2013 Full Year Results

Incorporating the requirements of Appendix 4E

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

National Australia Bank

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

Results for announcement to the market

Report for the year ended 30 September 2013

						30 September 2013 $m
Revenue from ordinary activities [1]	page 82	up	3.2%	*	to	18,284
Profit after tax from ordinary activities attributable to owners of the Company	page 82	up	33.6%	*	to	5,452
Net profit attributable to owners of the Company [2]	page 82	up	33.6%	*	to	5,452

** On prior corresponding period (twelve months ended 30 September 2012).*

[1] Required to be disclosed by ASX Listing Rule Appendix 4E. Reported as the sum of the following items from the Group's consolidated income statement: net interest income $13,351 million, net life insurance income $560 million and total other income $4,373 million. On a cash earnings basis revenue increased by 2.0%.

[2] Net profit attributable to owners of the Company was up 33.6% to $5,452 million, reflecting lower charges for bad and doubtful debts and strong performances in Personal Banking and Wholesale Banking. In addition, the September 2012 year included the effects of the increase in the Economic Cycle Adjustment, combined with restructuring and impairment charges relating to our UK operations.

Dividends	**Amount per share cents**	**Franked amount per share %**
Final dividend	97	100
Interim dividend	93	100
Record date for determining entitlements to the final dividend		13 November 2013

Highlights [3]

Group cash earnings	up	9.3%	Cash earnings increased by $503 million or 9.3% compared to the September 2012 year ($455 million or 8.4% excluding foreign exchange rate movements). Excluding the $250 million increase ($175 million post tax) in the Economic Cycle Adjustment taken in September 2012, cash earnings increased by $328 million or 6.0%. This result reflects another strong result for Wholesale Banking, continued solid momentum in lending volumes in Personal Banking and NZ Banking, improved margins in the case of Personal Banking and lower charges for bad and doubtful debts. The decrease in the charge to provide for bad and doubtful debts reflects improved asset quality trends and the effect of the economic cycle adjustment taken in September 2012. This was partially offset by lower returns from our Insurance operations, restructuring costs relating to the organisational realignment in Australia announced in March 2013 and additional provisions for UK conduct related matters. The difference between cash earnings and statutory net profit attributable to the owners of the Company was primarily due to fair value and hedge ineffectiveness, the effects of adjusting for treasury shares and an additional provision for UK Banking customer redress matters. Refer to information on cash earnings on page 2 of Section 1 of the 2013 Full Year Results.
Cash return on equity (ROE)	up to	14.5%	Cash ROE increased by 30 basis points due to higher earnings, partially offset by higher levels of capital being held as part of the transition to Basel III.
Diluted cash earnings per share (cents)	up to	250.6	Diluted cash earnings per share increased by 4.9%.
Banking cost to income ratio	up	130 bps	The Group's banking cost to income ratio increased by 130 basis points to 42.6%.
Common Equity Tier 1 capital ratio	-	8.43%	The Common Equity Tier 1 capital ratio (Basel III basis) is 8.43%, consistent with the Group targeting a Common Equity Tier 1 capital ratio above 7.5%.
Full time equivalent employees	down	1,172	Full time equivalent employees decreased to 42,164 driven by a continued focus on efficiency programs and convergence activities, combined with the effect of the organisational realignment in Australia announced in March 2013.

[3] All growth rates are calculated on a cash earnings basis on the prior corresponding period (twelve months ended 30 September 2012).

A Glossary of Terms is included in Section 7.

A reference in this Appendix 4E to the 'Group' is a reference to the Company and its controlled entities. All currency amounts are expressed in Australian dollars unless otherwise stated. References in this document to the September 2013 year are references to the twelve months ended 30 September 2013. Other twelve month periods are referred to in a corresponding manner.

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Full Year Results

2013

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AUSTRALIA
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ASX ANNOUNCEMENT

Thursday, 31 October 2013

NAB 2013 Full Year Results

Improved result benefiting from lower loan losses

Key Points

Results for the 30 September 2013 full year are compared with 30 September 2012 full year unless otherwise stated.

- On a statutory basis, net profit attributable to owners of the Company was $5.45 billion, an increase of $1.4 billion or 33.6% on the September 2012 year.
- Cash earnings[1] were $5.94 billion, an increase of $503 million or 9.3% on the September 2012 full year, due to higher earnings from all banking businesses. The difference between net profit attributable to owners of the Company and cash earnings was primarily due to fair value and hedge ineffectiveness, the effects of adjusting for treasury shares and a $163 million (post-tax) provision raised for costs associated with UK payment protection insurance (PPI).
- On a cash earnings basis:
  - Revenue increased by 2.0%, driven by growth in housing lending in both Personal Banking and NZ Banking, as well as higher income in Wholesale Banking benefiting from improved customer sales. Group net interest margin (NIM) was 2.02%, 9 basis points lower than in the September 2012 full year, and down 3 basis points excluding Markets and Treasury, in part reflecting the impact of lower cash rates.
  - Operating expenses increased by 4.4% but included Australian restructuring costs associated with the move to a new operating model, and additional charges for UK conduct-related matters other than PPI. Excluding Australian restructuring costs and the impact of foreign exchange movements during the period, operating expenses growth was well contained at 1.9%.
  - The total charge to provide for bad and doubtful debts (B&DDs) for the September 2013 year was $1,934 million, a reduction of $681 million (or $431 million excluding the $250 million economic cycle adjustment taken in September 2012), reflecting improved asset quality trends, particularly in the UK businesses and Business Banking.
- The Group maintains a well diversified funding profile and has raised $25.8 billion of term wholesale funding (including secured funding) in the 2013 financial year. The weighted average maturity of term wholesale funding raised by the Group over the 2013 year was approximately 4.8 years. The stable funding index was 89% at 30 September 2013, a 3 percentage points increase on September 2012, largely due to strong deposit growth and subdued credit growth.
- The Group's Basel III Common Equity Tier 1 (CET1) ratio was 8.43% as at 30 September 2013, an increase of 53 basis points against the pro-forma CET 1 ratio as at 30 September 2012 and an increase of 21 basis points from 31 March 2013[2]. The

1 Cash earnings is not a statutory financial measure and does not represent the cash flows, funding or liquidity position of the Group, nor any amount represented on a cash flow statement. Refer to the note on cash earnings on page 4 of this ASX Announcement.

2 The Group commenced calculating capital on a Basel III basis on 1 January 2013.

Group targets a CET1 ratio of above 7.5% and looks to operate at a buffer to this target.

- The final dividend has been increased by 7 cents to 97 cents, fully franked. The dividend reinvestment plan (DRP) discount remains nil, with no participation limit, and NAB intends to arrange for the acquisition of shares on market to satisfy its obligations under the DRP and fully neutralise its otherwise dilutive impact.

Executive Commentary

“The Group’s full year results show an improved performance across most business units, combined with solid progress against our simplification and digitisation agenda,” National Australia Bank CEO, Cameron Clyne, said today.

“Some improvement in the UK operating environment and initiatives to reduce the Australian risk profile have supported a lower charge for B&DDs. Costs, excluding Australian restructuring and UK conduct-related costs, have been well contained, reflecting our ongoing focus on efficiency gains.

“Enhancing the Australian franchise remains a strategic priority, with further progress made during the year. Personal Banking again produced a strong result on the back of good momentum in housing lending and increased customer deposits.

“Wholesale Banking also performed well with solid earnings growth as it continues to build successfully on its franchise focus strategy. Despite subdued business conditions, Business Banking grew earnings through improved asset quality and maintained its leading market share in business lending. Results for NAB Wealth were mixed, with insurance industry conditions still challenging, while funds management benefited from more favourable equity markets and positive net flows.

“Internationally, NZ Banking and Great Western Bank had good performances and continued to grow earnings.

“Further progress against the UK restructuring agenda, combined with some improvement in the UK economic environment, has supported a better operating performance from the UK businesses, particularly in terms of lower B&DDs. Pleasingly the run-off of our NAB UK CRE book has continued and it now stands at £4.0 billion gross, £1.6 billion lower than when the portfolio was transferred to National Australia Bank Ltd in October 2012.”

“Over the year, we’ve continued to simplify and digitise our Australian franchise. Since 2010 we’ve rationalised approximately 50% of our core banking products, and automated and simplified a number of processes so that bankers can spend more time with customers.

“Our enterprise-wide technology and infrastructure transformation is making good progress on a number of fronts. The upgrade of our core banking platform is tracking well with the launch of the first transaction product on the NextGen platform - UBank USaver Ultra - which offers a fully automated online application process.

“In addition, NAB has made significant structural changes to align our organisation to the external environment and evolving customer behaviours. As a result, we are making it easier for our customers and our people to do business with us”, he said.

Business Commentary

Business Banking cash earnings were $2.5 billion, an increase of 3.3% on the September 2012 full year, mainly due to a reduction in the charge for B&DDs. Business Banking maintained its leading market share in business lending[3] and grew average customer deposits. Asset quality metrics for the portfolio have improved relative to both March 2013 and September 2012.

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3 APRA Banking System, as at August 2013.

Personal Banking delivered a strong result, with cash earnings of $1.2 billion representing a 17.5% increase on the September 2012 full year and higher market share in housing lending. Above system growth in housing lending[4] and improved margins were the main drivers of cash earnings growth.

Wholesale Banking cash earnings increased by 9.3% on the September 2012 full year to $1.2 billion. This increase was mainly due to higher revenue and lower B&DDs. Customer income continued to grow despite subdued market conditions, with higher sales of risk management products reflecting the success of the Group's franchise focus strategy. Specialised Finance delivered a strong result, with increased deal flow in both Infrastructure, and Energy & Utilities.

NAB Wealth cash earnings before IoRE[5] and non-controlling interests decreased by 5% on the 30 September 2012 full year to $493 million. Earnings on Investments and Private Wealth increased, reflecting higher funds under management and lower funding costs. These were more than offset by the challenging conditions in the insurance industry. The Insurance business reported deteriorating claims experience during the year. Insurance reserves have been strengthened at September 2013, reflecting a change in actuarial assumptions, which has affected the result by $57 million (pre-tax). Inforce premiums as at September 2013 grew by 5.8% over the year.

NZ Banking cash earnings increased by 6.3% on the September 2012 full year to NZ$788 million driven by improved revenue, and supported by good lending and deposit growth. Customer deposits grew strongly on the prior year, up 11.6% taking the bank's market share to 19.3%. Business lending volumes grew by NZ$1.6 billion with an increase in Agribusiness market share to 22.0%[6].

UK Banking second half cash earnings increased to £55 million up 34% compared to the first half, despite higher conduct-related charges during the half. The increase in cash earnings was largely due to a reduction in the charge for B&DDs, as a result of lower business lending losses, reflecting improved asset quality and a reduction in the size of the portfolio. NIM increased by 13 basis points largely due to an improved retail deposit mix and the impact of the Financial Services Compensation Scheme levy booked in the first half.

NAB UK CRE business reported a second half cash earnings loss of £90 million compared to a loss of £149 million in the first half. The charge for B&DDs decreased from £185 million at the March half to £119 million, reflecting both a reduction in impaired assets as the portfolio continues to run-off and recent stabilisation in commercial property valuations. The transferred portfolio has contracted from £5.6 billion at October 2012 to £4.0 billion gross at September 2013; £3.5 billion net of provisions.

Great Western Bank (GWB) cash earnings increased by 13% to US$113 million compared to the September 2012 year, as gross loans increased and customer deposits grew. GWB remains fully deposit funded.

Group Asset Quality Commentary

Asset quality metrics improved over the period, both in Australia and in the United Kingdom. The Group ratio of 90+ days past due and gross impaired assets to gross loans and acceptances of 1.69% at 30 September 2013 was a decrease of 9 basis points compared to September 2012, and a decrease of 5 basis points compared to March 2013. Watch loans also improved, down 15% on the September 2012 full year[7]. The ratio of collective provision to credit risk-weighted assets was 0.94% under the new Basel III risk weighted assets definition, compared to 0.99% at March 2013. The reduction in the ratio is the result of

4 RBA Financial System / NAB, as at August 2013.
5 Investment earnings on shareholders' retained profits and capital in the life business, net of capital funding costs.
6 Reserve Bank of New Zealand data, as at August 2013.
7 Watch loans are an internal measure of higher risk exposures that are not in default.

several factors including improved asset quality across the non-retail portfolio, lending growth in retail mortgages that attract a lower collective provision, and the continual run off in the NAB UK CRE and SGA portfolios.

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Disclaimer

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

Note on Cash Earnings

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 is set out on pages 2 to 8 of the 2013 Full Year Results Announcement under the heading "Profit Reconciliation".

The Group's results and Review of Divisional Operations and Results are presented on a cash earnings basis, unless otherwise stated. Cash earnings is a key financial performance measure used by NAB, the investment community and NAB's Australian peers with a similar business portfolio. NAB also uses cash earnings for its internal management reporting, as it better reflects what NAB considers to be the underlying performance of the Group. It is not a statutory financial measure and is not presented in accordance with Australian Accounting Standards nor audited or reviewed in accordance with Australian Auditing Standards. "Cash earnings" is calculated by excluding some items which are included within the statutory net profit attributable to owners of the Company. Section 5 of the 2013 Full Year Results includes the Consolidated Income Statement of the Group, including statutory net profit. The Group's audited financial statements, prepared in accordance with the *Corporations Act* 2001 (Cth) and Australian Accounting Standards, will be published in its 2013 Annual Financial Report on 18 November 2013.

Section 1

Profit Reconciliation

Information about Cash Earnings

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

Explanation and Definition of Cash Earnings

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

Cash earnings is defined as net profit attributable to owners of the Company, adjusted for the items NAB considers appropriate to better reflect the underlying performance of the Group. In September 2013 cash earnings has been adjusted for the following:

- Distributions
- Treasury shares
- Fair value and hedge ineffectiveness
- IoRE (Investment earnings on Retained Earnings) discount rate variation
- Litigation expense and recovery
- Amortisation of acquired intangible assets
- Payment Protection Insurance (PPI) and Customer redress provisions.

In prior comparative periods, cash earnings has been adjusted for hedging costs of SCDO (Synthetic Collateralised Debt Obligation) assets, impairment of goodwill and software, restructure costs and due diligence, acquisition and integration costs. These items either did not recur in the September 2013 year or were not considered sufficiently material or necessary to adjust cash earnings.

Reconciliation to Statutory Profit

Section 5 of the 2013 Full Year Results Announcement includes the Consolidated Income Statement of the Group, including statutory net profit. The Group's audited financial statements, prepared in accordance with the *Corporations Act* 2001 (Cth) and Australian Accounting Standards, will be published in its 2013 Annual Financial Report on 18 November 2013.

A reconciliation of cash earnings to statutory net profit attributable to owners of the Company (statutory net profit) is set out on page 3, and full reconciliations between statutory net profit and cash earnings are included in this section on pages 5-8 of the 2013 Full Year Results Announcement.

Page 4 contains a description of each non-cash earnings item for September 2013 and for the prior comparative periods.

Underlying Profit

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

Group Results

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

	Year to			Half Year to		
	Sep 13 $m	**Sep 12 $m**	**Sep 13 v Sep 12 %**	**Sep 13 $m**	**Mar 13 $m**	**Sep 13 v Mar 13 %**
Net interest income	**13,407**	13,297	0.8	**6,799**	6,608	2.9
Other operating income	**3,838**	3,412	12.5	**1,895**	1,943	(2.5)
NAB Wealth net operating income	**1,335**	1,515	(11.9)	**636**	699	(9.0)
Net operating income	**18,580**	18,224	2.0	**9,330**	9,250	0.9
Operating expenses	**(8,174)**	(7,828)	(4.4)	**(4,198)**	(3,976)	(5.6)
Underlying profit	**10,406**	10,396	0.1	**5,132**	5,274	(2.7)
Charge to provide for bad and doubtful debts	**(1,934)**	(2,615)	26.0	**(842)**	(1,092)	22.9
Cash earnings before tax, IoRE, distributions and non-controlling interest	**8,472**	7,781	8.9	**4,290**	4,182	2.6
Income tax expense	**(2,337)**	(2,178)	(7.3)	**(1,167)**	(1,170)	0.3
Cash earnings before IoRE, distributions and non-controlling interest	**6,135**	5,603	9.5	**3,123**	3,012	3.7
Net profit - non-controlling interest	**(8)**	(1)	large	**(5)**	(3)	(66.7)
IoRE	**(3)**	38	large	**(3)**	-	large
Distributions	**(188)**	(207)	9.2	**(94)**	(94)	-
Cash earnings	**5,936**	5,433	9.3	**3,021**	2,915	3.6
Non-cash earnings items (after tax):						
Distributions	**188**	207	(9.2)	**94**	94	-
Treasury shares	**(342)**	(155)	large	**(144)**	(198)	27.3
Fair value and hedge ineffectiveness	**(151)**	(270)	44.1	**97**	(248)	large
IoRE discount rate variation	**22**	16	37.5	**12**	10	20.0
Hedging costs on SCDO assets	**-**	(99)	large	**-**	-	-
Litigation expense/recovery	**39**	(101)	large	**56**	(17)	large
Amortisation of acquired intangible assets	**(77)**	(99)	22.2	**(41)**	(36)	(13.9)
PPI and Customer redress provisions	**(163)**	(239)	31.8	**(163)**	-	large
Impairment of goodwill and software	**-**	(349)	large	**-**	-	-
Restructure costs	**-**	(174)	large	**-**	-	-
Due diligence, acquisition and integration costs	**-**	(88)	large	**-**	-	-
Net profit attributable to owners of the Company	**5,452**	4,082	33.6	**2,932**	2,520	16.3

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 September 2013 full year is to reduce cash earnings by $188 million.

Treasury Shares

For statutory reporting purposes, the Group eliminates the effect on statutory income of the Group's life insurance business investment in National Australia Bank Limited shares. The elimination includes unrealised mark-to-market movements arising from changes in the Company's share price, dividend income and realised profits and losses on the disposal of shares. In determining cash earnings in the September 2013 year, a net gain of $386 million ($342 million after tax) attributable to these adjustments has been included to ensure there is no asymmetric impact on profit because the treasury shares relate to life policy liabilities which are revalued in deriving income.

Fair Value and Hedge Ineffectiveness

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

In the September 2013 year there was a reduction in statutory profit of $189 million ($151 million after tax) from fair value and hedge ineffectiveness. This was largely due to the change in the fair value of derivatives used to manage the Group's long-term funding from movements in spreads between Australian and overseas interest rates, and mark-to-market movements of assets and liabilities designated at fair value reflecting current market conditions. In particular, the narrowing of cross currency basis and credit spreads has resulted in mark-to-market losses on these derivatives and term funding issuances, partially offset by favourable foreign exchange translation gains.

IoRE Discount Rate Variation

The IoRE discount rate variation represents the impact on earnings of the change in value of deferred acquisition costs (net of reinsurance) included in insurance policy liabilities resulting from a movement in inflation and the risk free discount rate. This item resulted in a pre-tax gain of $32 million ($22 million after tax).

Litigation Expense and Recovery

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

Amortisation of Acquired Intangible Assets

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

PPI and Customer Redress Provisions

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

In the prior year, $184 million (£120 million) for a provision relating to PPI and $73 million (£48 million) relating to other UK conduct related matters was recognised in non-cash earnings.

The following non-cash earnings items were reported for 30 September 2012.

UK Banking Strategic Review

The outcomes of the 2012 UK Banking strategic review included the following non-cash earnings items:

- The write-off of $295 million (£141 million) of goodwill relating to UK Banking
- The impairment of capitalised software of $54 million (£36 million) relating to assets that will be used in a substantially reduced form from what had been planned
- $222 million restructuring costs, of which $215 million (£140 million) relates to redundancy, lease break fees and other costs in UK Banking.

Hedging Costs on SCDO Assets

The recognition of remaining hedging costs related to the SCDO risk mitigation trades of $141 million ($99 million after tax) was expensed through non-cash earnings.

Due Diligence, Acquisition and Integration Costs

Acquisition and integration costs represent expenses associated with integrating acquisitions within the NAB operating model and reporting platforms, as well as costs associated with acquisitions. There were no such amounts reported in non-cash earnings for the year ended 30 September 2013 (30 September 2012: $124 million).

Reconciliation between Statutory Net Profit after Tax and Cash Earnings

Year ended 30 September 2013	Statutory Net Profit $m	NAB Wealth adj. [1] $m	Distri-butions $m	Treasury shares $m	Fair value and hedge ineffec. $m	IoRE disc. rate $m	Litigation expense/ recovery $m	Amortisation of acquired intangible assets $m	PPI and Customer redress provisions $m	Cash Earnings $m
Net interest income	13,351	56	-	-	-	-	-	-	-	**13,407**
Net life insurance income	560	(914)	-	386	-	(32)	-	-	-	**-**
Other operating income	4,373	(1,071)	-	-	313	-	-	19	204	**3,838**
NAB Wealth net operating income	-	1,335	-	-	-	-	-	-	-	**1,335**
Net operating income	18,284	(594)	-	386	313	(32)	-	19	204	**18,580**
Operating expenses	(8,273)	75	-	-	-	-	(55)	79	-	**(8,174)**
Operating profit/(loss) pre-charge to provide for doubtful debts	10,011	(519)	-	386	313	(32)	(55)	98	204	**10,406**
Charge to provide for doubtful debts	(1,810)	-	-	-	(124)	-	-	-	-	**(1,934)**
Operating profit/(loss) before tax	8,201	(519)	-	386	189	(32)	(55)	98	204	**8,472**
Income tax (expense)/benefit	(2,741)	522	-	(44)	(38)	10	16	(21)	(41)	**(2,337)**
Operating profit/(loss) before distributions and non-controlling interest	5,460	3	-	342	151	(22)	(39)	77	163	**6,135**
Net profit - non-controlling interest	(8)	-	-	-	-	-	-	-	-	**(8)**
IoRE (after tax)	-	(3)	-	-	-	-	-	-	-	**(3)**
Distributions	-	-	(188)	-	-	-	-	-	-	**(188)**
Net profit/(loss) attributable to owners of the Company	**5,452**	**-**	**(188)**	**342**	**151**	**(22)**	**(39)**	**77**	**163**	**5,936**

[1] *Refer to Note 16 in Section 6 for further details regarding the NAB Wealth adjustment.*

Profit Reconciliation

Year ended 30 September 2012	Statutory Net Profit $m	NAB Wealth adj. [1] $m	Distri-butions $m	Treasury shares $m	Fair value and hedge ineffec. $m	IoRE disc. rate $m	Hedging costs on SCDO assets $m	Litigation expense/ recovery $m	Amortisation of acquired intangible assets $m	PPI and Customer redress provisions $m	Impairment of goodwill and software $m	Restructure costs $m	Due diligence, acquisition and integration costs $m	Cash Earnings $m
Net interest income	13,242	55	-	-	-	-	-	-	-	-	-	-	-	**13,297**
Net life insurance income	740	(891)	-	175	-	(24)	-	-	-	-	-	-	-	**-**
Other operating income	3,733	(920)	-	-	256	-	141	-	18	184	-	-	-	**3,412**
NAB Wealth net operating income	-	1,515	-	-	-	-	-	-	-	-	-	-	-	**1,515**
Net operating income	17,715	(241)	-	175	256	(24)	141	-	18	184	-	-	-	**18,224**
Operating expenses	(8,822)	(25)	-	-	5	-	-	141	105	73	349	222	124	**(7,828)**
Operating profit/(loss) pre-charge to provide for doubtful debts	8,893	(266)	-	175	261	(24)	141	141	123	257	349	222	124	**10,396**
Charge to provide for doubtful debts	(2,734)	-	-	-	119	-	-	-	-	-	-	-	-	**(2,615)**
Operating profit/(loss) before tax	6,159	(266)	-	175	380	(24)	141	141	123	257	349	222	124	**7,781**
Income tax (expense)/benefit	(2,076)	228	-	(20)	(110)	8	(42)	(40)	(24)	(18)	-	(48)	(36)	**(2,178)**
Operating profit/(loss) before distributions and non-controlling interest	4,083	(38)	-	155	270	(16)	99	101	99	239	349	174	88	**5,603**
Net profit - non-controlling interest	(1)	-	-	-	-	-	-	-	-	-	-	-	-	**(1)**
IoRE (after tax)	-	38	-	-	-	-	-	-	-	-	-	-	-	**38**
Distributions	-	-	(207)	-	-	-	-	-	-	-	-	-	-	**(207)**
Net profit/(loss) attributable to owners of the Company	**4,082**	**-**	**(207)**	**155**	**270**	**(16)**	**99**	**101**	**99**	**239**	**349**	**174**	**88**	**5,433**

[1] *Refer to Note 16 in Section 6 for further details regarding the NAB Wealth adjustment.*

Profit Reconciliation

Half Year ended 30 September 2013	Statutory Net Profit $m	NAB Wealth adj. [1] $m	Distri-butions $m	Treasury shares $m	Fair value and hedge ineffec. $m	IoRE disc. rate $m	Litigation expense/ recovery $m	Amortisation of intangible assets $m	PPI and Customer redress provisions $m	Cash Earnings $m
Net interest income	6,764	35	-	-	-	-	-	-	-	**6,799**
Net life insurance income	308	(446)	-	155	-	(17)	-	-	-	**-**
Other operating income	2,330	(578)	-	-	(80)	-	-	19	204	**1,895**
NAB Wealth net operating income	-	636	-	-	-	-	-	-	-	**636**
Net operating income	9,402	(353)	-	155	(80)	(17)	-	19	204	**9,330**
Operating expenses	(4,207)	57	-	-	-	-	(80)	32	-	**(4,198)**
Operating profit/(loss) pre-charge to provide for doubtful debts	5,195	(296)	-	155	(80)	(17)	(80)	51	204	**5,132**
Charge to provide for doubtful debts	(757)	-	-	-	(85)	-	-	-	-	**(842)**
Operating profit/(loss) before tax	4,438	(296)	-	155	(165)	(17)	(80)	51	204	**4,290**
Income tax (expense)/benefit	(1,501)	299	-	(11)	68	5	24	(10)	(41)	**(1,167)**
Operating profit/(loss) before distributions and non-controlling interest	2,937	3	-	144	(97)	(12)	(56)	41	163	**3,123**
Net profit - non-controlling interest	(5)	-	-	-	-	-	-	-	-	**(5)**
IoRE (after tax)	-	(3)	-	-	-	-	-	-	-	**(3)**
Distributions	-	-	(94)	-	-	-	-	-	-	**(94)**
Net profit/(loss) attributable to owners of the Company	**2,932**	**-**	**(94)**	**144**	**(97)**	**(12)**	**(56)**	**41**	**163**	**3,021**

[1] *Refer to Note 16 in Section 6 for further details regarding the NAB Wealth adjustment.*

Half Year ended 31 March 2013	Statutory Net Profit $m	NAB Wealth adj. [1] $m	Distri-butions $m	Treasury shares $m	Fair value and hedge ineffec. $m	IoRE disc. rate $m	Litigation expense/ recovery $m	Amortisation of acquired intangible assets $m	Cash Earnings $m
Net interest income	6,587	21	-	-	-	-	-	-	**6,608**
Net life insurance income	252	(468)	-	231	-	(15)	-	-	**-**
Other operating income	2,043	(493)	-	-	393	-	-	-	**1,943**
NAB Wealth net operating income	-	699	-	-	-	-	-	-	**699**
Net operating income	8,882	(241)	-	231	393	(15)	-	-	**9,250**
Operating expenses	(4,066)	18	-	-	-	-	25	47	**(3,976)**
Operating profit/(loss) pre-charge to provide for doubtful debts	4,816	(223)	-	231	393	(15)	25	47	**5,274**
Charge to provide for doubtful debts	(1,053)	-	-	-	(39)	-	-	-	**(1,092)**
Operating profit/(loss) before tax	3,763	(223)	-	231	354	(15)	25	47	**4,182**
Income tax (expense)/benefit	(1,240)	223	-	(33)	(106)	5	(8)	(11)	**(1,170)**
Operating profit/(loss) before distributions and non-controlling interest	2,523	-	-	198	248	(10)	17	36	**3,012**
Net profit - non-controlling interest	(3)	-	-	-	-	-	-	-	**(3)**
IoRE (after tax)	-	-	-	-	-	-	-	-	**-**
Distributions	-	-	(94)	-	-	-	-	-	**(94)**
Net profit/(loss) attributable to owners of the Company	**2,520**	**-**	**(94)**	**198**	**248**	**(10)**	**17**	**36**	**2,915**

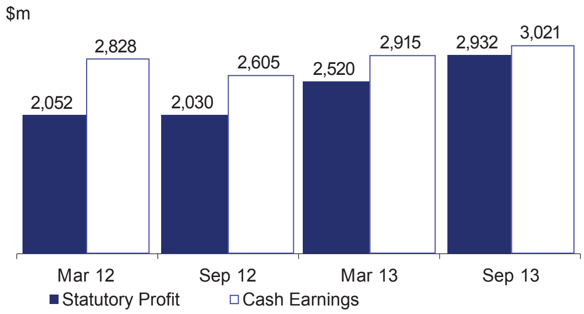
(1) *Refer to Note 16 in Section 6 for further details regarding the NAB Wealth adjustment.*

