40)**	(143)	(106)
Equity exposures	**(406)**	(408)	(648)
Expected loss in excess of eligible provisions	**(131)**	(69)	-
Other [1]	**(1,648)**	(1,746)	(1,906)
Common Equity Tier 1 Capital	**37,850**	37,947	35,036
Transitional Additional Tier 1 Capital instruments	**2,920**	3,317	3,634
Basel III eligible Additional Tier 1 Capital instruments	**6,073**	6,073	4,574
Eligible Additional Tier 1 Capital for non-controlling interest	**-**	-	-
Regulatory adjustments to Additional Tier 1 Capital	**(1)**	(1)	(709)
Additional Tier 1 Capital	**8,992**	9,389	7,499
Tier 1 Capital	**46,842**	47,336	42,535
Collective provision for doubtful debts - Standardised approach	**60**	63	75
IRB approach surplus provisions on non-defaulted exposures	**-**	-	112
Transitional Tier 2 Capital instruments	**2,811**	3,373	3,373
Basel III eligible Tier 2 Capital instruments	**5,008**	3,755	2,206
Eligible Tier 2 Capital for non-controlling interest	**435**	501	453
Regulatory adjustments to Tier 2 Capital	**(84)**	(83)	(875)
Tier 2 Capital	**8,230**	7,609	5,344
Total Capital	**55,072**	54,945	47,879
Risk-weighted assets			
Credit risk	**317,853**	331,510	303,458
Market risk	**7,001**	7,299	7,250
Operational risk	**37,500**	37,500	40,000
Interest rate risk in the banking book	**12,133**	12,136	10,725
Total risk-weighted assets	**374,487**	388,445	361,433
Risk-based regulatory capital ratios			
Common Equity Tier 1	**10.11%**	9.77%	9.69%
Tier 1	**12.51%**	12.19%	11.77%
Total Capital	**14.71%**	14.14%	13.25%

[1] *Includes the deduction for the remaining conduct indemnity pursuant to the Conduct Indemnity Deed, net of conduct provisions.*

5. Capital Adequacy - Basel III (continued)

	Risk-Weighted Assets as at			Exposures as at		
	31 Mar 17	30 Sep 16	31 Mar 16	31 Mar 17	30 Sep 16	31 Mar 16
	$m	$m	$m	$m	$m	$m
Credit risk [1]						
IRB approach						
Corporate (including SME) [2]	**118,133**	124,765	126,757	**275,333**	262,099	261,531
Sovereign	**1,632**	1,596	1,684	**93,246**	80,462	71,351
Bank	**10,789**	11,269	11,381	**67,043**	61,650	75,690
Residential Mortgage	**91,883**	90,143	62,504	**362,937**	357,831	347,493
Qualifying revolving retail	**3,785**	3,925	3,897	**11,671**	11,651	11,557
Retail SME	**6,021**	6,182	6,188	**16,246**	16,286	16,238
Other retail	**3,731**	3,666	3,631	**4,574**	4,614	4,522
Total IRB approach	**235,974**	241,546	216,042	**831,050**	794,593	788,382
Specialised lending (SL)	**56,977**	57,900	59,498	**66,689**	67,011	67,701
Standardised approach						
Australian and foreign governments	**-**	-	-	**-**	-	-
Bank	**-**	-	-	**-**	-	-
Residential mortgage	**2,557**	2,706	2,804	**4,523**	4,768	4,954
Corporate	**4,307**	4,219	4,172	**62,730**	60,190	58,996
Other	**531**	554	558	**1,150**	1,182	1,173
Total standardised approach	**7,395**	7,479	7,534	**68,403**	66,140	65,123
Other						
Securitisation	**3,325**	3,435	3,351	**22,235**	21,625	21,198
Credit value adjustment	**9,815**	13,871	12,257	**-**	-	-
Central counterparty default fund contribution guarantee	**800**	473	393	**-**	-	-
Other [3]	**3,567**	6,806	4,383	**5,891**	8,168	6,163
Total other	**17,507**	24,585	20,384	**28,126**	29,793	27,361
Total credit risk	**317,853**	331,510	303,458	**994,268**	957,537	948,567
Market risk	**7,001**	7,299	7,250			
Operational risk	**37,500**	37,500	40,000			
Interest rate risk in the banking book	**12,133**	12,136	10,725			
Total risk-weighted assets and exposures	**374,487**	388,445	361,433			