Section 2

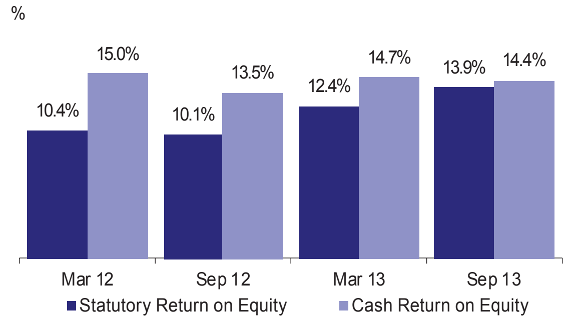
Highlights

Key Performance Measures (1)

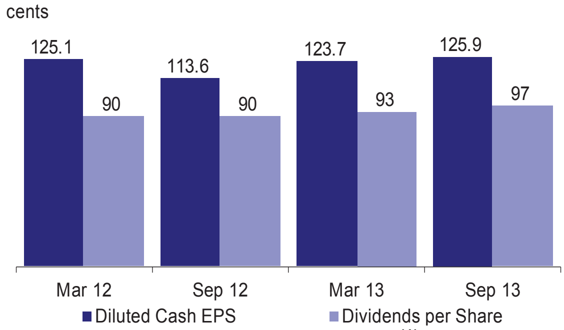
Statistical Profit and Cash Earnings - half year



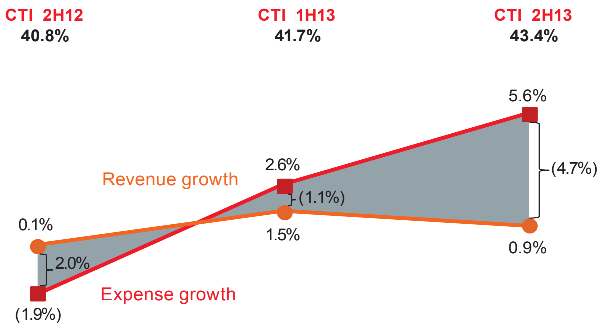
Cash Return on Equity (ROE) - half year



Diluted Cash EPS and Dividend per Share - half year



Half Yearly 'Jaws' and banking CTI (2)



Group Performance Indicators (1)

	Year to		Half Year to	
	Sep 13	**Sep 12**	**Sep 13**	**Mar 13**
Key Indicators				
Statutory earnings per share (cents) - basic	**229.5**	175.3	**122.3**	105.8
Statutory earnings per share (cents) - diluted	**227.5**	174.4	**120.8**	105.1
Cash earnings per share (cents) - basic	**253.0**	240.9	**127.4**	124.5
Cash earnings per share (cents) - diluted	**250.6**	238.8	**125.9**	123.7
Statutory return on equity	**13.2%**	10.3%	**13.9%**	12.4%
Cash return on equity (ROE)	**14.5%**	14.2%	**14.4%**	14.7%
Profitability, performance and efficiency measures				
Dividend per share (cents)	**190**	180	**97**	93
Dividend payout ratio	**75.1%**	74.7%	**76.1%**	74.7%
Cash earnings on average assets	**0.74%**	0.72%	**0.74%**	0.75%
Cash earnings on risk-weighted assets	**1.70%**	1.61%	**1.69%**	1.72%
Cash earnings per average FTE ($'000)	**139**	124	**142**	136
Banking cost to income (CTI) ratio	**42.6%**	41.3%	**43.4%**	41.7%
Net interest margin	**2.02%**	2.11%	**2.02%**	2.03%
Capital (3)				
Common Equity Tier 1/Core Tier 1 ratio	**8.43%**	8.29%	**8.43%**	8.22%
Tier 1 ratio	**10.35%**	10.27%	**10.35%**	10.19%
Total capital ratio	**11.80%**	11.67%	**11.80%**	11.71%
Risk-weighted assets ($bn) (4)	**362.1**	331.3	**362.1**	351.4
Volumes ($bn)				
Gross loans and acceptances (4)(5)	**521.8**	500.9	**521.8**	500.6
Average interest earning assets	**662.1**	630.0	**671.6**	652.5
Total average assets	**801.0**	758.4	**819.2**	782.4
Total customer deposits (4)	**366.0**	339.2	**366.0**	342.4
Asset quality				
90+ days past due and gross impaired assets to gross loans and acceptances	**1.69%**	1.78%	**1.69%**	1.74%
Collective provision to credit risk-weighted assets	**0.94%**	1.05%	**0.94%**	0.99%
Collective provision including GRCL (top-up) to credit risk-weighted assets	**1.16%**	1.30%	**1.16%**	1.22%
Specific provision to gross impaired assets	**32.0%**	30.3%	**32.0%**	32.9%
Other				
Funds under management and administration ($bn) (6)	**145.1**	124.7	**145.1**	136.7
Annual inforce premiums ($m)	**1,611.4**	1,523.5	**1,611.4**	1,536.2
Full Time Equivalent (FTE) Employees (spot)	**42,164**	43,336	**42,164**	42,668
Full Time Equivalent (FTE) Employees (average)	**42,783**	43,753	**42,543**	43,007

(1) *All key performance measures and Group performance indicators are calculated on a cash earnings basis unless otherwise stated. A Glossary of Terms is included in Section 7.*

(2) *Revenue and expense growth is calculated over the previous half year.*

(3) *September and March 2013 calculated on a Basel III basis, September 2012 on a Basel II basis. Refer to page 34 for more detail.*

(4) *Spot balance at reporting date.*

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

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

Divisional Performance

	Year to			Half Year to		
	Sep 13 $m	**Sep 12 $m**	**Sep 13 v Sep 12 %**	**Sep 13 $m**	**Mar 13 $m**	**Sep 13 v Mar 13 %**
Business Banking	**2,488**	2,409	3.3	**1,248**	1,240	0.6
Personal Banking	**1,228**	1,045	17.5	**675**	553	22.1
Wholesale Banking	**1,194**	1,092	9.3	**579**	615	(5.9)
NAB Wealth (before IoRE and after non-controlling interest)	**485**	518	(6.4)	**232**	253	(8.3)
NZ Banking	**649**	575	12.9	**340**	309	10.0
UK Banking	**150**	(213)	large	**88**	62	41.9
Great Western Bank	**113**	98	15.3	**60**	53	13.2
NAB UK Commercial Real Estate	**(375)**	-	large	**(149)**	(226)	34.1
Corporate Functions and Other	**195**	78	large	**45**	150	(70.0)
IoRE	**(3)**	38	large	**(3)**	-	large
Distributions	**(188)**	(207)	9.2	**(94)**	(94)	-
Cash earnings	**5,936**	5,433	9.3	**3,021**	2,915	3.6
Non-cash earnings items	**(484)**	(1,351)	64.2	**(89)**	(395)	77.5
Net profit attributable to owners of the Company	**5,452**	4,082	33.6	**2,932**	2,520	16.3

There have been the following changes to the presentation of divisional results.
1. Following the transfer of the NAB UK Commercial Real Estate (NAB UK CRE) business from Clydesdale Bank PLC to the Company, the results of NAB UK CRE are separately reported and no longer included in UK Banking for September and March 2013.
2. The results of the Specialised Group Assets portfolio are no longer separately reported and have been included in the results for Corporate Functions and Other for all periods shown.
3. The results of NAB Asia are no longer reported in Corporate Functions and Other and are reported in the results of Business Banking and NAB Wealth for September and March 2013.

Divisional Performance Indicators

	Year to			Half Year to		
	Sep 13	**Sep 12**	**Sep 13 v Sep 12**	**Sep 13**	**Mar 13**	**Sep 13 v Mar 13**
Business Banking						
Cash earnings ($m)	**2,488**	2,409	3.3%	**1,248**	1,240	0.6%
Cash earnings on average assets	**1.25%**	1.22%	3 bps	**1.26%**	1.25%	1 bps
Cash earnings on risk-weighted assets	**1.76%**	1.69%	7 bps	**1.76%**	1.75%	1 bps
Net interest margin	**2.51%**	2.53%	(2 bps)	**2.49%**	2.53%	(4 bps)
Net operating income ($m)	**6,064**	6,062	0.0%	**3,012**	3,052	(1.3%)
Cost to income ratio	**29.5%**	28.7%	(80 bps)	**29.7%**	29.2%	(50 bps)
Personal Banking						
Cash earnings ($m)	**1,228**	1,045	17.5%	**675**	553	22.1%
Cash earnings on average assets	**0.76%**	0.71%	5 bps	**0.82%**	0.71%	11 bps
Cash earnings on risk-weighted assets	**2.95%**	2.60%	35 bps	**3.15%**	2.71%	44 bps
Net interest margin	**2.08%**	2.03%	5 bps	**2.07%**	2.09%	(2 bps)
Net operating income ($m)	**3,913**	3,566	9.7%	**2,005**	1,908	5.1%
Cost to income ratio	**47.2%**	51.5%	430 bps	**45.6%**	48.9%	330 bps
Wholesale Banking						
Cash earnings ($m)	**1,194**	1,092	9.3%	**579**	615	(5.9%)
Cash earnings on risk-weighted assets	**2.33%**	2.70%	(37 bps)	**2.02%**	2.63%	(61 bps)
Net operating income ($m)	**2,587**	2,501	3.4%	**1,270**	1,317	(3.6%)
Cost to income ratio	**37.3%**	37.9%	60 bps	**37.4%**	37.3%	(10 bps)
NAB Wealth						
Cash earnings before IoRE and non-controlling interest ($m)	**493**	519	(5.0%)	**237**	256	(7.4%)
Investment operating expenses to average FUM	**51 bps**	62 bps	11 bps	**51 bps**	52 bps	1 bps
Insurance cost to average inforce premium	**16%**	16%	-	**15%**	16%	100 bps
NZ Banking ($NZ)						
Cash earnings ($NZm)	**788**	741	6.3%	**401**	387	3.6%
Cash earnings on average assets	**1.27%**	1.24%	3 bps	**1.28%**	1.27%	1 bps
Cash earnings on risk-weighted assets	**1.86%**	1.85%	1 bps	**1.86%**	1.88%	(2 bps)
Net interest margin	**2.36%**	2.39%	(3 bps)	**2.33%**	2.40%	(7 bps)
Net operating income ($NZm)	**1,965**	1,881	4.5%	**984**	981	0.3%
Cost to income ratio	**40.3%**	40.6%	30 bps	**40.2%**	40.3%	10 bps
UK Banking (£)						
Cash earnings/(deficit) (£m)	**96**	(139)	large	**55**	41	34.1%
Cash earnings on average assets	**0.25%**	(0.30%)	55 bps	**0.29%**	0.21%	8 bps
Cash earnings on risk-weighted assets	**0.37%**	(0.44%)	81 bps	**0.44%**	0.30%	14 bps
Net interest margin	**2.12%**	2.03%	9 bps	**2.19%**	2.06%	13 bps
Net operating income (£m)	**986**	1,145	(13.9%)	**496**	490	1.2%
Cost to income ratio	**71.1%**	60.9%	(1,020 bps)	**71.8%**	70.4%	(140 bps)
Great Western Bank ($US)						
Cash earnings ($USm)	**113**	100	13.0%	**58**	55	5.5%
Cash earnings on average assets [(1)]	**1.35%**	1.27%	8 bps	**1.38%**	1.33%	5 bps
Cash earnings on risk-weighted assets	**1.74%**	1.70%	4 bps	**1.75%**	1.74%	1 bps
Net interest margin	**3.78%**	3.75%	3 bps	**3.74%**	3.77%	(3 bps)
Net operating income ($USm)	**374**	356	5.1%	**187**	187	-
Cost to income ratio	**48.7%**	50.0%	130 bps	**48.1%**	49.2%	110 bps

(1) *Average assets exclude goodwill.*

Group Performance

Cameron Clyne

Net Profit Attributable to Owners of the Company

Net profit attributable to owners of the Company (statutory net profit) for the September 2013 full year increased by $1,370 million or 33.6% against the September 2012 full year, and $412 million or 16.3% against the March 2013 half year. Net profit attributable to owners of the company is prepared in accordance with the *Corporations Act* 2001 (Cth), and Australian Accounting Standards.

Shareholder Returns

The Group's statutory return on equity increased by 290 basis points to 13.2% against the September 2012 full year due to higher earnings, partially offset by higher levels of capital being held.

The Group's cash return on equity increased by 30 basis points to 14.5% against the September 2012 full year due to higher earnings, partially offset by higher levels of capital being held.

The final dividend for September 2013 is 97 cents per share, an increase of 4 cents per share compared to the March 2013 half year. The full dividend for the September 2013 year is 190 cents per share, which is 5.6% higher than the September 2012 full year. This represents a dividend payout ratio of 75.1% for the September 2013 full year on a cash earnings basis. The dividend payment is 100% franked and will be paid on 18 December 2013. Shares will be quoted ex-dividend on 7 November 2013.

Earnings per Share

Basic **statutory** earnings per share increased by 54.2 cents or 30.9% on the September 2012 year. Diluted earnings per share increased by 53.1 cents or 30.4%. This reflects the Group's increase in statutory profit.

Basic **statutory** earnings per share increased by 16.5 cents or 15.6% on the March 2013 half year. Diluted earnings per share increased by 15.7 cents or 14.9%.

Basic **cash earnings per share** increased by 12.1 cents or 5.0% on the September 2012 year. Diluted cash earnings per share increased by 11.8 cents or 4.9%. This reflects an increase in cash earnings, partly offset by an increase in the number of shares on issue.

Basic **cash earnings per share** increased by 2.9 cents or 2.3% on the March 2013 half year. Diluted cash earnings per share increased by 2.2 cents or 1.8%.

Strategic Highlights & Business Developments

The Group maintains its overall objective to deliver sustainable, satisfactory returns to shareholders. In March 2013, NAB updated its strategy to better align the business to the changing economic landscape and customers' evolving needs. It continues to focus on enhancing the Australian franchise through its key strategic priorities:
- Simplify and digitise the business
- Build world class customer relationships
- Enhance banking services for superannuation and the ageing population
- Broaden services for Asia active customers
- Provide DIY digital options for customers.

At the same time the Group continues to manage its international portfolio for value.

The strategy is supported by four key non-negotiables:
- Deliver total technology environment transformation
- Invest in people, culture and reputation
- Maintain focus on risk and compliance
- Build balance sheet strength.

To help deliver its updated strategy, this year both the Australian Banking and Wealth franchises implemented a more integrated and simplified operating model, which features:
- More streamlined customer management divisions focused on managing and growing customer relationships
- A single product house to effectively coordinate and manage all product offerings and drive innovation
- A centralised operations, shared services and transformation division to drive greater scale and efficiency and delivery of enterprise-wide transformation
- Centralised support divisions to remove duplication and promote greater consistency.

NAB's strategic priorities during 2013 are outlined below:

Enhance the Australian Franchise

Simplify and digitise the business

The Group continues to focus on improving cost and efficiency – optimising the core business and providing customers with a better experience. Over the past three years this focus has seen NAB's Banking Cost to Income ratio decrease from 45.9% in 2010 to 42.6% in 2013.

The company has continued to rationalise its product portfolio, and improve its product management processes. Since 2010, the Group has rationalised approximately 50% of its core banking products and plans to further simplify this product set.

The company continues to standardise and consolidate processing and administration tasks currently performed by business bankers allowing them to spend more time with customers. Investments in technology have enabled straight-through processing for more products. Examples include automated property title transactions and digitised outbound customer correspondence.

Through the year NAB has progressed its consolidation of its various technology platforms. It has begun the migration of the Wholesale Banking division's technology support infrastructure to the same platform as the rest of the Australian franchise, thereby significantly reducing duplication.

The company has also expanded its self-service options, such as intelligent deposit machines, and has continued to upgrade its online offering. At the same time it has started to reshape its stores and Business Banking Centres to reduce excess floor space to provide a more integrated customer experience. In September the new Smart Store at 700 Bourke Street, Melbourne was opened, the latest of several new store formats, providing customers with a range of self-service intelligent machines for an integrated digital and face-to-face experience.

This year, the company launched NAB Flik, a mobile peer-to-peer payments app, making it easier for customers to send and receive money securely. The company also strengthened it's capability in digital FX, with an integrated spot execution platform. The NAB Connect online channel for business customers has undergone a number of enhancements, including the introduction of mobile capabilities and increased capacity to cater for future growth.

Build world class customer relationships

The company's focus on customer relationships is reflected in it's strong customer satisfaction scores – improving from 68.9% in March 2009 to 81.7% in September 2013.[1]

The company continued to deepen its relationships with retail customers through its Fair Value Agenda. For over four years the company has maintained the lowest or equal lowest Standard Variable Rate of the major banks. There has also been continued growth in broker distribution, giving customers more choice on how they interact with NAB.

During 2013 the company continued to enhance the effectiveness of the Business Banking sales force, delivering training for bankers to improve their account planning and relationship focus.

NAB is also building capability to deliver stronger insights by using customer data more intelligently. This year, it implemented a centralised knowledge management tool to provide greater consistency in the customer experience across all its channels.

Enhance banking services for superannuation and the ageing population

Through the year NAB continued to deliver integrated banking and wealth solutions to corporate and institutional superannuation customers. It launched a strategic clearing house solution for Not-for-Profit Superannuation Funds and invested in customer focused training programs for bankers.

NAB Wealth has further enhanced its value proposition for Self-Managed Super Funds (SMSFs) customers. In addition to expanding the nabtrade proposition, central phone based support was implemented, delivering enhanced services to SMSF clients, accountants and advisers.

Broaden services for Asia active customers

The Group has focused on continuing to enhance its proposition for its Asia active customers. In 2013, Business Banking introduced Chinese Renminbi (RMB) trade capability in Australia and strengthened sales force capabilities in its Asian offices. It also aligned the Private Wealth business across Australia and Asia, providing a more holistic experience for customers in Asia.

Provide DIY digital options for customers

The Group has continued to develop UBank, which has provided a strong deposit offering for customers, and a source of funding for NAB. UBank has experienced significant deposit growth since its creation five years ago. It is also continuing to expand its distribution of refinanced home loans through UHomeLoan.

The launch of USaver Ultra this year provides UBank customers with the ability to access funds through additional channels and a fully automated online application process. This product leverages new functionality deployed by the NextGen program.

nabtrade, the online trading and investment research platform, is targeting self-directed customers with a growing focus on SMSFs. Since its launch 12 months ago the platform has attracted $800 million of cash funding and was recently rated #1 for stock picks and recommendations by Investment Trends[2].

Manage International Portfolio

Bank of New Zealand (BNZ) continued to successfully deliver against its strategy during 2013, performing well in a highly competitive environment. BNZ further strengthened its balance sheet, achieved above-system growth in high quality deposits[3], and continued to support its customers' lending needs. Business banking (BNZ Partners) maintained its number two market share position[4]. Retail's Small Business segment continued to grow, and maintained high levels of customer satisfaction[5].

The run-down of the Specialised Group Assets (SGA) portfolio has continued, with total assets contracting from $17.4 billion at September 2009 to $6.1 billion as at September 2013. The NAB UK Commercial Real Estate (CRE) run-off also continues, down from GBP 7.7 billion in 2009 to GBP 4.0 billion as at September 2013.

UK Banking has made substantial progress in the year, successfully implementing the outcomes of the 2012 Strategic Review, including the transfer of the CRE portfolio to National Australia Bank Limited in October 2012.

The restructuring of the business has been largely completed, with the focus now shifting to positioning the business for controlled growth against the background of a steadily improving UK economy. This has been supported during the year by the successful re-launch of the Clydesdale and Yorkshire brands. Returns in UK Banking will however continue to be affected by trends common across the sector including weak revenue growth and the cost of the resolution of legacy conduct related matters.

During 2013, Great Western Bank continued to improve its return on equity and earnings growth through a focus on agribusiness, commercial and industrial lending. This was achieved through a shift towards lower cost deposits, building on profitable customer relationships and a continued focus on efficiency.

1) Roy Morgan Research, March 2009, September 2013, Australian Main Financial Institution personal customers, population aged 14+, six-month moving average.
(2) Investment Trends 2013 First Half Australia Online Broking Report, July 2013.
(3) RBNZ August 2013 (historical market share rebased with latest revised RBNZ published data)
(4) TNS Business Finance Monitor to September 2013.
(5) TNS Voice of Customer, August/September 2013.

Non-Negotiables

Deliver total technology environment transformation

In 2009, NAB began a multi-year technology transformation program to overhaul, refresh and reposition its core technology infrastructure.

NAB has started the transition to the new data centre in Deer Park, which will replace its existing East Melbourne facility. It has completed the transformation of its voice infrastructure. It has also consolidated its Melbourne commercial properties, with the completion of the 6 Star GBCA rated 700 Bourke Street building.

The NextGen program has enabled improved capabilities throughout the Group. Through the year, it delivered enhanced online banking capabilities to UBank including the launch of UBank USaver Ultra.

Invest in people, culture and reputation

NAB's investment and leadership focus in its people, culture and reputation over recent years has reinforced these areas as key strengths of the business. The Group has maintained its focus on attracting, retaining and developing talent. During 2013 key initiatives and highlights include:

- Embedding the Enterprise Leadership Framework, which is developing leaders who will shape strategy and drive future performance
- Launching NAB's Accessibility Action Plan
- Introducing a Domestic Violence Support Policy, the first major Australian bank to do so
- Making significant progress in the convergence of 14,000 Melbourne-based employees into three locations, to improve productivity through co-location and continuing to drive an open and inclusive culture.

During the year NAB continued to demonstrate its leadership in developing a fairer financial industry by announcing its goal of providing fair and affordable finance to one million low-income Australians by 2018 in conjunction with Good Shepherd Microfinance.

This year, NAB also acted on its Natural Disaster Relief Framework responding to natural disasters across Australia by directly donating $700,000 towards community relief efforts, facilitating additional donations of over $200,000 and providing access to free counselling and hardship assistance to customers and employees.

In 2013 NAB also launched "Wealth of Opportunity" – its promise to create more of what matters to people, communities and the economy. Wealth of Opportunity sets NAB on a path to help all Australians "Have a Healthy Relationship with Money", cultivate "Prosperous Communities" and play a leading role in Australia's becoming a "Future Focused Nation".

Maintain focus on risk and compliance

During 2013, NAB continued to embed risk thinking into its daily activities and decisions. Key highlights through 2013 include:

- Significant risk resources invested into newly created 'Management Assurance' teams which support business leaders in managing risk across their division
- Development of risk measures and a maturity assessment tool. These tools will be incorporated into NAB's new Enterprise Performance Alignment Framework to reflect how well its leaders manage their risk and compliance obligations and provide an additional way to assess its risk culture
- Reinforcement of risk accountabilities across NAB's three lines of defence through its Risk Management Accountability Model
- A review of the Group's risk governance committees at a management level and planned structural changes to build greater transparency, accountability and oversight over its key risks
- Continued risk training and accreditation programmes across the Group.

Going forward, NAB will implement its 'Risk@NAB' strategy, an initiative focussed on strengthening its risk management framework, leadership, culture, capabilities and effectiveness.

Build balance sheet strength

The Group has made progress in strengthening its capital, funding and liquidity positions. At 30 September 2013, the Group's Common Equity Tier 1 capital ratio was 8.43%, compared to 8.22% at the March 2013 half year.

During the 2013 financial year, the Group raised $25.8 billion of term wholesale funding, fulfilling its 2013 term funding requirements. The Company raised $22.8 billion, including $15.1 billion senior unsecured, $6.7 billion secured (comprising both covered bonds and RMBS) and $950 million subordinated debt. Deposits continue to be a key source of funding, with the Customer Funding Index improving to 69% supported by strong deposit growth in the Australian region.

The Group successfully met APRA's Basel III capital requirements which have been in effect since 1 January 2013 and is well placed to meet Basel III funding and liquidity reforms to be implemented on 1 January 2015. Initiatives underway to meet the new funding and liquidity reforms include increasing Australian dollar denominated high quality liquid assets, improving the quality of the deposit book and managing the duration of wholesale funding.

Asset Quality trends for the Group have been encouraging during 2013, despite challenging trading conditions across our key regions, in particular the United Kingdom.

Section 3

Review of Operating Environment, Group Operations and Results

Review of Group Operating Environment

Global Business Environment

The pace of global economic expansion slowed to around 3% in 2013, running well below trend for a second consecutive year. Global growth is expected to pick up to around 3.5% in 2014, marking a return to around its long-term average rate. The sources of this global economic expansion have been shifting, with the contribution of the advanced economies gradually picking up and the emerging economies remaining constant.

After a long period marked by subdued economic conditions, activity in the big advanced economies is gradually accelerating. Western Europe has moved out of recession, expansionary economic policy has provided a short-term boost to Japanese output and the US continues on a moderately paced economic recovery. There is ample scope for demand to continue increasing in these big advanced economies as their level of output is now only slightly higher than it was in early 2008, marking five years of lost economic growth.

Emerging economy growth, on the other hand, has been on a declining trend. It has slowed from its 2010 peak of almost 9% to around 5% in 2013 and is expected to remain around that level in 2014. The slowdown across the emerging market economies has been a broad-based phenomenon with the pace of economic growth easing until recently across China, India, Brazil and the smaller export-oriented emerging economies of East Asia. This represents an important shift for both Australia and New Zealand because activity in emerging market economies is particularly commodity intensive and these countries buy more than half of Australasian exports.

Australian Economy

Australia has been one of the principal beneficiaries of commodity intensive growth in big emerging market economies such as China and India. Solid growth in global commodity demand triggered a multi-phase stimulus to Australian economic activity with sequential increases in commodity prices, mining investment and export volumes.

The initial phase of this stimulus is now well past its peak with US dollar commodity prices down by around 25% from their mid-2011 peak. The second phase, centred on a decade long surge in mining industry investment from around 2% to 8% of GDP, is probably near or past it’s peak. The volume of mining investment has levelled out since mid-2012 and its share of GDP is expected to fall to under 4% by late 2015. The third phase of the stimulus is still under way with increases in mineral exports and it should continue throughout the next few years as liquefied natural gas projects come into production.

Unemployment rates have been increasing, reflecting the headwinds that have been affecting large parts of the economy for several years. As has been the case in several other advanced economies, Australian households and businesses became much more cautious in the wake of the Global Financial Crisis and this has been reflected in their spending, saving and borrowing.

De-leveraging in business saw a 9% fall in credit between the end of 2008 and early 2011, followed by a partial recovery of around 6%. Business lending growth was running at around 1.5% year-on-year in August 2013.

The household savings ratio rose from practically nothing in the middle of the last decade to double-digit levels and it shows no sign of retreating. Household savings have shifted toward lower risk products like bank deposits and it is only recently that preferences have shown any indication of moving back toward riskier assets such as real estate or shares. Credit demand has also softened with growth in housing lending slowing to below 5% year-on-year, its lowest rate since the data commenced 36 years ago.

Higher saving and reduced borrowing have been contributing factors in the difficult environment that continues to affect the retail sector. Retail sales growth is down to around 2% year-on-year, a pace of growth that has seldom been seen in the last 30 years. In addition, the previous upward trend in job numbers in the sector, one of the biggest employers in the country, ceased a few years ago. Consumer spending has been stronger in other parts of the economy but, taken overall, the volume of spending is only growing at around half its long-term average rate. As household spending represents more than half of GDP, its sluggish growth represents an important drag on the overall rate of economic growth.

The competitive pressure facing traded goods outside the commodity sectors of mining and farming is the other important headwind facing the economy. Indicators of international competitiveness through the last few years show it is at its worst since the mid-1970s, largely because of the strength of the Australian dollar. The impact of this erosion of competitiveness can be seen in the trade figures, as well as a series of factory closures.

Ultimately the impact of these diverse influences is an economy that is growing below trend and business conditions that vary greatly between sectors. With the waning of the mining boom the regional pattern of economic strength within the country is also changing.

New Zealand Economy

There is a significant improvement in business conditions across New Zealand industries and regions. Recent business surveys show high levels of confidence across all sectors with strong readings for investment, employment and profits. The economy is expected to expand by 2.8% year-on-year in 2013, with growth accelerating to 3.2% next year.

The current upturn reflects a synchronised period of high commodity prices and rising domestic demand. Tighter world dairy markets have underpinned a rise of around 25% in New Zealand commodity export prices. That has returned New Zealand’s terms of trade to around a four decade high, boosted export earnings and lifted national income.

Important parts of domestic market oriented businesses have also been reporting much improved conditions and outlooks, especially in construction, the housing market and retailing. Each of these is recovering from a long period of stagnation in the years after the onset of the Global Financial Crisis, when retail trade and house prices were quite flat.

The improved housing market is reflected in increases in house prices of between 5% and 10% year-on-year, rising sales volumes and shorter periods on the market for stock. Retail sales volumes have been rising by around 4% year-on year and consumer confidence is fairly buoyant. The construction sector is one of the main drivers of this upturn and, while some of its strength reflects reconstruction after the Christchurch earthquake, an increase in immigration is also supporting housing demand. This growth in domestic spending is fuelling credit demand with housing lending growing by around 5% year-on-year.

As in Australia, high commodity prices have driven up the local currency and that has damaged the competitiveness of traded goods producers outside the commodity sector. The trade-weighted index of the New Zealand dollar is well above its average over the last 25 years and this has contributed to an erosion of competitiveness. This loss in cost competitiveness has, in turn, contributed to a stagnation in exports of manufactured goods and services. The competitive pressure is reflected in business caution and a lack of growth in business credit outside the well performing farm sector.

United Kingdom Economy

Economic growth in the UK resumed in 2013 with GDP rising by 0.4% in the March quarter, 0.7% in the June quarter and 0.8% in the September quarter. Business surveys point to continuing growth through the closing months of the year. Economic conditions in the UK have, however, been so subdued that the economy is unlikely to exceed its early 2008 size until the end of 2014, marking seven years of lost economic growth and the most prolonged period of stagnation in the last century.

Growth in the economy is more a consequence of increased consumption and a stronger housing market than the long awaited rise in business investment. Business investment has stagnated through late 2012 and the first half of 2013, reflecting the absence of an upward momentum in aggregate company profits and the persistence of idle capacity. This lack of growth in business investment is connected with continued de-leveraging, seen in the downward trend in the volume of credit provided to large companies and small businesses.

While the business upturn has been slow, the housing market has fared better than initially expected, helped by a variety of Government initiatives to boost housing demand. House prices have started rising and a rise in the number of new loans approved points more market activity. Residential market surveys suggest that the upturn is expected to continue with stronger readings on housing demand, the tightness of the market and price expectations. The housing upturn has not, however, been reflected in stronger growth in housing credit with the stock of mortgage credit continuing to grow by only 1% year-on-year.

Commercial property prices have also levelled out since early 2013 but remain around 40% below their mid-2007 peak. As is often the case, the economic upturn in the housing and commercial property markets began in South East England and has been strongest there, with house prices in Scotland and the North of England lagging in the recovery. Recent surveys show increased housing market activity in the North of England. The commercial property upturn remains concentrated around Greater London, but there are a few signs of improving conditions in other regions.

United States of America Economy

Despite the volatility in the quarterly national accounts, the US economy is continuing to experience a moderately paced recovery. The housing market is growing, albeit from a very low base. Corporate profits remain high and employment growth is solid. Fiscal policy is still a drag on economic growth and monetary policy is still supporting demand through very low interest rates. Markets are waiting for the Federal Reserve to wind back its asset purchases. Political tensions over the US budget and debt remain an important risk hanging over the US economic upturn.

The Great Western Bank region continues to experience moderate growth, in line with the wider US economy. The unemployment rate in the Great Western Bank region remains well below that in the rest of the country. The housing market and construction activity have strengthened in the region since mid-2011, but this is from very depressed initial levels. The drought has become less severe but it continues to depress activity in parts of Great Western Bank's region.

Outlook

Differences in the strength of business conditions in the Group's key markets looks set to persist, but the gap favouring Australia over markets such as the UK and the US is expected to narrow.

The winding down in mining investment will depress Australian economic growth and the extent to which that can be offset by lower interest rates and a weaker Australian dollar remains unclear. While rising exports from the mining industry will continue to boost GDP, building the new capacity employs far more people than are required to run it when it is completed. As a result, while GDP growth is expected to increase from 2.3% in 2013 to 2.5% in 2014 and 2.9% in 2015, the unemployment rate is expected to continue to rise. Unemployment has already increased from around 5% in early 2012 to 5.6% by September 2013 and it is expected to increase to 6.6% by the end of 2014. Credit growth is forecast to pick-up from around 3% in mid-2013 to just over 5% by late 2014, well below the double digit rates that prevailed prior to the Global Financial Crisis.

New Zealand's economic environment is looking stronger with a combination of historically high commodity prices maintaining high incomes in the farm sector, at the same time as domestic demand and property markets grow. The timing of reconstruction in Christchurch affects the growth profile, with GDP growth of 3.2% projected in 2014 followed by 2.2% in the following year, as investment growth is predicted to more than halve. Credit growth should remain well below its pre-2008 level.

By contrast, the long depressed UK business environment is looking brighter with a moderately paced economic recovery expected to continue through the next couple of years. After growing by only 0.1% in 2012, the economy is expected to expand by 1.5% this year and 2.4% in 2014. Although demand, employment, asset prices and property transactions are expected to recover in step with the rise in GDP, system credit growth is not expected to return to the rates seen before the downturn as caution and de-leveraging pressures continue. System credit is likely to keep falling this year before growing by under 1% in 2014 and around 2% the following year.

The drawn-out recovery in the US economy is expected to continue, with growth strengthening into 2014. Interest rates remain low by historical standards, credit conditions are improving and the headwinds from fiscal policy are moderating. The strengthening of activity should flow into the Great Western Bank region as it tends to follow national trends.

Review of Group Operations and Results

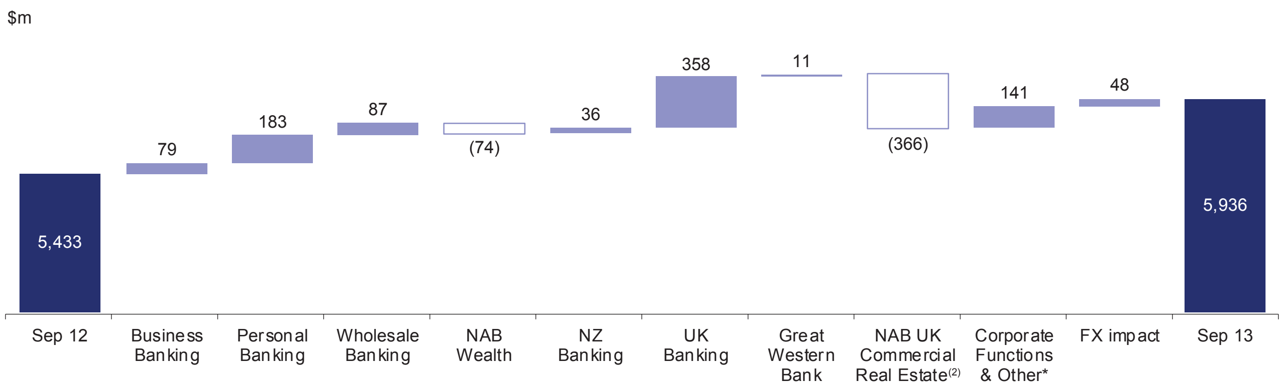
Mark Joiner

Group Results

	Year to			Half Year to		
	Sep 13 $m	**Sep 12 $m**	**Sep 13 v Sep 12%**	**Sep 13 $m**	**Mar 13 $m**	**Sep 13 v Mar 13%**
Net interest income	**13,407**	13,297	0.8	**6,799**	6,608	2.9
Other operating income	**3,838**	3,412	12.5	**1,895**	1,943	(2.5)
NAB Wealth net operating income	**1,335**	1,515	(11.9)	**636**	699	(9.0)
Net operating income	**18,580**	18,224	2.0	**9,330**	9,250	0.9
Operating expenses	**(8,174)**	(7,828)	(4.4)	**(4,198)**	(3,976)	(5.6)
Underlying profit	**10,406**	10,396	0.1	**5,132**	5,274	(2.7)
Charge to provide for bad and doubtful debts	**(1,934)**	(2,615)	26.0	**(842)**	(1,092)	22.9
Cash earnings before tax, IoRE, distributions and non-controlling interest	**8,472**	7,781	8.9	**4,290**	4,182	2.6
Income tax expense	**(2,337)**	(2,178)	(7.3)	**(1,167)**	(1,170)	0.3
Cash earnings before IoRE, distributions and non-controlling interest	**6,135**	5,603	9.5	**3,123**	3,012	3.7
Net profit - non-controlling interest	**(8)**	(1)	large	**(5)**	(3)	(66.7)
IoRE	**(3)**	38	large	**(3)**	-	large
Distributions	**(188)**	(207)	9.2	**(94)**	(94)	-
Cash earnings [1]	**5,936**	5,433	9.3	**3,021**	2,915	3.6
Non-cash earnings items	**(484)**	(1,351)	64.2	**(89)**	(395)	77.5
Net profit attributable to owners of the Company	**5,452**	4,082	33.6	**2,932**	2,520	16.3

(1) *Cash earnings is a key financial performance measure used by the Group, the investment community and Australian peers. It is not a statutory financial measure and is not presented in accordance with Australian Accounting Standards. For a full reconciliation between the Group's cash earnings and net profit attributable to owners of the Company refer to pages 5 - 8 in Section 1.*

Cash Earnings [1]



(1) *At constant exchange rates.*
(2) *NAB UK CRE amounts in the above chart reflects its results for the year ended 30 September 2013.*
* *Corporate Functions and Other includes Group Funding, Group Business Services, Specialised Group Assets and other supporting units.*

Review of Group Operations and Results

Financial Analysis

September 2013 v September 2012

Net profit attributable to owners of the Company increased by $1,370 million or 33.6% compared to the September 2012 year, reflecting lower charges for bad and doubtful debts and strong performances in Personal Banking and Wholesale Banking. In addition, the September 2012 year included the effects of the increase in the Economic Cycle Adjustment and a number of Non-Cash Earnings items such as the restructuring and impairment charges relating to our UK operations. Net profit attributable to owners of the Company (statutory net profit) is prepared in accordance with the *Corporations Act* 2001 (Cth), and Australian Accounting Standards.

Cash earnings increased by $503 million or 9.3% compared to the September 2012 year ($455 million or 8.4% excluding foreign exchange rate movements). Excluding the $250 million increase ($175 million post tax) in the Economic Cycle Adjustment taken in September 2012, cash earnings increased by $328 million or 6.0%. This result reflects another strong result for Wholesale Banking, continued solid momentum in lending volumes in Personal Banking and NZ Banking, improved margins in the case of Personal Banking and lower charges for bad and doubtful debts in Business Banking. This was partially offset by lower returns from our Insurance operations, restructuring costs relating to the organisational realignment in Australia and additional provisions for UK conduct related matters.

Cash earnings on risk-weighted assets increased by nine basis points reflecting higher earnings, which were partially offset by higher risk-weighted assets as a result of the transition to Basel III.

Net interest income increased by $110 million or 0.8%. Excluding foreign exchange rate movements, net interest income decreased by $16 million or 0.1%. The decrease was largely driven by Wholesale Banking, $279 million of the decrease was offset by gains on economic hedges relating to the Group's funding and banking book interest rate risk management activities in other operating income; UK Banking's lower levels of business lending; and reduced earnings on capital and non-interest bearing deposits in the lower interest rate environment. These decreases were largely offset by growth in housing lending in Personal Banking and steady lending growth in NZ Banking, combined with the benefit of re-pricing initiatives.

Other operating income increased by $426 million or 12.5%. Excluding foreign exchange rate movements, other operating income grew by $378 million or 11.1%. Excluding the offset in net interest income, the underlying increase of $99 million was mainly due to higher sales of risk management products to the Group's customers.

NAB Wealth net operating income decreased by $180 million or 11.9% as a result of actuarial assumption changes strengthening insurance reserves and higher insurance claims. This was partially offset by increased earnings from growth in average Funds under Management (FUM) and average inforce premiums, and increased revenue from Asset Management.

Operating expenses increased by $346 million or 4.4%. Excluding foreign exchange rate movements, operating expenses increased by $263 million or 3.4%. This mainly reflects restructuring costs relating to the organisational realignment in Australia, additional charges for UK conduct related matters, and higher technology and operational costs associated with the delivery of strategic technology investments, as well as higher regulatory and compliance project costs. This was partially offset by lower personnel expenses as the Group continues its focus on productivity and efficiency initiatives, particularly in UK Banking following the restructure of the business and more recently in Australia, combined with disciplined management of discretionary expenditure, and the extension of the useful life of core software infrastructure assets.

The **charge to provide for bad and doubtful debts** decreased by $681 million or 26.0% ($703 million or 26.9% excluding foreign exchange rate movements). Excluding the $250 million economic cycle adjustment in September 2012 year, the charge to provide for bad and doubtful debts decreased by $431 million or 18.2%. This mainly reflects lower charges in Business Banking and the combined UK Banking and NAB UK CRE businesses.

September 2013 v March 2013

Net profit attributable to owners of the Company increased by $412 million or 16.3%, reflecting lower charges for bad and doubtful debts compared to the March 2013 half year, a strong performance in Personal Banking from higher housing lending volumes, and favourable movements in fair value and hedge ineffectiveness. This was partly offset by: lower returns from the Insurance business; restructuring costs relating to the organisational realignment in Australia; additional provisions for UK conduct related matters; and continued investment in the business, including increased regulatory and compliance project costs.

Cash earnings increased by $106 million or 3.6% ($73 million or 2.5% excluding foreign exchange rate movements). This was largely driven by higher earnings in Personal Banking and lower charges to provide for bad and doubtful debts, particularly in NAB UK CRE. This was partly offset by lower earnings in Wholesale Banking and lower revenue in Business Banking due to lower volumes and margins, and NAB Wealth as a result of lower returns from the Insurance business.

Cash earnings on risk-weighted assets decreased by three basis points reflecting higher risk-weighted assets as a result of the transition to Basel III, partially offset by higher earnings.

Net interest income increased by $191 million or 2.9%. Excluding foreign exchange rate movements, net interest income increased by $80 million or 1.2%. This increase was mainly attributable to continued growth in housing lending in Personal Banking, and higher interest earning assets in Wholesale Banking to support the Group's funding and liquidity requirements. These increases were partially offset by lower net interest income in Business Banking from lower volumes and margins, coupled with lower income from capital and non-interest bearing deposits across the Group, reflecting the declining interest rate environment.

Other operating income decreased by $48 million or 2.5%. Excluding foreign exchange rate movements, other operating income decreased by $91 million or 4.7%.

This decrease was largely due to lower sales of risk management products in Wholesale Banking, reflecting subdued market conditions. This was partially offset by an increase in revenue from the sale of nabInvest boutique AREA Property Partners (a US based fund manager).

NAB Wealth net operating income decreased by $63 million or 9.0% mainly as a result of actuarial assumption changes strengthening insurance reserves and higher insurance claims. These decreases were partially offset by higher revenue from growth in average FUM and average inforce premiums, strong performance in Asset Management, and an improvement in lapse experience in the Insurance business as a result of the implementation of a number of retention related initiatives.

Operating expenses increased by $222 million or 5.6%. Excluding foreign exchange rate movements, operating expenses increased by $144 million or 3.6%. This increase mainly reflects restructuring costs relating to the organisational realignment in Australia, additional provisions for UK conduct related matters, continued investment in the business, and increased regulatory and compliance project costs. This increase was partially offset by lower personnel expenses as the Group continues to focus on productivity and efficiency gains including benefits from the Australian restructure, a GST recovery and the extension of the useful life of core software infrastructure assets.

The **charge to provide for bad and doubtful debts** decreased by $250 million or 22.9% ($277 million or 25.4% excluding foreign exchange rate movements), reflecting a number of significant provisions taken on large single name exposures in NAB UK CRE during the March 2013 half year not repeated, and the partial release of the NAB UK CRE overlay in the September 2013 half year. This result was also driven by improvement in the delinquency profile resulting from collections initiatives in Personal Banking, and lower business lending losses, due to asset quality improvements in the UK Banking and Business Banking portfolios.

Impact of Foreign Exchange Rate Movements

Excluding foreign exchange rate movements, cash earnings increased by $455 million or 8.4% on the September 2012 full year and increased by $73 million or 2.5% on the March 2013 half year. Foreign exchange movements have a favourable effect on both the September 2013 full year result ($48 million) and the September 2013 half year result ($33 million).

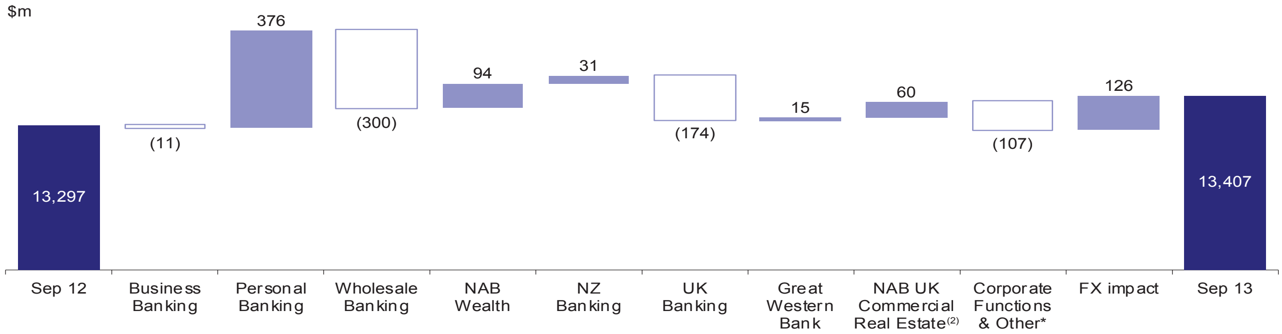
Pages 135 and 136 contain the September 2013 full year and September 2013 half year divisional performance summaries excluding foreign exchange rate movements.

Net Interest Income

	Year to			Half Year to		
	Sep 13	**Sep 12**	**Sep 13 v Sep 12 %**	**Sep 13**	**Mar 13**	**Sep 13 v Mar 13 %**
Net interest income ($m)	**13,407**	13,297	0.8%	**6,799**	6,608	2.9%
Average interest earning assets ($bn)	**662.1**	630.0	5.1%	**671.6**	652.5	2.9%
Net interest margin (%)	**2.02**	2.11	(9 bps)	**2.02**	2.03	(1 bps)
Composition of Net Interest Income						
Banking ($m)	**12,115**	11,698	3.6%	**6,116**	5,999	2.0%
Wholesale Banking ($m)	**1,231**	1,519	(19.0%)	**665**	566	17.5%
Other ($m)	**61**	80	(23.8%)	**18**	43	(58.1%)
Net interest income ($m)	**13,407**	13,297	0.8%	**6,799**	6,608	2.9%

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

Net Interest Income - Contribution to Net Increase (1)



(1) *At constant exchange rates.*
(2) *NAB UK CRE amounts in the above chart reflects its results for the year ended 30 September 2013.*
* *Corporate Functions and Other includes Group Funding, Group Business Services, Specialised Group Assets and other supporting units.*

September 2013 v September 2012

Net interest income increased by $110 million or 0.8% over the September 2012 year (decreased by $16 million or 0.1% excluding foreign exchange).

Banking net interest income increased by $417 million or 3.6% ($299 million or 2.6% excluding foreign exchange). This increase was driven by housing lending growth in Personal Banking and steady lending growth in NZ Banking, combined with the benefit from current and prior year repricing activity, and lower short term funding costs. These increases were partially offset by the rising average cost of deposits and wholesale term funding, and a reduction in the average earnings rate on capital and non-interest bearing deposits, reflecting the declining interest rate environment.

Wholesale Banking's net interest income decreased by $288 million or 19.0% ($300 million or 19.7% excluding foreign exchange). Of the decrease in net interest income, $279 million was offset by gains on economic hedges relating to the Group's funding and banking book interest rate risk management activities in other operating income. The underlying decrease in net interest income of $9 million was driven by lower yields on interest earning assets to support the Group's funding activities.

September 2013 v March 2013

Net interest income increased by $191 million or 2.9% over the March 2013 half year ($80 million or 1.2% excluding foreign exchange).

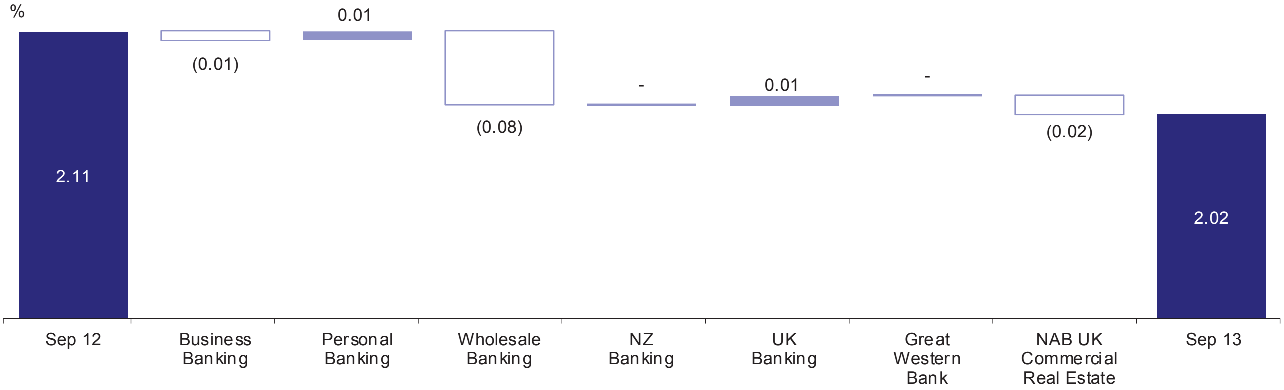
Banking net interest income increased by $117 million or 2.0% ($12 million or 0.2% excluding foreign exchange). This increase was driven by housing lending growth in Personal Banking, combined with overall lower funding, liquidity and deposit costs. These increases were partially offset by a reduction in the average earning rates on capital and non-interest bearing deposits, reflecting the declining interest rate environment.

Wholesale Banking's net interest income increased by $99 million or 17.5% ($85 million or 15.0% excluding foreign exchange). Of the increase in net interest income $24 million was offset by losses on economic hedges relating to the Group's funding activities, partly offset by gains on banking book interest rate risk management activities in other operating income. The underlying increase in net interest income of $75 million was driven by higher interest earning assets to support the Group's funding and liquidity requirements.

Net Interest Margin

	Year to			Half Year to		
	Sep 13 %	**Sep 12 %**	**Sep 13 v Sep 12**	**Sep 13 %**	**Mar 13 %**	**Sep 13 v Mar 13**
Business Banking	**2.51**	2.53	(2 bps)	**2.49**	2.53	(4 bps)
Personal Banking	**2.08**	2.03	5 bps	**2.07**	2.09	(2 bps)
NZ Banking	**2.36**	2.39	(3 bps)	**2.33**	2.40	(7 bps)
UK Banking	**2.12**	2.03	9 bps	**2.19**	2.06	13 bps
Great Western Bank	**3.78**	3.75	3 bps	**3.74**	3.77	(3 bps)
Group net interest margin	**2.02**	2.11	(9 bps)	**2.02**	2.03	(1 bps)

Net Interest Margin



September 2013 v September 2012

The Group's **net interest margin** has decreased by nine basis points over the September 2012 year. Key movements in the Group net interest margin were:

- A one basis point decrease from Business Banking driven by higher deposit costs and lower earnings rate on capital and non-interest bearing deposits. These were partially offset by repricing of parts of the lending portfolio to reflect current market conditions
- A one basis point increase from Personal Banking due to repricing of the lending portfolio, which was partially offset by higher deposit costs and changes in lending mix
- An eight basis point decrease from Wholesale Banking. This was largely due to the offset in other operating income, due to gains on economically hedged positions relating to the Group's funding and banking book interest rate risk management activities, combined with an unfavourable portfolio mix due to higher liquid assets required as part of the Group's transition to Basel III
- A one basis point decrease from UK operations. This was driven by higher funding costs, combined with a reduction in the earnings rate on non-interest bearing deposits and capital reflecting a declining interest rate environment. These effects were partially offset by repricing of parts of the lending portfolio to reflect current market conditions.

September 2013 v March 2013

The Group's **net interest margin** has decreased by one basis point over the March 2013 half year. Key movements in the Group net interest margin were:

- A two basis point decrease from Business Banking mainly due to a reduction in the average earning rates on capital and non-interest bearing deposits
- A one basis point increase from UK Banking driven by active management of higher cost deposits, combined with the annual Financial Services Compensation Scheme (FSCS) levy paid in the March 2013 half year.

Other Operating Income

	Year to			Half Year to		
	Sep 13 $m	**Sep 12 $m**	**Sep 13 v Sep 12 %**	**Sep 13 $m**	**Mar 13 $m**	**Sep 13 v Mar 13 %**
Fees and commissions	**2,495**	2,468	1.1	**1,262**	1,233	2.4
Trading income	**1,094**	626	74.8	**490**	604	(18.9)
Other	**249**	318	(21.7)	**143**	106	34.9
Other operating income	**3,838**	3,412	12.5	**1,895**	1,943	(2.5)
Composition of Trading Income (1)						
Wholesale Banking	**1,008**	630	60.0	**420**	588	(28.6)
Group Funding	**(63)**	(96)	34.4	**(27)**	(36)	25.0
Other (2)	**149**	92	62.0	**97**	52	86.5
Trading income	**1,094**	626	74.8	**490**	604	(18.9)

(1) *Excluding internal funding transactions.*

(2) *The results of the Specialised Group Assets portfolio are no longer separately reported and have been included in the results for Other for all periods shown.*

Other Operating Income - Contribution to Net Increase (1)

(1) *At constant exchange rates.*

(2) *NAB UK CRE amounts in the above chart reflect its results for the year ended 30 September 2013.*

* *Corporate Functions and Other includes Group Funding, Group Business Services, Specialised Group Assets and other supporting units.*

September 2013 v September 2012

Other operating income increased by $426 million or 12.5% from September 2012 ($378 million or 11.1% excluding foreign exchange).

Fees and commissions increased by $27 million or 1.1% (decreased by $5 million or 0.2% excluding foreign exchange). Excluding foreign exchange impacts, fees and commissions were largely stable year-on-year.

Trading income increased by $468 million or 74.8% ($454 million or 72.5% excluding foreign exchange).

Wholesale Banking's contribution to trading income increased by $378 million or 60.0% ($365 million or 57.9% excluding foreign exchange). Excluding the offset in net interest income of $279 million, the underlying increase of $99 million was mainly due to higher sales of risk management products to the Group's customers.

Other trading income increased by $57 million or 62.0% ($55 million or 59.8% excluding foreign exchange) mainly due to gains on the closure of a specific derivative position on a large credit exposure in the Specialised Group Assets portfolio.

Other income decreased by $69 million or 21.7% ($71 million or 22.3% excluding foreign exchange) mainly due to lower dividend income in Asia and gains arising from the sale-and-leaseback of UK Banking property in 2012 not repeated in 2013.

September 2013 v March 2013

Other operating income decreased by $48 million or 2.5% from March 2013 ($91 million or 4.7% excluding foreign exchange).

Fees and commissions increased by $29 million or 2.4%. (nil movement excluding foreign exchange). Excluding foreign exchange impacts, fees and commissions were largely stable half on half.

Trading income decreased by $114 million or 18.9% ($128 million or 21.2% excluding foreign exchange).

Wholesale Banking's contribution to trading income decreased by $168 million or 28.6% ($180 million or 30.6% excluding foreign exchange). Excluding the offset in net interest income of $24 million, the underlying decrease in other operating income of $144 million is primarily from lower sales of risk management products to the Group's customers following a strong performance in the March 2013 half year.

Other trading income increased by $45 million or 86.5% ($43 million or 82.7% excluding foreign exchange). This was mainly due to a charge in the March 2013 half year relating to a NAB UK CRE customer derivative transaction, which was not repeated in the September 2013 half year.

Other income increased by $37 million or 34.9% ($37 million or 34.9% excluding foreign exchange) largely due to the sale of nabInvest boutique AREA Property Partners.

NAB Wealth Net Operating Income

	Year to			Half Year to		
	Sep 13 $m	Sep 12 $m	Sep 13 v Sep 12 %	Sep 13 $m	Mar 13 $m	Sep 13 v Mar 13 %
Investments net operating income	**1,050**	1,034	1.5	**545**	505	7.9
Insurance net operating income	**285**	481	(40.7)	**91**	194	(53.1)
NAB Wealth net operating income	**1,335**	1,515	(11.9)	**636**	699	(9.0)

September 2013 v September 2012

Investments net operating income increased by $16 million or 1.5% against September 2012 mainly due to higher fees from increased average FUM balances and higher revenue from increased JBWere brokerage and underwriting volumes. These were partially offset by the re-classification of JBWere sales incentives of $52 million from operating expenses to volume related expenses (as noted in the March 2013 half year) and lower earnings on the annuities portfolio.

Insurance net operating income decreased by $196 million or 40.7% mainly due to higher levels of claims, combined with actuarial assumption changes strengthening insurance reserves and lower earnings on the assets backing the insurance policy liabilities. These were partially offset by an increase in average inforce premiums and improvement in lapse experience as a result of a number of retention initiatives implemented in the second half.