(1) *Risk-Weighted Assets (RWA) which are calculated in accordance with APRA's requirements under the Basel Accord, are required to incorporate a scaling factor of 1.06 to assets that are not subject to specific risk weights.*

(2) *Corporate (including SME) consists of corporations, partnerships or proprietorships not elsewhere classified and includes non-banking entities held by banks.*

(3) *'Other' includes non-lending asset exposures.*

6. Earnings Per Share

	Half Year to					
	Mar 17		Sep 16		Mar 16	
Earnings per Share	**Basic**	**Diluted**	**Basic**	**Diluted**	**Basic**	**Diluted**
Earnings ($m)						
Net profit / (loss) attributable to owners of NAB	**2,545**	**2,545**	2,094	2,094	(1,742)	(1,742)
Distributions on other equity instruments	**(49)**	**(49)**	(60)	(60)	(64)	(64)
Potential dilutive adjustments (after tax)						
Interest expense on convertible notes	**-**	**63**	-	46	-	29
Interest expense on convertible preference shares	**-**	**59**	-	65	-	65
Adjusted earnings	**2,496**	**2,618**	2,034	2,145	(1,806)	(1,712)
Net loss attributable to owners of NAB from discontinued operations	**(312)**	**(312)**	(1,102)	(1,102)	(4,966)	(4,966)
Adjusted earnings from continuing operations	**2,808**	**2,930**	3,136	3,247	3,160	3,254
Weighted average ordinary shares (no. '000)						
Weighted average ordinary shares (net of treasury shares)	**2,658,228**	**2,658,228**	2,608,186	2,608,186	2,575,501	2,575,501
Potential dilutive weighted average ordinary shares						
Performance rights	**-**	**4,993**	-	4,862	-	4,349
Partly paid ordinary shares	**-**	**30**	-	32	-	35
Employee share plans	**-**	**4,279**	-	8,506	-	11,801
Convertible notes	**-**	**88,362**	-	77,643	-	50,031
Convertible preference shares	**-**	**100,483**	-	119,686	-	120,399
Total weighted average ordinary shares	**2,658,228**	**2,856,375**	2,608,186	2,818,915	2,575,501	2,762,116
Earnings per share (cents) attributable to owners of NAB	**93.9**	**91.7**	78.0	76.1	(70.1)	(62.0)
Earnings per share from continuing operations (cents)	**105.6**	**102.6**	120.2	115.2	122.7	117.8

	Half Year to					
	Mar 17		Sep 16		Mar 16	
Cash Earnings per Share	**Basic**	**Diluted**	**Basic**	**Diluted**	**Basic**	**Diluted**
Earnings ($m)						
Cash earnings (1)	**3,294**	**3,294**	3,263	3,263	3,220	3,220
Potential dilutive adjustments (after tax)						
Interest expense on convertible notes	**-**	**63**	-	46	-	29
Interest expense on convertible preference shares	**-**	**59**	-	65	-	65
Adjusted cash earnings	**3,294**	**3,416**	3,263	3,374	3,220	3,314
Weighted average ordinary shares (no. '000)						
Weighted average ordinary shares (2)	**2,658,228**	**2,658,228**	2,650,869	2,650,869	2,633,700	2,633,700
Potential dilutive weighted average ordinary shares						
Performance rights	**-**	**4,993**	-	4,862	-	4,349
Partly paid ordinary shares	**-**	**30**	-	32	-	35
Employee share plans	**-**	**4,279**	-	8,506	-	11,801
Convertible notes	**-**	**88,362**	-	77,643	-	50,031
Convertible preference shares	**-**	**100,483**	-	119,686	-	120,399
Total weighted average ordinary shares	**2,658,228**	**2,856,375**	2,650,869	2,861,598	2,633,700	2,820,315
Earnings per share (cents) attributable to owners of NAB	**123.9**	**119.6**	123.1	117.9	122.3	117.5

(1) *Refer to Profit Reconciliation section for reconciliation of cash earnings to net profit attributable to owners of NAB.*

(2) *Includes Treasury Shares held in the Group's investments businesses (consolidated until the Successor Fund Merger on 1 July 2016) and excludes any Treasury Shares held in respect of employee incentive schemes.*

7. Net Tangible Assets (1)

	As at		
	31 Mar 17	**30 Sep 16**	**31 Mar 16**
Net tangible assets per ordinary share ($) (1)	**15.90**	16.06	14.47

(1) *Represents net assets excluding intangible assets, non-controlling interests, preference shares and other equity instruments divided by ordinary shares on issue at the end of the period.*

(1) *Information is presented on a continuing operations basis.*

8. Asset Funding [1]

Core assets	31 Mar 17 $m	30 Sep 16 $m	31 Mar 16 $m	Mar 17 v Sep 16 %	Mar 17 v Mar 16 %
	As at				
Gross loans and advances	**524,466**	513,691	494,396	2.1	6.1
Loans at fair value	**17,029**	19,864	22,373	(14.3)	(23.9)
Other financial assets at fair value	**52**	271	408	(80.8)	(87.3)
Due from customers on acceptances	**8,548**	12,205	15,544	(30.0)	(45.0)
Other debt instruments at amortised cost	**755**	778	610	(3.0)	23.8
Total core assets	**550,850**	546,809	533,331	0.7	3.3
Funding and equity					
Customer deposits	**399,560**	390,500	376,683	2.3	6.1
Term wholesale funding	**152,836**	157,204	153,005	(2.8)	(0.1)
Certificates of deposit	**52,149**	46,018	49,017	13.3	6.4
Securities sold under repurchase agreements	**19,543**	16,064	11,189	21.7	74.7
Due to other banks [1]	**47,618**	43,903	47,821	8.5	(0.4)
Other short term liabilities	**24,481**	20,663	21,585	18.5	13.4
Total equity excluding preference shares and other contributed equity	**47,937**	47,998	45,109	(0.1)	6.3
Total funding liabilities and equity	**744,124**	722,350	704,409	3.0	5.6
Other liabilities					
Life insurance liabilities	**-**	-	87,356	-	large
Trading derivatives	**34,022**	41,654	59,002	(18.3)	(42.3)
Hedging derivatives	**3,397**	3,245	2,664	4.7	27.5
Other liabilities	**8,684**	10,373	9,629	(16.3)	(9.8)
Total liabilities and equity	**790,227**	777,622	863,060	1.6	(8.4)

(1) *Includes repurchase agreements due to other banks.*

Funded Balance Sheet

Funding sources [1]	31 Mar 17 $m	30 Sep 16 $m	31 Mar 16 $m	Mar 17 v Sep 16 %	Mar 17 v Mar 16 %
	As at				
Stable customer deposits [2]	**352,313**	341,883	328,543	3.1	7.2
Term funding greater than 12 months	**123,331**	120,044	111,469	2.7	10.6
Equity	**47,937**	47,998	45,109	(0.1)	6.3
Total stable funding	**523,581**	509,925	485,121	2.7	7.9
Short term wholesale funding [3]	**102,532**	95,265	101,104	7.6	1.4
Term funding less than 12 months	**29,505**	37,160	41,536	(20.6)	(29.0)
Other deposits [4]	**47,247**	48,617	48,140	(2.8)	(1.9)
Total funding	**702,865**	690,967	675,901	1.7	4.0
Funded assets					
Liquid assets [5]	**115,348**	107,162	102,114	7.6	13.0
Other short term assets [6]	**33,845**	27,966	35,829	21.0	(5.5)
Total short term assets	**149,193**	135,128	137,943	10.4	8.2
Business and other lending [7]	**224,903**	227,219	223,558	(1.0)	0.6
Housing lending	**320,788**	314,558	303,120	2.0	5.8
Other assets [8]	**7,981**	14,062	11,280	(43.2)	(29.2)
Total long term assets	**553,672**	555,839	537,958	(0.4)	2.9
Total funded assets	**702,865**	690,967	675,901	1.7	4.0