September 2013 v March 2013

Investments net operating income increased by $40 million or 7.9% against March 2013 mainly due to higher average FUM balances and higher revenue from increased JBWere brokerage and underwriting volumes.

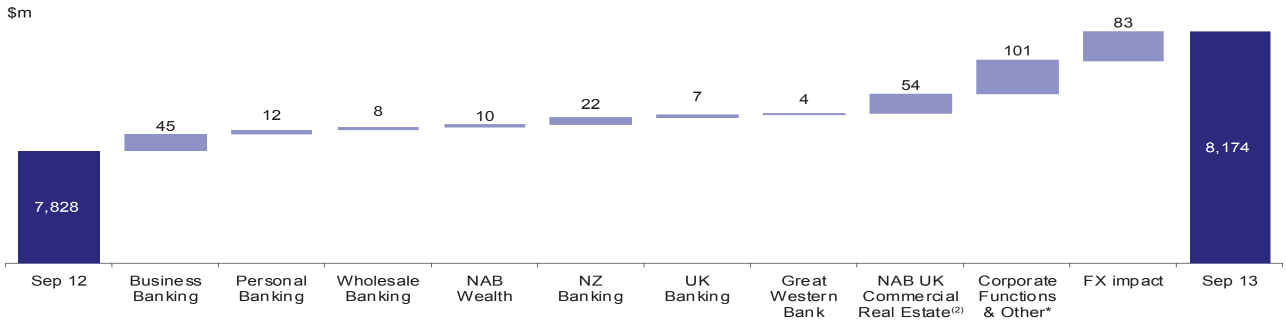
Insurance net operating income decreased by $103 million or 53.1% largely due to higher levels of claims, combined with actuarial assumption changes strengthening insurance reserves and lower earnings on the assets backing the insurance policy liabilities. These were partially offset by an improvement in lapse experience as a result of a number of retention initiatives implemented in the September 2013 half year.

Operating Expenses

	Year to			Half Year to		
	Sep 13 $m	Sep 12 $m	Sep 13 v Sep 12 %	Sep 13 $m	Mar 13 $m	Sep 13 v Mar 13 %
Personnel expenses	3,982	3,915	(1.7)	2,042	1,940	(5.3)
Occupancy related expenses	727	690	(5.4)	370	357	(3.6)
General expenses	2,585	2,240	(15.4)	1,337	1,248	(7.1)
NAB Wealth Investments and Insurance operating expenses (1)	880	983	10.5	449	431	(4.2)
Total operating expenses	8,174	7,828	(4.4)	4,198	3,976	(5.6)

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

Operating Expenses - Contribution to Net Increase (1)



(1) *At constant exchange rates.*
(2) *NAB UK CRE amounts in the above chart reflect its results for the year ended 30 September 2013.*
* *Corporate Functions and Other includes Group Funding, Group Business Services, Specialised Group Assets and other supporting units.*

September 2013 v September 2012

Operating expenses increased by $346 million or 4.4% against September 2012 ($263 million or 3.4% excluding foreign exchange) primarily due to additional provisions related to UK conduct related matters combined with restructuring costs relating to the organisational realignment in Australia and continued investment in the business, partly offset by benefits from the restructure in the UK and more recently in Australia.

Personnel expenses increased by $67 million or 1.7% ($27 million or 0.7% excluding foreign exchange). This was primarily due to an increase in restructuring expenses of $41 million, combined with Enterprise Bargaining Agreement wage increases. These increases were partially offset by lower personnel costs in UK Banking and Australia from the restructure of the businesses.

Occupancy related expenses increased by $37 million or 5.4% ($27 million or 3.9% excluding foreign exchange) reflecting higher operating lease expenses combined with relocation costs associated with the consolidation of the Group's property portfolio.

General expenses increased by $345 million or 15.4% ($312 million or 13.9% excluding foreign exchange) due to additional provisions of $163 million for UK conduct related matters, of which $85 million was recognised in Corporate Functions and $78 million in UK Banking, increased investment spend and higher technology and operational costs supporting the implementation of NextGen. These were partially offset by marketing costs reflecting recent brand campaigns and the effect of an extension of useful life for core software infrastructure assets.

NAB Wealth operating expenses decreased by $103 million or 10.5% mainly due to efficiency initiatives and the re-classification of sales incentives for JBWere of $52 million from operating expenses to volume related expenses in net operating income.

September 2013 v March 2013

Operating expenses increased by $222 million or 5.6% against March 2013 ($144 million or 3.6% excluding foreign exchange) primarily due to additional provisions for UK conduct related matters combined with restructuring costs relating to the organisational realignment in Australia and continued investment in the business, partially offset by benefits from the UK and Australian restructures and a GST recovery.

Personnel expenses increased by $102 million or 5.3% ($65 million or 3.4% excluding foreign exchange) largely driven by restructuring costs relating to the organisational realignment in Australia of $105 and higher project related salary costs, which were partly offset by the benefits of the UK and Australian restructures.

Occupancy related expenses increased by $13 million or 3.6% ($4 million or 1.1% excluding foreign exchange) due to relocation costs associated with the consolidation of the Group's property portfolio.

General expenses increased by $89 million or 7.1% ($57 million or 4.6% excluding foreign exchange) due to additional provisions of $49 million for UK conduct related matters of which $40 million was recognised in Corporate Functions and $9 million in UK Banking, combined with higher professional fees associated with key strategic projects. These were partially offset by the effect of an extension of useful life for core software infrastructure assets and a GST recovery.

NAB Wealth operating expenses increased by $18 million or 4.2% mainly due to higher personnel costs associated with key regulatory and technology projects.

Full Time Equivalent Employees

	As at				
	30 Sep 13	31 Mar 13	30 Sep 12	Sep 13 v Sep 12%	Sep 13 v Mar 13%
Business Banking	**4,544**	4,715	5,076	10.5	3.6
Personal Banking	**8,028**	7,962	8,348	3.8	(0.8)
Wholesale Banking	**2,420**	2,504	2,830	14.5	3.4
NAB Wealth	**5,700**	5,880	5,777	1.3	3.1
NZ Banking	**4,671**	4,579	4,534	(3.0)	(2.0)
UK Banking	**7,013**	7,150	7,883	11.0	1.9
Great Western Bank	**1,489**	1,531	1,569	5.1	2.7
NAB UK Commercial Real Estate	**220**	201	-	n/a	(9.5)
Corporate Functions and Other					
Group Business Services	**5,109**	5,091	5,066	(0.9)	(0.4)
Other [(1)]	**2,970**	3,055	2,253	(31.8)	2.8
Total full time equivalent (FTEs) employees	**42,164**	42,668	43,336	2.7	1.2
Average half year FTEs	**42,543**	43,007	43,443	2.1	1.1

(1) *Other includes Group Funding, Specialised Group Assets and other supporting units.*

September 2013 v September 2012

Total FTEs have decreased by 1,172 since September 2012 due to the sustained focus on efficiency programs and convergence activities that consolidated support roles into Corporate Functions, combined with the implementation of the organisational realignment in Australia announced in March 2013.

FTE movements in each of the Australian businesses was primarily due to the organisational realignment in Australia, and as described below:

- Business Banking decreased FTEs due to convergence and efficiency savings initiatives in response to the low growth environment
- Personal Banking FTEs decreased due to convergence and efficiency savings initiatives
- Wholesale Banking FTEs decreased due to convergence activities
- NAB Wealth decreased as a result of an active focus on performance management and several strategic initiatives
- Corporate Functions and Other increased FTEs as a result of convergence activity across the Group, in which support roles were consolidated from various business units into the Corporate Centre. This was partly offset by a reduction in staff due to strategic initiatives and the organisational realignment in Australia.

Key FTE movements in international businesses were as follows:

- NZ Banking increased FTEs by 137 to focus on growth industries and strategic initiatives
- UK Banking decreased FTEs by 870 as part of the restructure of the ongoing UK business announced in March 2012 and the transfer of FTEs to NAB UK CRE
- NAB UK CRE FTEs increased by 220 principally as a result of the transfer of staff from UK Banking
- Great Western Bank reduced FTEs by 80 as a result of a focused reduction across the business, most notably in Retail.

September 2013 v March 2013

Total FTEs have decreased by 504 since March 2013 largely due to the effect of the organisational realignment in Australia.

FTE movements in each of the Australian businesses was primarily due to the organisational realignment in Australia, and as described below:

- Business Banking decreased FTEs mainly through several strategic initiatives
- Personal Banking FTEs increased due to an increase in Collections FTEs in order to improve collections outcomes and better support our customers, partly offset by the effect of the organisational realignment in Australia
- Wholesale Banking FTEs decreased mainly due to an active focus on FTE management and efficiency savings initiatives
- NAB Wealth decreased FTEs as a result of an active focus on performance management and several strategic initiatives
- Corporate Functions and Other decreased FTEs due to efficiency savings initiatives.

Key FTE movements in international businesses were as follows:

- NZ Banking increased FTEs by 92 to focus on growth industries and strategic initiatives
- UK Banking decreased FTEs by 137 as part of the ongoing restructure of the business
- Great Western Bank FTEs decreased by 42 due to a focused cost reduction across the business, most notably in Retail.

Investment Spend

	Year to			Half Year to		
	Sep 13 $m	Sep 12 $m	Sep 13 v Sep 12 %	Sep 13 $m	Mar 13 $m	Sep 13 v Mar 13 %
Infrastructure	**688**	610	12.8	**381**	307	24.1
Compliance / Operational Risk	**240**	133	80.5	**149**	91	63.7
Efficiency and Sustainable Revenue	**195**	278	(29.9)	**90**	105	(14.3)
Other	**42**	66	(36.4)	**20**	22	(9.1)
Total Investment Spend	**1,165**	1,087	7.2	**640**	525	21.9

Investment spend is expenditure on projects and initiatives designed to enhance the customer experience, to comply with legal and regulatory requirements, and to improve capabilities and efficiencies in NAB's business processes. As outlined in the Strategy Update in March 2013, investment spend continues to focus on delivery of the Group's strategic objectives. Investment spend increased by $78 million or 7.2% against the September 2012 year, and increased by $115 million or 21.9% against the March 2013 half year.

September 2013 v September 2012

Investment in infrastructure projects increased by $78 million or 12.8% against the September 2012 year due to further investment in technology transformation. These included the introduction of a new payments gateway, development of a new Data Centre and deploying additional capability to UBank.

Spend on compliance and operational risk increased by $107 million or 80.5% against the September 2012 year. This supported activities in Wholesale Banking to address Basel III regulatory requirements and derivative reforms, and in NAB Wealth to ensure compliance with legislation over financial advice and stronger superannuation reforms.

While spend on efficiency and sustainable revenue projects decreased by $83 million or 29.9% against the September 2012 year, the Group continues to identify opportunities to provide better services to its customers. Initiatives in the September 2013 year were mainly in Business Banking, enhancing NAB Connect to expand customer offerings through online channels. In addition, further development of both system and user capabilities in Wholesale Banking included the strengthening of its digital FX offering with an integrated spot execution platform.

September 2013 v March 2013

Investment in infrastructure projects increased by $74 million or 24.1% against the March 2013 half year with spending predominantly dedicated to continued delivery of technology transformation programs, including NextGen.

Compliance and operational risk spend increased by $58 million or 63.7% against the March 2013 half year driven by NAB Wealth projects addressing superannuation reforms, compliance with legislative changes and enhancement of financial planning tools. A portion of this spend also supported initiatives in Wholesale Banking, which focused on compliance with derivative reforms and platform improvements for Fixed Income, Currencies and Commodities.

Investment in efficiency and sustainable revenue projects decreased by $15 million or 14.3% against the March 2013 half year, with continued investment in Business Banking, including enhancements to NAB Connect.

Taxation

	Year to			Half Year to		
	Sep 13 $m	Sep 12 $m	Sep 13 v Sep 12	Sep 13 $m	Mar 13 $m	Sep 13 v Mar 13
Income tax expense ($m)	**2,337**	2,178	(7.3%)	**1,167**	1,170	0.3%
Effective tax rate (%)	**27.6**	28.0	40 bps	**27.2**	28.0	80 bps

September 2013 v September 2012

Income tax expense for the September 2013 full year was $159 million or 7.3% higher than September 2012 full year, driven by an increase in underlying cash earnings.

The **effective income tax rate** for the September 2013 full year of 27.6% is marginally lower than the effective tax rate for the September 2012 full year of 28.0%.

September 2013 v March 2013

Income tax expense for the September half year was $3 million or 0.3% lower than the March 2013 half year.

The **effective income tax rate** for the September half year of 27.2% is marginally lower than the effective income tax rate for the March 2013 half year of 28.0%.

Lending

	As at				
	30 Sep 13 $m	31 Mar 13 $m	30 Sep 12 $m	Sep 13 v Sep 12 %	Sep 13 v Mar 13 %
Housing					
Business Banking	**58,735**	59,654	60,223	(2.5)	(1.5)
Personal Banking	**157,309**	150,197	143,330	9.8	4.7
Wholesale Banking	**272**	320	367	(25.9)	(15.0)
NAB Wealth	**18,061**	17,622	16,113	12.1	2.5
NZ Banking	**26,212**	23,258	22,485	16.6	12.7
UK Banking	**28,016**	22,883	23,894	17.3	22.4
Great Western Bank	**758**	669	703	7.8	13.3
Corporate Functions and Other	**-**	-	1,614	large	-
Total housing	**289,363**	274,603	268,729	7.7	5.4
Non-housing					
Business Banking	**138,757**	140,300	139,720	(0.7)	(1.1)
Personal Banking	**8,894**	9,114	9,076	(2.0)	(2.4)
Wholesale Banking	**19,490**	17,025	17,464	11.6	14.5
NAB Wealth	**2,748**	2,686	2,564	7.2	2.3
NZ Banking	**28,970**	25,242	24,337	19.0	14.8
UK Banking	**17,905**	16,440	27,742	(35.5)	8.9
NAB UK Commercial Real Estate	**6,960**	7,281	-	large	(4.4)
Great Western Bank	**6,100**	5,290	5,193	17.5	15.3
Corporate Functions and Other	**2,570**	2,593	6,032	(57.4)	(0.9)
Total non-housing	**232,394**	225,971	232,128	0.1	2.8
Gross loans and advances including acceptances	**521,757**	500,574	500,857	4.2	4.2

During the year the following changes in the management reporting structure occurred: the NAB UK Commercial Real Estate (CRE) portfolio is now reported separately from UK Banking; Corporate Functions and Other now includes Specialised Group Assets (SGA) and excludes Asia, which has been reported under Business Banking and NAB Wealth from 31 March 2013.

September 2013 v September 2012

Lending (gross loans and advances including acceptances) increased by $20.9 billion or 4.2% on September 2012. Excluding foreign exchange, lending increased by $7.5 billion or 1.5%. This increase was primarily due to the continuing momentum in housing lending.

Housing lending increased by $20.6 billion or 7.7% on September 2012. Excluding foreign exchange, the increase was $14.7 billion or 5.5% mainly due to:

- An increase of $12.5 billion in Australia, primarily attributable to growth in the Personal Banking channels
- An increase of $1.2 billion in UK Banking, which is consistent with the UK's strategy to reshape the balance sheet with a move away from large commercial lending to focus on housing loans
- An increase of $1.0 billion in NZ Banking due to increased market activity in Auckland.

Non-housing lending increased by $0.3 billion or 0.1% on September 2012. Excluding foreign exchange, non-housing lending decreased by $7.2 billion or 3.1% mainly due to:

- A decrease of $6.3 billion due to the strategic decision to reduce the Group's exposure to UK business lending (a decrease of $3.0 billion), to the NAB UK CRE portfolio (a decrease of $2.5 billion) and to the SGA portfolio (a decrease of $0.8 billion)
- Excluding the transfer of Asia, Business Banking non-housing lending decreased by $4.1 billion largely due to the subdued business credit environment and continued customer de-leveraging
- An increase of $1.7 billion in NZ Banking as a result of growth in the business lending portfolio, particularly within the agriculture sector
- An increase of $1.4 billion in Wholesale Banking driven largely by growth in Specialised Finance.

September 2013 v March 2013

Lending increased by $21.2 billion or 4.2% on March 2013. Excluding foreign exchange, lending increased by $4.9 billion or 1.0%.

Housing lending increased by $14.8 billion or 5.4% on March 2013. Excluding foreign exchange, the increase was $7.5 billion or 2.7% mainly due to:

- An increase of $6.2 billion in Australia, primarily attributable to growth in the Personal Banking channels
- An increase of $0.7 billion in UK Banking, which is consistent with the UK's strategy to reshape the balance sheet with a move away from business and commercial lending to focus on housing loans
- An increase of $0.4 billion in NZ Banking due to increased market activity in Auckland.

Non-housing lending increased by $6.4 billion or 2.8% on March 2013. Excluding foreign exchange, non-housing lending decreased by $2.6 billion or 1.1%, mainly due to:

- A decrease of $3.2 billion due to the strategic decision to reduce the Group's exposure to UK business lending (a decrease of $1.4 billion), to the NAB UK CRE portfolio (a decrease of $1.4 billion) and to the SGA portfolio (a decrease of $0.4 billion)
- A decrease of $2.0 billion in Business Banking largely due to the subdued business credit environment and continuing customer de-leveraging
- An increase of $1.7 billion in Wholesale Banking due to growth largely in Specialised Finance lending
- An increase of $0.9 billion in NZ Banking as a result of growth in the business lending portfolio, particularly within the agriculture sector.

Goodwill and Other Intangible Assets

Goodwill increased by $81 million or 1.5% from September 2012, due to the effects of foreign exchange.

Intangible assets comprise capitalised software and other intangible assets. Intangible assets increased by $472 million from September 2012. The increase from September 2012 was mainly due to investment in compliance and operational risk activities to address Basel III regulatory requirements, derivative reforms, and to comply with legislation over financial advice and stronger super reforms in our Wealth business. This combined with investments in NextGen, Wholesale Banking and New Zealand, and the effects of foreign exchange translation, partly offset by amortisation, also impacted the balance noting the rate of amortisation has been adjusted to reflect the extension of the useful life in core system infrastructure assets.

Consistent with the objectives of the March 2013 strategy update, the Group has accelerated its investment in software to support its strategic objectives. Major investments currently being undertaken are:

- In Australia, investment of $200 million during the year in software related to the NextGen Banking IT Platform
- In the UK, continued investment in software to support regulatory and compliance initiatives, as well as investment in the refreshing of key banking systems
- In Wholesale Banking, continued focus on efficiency and revenue generating projects, including the development of software platforms for FICC, Market Sales, Asset Servicing and Treasury, as well as investment in systems to improve credit risk management information and in regulatory and operational risk initiatives
- In New Zealand, additional spend on capabilities to support the implementation of the BNZ strategic plan, including a new Credit Decision engine, an Asset Finance platform, and a new online capability.

The movement in capitalised software is as follows:

	Year ended		Half year ended	
	Sep 13 $m	**Sep 12 $m**	**Sep 13 $m**	**Mar 13 $m**
Balance at beginning of period	**1,454**	1,252	**1,646**	1,454
Additions	**754**	516	**418**	336
Disposals and write-offs	**(4)**	(6)	**(4)**	-
Amortisation	**(245)**	(241)	**(119)**	(126)
Impairment losses recognised	**-**	(54)	**-**	-
Foreign currency translation adjustments	**39**	(13)	**57**	(18)
Capitalised software	**1,998**	1,454	**1,998**	1,646

Customer Deposits

	As at				
	30 Sep 13 $m	31 Mar 13 $m	30 Sep 12 $m	Sep 13 v Sep 12 %	Sep 13 v Mar 13 %
Business Banking	**111,456**	106,942	105,520	5.6	4.2
Personal Banking	**96,088**	90,872	87,886	9.3	5.7
Wholesale Banking	**54,230**	52,747	49,826	8.8	2.8
NAB Wealth	**18,996**	18,743	11,479	65.5	1.3
NZ Banking	**36,308**	30,395	28,777	26.2	19.5
UK Banking	**41,426**	36,033	40,272	2.9	15.0
Great Western Bank	**7,467**	6,664	6,584	13.4	12.0
NAB UK Commercial Real Estate	**5**	5	-	large	-
Corporate Functions and Other	**-**	-	8,854	large	-
Total customer deposits	**365,976**	342,401	339,198	7.9	6.9

During the financial period the following changes in the management reporting structure occurred: UK Commercial Real Estate (CRE) portfolio is now reported separately from UK Banking; Corporate Functions and Other now includes Specialised Group Assets (SGA) and excludes Asia Banking. Asia Banking is reported under Business Banking and NAB Wealth from 31 March 2013.

September 2013 v September 2012

Customer deposits have increased by $26.8 billion or 7.9% since September 2012. Excluding foreign exchange customer deposits have increased by $15.7 billion or 4.6%. This is as a result of the Group's strategy outlined in March 2013 to focus on sustainable customer deposits in line with Basel III requirements as a source of funding to strengthen the balance sheet. This growth was mainly due to:

- An increase of $8.2 billion or 9.3% in Personal Banking, due to continued growth largely in the proprietary channel, as well as UBank
- An increase of $7.5 billion or 65.5% in NAB Wealth. Excluding the transfer of Asia customer deposits ($5.0 billion), the underlying growth of $2.5 billion or 21.8% was largely the result of growth in Hong Kong Private Wealth
- An increase of $5.9 billion or 5.6% in Business Banking. Excluding the transfer of Asia customer deposits ($3.8 billion), the underlying increase of $2.1 billion or 2.0% is due to the continued focus on growing deposits
- An increase of $3.8 billion or 13.2% in NZ Banking, mainly due to growth in savings deposits in line with the strategy to improve balance sheet strength
- An increase of $2.8 billion or 5.6% in Wholesale Banking, to meet the funding needs of the Group
- A decrease of $3.1 billion or 7.7% in UK Banking, largely as a result of a decision to reduce term deposit balances in order to reshape the balance sheet following the NAB UK CRE transfer
- A decrease of $8.9 billion or 100% in Corporate Functions and Other due to the transfer of Asia Banking into Business Banking and NAB Wealth.

September 2013 v March 2013

Customer deposits have increased by $23.6 billion or 6.9% since March 2013. Excluding foreign exchange customer deposits have increased by $10.1 billion or 2.9%. This growth was mainly attributable to:

- An increase of $5.2 billion or 5.7% in Personal Banking, through continued growth largely in the proprietary channel, as well as UBank
- An increase of $4.5 billion or 4.2% in Business Banking reflecting the continued focus on growing deposits as part of the Bank's transition to Basel III
- An increase $2.4 billion or 7.9% in NZ Banking, driven by growth in term deposits in line with the strategy to improve balance sheet strength
- A decrease of $0.4 billion or 2.1% in NAB Wealth
- A decrease of $0.4 billion or 0.8% in Wholesale Banking, due to lower deposit demand in the United States
- A decrease of $1.2 billion or 3.3% in UK Banking, largely due to a decision to reduce term deposit balances in order to reshape the balance sheet following the NAB UK CRE transfer.

Asset Quality

Asset Quality trends for the Group have been encouraging during the September 2013 full year, despite challenging trading conditions across our key regions, in particular the United Kingdom.

Bad and Doubtful Debt Charge

	Year to		Half Year to	
	Sep 13 $m	**Sep 12 $m**	**Sep 13 $m**	**Mar 13 $m**
Specific charge to provide for bad and doubtful debts	**2,169**	2,760	**1,075**	1,094
Collective (write-back)/charge to provide for bad and doubtful debts	**(246)**	(139)	**(233)**	(13)
Total charge on investments - held to maturity	**11**	213	**-**	11
Recovery from SCDO risk mitigation trades	**-**	(219)	**-**	-
Total charge to provide for bad and doubtful debts	**1,934**	2,615	**842**	1,092

	Year to		Half Year to	
	Sep 13	**Sep 12**	**Sep 13**	**Mar 13**
Bad and doubtful debts charge to gross loans and acceptances (annualised)	**0.37%**	0.52%	**0.32%**	0.44%
Net write-offs to gross loans and acceptances (annualised)	**0.41%**	0.45%	**0.44%**	0.39%

Provisions for Bad and Doubtful Debts

	As at		
	Sep 13 $m	**Mar 13 $m**	**Sep 12 $m**
Collective provision for bad and doubtful debts	**2,959**	3,049	3,142
Specific provision for bad and doubtful debts	**2,030**	2,010	1,983
Total provision for bad and doubtful debts (1)	**4,989**	5,059	5,125

(1) *Not included in total provisions for doubtful debts are provisions on investments - held to maturity of $77 million (March 2013 $89 million, September 2012 $80 million).*

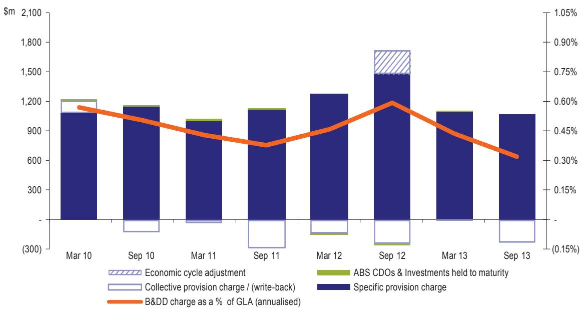
	As at		
	Sep 13	**Mar 13**	**Sep 12**
Total provision to gross loans and acceptances	**0.96%**	1.01%	1.02%
Specific provision to gross impaired assets	**32.0%**	32.9%	30.3%
Collective provision to credit risk-weighted assets (1)	**0.94%**	0.99%	1.05%
Collective provision including GRCL on a pre-tax basis (top-up) to credit risk-weighted assets (2)	**1.16%**	1.22%	1.30%
Collective provision to gross loans and acceptances (excluding impaired assets)	**0.57%**	0.62%	0.64%

(1) *On a comparable Basel III basis the collective provision to credit risk weighted assets for September 2012 is 1.00%.*

(2) *On a comparable Basel III basis the collective provision including GRCL on a pre-tax basis (top-up) to credit risk weighted assets for September 2012 is 1.24%.*

Bad and Doubtful Debt Charge

Half Yearly Total Bad and Doubtful Debt Charge



The total charge for bad and doubtful debts (B&DDs) for the September 2013 full year was $1,934 million, a reduction of $681 million when compared to the September 2012 full year (or a reduction of $431 million excluding the $250 million economic cycle adjustment raised at September 2012). B&DD charges for the September 2013 half year were $842 million, which is below the March 2013 half year level of $1,092 million.

Specific provision B&DD charges have decreased by $591 million over the September 2013 full year, with improvements across all major businesses.

Collective provision B&DD write-back of $246 million, mainly reflects:

- Reductions due to improving asset quality across the book
- A continued re-weighting of portfolio mix towards fully secured mortgage lending
- The migration of stressed assets to impaired status
- A partial release of $35 million (£20 million) from the NAB UK CRE overlay due to significant run-off activity in the portfolio. Despite this, total provisions as a percentage of gross loans and acceptances for NAB UK CRE increased since March 2013
- Reductions to overlays that have been held for particular circumstances.

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

Provisions for Bad and Doubtful Debts

Total provisions for B&DDs fell by $136 million from $5,125 million at September 2012 to $4,989 million at September 2013. Excluding foreign exchange movements of $254 million, total provisions have reduced by $390 million.

The specific provision balance increased by $47 million from $1,983 million at September 2012 to $2,030 million at September 2013. Excluding foreign exchange movements, the specific provision decreased by $81 million. This reflects declines in Business Banking as the result of large workouts and the reduction in impaired assets, partly offset by increases for UK Banking and NAB UK CRE where new specific provision charges have continued to exceed full year net write-offs.

The Group ratio of specific provisions to gross impaired assets has increased from 30.3% at September 2012 to 32.0% at September 2013.

Total collective provisions decreased by $183 million from $3,142 million at September 2012 to $2,959 million as at September 2013. Excluding foreign exchange movements (that increased the collective provision by $126 million), the underlying reduction was $309 million, mainly due to:

- A decline in Business Banking resulting from an improvement in the credit quality of the non-retail portfolio (excluding default assets) and subdued lending activity
- A decrease in UK Banking and NAB UK CRE as a result of portfolio run-off, subdued business lending activity and the migration of assets to impaired status
- The release of $35 million (£20 million) from the NAB UK CRE overlay
- Positive customer re-ratings and run-off activity in SGA during the year.

These were partially offset by:

- Higher collective provisions in Personal Banking.

The collective provision to credit risk weighted assets (RWA) ratio has reduced by 11 basis points from 1.05% in September 2012 to 0.94% in September 2013 as the result of:

- The implementation of Basel III capital adequacy methodology during the March 2013 half year, which resulted in an increase in credit RWA of $15.9 billion and a five basis points decrease in the ratio as at March 2013
- A decline in the collective provision year on year.