(1) *Excludes repurchase agreements, trading and hedging derivatives, insurance assets and liabilities and any accruals, receivables and payables that do not provide net funding.*
(2) *Includes operational deposits, non-financial corporate deposits and retail / SME deposits.*
(3) *Includes RBA exchange settlement account balance.*
(4) *Includes non-operational financial institution deposits and certain offshore deposits.*
(5) *Regulatory liquid assets including high quality liquid assets and CLF eligible assets.*
(6) *Includes non-repo eligible liquid assets and trade finance loans.*
(7) *Excludes trade finance loans.*
(8) *Includes net derivatives, goodwill, property, plant and equipment and net of accruals, receivables and payables.*

(1) *Information is presented on a continuing operations basis.*

9. Number of Ordinary Shares

	Half Year to		
	Mar 17 No. '000	Sep 16 No. '000	Mar 16 No. '000
Ordinary shares, fully paid			
Balance at beginning of period	**2,656,976**	2,644,943	2,625,764
Shares issued:			
Dividend reinvestment plan	**10,686**	10,532	10,793
Bonus share plan	**1,280**	1,056	996
Employee share plans	**6,247**	387	7,074
Performance options and performance rights	**231**	53	306
Paying up of partly paid shares	**4**	5	10
	2,675,424	2,656,976	2,644,943
Ordinary shares, partly paid to 25 cents			
Balance at beginning of period	**49**	54	64
Paying up of partly paid shares	**(4)**	(5)	(10)
	45	49	54
Total number of ordinary shares on issue at end of period (including treasury shares)	**2,675,469**	2,657,025	2,644,997
Less: Treasury shares	**(10,322)**	(9,504)	(59,568)
Total number of ordinary shares on issue at end of period (excluding treasury shares)	**2,665,147**	2,647,521	2,585,429

10. Exchange Rates

	Income Statement - average Half Year to			Balance Sheet - spot As at		
One Australian dollar equals	**Mar 17**	**Sep 16**	**Mar 16**	**31 Mar 17**	**30 Sep 16**	**31 Mar 16**
British Pounds	**0.6081**	0.5486	0.4895	**0.6123**	0.5882	0.5335
Euros	**0.7033**	0.6699	0.6561	**0.7162**	0.6795	0.6763
United States Dollars	**0.7543**	0.7521	0.7212	**0.7646**	0.7627	0.7653
New Zealand Dollars	**1.0601**	1.0649	1.0845	**1.0944**	1.0487	1.1095

11. ASX Appendix 4D

Cross Reference Index	**Page**
Results for Announcement to the Market (4D Item 2)	Inside front cover
Dividends (4D Item 5)	68
Dividend dates (4D Item 5)	Inside front cover
Dividend Reinvestment Plan (4D Item 6)	68
Net tangible assets per ordinary share (4D Item 3)	97
Details of entities over which control has been gained or lost (4D Item 4)	n/a
The Group has not gained or lost control over any material entities during the half year ended 31 March 2017.	
Details of associates and joint venture entities (4D item 7)	n/a
The Group held no material investments in associates or joint venture entities as at 31 March 2017.	

12. Divisional Performance Summary Excluding Foreign Currency Movements

Half Year ended 31 March 2017 at 31 March 2016 FX rates	Business & Private Banking $m	Consumer Banking & Wealth $m	Corporate & Institutional Banking $m	NZ Banking $m	Corporate Functions & Other $m	Eliminations $m	Group Cash Earnings $m
Net interest income	2,565	1,875	967	759	211	-	**6,377**
Other operating income	525	817	786	258	149	(20)	**2,515**
Net operating income	3,090	2,692	1,753	1,017	360	(20)	**8,892**
Operating expenses	(1,038)	(1,465)	(654)	(399)	(268)	20	**(3,804)**
Underlying profit / (loss)	2,052	1,227	1,099	618	92	-	**5,088**
Charge to provide for bad and doubtful debts	(98)	(162)	(12)	(37)	(81)	-	**(390)**
Cash earnings before tax and distributions	1,954	1,065	1,087	581	11	-	**4,698**
Income tax expense	(586)	(301)	(283)	(161)	(12)	-	**(1,343)**
Cash earnings before distributions	1,368	764	804	420	(1)	-	**3,355**
Distributions	-	-	-	-	(50)	-	**(50)**
Cash earnings	**1,368**	**764**	**804**	**420**	**(51)**	**-**	**3,305**

Half Year ended 31 March 2017 at 30 September 2016 FX rates	Business & Private Banking $m	Consumer Banking & Wealth $m	Corporate & Institutional Banking $m	NZ Banking $m	Corporate Functions & Other $m	Eliminations $m	Group Cash Earnings $m
Net interest income	2,564	1,875	957	773	219	-	**6,388**
Other operating income	526	817	772	263	136	(20)	**2,494**
Net operating income	3,090	2,692	1,729	1,036	355	(20)	**8,882**
Operating expenses	(1,038)	(1,465)	(640)	(407)	(265)	20	**(3,795)**
Underlying profit / (loss)	2,052	1,227	1,089	629	90	-	**5,087**
Charge to provide for bad and doubtful debts	(98)	(162)	(13)	(37)	(82)	-	**(392)**
Cash earnings before tax and distributions	1,954	1,065	1,076	592	8	-	**4,695**
Income tax expense	(586)	(301)	(281)	(165)	(13)	-	**(1,346)**
Cash earnings before distributions	1,368	764	795	427	(5)	-	**3,349**
Distributions	-	-	-	-	(49)	-	**(49)**
Cash earnings	**1,368**	**764**	**795**	**427**	**(54)**	**-**	**3,300**

Section 7

Glossary of Terms

Glossary of Terms

Terms	Description
12-months expected credit losses (ECL)	The portion of lifetime expected credit losses that represent the expected credit losses that result from default events on a financial instrument that are possible within the 12 months after the reporting date.
90+ days past due Assets	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.
AASB	Australian Accounting Standards Board.
APRA	Australian Prudential Regulation Authority.
APS	Prudential Standards issued by APRA applicable to Authorised Deposit-taking Institutions.
ASIC	Australian Securities and Investments Commission.
ASX	Australian Securities Exchange Limited.
Available Stable Funding (ASF)	The portion of capital and liabilities expected to be reliably provided over a one-year time horizon, measured based on the broad characteristics of the relative stability of an ADI's funding sources, including the contractual maturity of its liabilities and the differences in propensity of different types of funding providers to withdraw their funds.
Average assets	Represents the average of assets over the period adjusted for disposed operations. Disposed operations include any operations that will not form part of the continuing Group. These include operations sold and those which have been announced to the market that have yet to reach completion.
Average interest earning assets	The average balance of assets held by the Group that generate interest income.
Banking	Banking operations include the Group's: - Retail and Non-Retail deposits, lending and other banking services within Business and Private Banking, Consumer Banking and Wealth, Corporate and Institutional Banking, and NZ Banking - Wholesale operations comprising Global Capital Markets, Specialised Finance and Financial Institutions business within Corporate and Institutional Banking and NZ Banking, and - Treasury and NAB UK CRE operations within Corporate Functions and Other.
Basel III	Basel III is a global regulatory framework designed to increase the resilience of banks and banking systems and is effective for Australian Banks from 1 January 2013.
BNZ	Bank of New Zealand.
Business lending	Lending to non-retail customers including overdrafts, asset and lease financing, term lending, bill acceptances, foreign currency loans, international and trade finance, securitisation and specialised finance.
Cash earnings	Refer to page 2, Section 1 - Profit Reconciliation for information about, and the definition of, cash earnings.
Cash earnings on risk-weighted assets	Calculated as cash earnings (annualised) divided by average risk-weighted assets. Average risk-weighted assets are calculated as the average of the current and previous two quarters' risk-weighted assets.