Over the half year to September 2013 the collective provision balance reduced by $90 million. Excluding foreign exchange movements, the underlying reduction was $264 million. Total collective provisions as a percentage of credit risk weighted assets reduced from 0.99% to 0.94%, reflecting improved asset quality across the non-retail portfolio, lending growth in secured retail mortgages and the continual run-off in the non-retail portfolio of NAB UK CRE.

During the half year to September 2013 the specific provision balance increased by $20 million. Excluding foreign exchange movements, the specific provision reduced by $167 million arising mainly from reductions in Business Banking, partially offset by increases in UK Banking and NAB UK CRE.

90 + Days Past Due and Gross Impaired Assets

	As at		
	Sep 13	**Mar 13**	**Sep 12**
90+ days past due loans ($m)	**2,463**	2,592	2,357
Gross impaired assets ($m)	**6,347**	6,102	6,543
90+ days past due and gross impaired assets ($m)	**8,810**	8,694	8,900

	As at		
	Sep 13	**Mar 13**	**Sep 12**
90+ days past due loans to gross loans and acceptances	**0.47%**	0.52%	0.47%
Gross impaired assets to gross loans and acceptances	**1.22%**	1.22%	1.31%
90+ days past due and gross impaired assets to gross loans and acceptances	**1.69%**	1.74%	1.78%

Non-Impaired Assets 90+ Days Past Due

The Group ratio of non-impaired 90+ days past due (90+DPD) loans to gross loans and acceptances (90+ DPD ratio) remained stable at 0.47% over the September 2013 full year.

The 90+DPD ratio reduced by five basis points to 0.47% during the September 2013 half year, as an outcome of:

- Lower 90+DPD volumes in Business Banking due to the migration of defaulted assets to impaired status and a lower level of new assets being classified as 90+DPD
- In the UK Banking and NAB UK CRE portfolios, a combination of run-off activity and the movement of exposures to impaired assets.

Gross Impaired Assets

The Group ratio of gross impaired assets to gross loans and acceptances (impaired asset ratio) decreased from 1.31% in September 2012 to 1.22% in September 2013. The impact of year-on-year foreign exchange movements accounted for a three basis points increase in the ratio: The underlying decrease in the ratio of 12 basis points was due to:

- Lower impairments, together with successful work-out strategies for a number of long standing impaired assets in the Business Banking SME and corporate portfolios.

These were partially offset by:

- Higher impaired assets in UK Banking and NAB UK CRE, although the portfolios showed some signs of stabilisation during the September 2013 half year
- A single large impairment in Wholesale Banking.

Excluding UK Banking and NAB UK CRE, the impaired asset ratio reduced by 19 basis points from 1.02% to 0.83% over the September 2013 full year.

During the September 2013 half year, the impaired asset ratio remained stable at 1.22%. The impact of half-on-half foreign exchange movements increased the impaired asset ratio by six basis points during the half year, with the offsetting underlying decrease largely due to:

- Lower impairments in Business Banking, UK Banking and NAB UK CRE.

This was partially offset by:

- A single large impairment in Wholesale Banking.

Net Write-Offs

The Group's net write-offs to gross loans and acceptances ratio fell by four basis points to 0.41% over the September 2013 full year. A reduction in net write-offs was experienced by Personal Banking, Wholesale Banking and SGA, partially offset by increases in Business Banking.

Excluding the UK Banking and NAB UK CRE businesses, the ratio fell from 0.38% to 0.33% during the year.

For the half year ending September 2013, the net write-offs ratio increased by two basis points, driven by Business Banking and partially offset by declines in UK Banking and NAB UK CRE.

The net 12 month rolling write-off rate for the Group's retail portfolio continued to decline, falling four basis points to 0.14% during the September 2013 full year. Influencing this reduction was a decrease in the net write-off rate for mortgages by one basis point to 0.05% at September 2013, while the portfolios of personal loans, credit cards, and overdrafts also experienced declines over the September 2013 full year.

Commercial Property Portfolio

Group Commercial Property by Type

	As at		
	Sep 13	**Mar 13**	**Sep 12**
Office	**27.3%**	27.0%	26.5%
Retail	**26.7%**	26.4%	26.0%
Industrial	**14.0%**	14.0%	14.0%
Residential	**12.0%**	12.5%	13.4%
Land	**8.3%**	8.4%	8.6%
Other	**6.8%**	6.7%	6.5%
Tourism & Leisure	**4.9%**	5.0%	5.0%
Total	100.0%	100.0%	100.0%

Group Commercial Property by Geography

	As at		
	Sep 13	**Mar 13**	**Sep 12**
Australia	**73.8%**	75.2%	73.5%
United Kingdom	**12.0%**	12.3%	13.9%
New Zealand	**10.5%**	9.1%	8.9%
USA	**2.2%**	2.0%	2.0%
Asia	**1.2%**	1.1%	1.3%
SGA	**0.3%**	0.3%	0.4%
Total	100.0%	100.0%	100.0%

The Group's commercial property portfolio[1] decreased by $0.5 billion from September 2012 to $60.7 billion as at September 2013. Compared to March 2013, the portfolio has increased by $0.6 billion, mainly the result of foreign currency translation movements. Excluding foreign exchange movements, the portfolio has reduced by $1.4 billion over the September 2013 half year, largely due to the run-off of the NAB UK CRE.

Commercial property portfolio assets have continued to decrease in line with expectations and represents 11.6% of gross loans and acceptances as at September 2013, lower by 60 basis points when compared to September 2012.

For **Business Banking**, the commercial property portfolio decreased by $0.2 billion compared to September 2012 and $0.3 billion compared to March 2013, to $44.8 billion and represents 11.4% of gross loans and acceptances in the Australian geography. Asset quality has slightly improved during the year with a reduction in the impaired asset ratio of 100 basis points to 1.75% as at September 2013.

During the September 2013 half year, the **NAB UK CRE** commercial property gross loans and acceptances reduced by £0.8 billion to £4.0 billion, due mainly to portfolio run-off. The 90+ DPD ratio reduced by 68 basis points from March 2013 to 3.18% in September 2013. This was mostly due to a combination of stabilising asset quality and the migration of assets to impaired status.

Following the transfer of the UK CRE portfolio from Clydesdale Bank PLC to National Australia Bank Limited in October 2012, the remaining **UK Banking** commercial property portfolio also experienced run-off activity and represented a low proportion of gross loans and acceptances totalling £0.2 billion as at September 2013.

NZ Banking commercial property portfolio assets increased by NZ$0.4 billion to NZ$7.2 billion over the September 2013 full year. This portfolio represents 11.6% of the division's gross loans and acceptances as at September 2013, while the impaired asset ratio reduced by 29 basis points to 1.02% during the year.

1) *Measured as balances outstanding at September 2013 per APRA Commercial Property Return ARF230.*

Capital Management and Funding

Balance Sheet Management Overview

The Group has continued to strengthen its capital, funding and liquidity positions. The strong funding profile is reflected by the Group having funded all its core asset growth with customer deposits over the September 2013 year. In addition, improved market conditions over the September 2013 year have allowed the Group to maintain access to term wholesale funding markets and diversify its wholesale funding sources.

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

Regulatory Reform

In May 2013, APRA released an updated draft of its APS 210 liquidity standard on the implementation of the Basel III liquidity reforms. The standard is expected to be finalised before the end of 2013.

The qualitative aspects of this standard are due to come into force on 1 January 2014, while compliance with the Liquidity Coverage Ratio (LCR) is set to commence from 1 January 2015.

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

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

Other Reform Proposals

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

- APRA is expected to implement a Domestic Systemically Important Banks (D-SIB) framework by 1 January 2016, with further detail expected during the first half of the 2014 financial year. Depending on the size of the D-SIB capital charge, there may be an impact on the Group's capital targets and capital management strategy. This will be assessed once further information is received from APRA
- APRA's announcement of Level 3 Conglomerate Supervision proposals, which include a Level 3 prudential capital requirement. In August 2013, APRA announced a 12 month industry wide transition period for the implementation of the Level 3 conglomerate proposals, with the revised implementation date of 1 January 2015
- The potential impact of the US Dodd-Frank Act, with prudential requirements affecting NAB under Title I released for consultation during 2013 and expected to take effect in 2015
- The UK Government's Financial Services (Bank Reform) Bill which is currently under consideration in Parliament and due to come into force in 2019. The Bill seeks to protect deposit holders and once enacted, the reforms may affect the structure of banks and the amount of capital held
- The European Union's final rules to implement Basel III known as the Capital Requirements Directive IV Package (CRD IV). From 1 January 2014 onwards, this will form the prudential rules that all banks in the UK must follow. The Prudential Regulation Authority (PRA) has issued a Consultation Paper, known as CP5/13 outlining their approach to applying CRD IV. It is anticipated the final rules and supervisory statements will be published by the PRA in December 2013. The UK Bank is currently assessing the potential effects which may have an impact on the amount and structure of the capital that will be required to be held to comply.

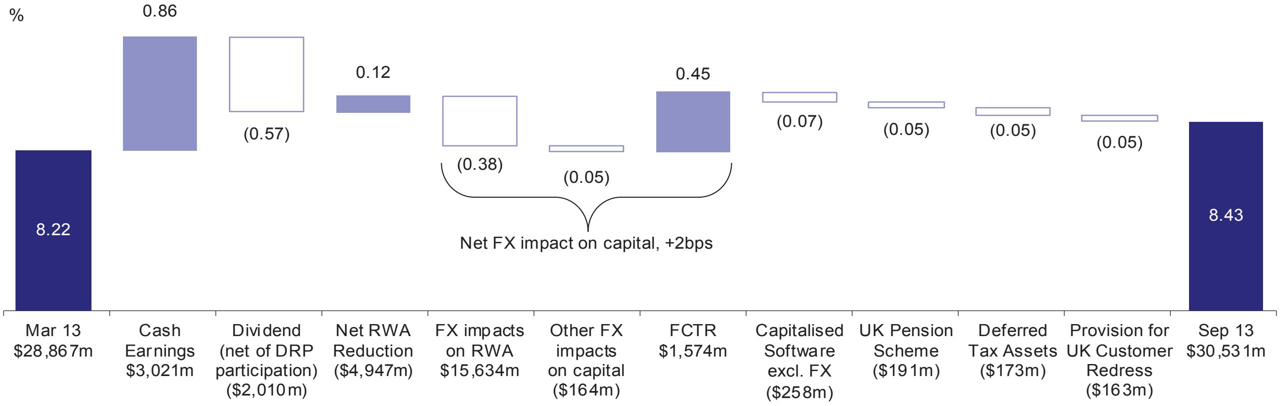
Capital ratios

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

Capital Ratios	Target Ratio % Basel III	As at 30 Sep 13 % Basel III	31 Mar 13 % Basel III	30 Sep 12 % Pro forma Basel III	Sep 13 v Sep 12	Sep 13 v Mar 13
Common Equity Tier 1 ratio (Basel III)	above 7.50%	**8.43**	8.22	7.90	53 bps	21 bps
Tier 1 ratio		**10.35**	10.19	9.79	56 bps	16 bps
Total capital ratio		**11.80**	11.71	11.58	22 bps	9 bps

Risk-weighted assets	As at 30 Sep 13 $m Basel III	31 Mar 13 $m Basel III	30 Sep 12 $m Pro forma Basel III	Sep 13 v Sep 12 %	Sep 13 v Mar 13 %
Credit risk	**314,674**	307,517	314,813	-	2.3
Market risk	**5,191**	5,899	4,436	17.0	(12.0)
Operational risk	**34,749**	33,332	23,008	51.0	4.3
Interest rate risk in the banking book	**7,464**	4,643	4,021	85.6	60.8
Total risk-weighted assets	**362,078**	351,391	346,278	4.6	3.0

Movements in Basel III Common Equity Tier 1 Ratio



Capital Management

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

The Group's current Basel III Common Equity Tier 1 (CET1) ratio target is above 7.50% and the Group operates at a buffer to this target. The Group's CET1 was 8.43% as at 30 September 2013. The Group will continue to regularly review its capital levels.

Capital Movements During the Period

The Group's CET 1 ratio was 8.43% at 30 September 2013.

The key movements in capital in the September 2013 half year include:

- Earnings less dividend net of Dividend Reinvestment Plan (DRP) participation (29 basis points)
- Net underlying RWA reduction ($4.9 billion) was offset by FX impacts on RWAs ($15.6 billion) providing net RWA growth of $10.7 billion (26 basis points), which includes:
  - an increase in Credit Risk RWAs of $7.2 billion
  - an increase in Operational Risk RWAs of $1.4 billion
  - a decrease in Market Risk RWAs of $0.7 billion
  - an increase in Interest Rate Risk in the Banking Book RWAs of $2.8 billion
- Increased Capitalised Software deduction excluding FX impacts (seven basis points)
- Actuarial losses in the UK Defined Pension Benefit Scheme (five basis points)
- Increased Deferred Tax Assets deduction (five basis points)
- Provision for UK customer redress relating to payment protection insurance (five basis points).

The favourable 45 basis point movement in the foreign currency translation reserve (FCTR) was offset by the foreign exchange (FX) impact on RWAs (38 basis points) and other capital items (five basis points).

Dividend and Dividend Reinvestment Plan

The final dividend has been increased to 97 cents and the DRP discount remains nil, with no participation limit.

UK Defined Benefit Pension Scheme

The Group's UK subsidiary, Clydesdale Bank PLC, participates in a defined benefit pension scheme (the scheme). During the period March 2013 to September 2013, the scheme's deficit increased by £125 million to £197 million. A combination of movements in interest rates and changes to the margin over the corporate bond rate has resulted in a larger fall in asset values than liability values over the period.

Pillar 3 Disclosures

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

Funding

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

Funding Indices

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

The Group's funding indices have increased over the September 2013 year with the Group CFI improving from 66.3% to 69.4% and Group SFI from 85.6% to 89.2%. This is largely due to strong deposit growth in the Australia region, coupled with subdued credit growth. In addition, a weaker Australian dollar has raised the value of term wholesale funding in Australian dollar terms.

Group Funding Indices (CFI, TFI and SFI)

	As at			
Group Funding Indices	**Sep 13 %**	**Sep 12 %**	**Sep 11 %**	**Sep 10 %**
Customer Funding Index	**69.4**	66.3	65.5	64.0
Term Funding Index	**19.8**	19.3	20.0	19.6
Stable Funding Index	**89.2**	85.6	85.5	83.6

Customer Funding

The Group has continued to grow deposits over the September 2013 year with an emphasis on stable retail and small and medium enterprise deposits to support the transition to Basel III, whilst also taking into account current market conditions and funding requirements in a weak credit environment. The Group funded all core asset growth with customer deposits over the September 2013 year.

The Monthly Banking Statistics published by APRA show that for the 12 months ended August 2013:

- Australian domestic household deposits have grown by 8.7% (0.9x system growth)
- Business deposits (excluding deposits from financial corporations) have grown by 2.6% (0.6x system growth)
- Financial corporation deposits have grown by 7.3% (0.8x system growth), noting financial corporation deposits include custodial, self-managed super funds and operational accounts which are a source of more stable deposits under the Basel III liquidity standard.

Term Wholesale Funding

Global funding conditions have been broadly supportive of term issuance during the September 2013 year. Whilst conditions are reasonably stable, markets remain sensitive to ongoing macroeconomic and financial risks.

The Group maintains a well diversified funding profile and has raised $25.8 billion in the September 2013 year. In addition to this, the Group issued $1.5 billion of Convertible Preference Shares in the September 2013 year.

The Company has raised $22.8 billion, including $15.1 billion senior unsecured, $6.7 billion secured (comprising both covered bonds and residential mortgage backed securities (RMBS)) and $950 million subordinated debt during the September 2013 year. In addition, Bank of New Zealand raised $1.7 billion, Clydesdale Bank PLC raised $891 million and National Wealth Management Holdings Limited raised $450 million during the September 2013 year.

The weighted average maturity of term wholesale funding raised by the Group over the September 2013 year was approximately 4.8 years to the first call date. The weighted average remaining maturity of the Group's term wholesale funding portfolio is 3.2 years (3.9 years for TFI qualifying debt, which only includes debt with more than 12 months remaining term to maturity). Term wholesale funding raised in foreign currency by the company is swapped to Australian dollar terms at the time of issuance. The average cost of term wholesale funding raised by the Company (including the cost of swapping back to Australian dollars and fees) during the September 2013 year was approximately 95 basis points over BBSW, compared to an average cost of 172 basis points over BBSW in the September 2012 year. The average cost of the Company's outstanding term funding portfolio for the September 2013 year was 145 basis points over BBSW, compared to 139 basis points over BBSW for the previous financial year.

The Group undertook a global liability management exercise in November 2012, resulting in over $4.5 billion of Government guaranteed wholesale funding being repurchased and retired. The Group has a total of $5.4 billion of Government guaranteed wholesale funding outstanding, with all of this debt maturing in the September 2014 year.

Full Year 2013 Wholesale Funding by Deal Type ($25.8 billion)

	As at		
Wholesale Funding by Deal Type	**Sep 13**	**Mar 13**	**Sep 12**
Senior Public Offshore	34%	28%	27%
Senior Public Domestic	20%	17%	20%
Secured Public	27%	32%	33%
Private Placements	15%	15%	16%
Subordinated Debt	4%	8%	4%
Total	100%	100%	100%

Full Year 2013 Wholesale Funding by Currency ($25.8 billion)

	As at		
Wholesale Funding by Currency	**Sep 13**	**Mar 13**	**Sep 12**
USD	38%	44%	32%
AUD	31%	33%	27%
EUR	18%	14%	14%
GBP	8%	4%	12%
Other	5%	5%	15%
Total	100%	100%	100%

Short-term Wholesale Funding

The Group consistently accessed international and domestic short-term wholesale funding markets over the September 2013 year. The focus for the Group has been on maintaining the weighted average issuance maturity of short-term wholesale funding to approximately 180 days to support the Group's liquidity position.

In addition, repurchase agreements entered into are materially offset by reverse repurchase agreements with similar maturity profiles as part of normal trading activities. Further detail on the composition of balance sheet funding is shown in Section 6 - Note 12, Asset Funding.

Liquid Asset Portfolio

The Group maintains well diversified and high quality liquid asset portfolios to support regulatory and internal requirements in the various countries in which it operates. Total liquid assets held at 30 September 2013 were $107 billion (excluding contingent liquidity), an increase of $17 billion from 31 March 2013 and an increase of $16 billion from 30 September 2012.

Holdings of liquid assets increased due to the continued accumulation of high quality liquid assets to meet forthcoming regulatory changes. In particular, Australian dollar denominated high quality liquid assets increased by $10 billion over the September 2013 year. In addition, the depreciation of the Australian dollar has raised the value of offshore liquid assets in Australian dollar terms and increased the level of collateral inflows due to the mark to market valuation on derivative positions.

In addition to these liquid assets, the Group holds internal securitisation pools of RMBS as a source of contingent liquidity to further support its liquid asset holdings. Internal RMBS held at 30 September 2013 were $27 billion (post applicable central bank haircut), an increase of $7 billion from 30 September 2012.

Credit Ratings

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

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

In July 2013, Fitch affirmed the ratings of Clydesdale Bank PLC and changed the outlook from negative to stable. Also in July 2013, S&P affirmed the ratings of Clydesdale Bank PLC and changed the outlook from stable to negative.

In August 2013, Moody's downgraded the ratings of Clydesdale Bank PLC from A2 to Baa2 with stable outlook.

In September 2013, Moody's downgraded National Australia Bank Limited's subordinated debt rating from Aa3 to A2 with a stable outlook.

Other Matters

Corporate Responsibility (CR)

NAB's goal is to deliver sustainable and satisfactory returns to its shareholders. Key to achieving this is NAB's belief in doing the right thing and helping employees and customers realise their potential. NAB's CR approach is founded on this belief with a focus on getting the fundamentals right for customers, making NAB a great place to work and driving the future prosperity of communities and the environment.

The highlights of NAB's CR performance in 2013 are outlined below. Further details will be published in the *2013 Annual Review* and *Dig Deeper* papers available on the NAB website from 18 November 2013.

External awards, recognition and reporting

In 2013, NAB was:

- Recognised as a sustainability leader in the 2013 Dow Jones Sustainability Indices
- Listed as a constituent company and recognised as one of the leading companies in the FTSE4Good Index
- Included in the 2013 Global 100 list of the most sustainable organisations in the world, from an initial list of over 4,000 companies
- Listed on the Ethisphere Institute's 'World's Most Ethical Companies' for the third consecutive year in 2013
- Awarded 'Outstanding Achievement' at the 2013 MoneySmart Week awards in the Research category for advancing Australians' financial literacy
- Included once again in CDP's Global 500 Climate Performance Leadership Index 2013 - one of only three banks globally to be included in this index for four consecutive years
- One of only four Australian companies to contribute to the development of the International Integrated Reporting Council's draft framework, through the publication of NAB's *2012 Annual Review*.

Customer-led initiatives

- In 2013, NAB provided over 23,000 Microfinance loans to Australians with little or no access to safe and affordable credit. Since the program's inception, NAB has provided over 78,000 loans, with the total value exceeding $100 million
- In line with NAB's commitment to financial inclusion, it set the goal of providing fair and affordable finance to at least one million people on low incomes by 2018
- NAB has continued to build financial capability through the Indigenous Money Mentor Network and has now assisted over 6,500 clients since 2009
- NAB has acted on its Natural Disaster Relief Framework following flooding in Queensland and New South Wales and bushfires in Tasmania. NAB provided $700,000 and facilitated donations of over $200,000 to support recovery efforts. NAB has also provided access to free counselling and hardship assistance for affected customers and employees
- NAB Care continues to assist customers experiencing financial hardship. 47% of customers' accounts affected by hardship are back in order six months after assistance was provided
- NAB has launched Money Tracker, a free money management tool integrated with Internet Banking, which provides customers with a clearer picture of their financial situation.

Employee initiatives

- NAB continues to make progress against its Group Gender Diversity Targets
- NAB launched its Accessibility Action Plan in December 2012, which was a key step in improving awareness and access within the organisation for people with disability
- NAB was the first major Australian bank to introduce a Domestic Violence Support Policy, helping employees who experience domestic violence by providing access to counselling and additional leave
- In 2013, NAB employees provided over 22,000 volunteer days to the community, a contribution valued at $8.5 million. NAB's research has shown that participation in volunteering is linked to higher employee engagement.

Community investment initiatives

- NAB supports prosperous communities via the education of young people. In 2013, NAB awarded $2 million to outstanding school-community partnerships
- NAB continues to demonstrate leadership in measuring the impact of its community investment initiatives. In 2013, NAB completed Social Return on Investment studies on many of its community programs: Indigenous Money Mentors, African-Australian inclusion, Mental Health and Community Finance
- NAB's fifth Reconciliation Action Plan, launched in 2013, was the first to be granted 'Elevate' status by Reconciliation Australia, recognising NAB's progress in the areas of financial inclusion, employment, cultural awareness and building business partnerships. In 2013, over 140 Indigenous Australians started work and over 30 trainees graduated to permanent employment with NAB
- The MLC Community Foundation has invested $5.8 million in grants to improve mental health outcomes for all Australians over the past six years.

Environmental and supply chain initiatives

- NAB has achieved eight of thirteen environmental reduction targets across the Group, due to be met on 30 June 2013 and established new targets for the 2014-2016 environmental reporting period
- NAB is finalising the convergence of 14,000 employees to one precinct in Melbourne, which includes its new 6 Star Green Star Design rated building at 700 Bourke Street. The move will raise productivity through co-location and reduce overall building costs and energy use
- NAB continues to be the leading arranger by market share of renewable energy in Australia(1). Since 2000, NAB has financed approximately 63% of Australian utility scale renewable projects(2)
- This year NAB was the mandated lead arranger for financing the Royalla Solar Farm, the first project financing of a utility-scale solar project in Australia. When complete, the project will generate enough energy to power close to 4,500 homes.

(1) *Source: Project Finance International 2006-2013 APAC Mandated Lead Arranger League Tables US$ Project Allocation, NAB analysis ranking against four major domestic banks - cumulative volume.*

(2) *Data has been sourced from ESAA (Energy Supply Association of Australia) Electricity Gas Australia 2013, Appendix 1 Power Stations in Australia 2011-12.*

Section 4

Review of Divisional Operations and Results

Divisional Performance Summary

Year ended 30 September 2013	Business Banking $m	Personal Banking $m	Wholesale Banking $m	NAB Wealth $m	NZ Banking $m	UK Banking $m	GWB $m	NAB UK Commercial Real Estate $m	Corporate Functions & Other (1) $m	Distributions & Eliminations $m	Group Cash Earnings $m
Net interest income	5,017	3,343	1,231	421	1,207	1,177	296	61	654	-	**13,407**
Fees and commissions	861	546	267	29	348	367	70	6	1	-	**2,495**
Trading income	104	11	1,008	8	-	1	-	(23)	(15)	-	**1,094**
Other	82	13	81	36	63	-	9	-	50	(85)	**249**
Other operating income	1,047	570	1,356	73	411	368	79	(17)	36	(85)	**3,838**
NAB Wealth net operating income	-	-	-	1,335	-	-	-	-	-	-	**1,335**
Net operating income	6,064	3,913	2,587	1,829	1,618	1,545	375	44	690	(85)	**18,580**
Operating expenses	(1,787)	(1,848)	(966)	(1,154)	(651)	(1,098)	(182)	(56)	(517)	85	**(8,174)**
Underlying profit/(loss)	4,277	2,065	1,621	675	967	447	193	(12)	173	-	**10,406**
Charge to provide for bad and doubtful debts	(755)	(319)	(29)	(11)	(81)	(247)	(23)	(477)	8	-	**(1,934)**
Cash earnings/(deficit) before tax, IoRE, distributions and non-controlling interest	3,522	1,746	1,592	664	886	200	170	(489)	181	-	**8,472**
Income tax (expense)/benefit	(1,034)	(518)	(398)	(171)	(237)	(50)	(57)	114	14	-	**(2,337)**
Cash earnings/(deficit) before IoRE, distributions and non-controlling interest	2,488	1,228	1,194	493	649	150	113	(375)	195	-	**6,135**
Net profit - non-controlling interest	-	-	-	(8)	-	-	-	-	-	-	**(8)**
IoRE	-	-	-	(3)	-	-	-	-	-	-	**(3)**
Distributions	-	-	-	-	-	-	-	-	-	(188)	**(188)**
Cash earnings/(deficit)	2,488	1,228	1,194	482	649	150	113	(375)	195	(188)	**5,936**

Key balance sheet items ($bn)											Total
Gross loans and acceptances (average)	200.1	159.1	18.0	20.5	49.8	42.4	6.3	7.7	2.6	-	**506.5**
Customer deposits (average)	108.6	91.5	59.5	18.3	31.7	38.6	7.0	-	-	-	**355.2**
Total risk-weighted assets (spot)	138.4	42.4	56.1	7.4	40.0	42.5	7.2	6.5	21.6	-	**362.1**

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

Note: The Divisional Performance Summary excluding foreign exchange rate movements on pages 135 to 136.

Divisional Performance Summary

Year ended 30 September 2012	**Business Banking $m**	**Personal Banking $m**	**Wholesale Banking $m**	**NAB Wealth $m**	**NZ Banking $m**	**UK Banking $m**	**GWB $m**	**Corporate Functions & Other (1) $m**	**Distributions & Eliminations $m**	**Group Cash Earnings $m**
Net interest income	5,026	2,967	1,519	325	1,106	1,324	272	758	-	**13,297**
Fees and commissions	840	551	258	31	303	410	62	13	-	**2,468**
Trading income	103	7	630	1	-	(1)	-	(114)	-	**626**
Other	93	41	94	15	51	20	12	85	(93)	**318**
Other operating income	1,036	599	982	47	354	429	74	(16)	(93)	**3,412**
NAB Wealth net operating income	-	-	-	1,515	-	-	-	-	-	**1,515**
Net operating income	6,062	3,566	2,501	1,887	1,460	1,753	346	742	(93)	**18,224**
Operating expenses	(1,741)	(1,836)	(948)	(1,143)	(592)	(1,067)	(173)	(421)	93	**(7,828)**
Underlying profit/(loss)	4,321	1,730	1,553	744	868	686	173	321	-	**10,396**
Charge to provide for bad and doubtful debts	(893)	(242)	(67)	(12)	(76)	(966)	(25)	(334)	-	**(2,615)**
Cash earnings/(deficit) before tax, IoRE, distributions and non-controlling interest	3,428	1,488	1,486	732	792	(280)	148	(13)	-	**7,781**
Income tax (expense)/benefit	(1,019)	(443)	(394)	(213)	(217)	67	(50)	91	-	**(2,178)**
Cash earnings/(deficit) before IoRE, distributions and non-controlling interest	2,409	1,045	1,092	519	575	(213)	98	78	-	**5,603**
Net profit - non-controlling interest	-	-	-	(1)	-	-	-	-	-	**(1)**
IoRE	-	-	-	38	-	-	-	-	-	**38**
Distributions	-	-	-	-	-	-	-	-	(207)	**(207)**
Cash earnings/(deficit)	2,409	1,045	1,092	556	575	(213)	98	78	(207)	**5,433**
Key balance sheet items ($bn)										**Total**
Gross loans and acceptances (average)	198.5	145.4	17.4	18.7	45.0	51.4	5.4	7.9	-	**489.7**
Customer deposits (average)	102.2	80.4	48.9	11.2	26.7	38.9	6.3	7.5	-	**322.1**
Total risk-weighted assets (spot)	141.2	38.7	40.3	6.9	32.4	47.0	6.0	18.8	-	**331.3**

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

Divisional Performance Summary

Half year ended 30 September 2013	Business Banking $m	Personal Banking $m	Wholesale Banking $m	NAB Wealth $m	NZ Banking $m	UK Banking $m	GWB $m	NAB UK Commercial Real Estate $m	Corporate Functions & Other [1] $m	Distributions & Eliminations $m	Group Cash Earnings $m
Net interest income	2,487	1,709	665	217	623	618	155	28	297	-	**6,799**
Fees and commissions	433	283	128	13	180	182	37	4	2	-	**1,262**
Trading income	55	6	420	5	-	1	-	4	(1)	-	**490**
Other	37	7	57	30	32	-	3	-	21	(44)	**143**
Other operating income	525	296	605	48	212	183	40	8	22	(44)	**1,895**
NAB Wealth net operating income	-	-	-	636	-	-	-	-	-	-	**636**
Net operating income	3,012	2,005	1,270	901	835	801	195	36	319	(44)	**9,330**
Operating expenses	(896)	(915)	(475)	(582)	(335)	(575)	(94)	(33)	(337)	44	**(4,198)**
Underlying profit/(loss)	2,116	1,090	795	319	500	226	101	3	(18)	-	**5,132**
Charge to provide for bad and doubtful debts	(354)	(132)	(27)	(8)	(36)	(108)	(10)	(196)	29	-	**(842)**
Cash earnings/(deficit) before tax, IoRE, distributions and non-controlling interest	1,762	958	768	311	464	118	91	(193)	11	-	**4,290**
Income tax (expense)/benefit	(514)	(283)	(189)	(74)	(124)	(30)	(31)	44	34	-	**(1,167)**
Cash earnings/(deficit) before IoRE, distributions and non-controlling interest	1,248	675	579	237	340	88	60	(149)	45	-	**3,123**
Net profit - non-controlling interest	-	-	-	(5)	-	-	-	-	-	-	**(5)**
IoRE	-	-	-	(3)	-	-	-	-	-	-	**(3)**
Distributions	-	-	-	-	-	-	-	-	-	(94)	**(94)**
Cash earnings/(deficit)	1,248	675	579	229	340	88	60	(149)	45	(94)	**3,021**

Key balance sheet items ($bn)											**Total**
Gross loans and acceptances (average)	199.1	162.6	18.3	20.6	52.0	43.1	6.6	7.3	2.6	-	**512.2**
Customer deposits (average)	108.8	93.7	61.2	19.0	33.8	39.1	7.2	-	-	-	**362.8**
Total risk-weighted assets (spot)	138.4	42.4	56.1	7.4	40.0	42.5	7.2	6.5	21.6	-	**362.1**

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

Note: The Divisional Performance Summary excluding foreign exchange rate movements on pages 135 to 136.

Divisional Performance Summary

Half year ended 31 March 2013	Business Banking $m	Personal Banking $m	Wholesale Banking $m	NAB Wealth $m	NZ Banking $m	UK Banking $m	GWB $m	NAB UK Commercial Real Estate $m	Corporate Functions & Other [1] $m	Distributions & Eliminations $m	Group Cash Earnings $m
Net interest income	2,530	1,634	566	204	584	559	141	33	357	-	**6,608**
Fees and commissions	428	263	139	16	168	185	33	2	(1)	-	**1,233**
Trading income	49	5	588	3	-	-	-	(27)	(14)	-	**604**
Other	45	6	24	6	31	-	6	-	29	(41)	**106**
Other operating income	522	274	751	25	199	185	39	(25)	14	(41)	**1,943**
NAB Wealth net operating income	-	-	-	699	-	-	-	-	-	-	**699**
Net operating income	3,052	1,908	1,317	928	783	744	180	8	371	(41)	**9,250**
Operating expenses	(891)	(933)	(491)	(572)	(316)	(523)	(88)	(23)	(180)	41	**(3,976)**
Underlying profit/(loss)	2,161	975	826	356	467	221	92	(15)	191	-	**5,274**
Charge to provide for bad and doubtful debts	(401)	(187)	(2)	(3)	(45)	(139)	(13)	(281)	(21)	-	**(1,092)**
Cash earnings/(deficit) before tax, IoRE, distributions and non-controlling interest	1,760	788	824	353	422	82	79	(296)	170	-	**4,182**
Income tax (expense)/benefit	(520)	(235)	(209)	(97)	(113)	(20)	(26)	70	(20)	-	**(1,170)**
Cash earnings/(deficit) before IoRE, distributions and non-controlling interest	1,240	553	615	256	309	62	53	(226)	150	-	**3,012**
Net profit - non-controlling interest	-	-	-	(3)	-	-	-	-	-	-	**(3)**
IoRE	-	-	-	-	-	-	-	-	-	-	**-**
Distributions	-	-	-	-	-	-	-	-	-	(94)	**(94)**
Cash earnings/(deficit)	1,240	553	615	253	309	62	53	(226)	150	(94)	**2,915**
Key balance sheet items ($bn)											**Total**
Gross loans and acceptances (average)	201.3	155.6	17.5	20.3	47.4	41.7	6.0	8.1	2.7	-	**500.6**
Customer deposits (average)	108.3	89.3	57.6	17.5	29.7	38.2	6.7	-	-	-	**347.3**
Total risk-weighted assets (spot)	141.7	42.6	56.3	7.1	33.7	36.8	6.1	6.3	20.8	-	**351.4**

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

Divisional Asset Quality Ratio Summary

As at 30 September 2013	**Business Banking %**	**Personal Banking %**	**Wholesale Banking %**	**NAB Wealth %**	**NZ Banking %**	**UK Banking %**	**GWB [(1)] %**	**NAB UK Commercial Real Estate %**	**Group %**
90+DPD to gross loans and acceptances	0.43	0.47	-	0.34	0.44	0.59	0.24	3.17	**0.47**
Gross impaired assets to gross loans and acceptances	1.33	0.11	1.70	0.36	0.65	1.60	1.50	24.40	**1.22**
90+DPD plus gross impaired assets to gross loans and acceptances	1.76	0.58	1.70	0.70	1.09	2.19	1.74	27.57	**1.69**
Specific provision to gross impaired assets	26.7	27.3	21.1	24.0	36.8	36.9	9.4	40.6	**32.0**
Collective provision to credit risk weighted assets	0.70	0.99	0.56	0.22	0.69	1.06	0.76	5.23	**0.94**
Total provision to gross loans and acceptances	0.83	0.25	0.66	0.16	0.70	1.38	0.86	14.81	**0.96**
Net write-offs to gross loans and acceptances (annualised)	0.54	0.17	0.05	0.06	0.22	0.58	0.36	5.56	**0.41**
Total provisions to net write-offs (annualised)	152	150	2,950	254	322	239	239	266	**233**
Bad and doubtful debt charge to credit risk weighted assets (annualised)	0.57	0.86	0.07	0.16	0.24	0.80	0.36	8.07	**0.61**

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

As at 31 March 2013	**Business Banking %**	**Personal Banking %**	**Wholesale Banking %**	**NAB Wealth %**	**NZ Banking %**	**UK Banking %**	**GWB [(1)] %**	**NAB UK Commercial Real Estate %**	**Group %**
90+DPD to gross loans and acceptances	0.50	0.47	-	0.34	0.44	0.67	0.34	3.71	**0.52**
Gross impaired assets to gross loans and acceptances	1.48	0.11	0.35	0.39	0.69	1.72	1.56	21.05	**1.22**
90+DPD plus gross impaired assets to gross loans and acceptances	1.98	0.58	0.35	0.73	1.13	2.39	1.90	24.76	**1.74**
Specific provision to gross impaired assets	32.7	28.4	60.7	20.3	42.1	32.0	12.5	31.9	**32.9**
Collective provision to credit risk weighted assets	0.73	1.01	0.63	0.23	0.74	1.11	0.84	5.55	**0.99**
Total provision to gross loans and acceptances	0.98	0.27	0.62	0.15	0.75	1.41	0.98	11.48	**1.01**
Net write-offs to gross loans and acceptances (annualised)	0.41	0.17	-	0.06	0.23	0.65	0.32	5.42	**0.39**
Total provisions to net write-offs (annualised)	240	160	-	258	325	212	304	212	**258**
Bad and doubtful debt charge to credit risk weighted assets (annualised)	0.59	1.01	0.01	0.09	0.30	0.88	0.44	8.65	**0.71**

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

As at 30 September 2012	Business Banking %	Personal Banking %	Wholesale Banking %	NAB Wealth %	NZ Banking %	UK Banking %	GWB [1] %	NAB UK Commercial Real Estate %	Group %
90+DPD to gross loans and acceptances	0.44	0.44	-	0.35	0.43	0.97	0.45	-	**0.47**
Gross impaired assets to gross loans and acceptances	1.75	0.11	0.31	0.34	0.78	3.79	1.95	-	**1.31**
90+DPD plus gross impaired assets to gross loans and acceptances	2.19	0.55	0.31	0.69	1.21	4.76	2.40	-	**1.78**
Specific provision to gross impaired assets	27.5	25.1	52.7	21.9	40.0	34.3	11.7	-	**30.3**
Collective provision to credit risk weighted assets	0.75	0.93	0.93	0.24	0.77	1.76	0.75	-	**1.05**
Total provision to gross loans and acceptances	1.00	0.24	0.59	0.16	0.80	2.74	0.92	-	**1.02**
Net write-offs to gross loans and acceptances (annualised)	0.47	0.21	0.34	0.09	0.24	1.07	0.28	-	**0.45**
Total provisions to net write-offs (annualised)	212	115	487	176	341	257	335	-	**227**
Bad and doubtful debt charge to credit risk weighted assets (annualised)	0.65	0.68	0.23	0.18	0.26	2.32	0.43	-	**0.87**

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

Business Banking

Joseph Healy

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

	Year to			Half Year to		
	Sep 13 (1) $m	**Sep 12 $m**	**Sep 13 v Sep 12 %**	**Sep 13 (1) $m**	**Mar 13 (1) $m**	**Sep 13 v Mar 13 %**
Net interest income	**5,017**	5,026	(0.2)	**2,487**	2,530	(1.7)
Other operating income	**1,047**	1,036	1.1	**525**	522	0.6
Net operating income	**6,064**	6,062	0.0	**3,012**	3,052	(1.3)
Operating expenses	**(1,787)**	(1,741)	(2.6)	**(896)**	(891)	(0.6)
Underlying profit	**4,277**	4,321	(1.0)	**2,116**	2,161	(2.1)
Charge to provide for bad and doubtful debts	**(755)**	(893)	15.5	**(354)**	(401)	11.7
Cash earnings before tax	**3,522**	3,428	2.7	**1,762**	1,760	0.1
Income tax expense	**(1,034)**	(1,019)	(1.5)	**(514)**	(520)	1.2
Cash earnings	**2,488**	2,409	3.3	**1,248**	1,240	0.6
Average Volumes ($bn)						
Gross loans and acceptances	**200.1**	198.5	0.8	**199.1**	201.3	(1.1)
Interest earning assets	**200.0**	198.6	0.7	**199.1**	200.8	(0.8)
Total assets	**198.5**	196.9	0.8	**197.8**	199.2	(0.7)
Customer deposits (2)	**108.6**	102.2	6.3	**108.8**	108.3	0.5

(1) *The September 2013 period includes 12 months of operating results for Business Banking Asia.*

(2) *Customer deposits includes retail and corporate deposits.*

Capital ($bn)						
Risk-weighted assets - credit risk (spot)	**133.3**	138.1	(3.5)	**133.3**	136.8	(2.6)
Total risk-weighted assets (spot)	**138.4**	141.2	(2.0)	**138.4**	141.7	(2.3)
Performance Measures						
Cash earnings on average assets	**1.25%**	1.22%	3 bps	**1.26%**	1.25%	1 bps
Cash earnings on risk-weighted assets	**1.76%**	1.69%	7 bps	**1.76%**	1.75%	1 bps
Net interest margin	**2.51%**	2.53%	(2 bps)	**2.49%**	2.53%	(4 bps)
Cost to income ratio	**29.5%**	28.7%	(80 bps)	**29.7%**	29.2%	(50 bps)
'Jaws'	**(2.6%)**	1.7%	(430 bps)	**(1.9%)**	(1.7%)	(20 bps)
Cash earnings per average FTE ($'000s)	**527**	466	13.1	**539**	516	4.5
FTEs (spot)	**4,544**	5,076	10.5	**4,544**	4,715	3.6

	As at		
Market Share	**Aug 13**	**Mar 13**	**Sep 12**
Business lending (1)	**24.0%**	24.6%	24.8%
Business lending (2)	**21.9%**	22.3%	22.6%
Business deposits (1)	**20.7%**	20.5%	20.9%

(1) *Source: APRA Banking System.*

(2) *Source: RBA Financial System.*

Business Banking

Financial Analysis

September 2013 v September 2012

Conditions throughout the year have remained challenging, with intense competition in a subdued lending environment.

Cash earnings increased by $79 million or 3.3% during the September 2013 year, driven mainly by a reduction in the bad and doubtful debts charge.

Cash earnings on average assets increased by three basis points, largely reflecting the decrease in the bad and doubtful debts charge.

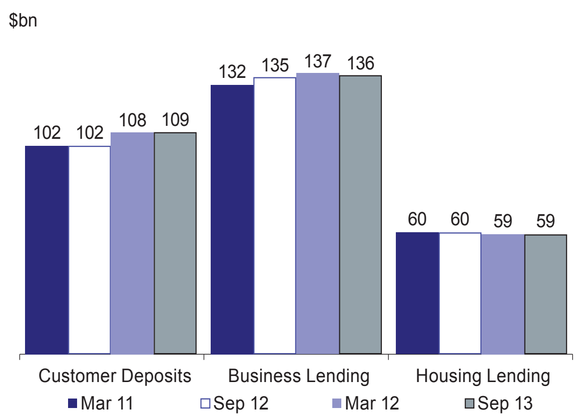
Cash earnings on risk weighted assets improved by seven basis points as a result of higher cash earnings and an improvement in asset quality.

Net interest income decreased by $9 million or 0.2% during the September 2013 year, due to a two basis point decline in margin, partially offset by volume growth.

Average interest earning assets grew by $1.4 billion or 0.7%. Excluding the transfer of Asia, there was an underlying decline of $1.0 billion or 0.5%, driven by the subdued business credit environment and continued customer de-leveraging.

Average customer deposits increased by $6.4 billion or 6.3%. Excluding the transfer of Asia customer deposits, the underlying growth was $3.4 billion or 3.2%, driven by the Group's efforts to reduce its reliance on wholesale funding and to meet future Basel III liquidity requirements. This growth was largely in term deposits and on-demand savings deposits.

Business Banking Average Volumes



Net interest margin declined by two basis points over the September 2013 year, mainly due to the impact of falling interest rates on non-interest bearing deposits and earnings on capital, combined with higher deposit costs, partially offset by repricing of parts of the lending portfolio.

Other operating income increased by $11 million or 1.1%, largely due to fees earned on restructured arrangements.

Operating expenses increased by $46 million or 2.6%. Excluding the transfer of Asia operating expenses, the underlying increase of $6 million or 0.3% was due to continued investment spend on improving operating efficiency, partially offset by FTE reductions during the year.

The **charge to provide for bad and doubtful debts** decreased by $138 million, largely due to fewer incidences of large single name provisions and lower top-ups to existing impaired exposures, particularly in the Corporate and Institutional businesses.

September 2013 v March 2013

Cash earnings increased by $8 million or 0.6% compared to the March 2013 half year, with a reduction in bad and doubtful debts charges, offset by lower revenue.

Cash earnings on average assets increased by one basis point, largely reflecting the decrease in the bad and doubtful debts charge in the September 2013 half year.

Cash earnings on risk weighted assets improved by one basis point, reflecting higher cash earnings and an improvement in asset quality.

Net interest income decreased by $43 million or 1.7% compared to the March 2013 half year, due to lower volumes and lower margins.

Average interest earning assets declined by $1.7 billion or 0.8%, due to the subdued business credit environment and continued customer de-leveraging.

Average customer deposits grew by $0.5 billion or 0.5%, as the business continued to support the Group's overall funding position and to meet future Basel III liquidity requirements.

Net interest margin decreased by four basis points on the March 2013 half year, mainly due to the impact of falling interest rates on non-interest bearing deposits and earnings on capital, partially offset by lower deposit costs.

Other operating income was broadly flat, increasing by $3 million or 0.6%.

Operating expenses increased by $5 million or 0.6%, reflecting continued investment spend on improving operating efficiency and investment in Asia.

The **charge to provide for bad and doubtful debts** decreased by $47 million, largely due to the lower levels of provisions in respect of the Corporate and Institutional businesses.

Other Items

Asset Quality

	As at		
	Sep 13	**Mar 13**	**Sep 12**
Specific provision for doubtful debts ($m)	**700**	966	961
Collective provision for doubtful debts ($m)	**680**	767	811
Collective provision on loans at fair value ($m)	**253**	227	218
90+DPD assets ($m)	**852**	1,012	887
Gross impaired assets ($m)	**2,623**	2,954	3,494
90+DPD to gross loans and acceptances	**0.43%**	0.50%	0.44%
Gross impaired assets to gross loans and acceptances	**1.33%**	1.48%	1.75%
90+DPD plus gross impaired assets to gross loans and acceptances	**1.76%**	1.98%	2.19%
Specific provision to gross impaired assets	**26.7%**	32.7%	27.5%
Net write-offs to gross loans and acceptances (annualised)	**0.54%**	0.41%	0.47%
Total provision as a percentage of net write-offs	**152%**	240%	212%
Total provision to gross loans and acceptances	**0.83%**	0.98%	1.00%
Bad and doubtful debt charge to credit risk weighted assets	**0.57%**	0.59%	0.65%

For the September 2013 half and full year, the quality of the portfolio has improved, despite subdued business conditions.

The ratio of 90+DPD assets plus gross impaired assets to gross loans and acceptances improved by 43 basis points to 1.76% in the September 2013 full year and by 22 basis points compared with the March 2013 half year.

There was a $871 million reduction in gross impaired assets in the September 2013 full year, mainly due to successful workouts of long-term problem loans and higher write-off activity. There was also a reduction in newly impaired volumes in the year, particularly with large Property clients.

The volume of 90+DPD assets also fell by $160 million from the March 2013 half year, and is $35 million lower than in the prior corresponding period.

The total provision to gross loans and acceptances fell by 17 basis points to 0.83% in the full year, due to increased write-off activity relative to lower newer provisions raised during the period. The cover of specific provisions to gross impaired assets has decreased in the September 2013 half by 600 basis points to 26.7%, largely due to an increase in write-off activity and lower specific provisions raised during the half year.

The ratio of the bad and doubtful debt charges to credit risk-weighted assets decreased by eight basis points to 0.57% due to lower specific provisions raised compared with the September 2012 full year.

The proportion of investment grade equivalent exposures improved by 186 basis points to 48.7% over the September 2013 full year and improved by 165 basis points in the September 2013 half year.

In September 2013 full year the risk profile of the performing portfolio has continued to improve with further reduction in the weighted average probability of default.

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Personal Banking

Gavin Slater

Personal Banking provides quality products and services to 5.3 million retail and small business customers. These products and services are delivered through a range of distribution channels and brands including NAB, Homeside, UBank and a variety of broker and 'mortgage manager' brands operated by the Advantedge business.

	Year to			Half Year to		
	Sep 13 $m	Sep 12 $m	Sep 13 v Sep 12 %	Sep 13 $m	Mar 13 $m	Sep 13 v Mar 13 %
Net interest income	**3,343**	2,967	12.7	**1,709**	1,634	4.6
Other operating income	**570**	599	(4.8)	**296**	274	8.0
Net operating income	**3,913**	3,566	9.7	**2,005**	1,908	5.1
Operating expenses	**(1,848)**	(1,836)	(0.7)	**(915)**	(933)	1.9
Underlying profit	**2,065**	1,730	19.4	**1,090**	975	11.8
Charge to provide for bad and doubtful debts	**(319)**	(242)	(31.8)	**(132)**	(187)	29.4
Cash earnings before tax	**1,746**	1,488	17.3	**958**	788	21.6
Income tax expense	**(518)**	(443)	(16.9)	**(283)**	(235)	(20.4)
Cash earnings	**1,228**	1,045	17.5	**675**	553	22.1
Average Volumes ($bn)						
Gross loans and acceptances	**159.1**	145.4	9.4	**162.6**	155.6	4.5
Interest earning assets	**161.0**	146.2	10.1	**164.9**	157.1	5.0
Total assets	**160.9**	146.6	9.8	**164.7**	157.1	4.8
Customer deposits	**91.5**	80.4	13.8	**93.7**	89.3	4.9
Capital ($bn)						
Risk-weighted assets - credit risk (spot)	**37.1**	35.4	4.8	**37.1**	37.2	(0.3)
Total risk-weighted assets (spot)	**42.4**	38.7	9.6	**42.4**	42.6	(0.5)
Performance Measures						
Cash earnings on average assets	**0.76%**	0.71%	5 bps	**0.82%**	0.71%	11 bps
Cash earnings on risk-weighted assets	**2.95%**	2.60%	35 bps	**3.15%**	2.71%	44 bps
Net interest margin	**2.08%**	2.03%	5 bps	**2.07%**	2.09%	(2 bps)
Cost to income ratio	**47.2%**	51.5%	430 bps	**45.6%**	48.9%	330 bps
'Jaws'	**9.0%**	1.9%	710 bps	**7.0%**	4.1%	290 bps
Cash earnings per average FTE ($'000s)	**151**	122	23.8	**166**	136	22.1
FTEs (spot)	**8,028**	8,348	3.8	**8,028**	7,962	(0.8)

	As at		
Market Share	**Aug 13**	**Mar 13**	**Sep 12**
Housing lending [(1)]	**15.3%**	15.2%	15.0%
Household deposits [(2)]	**14.5%**	14.6%	14.7%

(1) *RBA Financial System / NAB.*

(2) *APRA Banking System / NAB.*

	As at		
Distribution	**Sep 13**	**Mar 13**	**Sep 12**
Number of retail outlets [(1)]	**784**	784	783
Number of ATMs	**3,118**	3,168	3,298
Number of internet banking customers (millions)	**2.73**	2.57	2.42

(1) *Retail outlets include both stores and kiosks.*

Personal Banking

Financial Analysis

September 2013 v September 2012

Cash earnings increased by $183 million or 17.5% compared to the September 2012 year, mainly driven by continued strong momentum in housing lending volumes and improved lending margins.

Cash earnings on average assets increased by five basis points, reflecting improved margins.

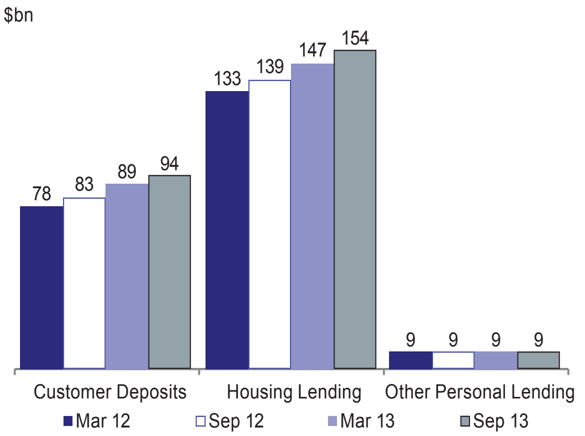
Cash earnings on risk-weighted assets increased by 35 basis points largely from cash earnings growth, partly offset by higher risk-weighted assets due to lending growth and changes in industry operational risk capital requirements.

Net interest income grew by $376 million or 12.7% compared to the September 2012 year, mainly as a result of higher lending and deposit volumes and improvement in lending margins, offset by higher deposit costs and a lower earnings rate on non-interest bearing deposits.

Average interest earning assets grew by $14.8 billion or 10.1%, reflecting growth across all channels.

Average customer deposits increased by $11.1 billion or 13.8% from continued growth largely in the proprietary channel, as well as UBank.

Personal Banking Average Volumes



Net interest margin increased by five basis points compared to the September 2012 year, mainly reflecting repricing, partly offset by higher deposit costs, a lower earnings rate on non-interest bearing deposits, and changes in lending mix as a result of strong momentum in housing lending volumes.

Other operating income decreased by $29 million or 4.8% driven by lower interchange income and higher loyalty costs in the current period, and the fact that September 2012 included non-transactional related income that was not repeated in the 2013 year.

Operating expenses increased by $12 million or 0.7% due to continued investment spend on the UBank franchise and NextGen. This was partly offset by lower personnel costs from FTE reductions and ongoing cost management.

The **charge to provide for bad and doubtful debts** increased by $77 million or 31.8% during the year, predominantly due to the non-recurrence of provision overlay releases in the prior year.

September 2013 v March 2013

Cash earnings increased by $122 million or 22.1%, on the March 2013 half year, mainly due to higher housing lending and deposit volumes and improved lending margins, combined with lower bad and doubtful debts.

Cash earnings on average assets increased by 11 basis points due to higher cash earnings.

Cash earnings on risk-weighted assets increased by 44 basis points, predominantly as a result of higher cash earnings.

Net interest income increased by $75 million or 4.6%, reflecting higher lending and deposit volumes and improved lending margins, partially offset by a lower earnings rate on non-interest bearing deposits.

Average interest earning assets grew by $7.8 billion or 5.0%, reflecting growth across all channels.

Average customer deposits grew by $4.4 billion or 4.9% from continued growth, in the proprietary channel as well as UBank.

Net interest margin decreased by two basis points due to a decline in the earnings rate on non-interest bearing deposits, together with changes in lending mix as a result of strong momentum in housing lending volumes. This was partly offset by repricing, combined with lower short-term funding and deposit costs.

Other operating income increased by $22 million or 8.0% due to higher fees and commissions, reflecting seasonality together with higher retail sales.

Operating expenses decreased by $18 million or 1.9%, reflecting efficiency savings and lower personnel costs, partly offset by continued investment spend on the UBank franchise and NextGen.

The **charge to provide for bad and doubtful debts** decreased by $55 million or 29.4% on the March 2013 half year, reflecting improvement in the delinquency profile resulting from collections initiatives and seasonality.

Other Items

Asset Quality

	As at		
	Sep 13	**Mar 13**	**Sep 12**
Specific provision for doubtful debts ($m)	**48**	50	43
Collective provision for doubtful debts ($m)	**367**	377	329
90+DPD assets ($m)	**789**	747	674
Gross impaired assets ($m)	**176**	176	171
90+DPD to gross loans and acceptances	**0.47%**	0.47%	0.44%
Gross impaired assets to gross loans and acceptances	**0.11%**	0.11%	0.11%
90+DPD plus gross impaired assets to gross loans and acceptances	**0.58%**	0.58%	0.55%
Specific provision to gross impaired assets	**27.3%**	28.4%	25.1%
Net write-offs to gross loans and acceptances (annualised)	**0.17%**	0.17%	0.21%
Total provision as a percentage of net write-offs	**150%**	160%	115%
Total provision to gross loans and acceptances	**0.25%**	0.27%	0.24%
Bad and doubtful debt charge to credit risk weighted assets	**0.86%**	1.01%	0.68%

Economic conditions have remained broadly stable since March 2013, with subdued consumer sentiment and upward pressure on unemployment levels for much of the year. NAB customer repayment behaviour was in line with industry experience, with an increased number of customers making their required minimum repayment on unsecured lending, demonstrating a continued propensity for households to de-leverage.

Seasonally, NAB would expect to see a reduction in the level of 90+ DPD balances in the second half of the year relative to the March 2013 half year. In September 2013 this trend was not observed due to a methodology change.

The ratio of gross impaired assets to gross loans and acceptances has remained stable since September 2012, while specific provision to gross impaired assets has fluctuated within a narrow range since September 2012.

Net write-offs to gross loans and acceptances has improved by four basis points to 17 basis points since the September 2012 year, driven by lower losses in secured lending, which has been aided by modest improvements in the house price indices over the same period.

The increase in the ratio of bad and doubtful debt charge to credit risk-weighted assets ratio since the September 2012 year is driven by an abnormally low bad and doubtful debt charge in the prior year following the release of provisions taken historically for single events, e.g. natural disasters.