Cash earnings per share - basic	Calculated as cash earnings adjusted for distributions on other equity instruments, divided by the weighted average number of ordinary shares adjusted to include treasury shares held in the Group's consolidated investments businesses (until the Successor Fund Merger on 1 July 2016).
Cash earnings per share - diluted	Calculated as cash earnings adjusted for distributions on other equity instruments and interest expense on dilutive potential ordinary shares. This adjusted cash earnings is divided by the weighted average number of ordinary shares, adjusted to include treasury shares held in the Group's consolidated investments businesses (until the Successor Fund Merger on 1 July 2016) and dilutive potential ordinary shares.
Cash return on equity (ROE)	Calculated as cash earnings (annualised) divided by average shareholders' equity, excluding non-controlling interests and other equity instruments and adjusted for treasury shares.
Cost to income ratio (CTI)	Cost to income ratio (CTI) represents operating expenses as a percentage of operating revenue.
CYBG	CYBG PLC.
CYBG Group	CYBG PLC and its controlled entities.
Common Equity Tier 1 (CET1) capital	Common Equity Tier 1 (CET1) capital is recognised as the highest quality component of capital. It is subordinated to all other elements of funding, absorbs losses as and when they occur, has full flexibility of dividend payments and has no maturity date. It is predominately comprised of common shares; retained earnings; undistributed current year earnings; as well as other elements as defined under APS111 "Capital Adequacy - Measurement of Capital".
Common Equity Tier 1 ratio	Common Equity Tier 1 as defined by APRA divided by risk-weighted assets.
Continuing operations	Continuing operations are the components of the Group which are not discontinued operations.
Core assets	Represents gross loans and advances including acceptances, financial assets at fair value, and other debt instruments at amortised cost (classified in comparative periods as investments held to maturity).
Customer deposits	Interest bearing, non-interest bearing and term deposits (including retail and corporate deposits).
Customer Funding Index (CFI)	Customer deposits (excluding certain short dated institutional deposits used to fund liquid assets) divided by core assets.
Customer risk management	Activities to assist customers to manage their financial risks (predominantly foreign exchange and interest rate risks).
Discontinued operations	Discontinued operations are a component of the Group that either has been disposed of, or is classified as held for sale, and represents a separate major line of business or geographical area of operations, which is part of a single co-ordinated plan for disposal.
Distributions	Payments to holders of other equity instrument issues such as National Income Securities, Trust Preferred Securities, Trust Preferred Securities II and National Capital Instruments.
Dividend payout ratio	Dividends paid on ordinary shares divided by cash earnings per share.
Earnings per share	Basic and diluted earnings per share calculated in accordance with the requirements of AASB 133 "Earnings per Share".
Effective tax rate	Income tax expense divided by profit before income tax expense.
Fair value	The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at measurement date.
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.
FSI	Financial System Inquiry.
Full-time equivalent employees (FTEs)	Includes all full-time staff, part-time, temporary, fixed term and casual staff equivalents, as well as agency temporary staff and external contractors either self-employed or employed by a third party agency. Note: This does not include consultants, IT professional services, outsourced service providers and non-executive directors.
FUM/A	Funds under management and administration.