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Wholesale Banking

Rick Sawers

Wholesale Banking has seven key lines of business: Corporate & Business Risk Management Sales, Fixed Income, Currencies and Commodities (FICC), Global Capital Markets, Treasury, Asset Servicing, Specialised Finance and the Financial Institutions Group. Operating as a global business, Wholesale Banking has approximately 2,400 employees in Australia, New Zealand, Asia, the UK and the US.

Results presented at actual exchange rates.

	Year to			Half Year to		
	Sep 13 $m	Sep 12 $m	Sep 13 v Sep 12 %	Sep 13 $m	Mar 13 $m	Sep 13 v Mar 13 %
Net interest income	1,231	1,519	(19.0)	665	566	17.5
Other operating income	1,356	982	38.1	605	751	(19.4)
Net operating income	2,587	2,501	3.4	1,270	1,317	(3.6)
Operating expenses	(966)	(948)	(1.9)	(475)	(491)	3.3
Underlying profit	1,621	1,553	4.4	795	826	(3.8)
Charge to provide for bad and doubtful debts	(29)	(67)	56.7	(27)	(2)	large
Cash earnings before tax	1,592	1,486	7.1	768	824	(6.8)
Income tax expense	(398)	(394)	(1.0)	(189)	(209)	9.6
Cash earnings	1,194	1,092	9.3	579	615	(5.9)
Average Volumes ($bn)						
Gross loans and acceptances	18.0	17.4	3.4	18.3	17.5	4.6
Interest earning assets	206.5	190.2	8.6	213.4	199.5	7.0
Total assets	252.2	234.6	7.5	263.6	240.7	9.5
Customer deposits	59.5	48.9	21.7	61.2	57.6	6.3
Capital ($bn)						
Risk-weighted assets - credit risk (spot)	39.9	28.9	38.1	39.9	40.8	(2.2)
Total risk-weighted assets (spot)	56.1	40.3	39.2	56.1	56.3	(0.4)
Performance Measures						
Cash earnings on risk-weighted assets	2.33%	2.70%	(37 bps)	2.02%	2.63%	(61 bps)
Cost to income ratio	37.3%	37.9%	60 bps	37.4%	37.3%	(10 bps)
'Jaws'	1.5%	31.2%	(2,970 bps)	(0.3%)	1.0%	(130 bps)
Cash earnings per average FTE ($'000s)	475	385	23.4	468	483	(3.1)
FTEs (spot)	2,420	2,830	14.5	2,420	2,504	3.4

Impact of foreign exchange rate movements

Favourable (unfavourable) September 13	Year since Sep 12 $m	Sep 13 v Sep 12 Ex FX %	Half year since Mar 13 $m	Sep 13 v Mar 13 Ex FX %
Net interest income	12	(19.7)	14	15.0
Other operating income	15	36.6	15	(21.4)
Net operating income	27	2.4	29	(5.8)
Operating expenses	(10)	(0.8)	(11)	5.5
Charge to provide for bad and doubtful debts	-	56.7	-	large
Income tax expense	(2)	(0.5)	(2)	10.5
Cash earnings	15	8.0	16	(8.5)

Wholesale Banking

Financial Analysis

September 2013 v September 2012

Cash earnings have increased by $102 million or 9.3% to $1,194 million during the year. Excluding foreign exchange rate movements, cash earnings were up by 8.0%. The increase was driven by higher revenue combined with a lower bad and doubtful debt charge. This was partially offset by higher expenses.

Cash earnings on risk-weighted assets decreased by 37 basis points as a result of a $12.5 billion increase in risk weighted assets due to the introduction of the Basel III regulatory capital framework partly offset by an improvement in cash earnings. On a like-for-like basis, cash earnings on risk weighted assets are relatively flat on the prior year.

Net operating income increased by $86 million or 3.4%, excluding foreign exchange rate movements, income increased by $59 million.

Customer income increased by $90 million or 6.5%, despite subdued market conditions through higher sales of risk management products to the Group's customers, reflecting the Franchise Focus strategy. Specialised Finance income also improved from increased deal flows in both Infrastructure and Energy & Utilities, particularly in Australia and the UK.

Risk income was largely flat on the prior year.

Within net operating income, **net interest income** decreased by $288 million or 19.0%. Of the decrease in net interest income $279 million was offset by gains on economic hedges relating to the Group's funding and banking book interest rate risk management activities in other operating income. The underlying decrease in net interest income of $9 million was driven by lower yields on interest earning assets to support the Group's funding activities.

Other operating income increased by $374 million or 38.1%. Excluding the offset in net interest income, the underlying increase in other operating income of $95 million was mainly due to higher sales of risk management products to the Group's customers.

Operating expenses increased by $18 million or 1.9%, excluding foreign exchange rate movements, the increase was $8 million or 0.8%. This increase was largely due to higher performance based compensation and increased spend in response to regulatory change. The cost to income ratio improved 60 basis points to 37.3%.

The **charge to provide for bad and doubtful debts** decreased by $38 million or 56.7%. The decrease was as a result of lower specific charges combined with the restructure of a single name exposure.

Average interest earning assets increased by $16.3 billion or 8.6%. Excluding the foreign exchange impact, the increase was $12.5 billion or 6.6%, due to increases in liquid assets to support Group liquidity.

Average customer deposits increased by $10.6 billion or 21.7%, to meet the funding needs of the Group.

September 2013 v March 2013

Cash earnings have decreased by $36 million or 5.9% on the March 2013 half year. Excluding foreign exchange rate movements, cash earnings decreased by 8.5%. The decrease was mainly due to lower Customer revenue and a higher bad and doubtful debts charge. This was partially offset by higher revenue in the Risk business and lower expenses.

Cash earnings on risk-weighted assets decreased by 61 basis points as a result of a $12.5 billion increase in risk weighted assets due to the introduction of the Basel III regulatory capital framework. On a like-for-like basis, cash earnings on risk-weighted assets are flat on the prior half year.

Net operating income decreased by $47 million or 3.6%, excluding foreign exchange rate movements, the decrease was $76 million or 5.8%.

Customer income decreased by $59 million, primarily from decreased sales of risk management products to the Group's customers following a strong performance in the March 2013 half year.

Risk income increased by $12 million to $564 million mainly due to increased Treasury income.

Within net operating income, **net interest income** increased by $99 million or 17.5%. Of the increase in net interest income $24 million was offset by losses on economic hedges relating to the Group's funding activities, partly offset by gains on banking book interest rate risk management activities in other operating income. The underlying increase in net interest income of $75 million was driven by higher interest earning assets to support the Group's funding and liquidity requirements.

Other operating income decreased by $146 million or 19.4%. Excluding the offset in net interest income, the underlying decrease in other operating income of $122 million is primarily from decreased sales of risk management products to the Group's customers following a strong performance in the first half.

Operating expenses decreased by $16 million or 3.3%, excluding foreign exchange rate movements, the decrease was $27 million or 5.5%. The decrease is mainly due to lower performance based compensation.

The **charge to provide for bad and doubtful debts** increased by $25 million, as a result of a specific charges during the half year.

Average interest earning assets increased by $13.9 billion or 7.0%. Excluding foreign exchange movements, the increase was $5.2 billion or 2.6%, due to increases in liquid assets to support Group liquidity.

Average customer deposits increased by $3.6 billion or 6.3%, to meet the funding needs of the Group.

Other Items

Asset Quality

	As at		
	Sep 13	**Mar 13**	**Sep 12**
Specific provision for doubtful debts ($m)	**71**	37	29
Collective provision for doubtful debts ($m)	**59**	69	76
Collective provision on loans at fair value ($m)	**1**	1	1
Collective provision on derivatives at fair value ($m)	**164**	188	191
Gross impaired assets ($m)	**336**	61	55
Gross impaired assets to gross loans and acceptances	**1.70%**	0.35%	0.31%
Specific provision to gross impaired assets	**21.1%**	60.7%	52.7%
Net write-offs to gross loans and acceptances	**0.05%**	-	0.34%

Asset quality remains sound. Charges for bad and doubtful debts included two specific charges during the half year, with provisioning coverage ratios remaining adequate.

The ratio of gross impaired assets to gross loans and acceptances increased from 0.35% at March 2013 to 1.70% at September 2013. The increase was mainly as a result of one specific impairment, otherwise the credit portfolio is stable.

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

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NAB Wealth

Andrew Hagger

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

	Year to			Half Year to		
	Sep 13 (1) $m	Sep 12 $m	Sep 13 v Sep 12 %	Sep 13 $m	Mar 13 $m	Sep 13 v Mar 13 %
Net interest income	421	325	29.5	217	204	6.4
Other operating income	73	47	55.3	48	25	92.0
NAB Wealth net operating income (2)	1,335	1,515	(11.9)	636	699	(9.0)
Net income	1,829	1,887	(3.1)	901	928	(2.9)
Operating expenses	(1,154)	(1,143)	(1.0)	(582)	(572)	(1.7)
Underlying profit	675	744	(9.3)	319	356	(10.4)
Charge to provide for bad and doubtful debts	(11)	(12)	8.3	(8)	(3)	large
Cash earnings before tax and IoRE	664	732	(9.3)	311	353	(11.9)
Income tax expense	(171)	(213)	19.7	(74)	(97)	23.7
Cash earnings before IoRE and non-controlling interest	493	519	(5.0)	237	256	(7.4)
Net profit - non-controlling interest	(8)	(1)	large	(5)	(3)	(66.7)
IoRE	(3)	38	large	(3)	-	large
Cash earnings	482	556	(13.3)	229	253	(9.5)

(1) *The September 2013 period includes 12 months of operating results for Private Wealth Asia.*

(2) *The September 2013 period includes strengthening of insurance reserves ($57 million).*

	Sep 13 $m	Sep 12 $m	Sep 13 v Sep 12 %	Sep 13 $m	Mar 13 $m	Sep 13 v Mar 13 %
Represented by:						
Investments & Private Wealth	463	350	32.3	255	208	22.6
Insurance	30	169	(82.2)	(18)	48	large
Cash earnings before IoRE and non-controlling interest	493	519	(5.0)	237	256	(7.4)
Capital ($bn)						
Risk-weighted assets - credit risk (spot)	6.8	6.5	4.6	6.8	6.5	4.6
Total risk-weighted assets (spot)	7.4	6.9	7.2	7.4	7.1	4.2
Performance Measures						
Cost to income ratio (%)	63.1%	60.6%	(250 bps)	64.6%	61.6%	(300 bps)
'Jaws'	(4.1%)	0.8%	(490 bps)	(4.6%)	(2.0%)	(260 bps)
Cash earnings before IoRE and non-controlling interest per average FTE ($'000s)	84	90	(6.7)	81	87	(6.9)
FTEs (spot)	5,700	5,777	1.3	5,700	5,880	3.1
Financial advisers - salaried and aligned channels (1)	1,810	1,898	(4.6)	1,810	1,868	(3.1)

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

Interest on Retained Earnings by Asset Class

	Year to					
	Sep 13			Sep 12		
IoRE by Asset Class	Actual Earnings $m	Weighted Asset Balance $m	Earnings Rate (2) %	Actual Earnings $m	Weighted Asset Balance $m	Earnings Rate (2) %
Equity	28	162	17.3%	20	170	11.8%
Fixed interest	2	99	2.0%	10	128	7.8%
Cash and others (1)	46	1,977	2.3%	96	2,069	4.6%
Debt	(85)	1,432	(5.9%)	(74)	1,324	(5.6%)
Income tax	6			(14)		
IoRE	(3)			38		

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

(2) *The earnings rate is an annualised rate allowing for simple interest.*

NAB Wealth

Financial Highlights

September 2013 v September 2012

Cash earnings before IoRE and non-controlling interest of $493 million decreased by $26 million or 5.0% compared to the September 2012 year. This was largely driven by actuarial assumption changes strengthening insurance reserves and higher insurance claims, which were partially offset by higher earnings in investments and Private Wealth and an improvement in insurance lapses.

NAB Wealth net operating income decreased by $180 million or 11.9% as a result of actuarial assumption changes strengthening insurance reserves, higher insurance claims and the re-classification of JBWere sales incentives of $52 million from operating expenses to volume related expenses (as noted in the March 2013 half year). This was partially offset by increased earnings from growth in average FUM and inforce premiums, and increased revenue from Asset Management and Private Wealth.

Operating expenses increased by $11 million or 1.0% due to the inclusion of Private Wealth Asia within NAB Wealth and costs to support new products and services. These were partially offset by the re-classification of JBWere sales incentives of $52 million from operating expenses to volume related expenses in net operating income (as noted in the March 2013 half year).

Adviser numbers have decreased by 88 or 4.6% since September 2012 as underperforming advisers have left the business.

IoRE decreased by $41 million compared to September 2012 due to an increase in debt costs, lower surplus investable assets, and lower returns on cash and fixed interest due to a declining interest rate environment. This was partially offset by higher equity investment earnings.

September 2013 v March 2013

Cash earnings before IoRE and non-controlling interest of $237 million decreased by $19 million or 7.4% compared to the prior half. The result was primarily driven by actuarial assumption changes strengthening insurance reserves and higher insurance claims, partially offset by growth in average FUM and inforce premiums, strong performance in Asset Management and improvements in insurance lapses.

NAB Wealth net operating income decreased by $63 million or 9.0% as a result of actuarial assumption changes strengthening insurance reserves and higher insurance claims. These were partially offset by growth in average FUM and inforce premiums, strong performance in Asset Management and an improvement in lapse experience as a result of the implementation of a number of retention related initiatives.

Operating expenses increased by $10 million or 1.7% primarily due to costs to support new products and services and regulatory change initiatives.

NAB Wealth - Investments, Platforms inclusive of Private Wealth (Australia and Asia)

	Year to			Half Year to		
	Sep 13 [1] $m	Sep 12 $m	Sep 13 [1] v Sep 12 %	Sep 13 $m	Mar 13 $m	Sep 13 v Mar 13 %
Net interest income	**421**	325	29.5	**217**	204	6.4
Other operating income	**73**	47	55.3	**48**	25	92.0
Gross income	**1,613**	1,589	1.5	**837**	776	7.9
Volume related expenses	**(563)**	(555)	(1.4)	**(292)**	(271)	(7.7)
Net income	**1,544**	1,406	9.8	**810**	734	10.4
Operating expenses	**(911)**	(903)	(0.9)	**(463)**	(448)	(3.3)
Underlying profit	**633**	503	25.8	**347**	286	21.3
Charge to provide for bad and doubtful debts	**(11)**	(12)	8.3	**(8)**	(3)	large
Cash earnings before tax	**622**	491	26.7	**339**	283	19.8
Income tax expense	**(159)**	(141)	(12.8)	**(84)**	(75)	(12.0)
Cash earnings before IoRE	**463**	350	32.3	**255**	208	22.6

Average Volumes - Private Wealth ($bn)						
Gross loans and acceptances	**20.5**	18.7	9.6	**20.6**	20.3	1.5
Interest earning assets	**20.8**	18.7	11.2	**20.8**	20.7	0.5

Performance Measures [2]						
Funds under management (spot) ($m)	**145,134**	124,743	16.3	**145,134**	136,666	6.2
Funds under management (average) ($m)	**135,296**	120,828	12.0	**140,453**	130,140	7.9
Net funds flow ($m)	**2,617**	(2,351)	large	**1,294**	1,323	(2.2)
Net interest margin	**2.02%**	1.74%	28 bps	**2.08%**	1.98%	10 bps
Cost to income ratio	**59.0%**	64.2%	526 bps	**57.2%**	61.0%	388 bps
Investment operating expenses to average FUM (bps)	**51**	62	11 bps	**51**	52	1 bps
Investment income to average FUM (bps)	**78**	86	(8 bps)	**77**	78	(1 bps)

(1) The September 2013 period includes 12 months of operating results for Private Wealth Asia.

(2) FUM excludes Trustee and Cash Management.

	Funds Under Management					
	Jun 13		Dec 12		Jun 12	
	Rank	Market Share %	Rank	Market Share %	Rank	Market Share %
Retail (excl. Cash)	**2**	**15.3%**	2	15.7%	2	15.5%
Total Retail Superannuation	**2**	**19.5%**	2	19.6%	2	19.2%
Total Wholesale	**4**	**5.8%**	3	5.9%	3	6.4%

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

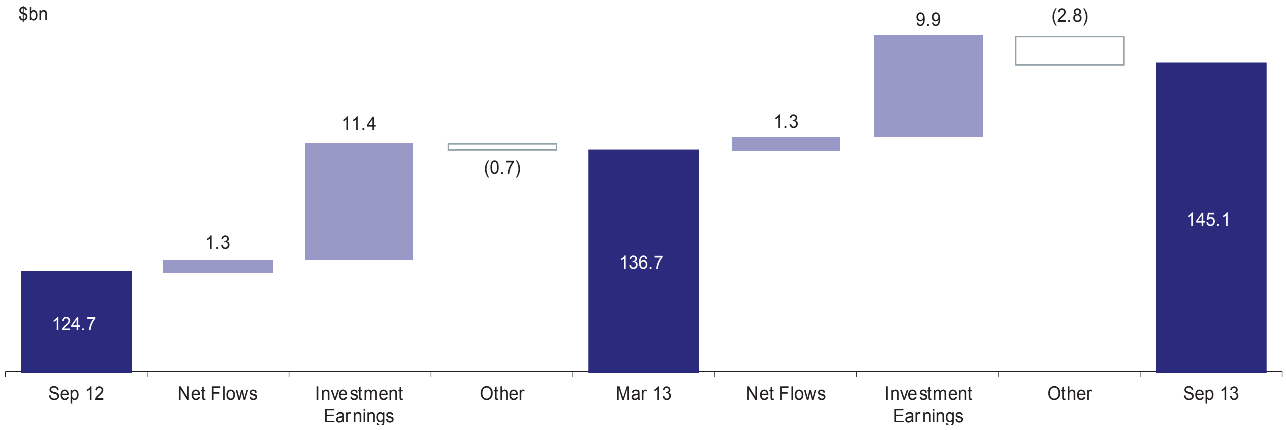
Funds Under Management

Movement in Funds under Management and Administration ($m)	As at Sep 12	Inflows	Outflows	Investment earnings	Other [1]	As at Sep 13
Master Funds (Platforms)	78,770	16,595	(13,343)	14,138	(1,129)	**95,031**
Other Retail	3,861	30	(384)	254	(14)	**3,747**
Total Retails Funds (Excl. Cash)	82,631	16,625	(13,727)	14,392	(1,143)	**98,778**
Wholesale	42,112	7,711	(7,992)	6,908	(2,383)	**46,356**
Total NAB Wealth ex Trustee and Cash Management	**124,743**	**24,336**	**(21,719)**	**21,300**	**(3,526)**	**145,134**
Trustee	7,309	1,110	(806)	-	-	**7,613**

Movement in Funds under Management and Administration ($m)	As at Mar 13	Inflows	Outflows	Investment earnings	Other [1]	As at Sep 13
Master Funds (Platforms)	88,077	8,062	(7,096)	6,678	(690)	**95,031**
Other Retail	3,806	14	(176)	131	(28)	**3,747**
Total Retails Funds (Excl. Cash)	91,883	8,076	(7,272)	6,809	(718)	**98,778**
Wholesale	44,783	3,212	(2,722)	3,066	(1,983)	**46,356**
Total NAB Wealth ex Trustee and Cash Management	**136,666**	**11,288**	**(9,994)**	**9,875**	**(2,701)**	**145,134**
Trustee	7,706	560	(653)	-	-	**7,613**

[1] *Other includes trust distributions and disposals of nabInvest boutique AREA Property Partners ($1.9 billion).*

Funds Under Management



FUM by Asset Class	As at Sep 13	Mar 13	Sep 12
Australian equities	**32%**	31%	31%
International equities	**23%**	25%	24%
Australian fixed interest	**17%**	19%	20%
International fixed interest	**8%**	7%	9%
Australian cash	**12%**	10%	8%
International direct property	**4%**	4%	4%
International listed property	**2%**	2%	2%
Australian listed property	**2%**	2%	2%

NAB Wealth - Investments, Platforms and Private Wealth (Australia and Asia)

Financial Analysis

September 2013 v September 2012

Cash earnings before IoRE of $463 million grew by $113 million or 32.3% compared to the September 2012 year as a result of growth in earnings from higher FUM, an increase in revenue from Asset Management and higher earnings from investments and Private Wealth.

Net interest income grew by $96 million or 29.5% due to the inclusion of Private Wealth Asia of $61 million, higher margins and lower overall funding costs.

Other operating income increased by $26 million due to the sale of nabInvest boutique AREA Property Partners and the inclusion of Private Wealth Asia.

Gross income grew by $24 million or 1.5% against September 2012, with higher fees from increased average FUM balances and higher revenue from increased JBWere brokerage partially offset by lower earnings on the annuities portfolio.

Average FUM as at 30 September 2013 of $135.3 billion increased by $14.5 billion or 12.0% compared to September 2012. This was a result of stronger investment market returns and positive client net flows.

Net funds flow increased by $5.0 billion driven by strong client net flows.

Volume related expenses, which include commission payments and investment costs, increased by $8 million or 1.4% as a result of the re-classification of sales incentives for JBWere of $52 million from operating expenses to volume related expenses in net income (as noted in the March 2013 half year). These were partially offset by lower costs in the adviser channel.

Operating expenses increased by $8 million or 0.9% due to the inclusion of Private Wealth Asia of $44 million and regulatory and compliance costs, which were partially offset by the re-classification of JBWere sales incentives of $52 million from operating expenses to volume related expenses.

Market share of Retail Superannuation grew over the period with strong client flows.

September 2013 v March 2013

Cash earnings before IoRE of $255 million grew by $47 million or 22.6% on the March 2013 half year as a result of FUM growth and strong performance in the Asset Management business, partially offset by increased regulatory and compliance costs.

Net interest income grew by $13 million or 6.4% primarily due to higher margins and lower overall funding costs.

Other operating income increased by $23 million primarily due to the sale of nabInvest boutique AREA Property Partners.

Gross income grew by $61 million or 7.9% compared to March 2013, driven by higher average FUM balances and higher revenue from increased JBWere brokerage and underwriting volumes.

Average FUM increased by $10.3 billion or 7.9% compared to the prior half year, driven by stronger investment market returns.

Net funds flow was similar to movements in the March 2013 half year.

Volume related expenses increased by $21 million or 7.7% compared to March 2013 primarily as a result of higher average FUM balances over the September 2013 half year.

Operating expenses were $15 million or 3.3% higher than the prior half year mainly due to increased regulatory and compliance project costs.

Other Items

Asset Quality

	As at		
	Sep 13	**Mar 13**	**Sep 12**
Specific provision for doubtful debts ($m)	**18**	16	14
Collective provision for doubtful debts ($m)	**15**	15	16
90+DPD assets ($m)	**71**	69	65
Gross impaired assets ($m)	**75**	79	64
90+DPD plus gross impaired assets to gross loans and acceptances	**0.70%**	0.73%	0.69%
Specific provision to gross impaired assets	**24.0%**	20.3%	21.9%
Net write-offs to gross loans and acceptances (annualised)	**0.06%**	0.06%	0.09%
Total provision as a percentage of net write-offs	**254%**	258%	176%
Total provision to gross loans and acceptances	**0.16%**	0.15%	0.16%
Bad and doubtful debt charge to credit risk weighted assets	**0.16%**	0.09%	0.18%

Asset quality in NAB Wealth remained stable over the past 12 months across the ratio of 90+DPD plus gross impaired assets to gross loans and acceptances and total provision to gross loans and acceptances.

Overall asset quality remains controlled with some small increases in the specific provision for doubtful debts and gross impaired assets.

NAB Wealth - Insurance

	Year to			Half Year to		
	Sep 13 $m	**Sep 12 $m**	**Sep 13 v Sep 12 %**	**Sep 13 $m**	**Mar 13 $m**	**Sep 13 v Mar 13 %**
Gross income	**1,675**	1,615	3.7	**845**	830	1.8
Volume related expenses	**(1,390)**	(1,134)	(22.6)	**(754)**	(636)	(18.6)
Net operating income	**285**	481	(40.7)	**91**	194	(53.1)
Operating expenses	**(243)**	(240)	(1.3)	**(119)**	(124)	4.0
Cash earnings/(deficit) before tax and IoRE	**42**	241	(82.6)	**(28)**	70	large
Income tax (expense)/benefit	**(12)**	(72)	83.3	**10**	(22)	large
Cash earnings/(deficit) before IoRE	**30**	**169**	**(82.2)**	**(18)**	**48**	**large**
Planned and Experience Analysis						
Planned margins	**173**	175	(1.1)	**92**	81	13.6
Experience profit/(loss)	**(143)**	(6)	large	**(110)**	(33)	large
Cash earnings/(deficit) before IoRE	**30**	169	(82.2)	**(18)**	48	large
Performance Measures						
Annual inforce premiums (spot) ($m)	**1,611.4**	1,523.5	5.8	**1,611.4**	1,536.2	4.9
Annual inforce premiums (average) ($m)	**1,567.5**	1,494.9	4.9	**1,573.8**	1,529.9	2.9
New business premiums ($m)	**380.9**	314.7	21.0	**225.8**	155.1	45.6
Insurance cost to average inforce premiums (%)	**16%**	16%	-	**15%**	16%	100 bps

Annual Inforce Premiums ($m)	**As at Sep 12**	**Net Sales**	**As at Sep 13**	**Sep 12 v Sep 13 %**
Retail	1,211.7	26.8	**1,238.5**	2.2
Group Risk	311.8	61.1	**372.9**	19.6
Total	1,523.5	87.9	**1,611.4**	5.8

Annual Inforce Premiums ($m)	**As at Mar 13**	**Net Sales**	**As at Sep 13**	**Mar 13 v Sep 13 %**
Retail	1,223.8	14.7	**1,238.5**	1.2
Group Risk	312.4	60.5	**372.9**	19.4
Total	1,536.2	75.2	**1,611.4**	4.9

	Premiums in Force					
	Jun 13		**Dec 12**		**Jun 12**	
	Rank	**Market Share %**	**Rank**	**Market Share %**	**Rank**	**Market Share %**
Retail risk premiums	**2**	**16.4%**	2	16.7%	2	17.3%
Group Risk	**5**	**9.2%**	6	8.5%	6	9.0%

	Share of New Business					
	Jun 13		**Dec 12**		**Jun 12**	
	Rank	**Market Share %**	**Rank**	**Market Share %**	**Rank**	**Market Share %**
Retail risk premiums	**3**	**14.3%**	3	14.6%	3	15.2%
Group Risk	**4**	**13.2%**	5	9.9%	5	6.6%

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

NAB Wealth - Insurance

Financial Analysis

September 2013 v September 2012

Cash earnings before IoRE of $30 million for the September 2013 year decreased by $139 million or 82.2% compared to the September 2012 year. This was predominately driven by actuarial assumption changes strengthening insurance reserves and higher insurance claims, partially offset by an improvement in lapses through retention initiatives.

Gross income increased by $60 million or 3.7%, mainly as a result of growth in average inforce premiums, partially offset by lower earnings on the assets backing the insurance policy liabilities.

Volume related expenses increased by $256 million or 22.6% as a result of actuarial assumption changes strengthening insurance reserves and higher insurance claims.

Operating expenses grew by $3 million or 1.3% compared to the September 2012 full year due to increased resources in claims management and retention initiatives.

Planned Margins and Experience Profit/(Loss)

Planned margins were $173 million for the September 2013 full year.

Planned margins were not achieved primarily due to higher levels of claims and changes in actuarial assumptions strengthening insurance reserves.

The strengthening of reserves ($57 million pre tax) was driven by current claims experience and the overall industry trend of increased claims experience.

Inforce premiums as at 30 September 2013 of $1.6 billion grew by $88 million or 5.8% compared to September 2012.

September 2013 v March 2013

Cash earnings loss before IoRE of $18 million in the September 2013 half year was a decrease of $66 million compared to the March 2013 half year. This result was predominately driven by actuarial assumption changes strengthening insurance reserves in the September 2013 half year and higher insurance claims which were partially offset by an improvement in lapses.

Gross income increased by $15 million or 1.8% primarily due to growth in average inforce premiums.

Volume related expenses increased by $118 million or 18.6% driven by actuarial assumption changes strengthening insurance reserves, growth in average inforce premiums and higher insurance claims consistent with the broader industry experience. These effects were partially offset by an improvement in lapse experience as a result of a number of retention initiatives implemented in the September 2013 half year.

Operating expenses decreased by $5 million or 4% compared to the March 2013 half year as a result of disciplined cost management, partially offset by costs associated with increased claims management initiatives.

Inforce premiums as at 30 September 2013 of $1.6 billion grew by $75 million or 4.9% compared to March 2013.

NZ Banking

Andrew Thorburn

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

Results presented in local currency. See page 69 for results in $AUDm and page 131 for foreign exchange rates.