Terms	Description
General reserve for credit losses (GRCL)	The general reserve for credit losses (GRCL) is an estimate of the reasonable and prudent expected credit losses over the remaining life of the portfolio and on non-defaulted assets. The reserve is a compliance requirement under APS 220 - Credit Quality. The GRCL is calculated as a collective provision for doubtful debts, excluding securitisation and provision on default no-loss assets. The difference between the GRCL and accounting collective provision is covered with an additional top-up, created through a transfer from retained earnings to a reserve, to reflect losses expected as a result of future events that are not recognised in the Group's collective provision for accounting purposes.
Group	NAB and its controlled entities.
High Quality Liquid Assets (HQLA)	Eligible assets that include cash, balances held with Central Banks along with securities issued by highly rated Governments and supranationals.
Housing lending	Mortgages secured by residential properties as collateral.
IFRS	International Financial Reporting Standards.
Impaired assets	Consist of: - Retail loans (excluding unsecured portfolio managed facilities) which are contractually past due 90 days with security insufficient to cover principal and arrears of interest revenue - Non-retail loans which are contractually past due and there is sufficient doubt about the ultimate collectability of principal and interest, and - Impaired off-balance sheet credit exposures where current circumstances indicate that losses may be incurred. Unsecured portfolio managed facilities are also classified as impaired assets when they become 180 days past due (if not written off).
IRB approach	The internal ratings based (IRB) approach refers to the processes employed by the Group to estimate credit risk. This is achieved through the use of internally developed models to assess the potential credit losses using the outputs from the probability of default, loss given default and exposure at default models.
Jaws	The difference between the percentage growth in revenue on the preceding period and the percentage growth in the expenses on the preceding period, calculated on a cash earnings basis.
Lifetime expected credit losses (ECL)	The expected credit losses that result from all possible default events over the expected life of a financial instrument.
Liquidity Coverage Ratio (LCR)	LCR measures the amount of high quality liquid assets held that can be converted to cash easily and immediately in private markets, to total net cash flows required to meet the Group's liquidity needs for a 30 day calendar liquidity stress scenario.
Marketable debt securities	Comprises trading securities, debt instruments at fair value through other comprehensive income and other debt instruments at amortised cost (classified in comparative periods as investments - available for sale and investments - held to maturity respectively).
NAB	National Australia Bank Limited ABN 12 004 044 937.
NAB UK Commercial Real Estate (NAB UK CRE)	NAB UK CRE was created on 5 October 2012 following the transfer of certain commercial real estate loan assets from Clydesdale Bank to NAB. These loan assets are managed by the NAB London Branch.
NAB risk management	Management of interest rate risk in the banking book, wholesale funding and liquidity requirements and trading market risk to support the Group’s franchises.
Net interest margin (NIM)	Net interest income as a percentage of average interest earning assets.
Net profit attributable to non-controlling interest	Reflects the allocation of profit to non-controlling interests in the Group.
Net profit attributable to owners of NAB	Represents the Group’s statutory profit / (loss) after tax and reflects the amount of net profit / (loss) that is attributable to owners.
Net Stable Funding Ratio (NSFR)	The amount of available stable funding (ASF) relative to the amount of required stable funding (RSF).
Other banking products	Personal lending, credit cards (consumer and commercial), investment securities and margin lending.
PRA	United Kingdom Prudential Regulation Authority.
RBA	Reserve Bank of Australia.
RBNZ	Reserve Bank of New Zealand.
Required Stable Funding (RSF)	The amount of stable funding an ADI is required to hold measured as a function of the liquidity characteristics and residual maturities of the various assets held by an ADI including off-balance sheet (OBS) exposures.
Risk-weighted assets (RWA)	A quantitative measure of the Group’s risk, required by the APRA risk-based capital adequacy framework, covering credit risk for on- and off-balance sheet exposures, market risk, operational risk and interest rate risk in the banking book.
Securitisation	Structured finance technique which involves pooling, packaging cash-flows and converting financial assets into securities that can be sold to investors.
Stable Funding Index (SFI)	Term Funding Index (TFI) plus Customer Funding Index (CFI).
Successor Fund Merger	The transfer of five Group super funds into one new super fund called the MLC Super Fund, which was completed on 1 July 2016.
Term Funding Index (TFI)	Term wholesale funding (with a remaining maturity to first call date greater than 12 months) divided by core assets.
Tier 1 capital	Tier 1 capital comprises Common Equity Tier 1 (CET1) capital and instruments issued by the Group that meet the criteria for inclusion as Additional Tier 1 capital set out in APS111 - Capital Adequacy: Measurement of Capital.
Tier 2 capital	Tier 2 capital includes other components of capital that, to varying degrees, fall short of the quality of Tier 1 capital but nonetheless contribute to the overall strength of an ADI and its capacity to absorb losses; as set out in APS111 "Capital Adequacy - Measurement of Capital".
Total capital ratio	Total capital ratio is the sum of Tier 1 capital and Tier 2 capital, as defined by APRA, divided by risk-weighted assets.
Treasury shares	Shares in the NAB held in the Group's consolidated investments businesses (up to the Successor Fund Merger on 1 July 2016) and in trust by a controlled entity of the Group to meet the requirements of employee incentive schemes. The unrealised mark-to-market movements arising from changes in the share price, dividend income and realised profit and losses arising from the sale of shares held by the Group’s consolidated investment business are eliminated for statutory reporting purposes.
Weighted average number of ordinary shares	Calculated in accordance with the requirements of AASB 133 "Earnings per Share".