	Year to			Half Year to		
	Sep 13 NZ$m	Sep 12 NZ$m	Sep 13 v Sep 12 %	Sep 13 NZ$m	Mar 13 NZ$m	Sep 13 v Mar 13 %
Net interest income	1,466	1,425	2.9	734	732	0.3
Other operating income	499	456	9.4	250	249	0.4
Net operating income	1,965	1,881	4.5	984	981	0.3
Operating expenses	(791)	(763)	(3.7)	(396)	(395)	(0.3)
Underlying profit	1,174	1,118	5.0	588	586	0.3
Charge to provide for bad and doubtful debts	(99)	(98)	(1.0)	(43)	(56)	23.2
Cash earnings before tax	1,075	1,020	5.4	545	530	2.8
Income tax expense	(287)	(279)	(2.9)	(144)	(143)	(0.7)
Cash earnings	**788**	**741**	**6.3**	**401**	**387**	**3.6**
Average Volumes (NZ$bn)						
Gross loans and acceptances	60.6	57.9	4.7	61.4	59.4	3.4
Interest earning assets	62.0	59.6	4.0	62.9	61.2	2.8
Total assets	62.0	59.7	3.9	62.7	61.3	2.3
Customer deposits	38.5	34.5	11.6	39.9	37.1	7.5
Capital (NZ$bn)						
Risk-weighted assets - credit risk (spot)	41.1	37.0	11.1	41.1	38.0	8.2
Total risk-weighted assets (spot)	45.0	40.6	10.8	45.0	41.9	7.4
Performance Measures						
Cash earnings on average assets	1.27%	1.24%	3 bps	1.28%	1.27%	1 bps
Cash earnings on risk-weighted assets	1.86%	1.85%	1 bps	1.86%	1.88%	(2 bps)
Net interest margin	2.36%	2.39%	(3 bps)	2.33%	2.40%	(7 bps)
Cost to income ratio	40.3%	40.6%	30 bps	40.2%	40.3%	10 bps
'Jaws'	0.8%	3.9%	(310 bps)	-	2.9%	(290 bps)
Cash earnings per average FTE (NZ$'000s)	171	162	5.6	173	170	1.8
FTEs (spot)	4,671	4,534	(3.0)	4,671	4,579	(2.0)

	As at		
Market Share [(1)]	**Aug 13**	**Mar 13**	**Sep 12**
Housing	16.1%	16.2%	16.3%
Cards	25.9%	26.9%	26.7%
Agribusiness	22.0%	21.9%	21.7%
Retail deposits [(2)]	19.3%	18.8%	18.8%

[(1)] *Source RBNZ August 13 (historical market share rebased with latest RBNZ published data).*

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

	As at		
Distribution	**Sep 13**	**Mar 13**	**Sep 12**
Number of retail branches	178	178	178
Number of ATMs	470	462	460
Number of internet banking customers (no. '000s)	607	591	566

NZ Banking

Financial Analysis (in local currency)

September 2013 v September 2012

Cash earnings increased by NZ$47 million or 6.3% to NZ$788 million, when compared to the September 2012 year. This was driven by improved revenue, supported by demand for new lending and strong deposit volume growth. NZ Banking continued to achieve positive 'Jaws', as revenue growth outpaced expense growth over the prior year.

Cash earnings on risk-weighted assets increased by one basis point to 1.86%. The growth in cash earnings was offset by increased average risk-weighted assets due to credit growth and Basel III regulatory changes.

Net interest income increased by NZ$41 million or 2.9% through steady growth in housing and business lending volumes. Lower wholesale funding costs were offset by tighter margins in a very competitive market.

Average volumes of **gross loans and acceptances** increased by NZ$2.7 billion or 4.7%. The business lending portfolio experienced strong growth over the year, with market share in the key agribusiness sector growing by 29 basis points to 22.0%. Housing growth was solid, led by increased market activity in Auckland.

Average volumes of customer deposits grew strongly on the prior year, increasing by NZ$4.0 billion or 11.6%. This was driven by a continued focus on strengthening the balance sheet. The strong growth improved BNZ's market share by 49 basis points to 19.3%, in a very competitive market.

Net interest margin decreased by three basis points to 2.36%. This was largely driven by increased deposit costs and customers' preference for lower margin fixed rate mortgages, as these rates became more attractive relative to floating rates. The decrease was partially offset by reduced wholesale funding costs.

Other operating income increased by NZ$43 million or 9.4%. This was driven by a focus on cross-sell and increased customer activity which improved lending fees and card interchange income. Better market conditions and growth in premium revenue from insurance operations also contributed to the result.

Operating expenses increased by NZ$28 million or 3.7%, primarily due to higher depreciation costs from completed strategic investment projects, increased technology investment and marketing costs associated with BNZ's campaign focused on helping customers to "be good with money".

The **charge to provide for bad and doubtful debts** increased by NZ$1 million or 1.0%.

September 2013 v March 2013

Cash earnings increased by NZ$14 million or 3.6% to NZ$401 million when compared to the March 2013 half year. The result was driven by decreases in bad and doubtful debt charges, while net operating income and operating expenses remained broadly flat.

Cash earnings on risk-weighted assets decreased by two basis points to 1.86% on the March 2013 half year, primarily due to higher risk weighted assets. Increased average risk-weighted assets were largely driven by credit growth and the timing of Basel III regulatory changes.

Net interest income was broadly flat, up NZ$2 million or 0.3% against the prior half year. This was supported by stronger lending and deposit volume growth in the September 2013 half year, largely offset by competitive pricing pressure on lending and deposits, as well as customers' preference for lower margin fixed rate housing.

Average volumes of **gross loans and acceptances** grew by NZ$2.0 billion or 3.4%. BNZ increased its market share in the agribusiness sector by 15 basis points to 22.0%, while growth in housing was driven by the active Auckland market.

Average volumes of **customer deposits** grew by NZ$2.8 billion or 7.5% over the March 2013 half year, increasing BNZ's market share by 52 basis points to 19.3%. BNZ continued to focus on raising customer deposits to support lending growth.

Net interest margin decreased by seven basis points to 2.33% compared to the March 2013 half year. Margin pressure on customer deposits and lending products continued as competition intensified. Lending margins also reduced further from accelerating customer switching to fixed rate mortgages.

Other operating income increased slightly by NZ$1 million or 0.4%. The increase was largely driven by improved demand for risk management products.

Operating expenses increased by NZ$1 million or 0.3% compared to the prior half year due to disciplined management of expenses in response to the challenging revenue environment.

The **charge to provide for bad and doubtful debts** decreased by NZ$13 million or 23.2%. This reflects an improvement in overall asset quality driven by the low interest rate environment and improved economic conditions.

Other Items

Asset Quality

	As at		
	Sep 13	**Mar 13**	**Sep 12**
Specific provision for doubtful debts (NZ$m)	**114**	141	131
Collective provision for doubtful debts (NZ$m)	**167**	165	172
Specific provision on loans at fair value (NZ$m)	**35**	35	53
Collective provision on loans at fair value (NZ$m)	**117**	115	114
90+DPD assets (NZ$m)	**273**	263	250
Gross impaired assets (NZ$m)	**405**	418	460
90+DPD to gross loans and acceptances	**0.44%**	0.44%	0.43%
Gross impaired assets to gross loans and acceptances	**0.65%**	0.69%	0.78%
90+DPD plus gross impaired assets to gross loans and acceptances	**1.09%**	1.13%	1.21%
Specific provision to gross impaired assets	**36.8%**	42.1%	40.0%
Net write-offs to gross loans and acceptances (annualised)	**0.22%**	0.23%	0.24%
Total provision as a percentage of net write-offs	**322%**	325%	341%
Total provision to gross loans and acceptances	**0.70%**	0.75%	0.80%
Bad and doubtful debt charge to credit risk weighted assets	**0.24%**	0.30%	0.26%

The New Zealand economy has shown a trend of steady improvement and against this background, the quality of BNZ's lending portfolio has continued to improve.

Compared with September 2012, the level of 90+ DPD plus gross impaired assets to gross loans and acceptances has improved by 12 basis points from 1.21% to 1.09%, driven by a reduction in impaired assets across the business, agriculture and retail portfolio, partially offset by an increase in corporate impaired assets.

The ratio of 90+DPD to gross loans and acceptances increased by one basis point on the prior year with increased delinquency across corporate and business exposures partially offset by a reduction in agriculture and retail delinquent exposures.

The housing lending book has experienced continued improvement in asset quality over the year, with reduction in both impaired asset and delinquency metrics.

Asset quality in unsecured consumer lending also continues to improve, along with the housing lending book, with both books benefitting from a proactive approach in dealing with distressed customers.

Bad and doubtful debt charges for the September 2013 year were similar to those of the September 2012 year.

The ratio of the bad and doubtful debt charge to credit risk weighted assets improved by two basis points to 0.24%, with lower specific provision charges offset by higher collective provision charges.

Net write-offs decreased slightly due to lower levels of impaired assets being written off and the improvement in the unsecured portfolio.

Over the September 2013 year, the ratio of total provisions to gross loans and acceptances reduced by ten basis points to 0.70%, with lower levels of specific provisions flowing from the reduction in impaired assets. Collective provisions fell slightly, reflecting the improved asset quality.

Other provision coverage metrics remain broadly stable, with total provisions remaining at more than three times net write-offs.

Capital and Funding Position

During the year BNZ continued to strengthen its balance sheet by maintaining diverse sources of stable funding and migrating capital levels higher.

BNZ's core funding ratio (CFR) of over 84% as at 30 September 2013 exceeded the RBNZ minimum requirement of 75%. BNZ's Common Equity capital ratio and Tier 1 capital ratio have increased to 8.86% and 10.67% respectively, well above the RBNZ minimum Basel III requirement of 4.50% and 6.00% respectively.

A key strategy underpinning BNZ's balance sheet strength has been a strong focus on growing customer deposits to increase this source of funding, whilst reducing reliance on wholesale funding sources. BNZ's deposit market share has increased over the year from 18.81% to 19.30%.

Global funding markets have been relatively stable during the September 2013 year. BNZ maintains a well diversified funding profile and has raised $NZ 2 billion in September 2013 year through the issuance of senior unsecured debt in both domestic and offshore markets.

Collectively, BNZ's funding and capital position is supportive of BNZ's long-term AA-/AA3 credit rating, and has BNZ very well placed to meet new Basel III liquidity and capital requirements in 2014 and beyond.

NZ Banking

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

	Year to			Half Year to		
	Sep 13 $m	**Sep 12 $m**	**Sep 13 v Sep 12%**	**Sep 13 $m**	**Mar 13 $m**	**Sep 13 v Mar 13%**
Net interest income	**1,207**	1,106	9.1	**623**	584	6.7
Other operating income	**411**	354	16.1	**212**	199	6.5
Net operating income	**1,618**	1,460	10.8	**835**	783	6.6
Operating expenses	**(651)**	(592)	(10.0)	**(335)**	(316)	(6.0)
Underlying profit	**967**	868	11.4	**500**	467	7.1
Charge to provide for bad and doubtful debts	**(81)**	(76)	(6.6)	**(36)**	(45)	20.0
Cash earnings before tax	**886**	792	11.9	**464**	422	10.0
Income tax expense	**(237)**	(217)	(9.2)	**(124)**	(113)	(9.7)
Cash earnings	**649**	**575**	**12.9**	**340**	**309**	**10.0**

Impact of foreign exchange rate movements

Favourable/ (unfavourable) September 13	**Year since Sep 12 $m**	**Sep 13 v Sep 12 Ex FX %**	**Half year since Mar 13 $m**	**Sep 13 v Mar 13 Ex FX %**
Net interest income	**70**	2.8	**37**	0.3
Other operating income	**23**	9.6	**12**	0.5
Operating expenses	**(37)**	(3.7)	**(19)**	-
Charge to provide for bad and doubtful debts	**(4)**	(1.3)	**(2)**	24.4
Income tax expense	**(14)**	(2.8)	**(8)**	(2.7)
Cash earnings	**38**	6.3	**20**	3.6

UK Banking

David Thorburn

UK Banking offers a range of banking services for personal and business customers through retail branches, Business Banking centres, direct banking and broker based channels. It operates under the Clydesdale Bank and Yorkshire Bank brands. The outcomes of the Strategic Review announced in April 2012 have been substantially completed. As part of this review the majority of UK Banking's commercial real estate assets were transferred to National Australia Bank Limited on 5 October 2012 and the remaining business has been significantly restructured. Prior year comparative numbers include the now transferred NAB UK CRE business.

Results presented in local currency. See page 73 for results in $AUDm and page 131 for foreign exchange rates.

	Year to			Half Year to		
	Sep 13 £m	**Sep 12 £m**	**Sep 13 v Sep 12 %**	**Sep 13 £m**	**Mar 13 £m**	**Sep 13 v Mar 13 %**
Net interest income	**751**	864	(13.1)	**383**	368	4.1
Other operating income	**235**	281	(16.4)	**113**	122	(7.4)
Net operating income	**986**	1,145	(13.9)	**496**	490	1.2
Operating expenses	**(701)**	(697)	(0.6)	**(356)**	(345)	(3.2)
Underlying profit	**285**	448	(36.4)	**140**	145	(3.4)
Charge to provide for bad and doubtful debts	**(158)**	(631)	75.0	**(67)**	(91)	26.4
Cash earnings/(deficit) before tax	**127**	(183)	large	**73**	54	35.2
Income tax (expense)/benefit	**(31)**	44	large	**(18)**	(13)	(38.5)
Cash earnings/(deficit)	**96**	**(139)**	**large**	**55**	**41**	**34.1**
Average Volumes (£bn)						
Gross loans and acceptances	**27.1**	33.6	(19.3)	**26.7**	27.4	(2.6)
Interest earning assets	**35.4**	42.5	(16.7)	**34.9**	35.9	(2.8)
Total assets	**38.1**	45.6	(16.4)	**37.3**	39.0	(4.4)
Customer deposits	**24.6**	25.3	(2.8)	**24.1**	25.0	(3.6)
Capital (£bn)						
Risk-weighted assets - credit risk (spot)	**19.8**	27.2	(27.2)	**19.8**	20.8	(4.8)
Total risk-weighted assets (spot)	**24.5**	30.2	(18.9)	**24.5**	25.5	(3.9)
Performance Measures						
Cash earnings on average assets	**0.25%**	(0.30%)	55 bps	**0.29%**	0.21%	8 bps
Cash earnings on risk-weighted assets	**0.37%**	(0.44%)	81 bps	**0.44%**	0.30%	14 bps
Net interest margin	**2.12%**	2.03%	9 bps	**2.19%**	2.06%	13 bps
Cost to income ratio	**71.1%**	60.9%	(1,020 bps)	**71.8%**	70.4%	(140 bps)
'Jaws'	**(14.5%)**	(5.1%)	(940 bps)	**(2.0%)**	(10.3%)	830 bps
Cash earnings per average FTE (£'000s)	**13**	(17)	large	**16**	11	45.5
FTEs (spot)	**7,013**	7,883	11.0	**7,013**	7,150	1.9

	As at		
Distribution	**Sep 13**	**Mar 13**	**Sep 12**
Number of retail branches	**323**	330	333
Number of ATMs	**838**	860	882
Number of internet banking customers (no. '000s)	**657**	634	605

UK Banking

Financial Analysis (in local currency)

September 2013 v September 2012

Cash earnings rose to £96 million, compared to a loss of £139 million in the September 2012 year.

Cash earnings on average risk weighted assets increased by 81 basis points to 0.37%. This was primarily driven by the NAB UK CRE portfolio transfer and the restructuring of the remainder of the business. The restructure has led to a material improvement in cash earnings and a reduction in credit risk weighted assets.

Net interest income decreased by £113 million or 13.1%. The key driver in this reduction was lower business lending income as a result of the NAB UK CRE portfolio transfer. Lower returns on non-interest bearing deposits and capital were also contributory factors. In addition, there was an increase in the Financial Services Compensation Scheme (FSCS) levy in the year. These were partially offset by higher housing lending income, reflecting growth in this product.

The **net interest margin** increased by nine basis points. This was driven by higher lending margins, an improvement in the retail deposit mix and the impact of the NAB UK CRE portfolio transfer.

Average gross loans and acceptances decreased by £6.5 billion or 19.3%. There was a £7.4 billion reduction in business lending balances primarily due to the NAB UK CRE portfolio transfer. Excluding this impact, business lending attrition continued, reflecting risk appetite and the impact of negative system growth. These impacts were partially offset by housing lending growth of 7.5% which was significantly higher than system growth of 1.1%[(1)].

Average customer deposits decreased by £0.7 billion or 2.8%. This reflected the managed rebalancing of the retail deposit book following the NAB UK CRE transfer.

Other operating income decreased by £46 million or 16.4%. The key drivers in this reduction were the impact on fees and commissions of subdued economic activity and lower insurance income resulting from the restructuring of the Wealth Management business.

Operating expenses increased by £4 million or 0.6%. Costs related to legacy conduct related matters continue to have an impact on expenses, with £50 million (AUD$ 78 million) of additional provisions raised in the year. Excluding these, underlying operating expenses decreased by £46 million or 6.6%. Delivery of efficiency initiatives has reduced personnel costs, with planned FTE savings ahead of schedule. Occupancy costs were also lower due to the closure of Business and Private banking centres. This was partly offset by higher marketing costs relating to re-investment in the brand and normalisation of performance related remuneration.

The **charge to provide for bad and doubtful debts** decreased by £473 million to £158 million. The reduction was primarily driven by the transfer of NAB UK CRE assets. Excluding this, charges on the remaining business lending book amount to £116 million, a reduction of £31 million on the prior year. Housing lending loss rates are stable, with unsecured retail lending losses continuing to fall as a result of improvements in delinquency rates.

September 2013 v March 2013

Cash earnings increased by £14 million to £55 million when compared to the March 2013 half year.

Cash earnings on average risk weighted assets increased by 14 basis points to 0.44%. This was mainly due to the reduction in retail funding costs and lower charges for bad and doubtful debts, which led to an improvement in cash earnings, coupled with a reduction in credit risk weighted assets.

Net interest income increased by £15 million or 4.1%. This was driven by higher housing lending income and lower retail funding costs. The increase also reflects the cost of the FSCS levy of £12 million which is incurred in the first half of each financial year. These effects were partially offset by lower business lending income.

The **net interest margin** increased by 13 basis points. This was driven by higher lending margins, improved retail deposit mix and the impact of the FSCS levy booked in the March 2013 half year. This was partially offset by lower returns on non-interest bearing deposits due to the low interest rate environment.

Average gross loans and acceptances decreased by £0.7 billion or 2.6%. There was a £1.0 billion or 9.4% reduction in business lending balances, with portfolio attrition reflecting risk appetite and the impact of negative system growth. This was partially offset by housing lending growth of 1.9% which was higher than system growth which was relatively flat in the period[(1)].

Average customer deposits decreased by £0.9 billion or 3.6%. This reflected the managed rebalancing of the retail deposit book.

Other operating income decreased by £9 million or 7.4%. Insurance income is materially lower due to the restructuring of the Wealth Management business. Additionally, fees and commissions are also lower due to subdued economic activity.

Operating expenses increased by £11 million or 3.2%. Costs related to legacy conduct related matters increased by £6 million (AUD$ 9 million) compared to the prior half year. Excluding this, underlying operating expenses increased by £5 million or 1.4%, driven by higher marketing costs as a result of the brand re-launch, an increase in project related expenditure and normalisation of performance related remuneration. This was partly offset by a reduction in personnel costs due to FTE reduction as a result of the restructuring activity.

The **charge to provide for bad and doubtful debts** decreased by £24 million to £67 million. This was primarily driven by a reduction in business lending losses, reflecting asset quality improvements, and a reduction in the size of the portfolio. The reduction also reflects the benefits from the sale of Retail unsecured debt of £6 million. Housing lending loss rates remain broadly stable.

(1) Source: Bank of England – August 2013.

Other Items

Asset Quality

	As at		
	Sep 13	**Mar 13**	**Sep 12**
Specific provision for doubtful debts (£m)	**133**	127	390
Collective provision for doubtful debts (£m)	**155**	171	353
Specific provision on loans at fair value (£m)	**23**	21	42
Collective provision on loans and derivatives at fair value (£m)	**54**	60	126
90+DPD assets (£m)	**157**	182	322
Gross impaired assets (£m)	**423**	463	1,260
90+DPD to gross loans and acceptances	**0.59%**	0.67%	0.97%
Impaired asset ratio	**1.60%**	1.72%	3.79%
90+DPD plus gross impaired assets to gross loans and acceptances	**2.19%**	2.39%	4.76%
Specific provision to gross impaired assets	**36.9%**	32.0%	34.3%
Net write-offs to gross loans and acceptances (annualised)	**0.58%**	0.65%	1.07%
Total provision as a percentage of net write-offs	**239%**	212%	257%
Total provision to gross loans and acceptances	**1.38%**	1.41%	2.74%
Bad and doubtful debt charge to credit risk-weighted assets	**0.80%**	0.88%	2.32%

Economic and market conditions have stabilised through the second half of the 2013 year with growth prospects in the UK improving, albeit from a low base.

Retail asset quality was stable with lower default rates observed across all unsecured lending. Housing lending impaired loan levels have remained subdued.

The total 90+DPD balances continued to fall in the second half of the year to £157 million as at September 2013, compared with £182 million at March 2013. There has been a stabilisation in the asset quality of the portfolio. The 90+DPD levels for housing lending and the unsecured portfolios have continued to improve through the six months to September 2013. However, the portfolio remains sensitive to economic conditions with the balance of non-retail 90+DPD falling, yet remaining higher than the long-term trend.

The level of gross impaired assets has fallen in the September 2013 half year to £423 million. This follows a period of stability in the non-retail portfolio resulting in a reduced level of impaired balances.

The overall collective provision for doubtful debts has decreased, reflecting the reduction in the business lending portfolio and improvement in overall asset quality.

The personal lending collective provision has also decreased driven by the improved delinquency profile of these portfolios.

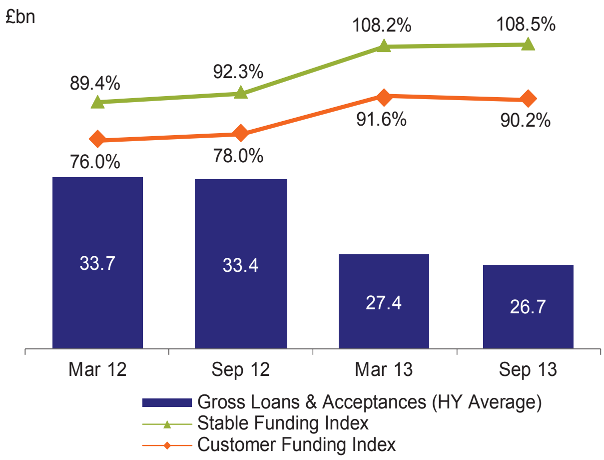
The ratio of total provisions to gross loans and acceptances has fallen to 1.38% in the September 2013 half year. The movement in the ratio since March 2013 reflects the lower risk profile of the book, with a reduced business lending portfolio and growth in the housing lending portfolio which has a lower provisioning requirement.

Capital and Funding Position

The Clydesdale Bank PLC Core Tier 1 ratio (on a UK Prudential Regulation Authority basis) increased from 8.4% at September 2012 to 10.5% at September 2013 and the Tier 1 ratio increased from 9.6% to 12.0%. This was predominantly due to the impact of the NAB UK CRE portfolio transfer and the subsequent reduction in risk-weighted assets.

Clydesdale has maintained its ability to raise term funding with the Covered Bond and Securitisation programs, and remains diversified in terms of the type of instrument and product, currency, counterparty, term structure and market.

Stable Funding and Customer Funding Indices



The year on year improvement in Clydesdale Bank PLC's funding indices was primarily due to the impact of the UK CRE transfer, offset by the impact of reducing higher cost term deposits. The Customer Funding Index (CFI) has increased from 78.0% in September 2012 to 90.2% and the Stable Funding Index (SFI) has increased from 92.3% to 108.5%.

Clydesdale Bank PLC continues to hold £100 million of Floating Rate Notes (FRN) issued by the European Investment Bank and has no direct exposure to any EuroZone Sovereigns as part of its liquidity portfolio.

UK Banking

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

	Year to			Half Year to		
	Sep 13 $m	**Sep 12 $m**	**Sep 13 v Sep 12 %**	**Sep 13 $m**	**Mar 13 $m**	**Sep 13 v Mar 13 %**
Net interest income	**1,177**	1,324	(11.1)	**618**	559	10.6
Other operating income	**368**	429	(14.2)	**183**	185	(1.1)
Net operating income	**1,545**	1,753	(11.9)	**801**	744	7.7
Operating expenses	**(1,098)**	(1,067)	(2.9)	**(575)**	(523)	(9.9)
Underlying profit	**447**	686	(34.8)	**226**	221	2.3
Charge to provide for bad and doubtful debts	**(247)**	(966)	74.4	**(108)**	(139)	22.3
Cash earnings/(deficit) before tax	**200**	(280)	large	**118**	82	43.9
Income tax (expense)/benefit	**(50)**	67	large	**(30)**	(20)	(50.0)
Cash earnings/(deficit)	**150**	**(213)**	**large**	**88**	**62**	**41.9**

Impact of foreign exchange rate movements

Favourable/ (unfavourable) September 13	**Year since Sep 12 $m**	**Sep 13 v Sep 12 Ex FX %**	**Half year since Mar 13 $m**	**Sep 13 v Mar 13 Ex FX %**
Net interest income	**27**	(13.1)	**36**	4.1
Other operating income	**8**	(16.1)	**11**	(7.0)
Operating expenses	**(24)**	(0.7)	**(33)**	(3.6)
Charge to provide for bad and doubtful debts	**(5)**	74.9	**(7)**	27.3
Income tax expense	**(1)**	large	**(2)**	(40.0)
Cash earnings	**5**	large	**5**	33.9

Great Western Bank

Andrew Thorburn

Great Western Bank (GWB) provides a range of retail, commercial, agri and wealth management banking services through a community bank model across the mid-western United States. GWB maintains a fully deposit funded position and is the 7th largest bank lender of Agribusiness loans in the United States as of 30 June 2013[1]. In addition to Agribusiness, GWB's diversified lending portfolio includes small and medium business, commercial property, and consumer product offerings.

Results presented in local currency. See page 77 for results in $AUDm and page 131 for foreign exchange rates.

	Year to			Half Year to		
	Sep 13 US$m	**Sep 12 US$m**	**Sep 13 v Sep 12 %**	**Sep 13 US$m**	**Mar 13 US$m**	**Sep 13 v Mar 13 %**
Net interest income	**295**	279	5.7	**148**	147	0.7
Other operating income	**79**	77	2.6	**39**	40	(2.5)
Net operating income	**374**	356	5.1	**187**	187	-
Operating expenses	**(182)**	(178)	(2.2)	**(90)**	(92)	2.2
Underlying profit	**192**	178	7.9	**97**	95	2.1
Charge to provide for bad and doubtful debts	**(22)**	(25)	12.0	**(9)**	(13)	30.8
Cash earnings before tax	**170**	153	11.1	**88**	82	7.3
Income tax expense	**(57)**	(53)	(7.5)	**(30)**	(27)	(11.1)
Cash earnings	**113**	**100**	**13.0**	**58**	**55**	**5.5**
Average Volumes (US$bn)						
Gross loans and acceptances	**6.3**	5.6	12.5	**6.3**	6.2	1.6
Interest earning assets	**7.8**	7.5	4.0	**7.9**	7.8	1.3
Total assets *	**8.4**	7.9	6.3	**8.4**	8.3	1.2
Customer deposits	**6.9**	6.6	4.5	**6.9**	7.0	(1.4)
Capital (US$bn)						
Risk-weighted assets - credit risk (spot)	**6.0**	5.8	3.4	**6.0**	5.9	1.7
Total risk-weighted assets (spot)	**6.7**	6.3	6.3	**6.7**	6.4	4.7
Performance Measures						
Cash earnings on average assets	**1.35%**	1.27%	8 bps	**1.38%**	1.33%	5 bps
Cash earnings on risk-weighted assets	**1.74%**	1.70%	4 bps	**1.75%**	1.74%	1 bps
Net interest margin	**3.78%**	3.75%	3 bps	**3.74%**	3.77%	(3 bps)
Cost to income ratio	**48.7%**	50.0%	130 bps	**48.1%**	49.2%	110 bps
'Jaws'	**2.9%**	(3.4%)	630 bps	**2.2%**	2.2%	-
Cash earnings per average FTE (US$'000s)	**74**	66	12.1	**77**	71	8.5
FTEs (spot)	**1,489**	1,569	5.1	**1,489**	1,531	2.7

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

[1] *Federal Deposit Insurance Corporation Call & Thrift Report Filings as of and for the quarter ended 30 June, 2013.*

Great Western Bank

Financial Analysis (in local currency)

September 2013 v September 2012

Cash earnings increased by US$13 million or 13.0% to US$113 million. The increase was driven primarily by higher net interest income due to higher average interest earning asset balances and a reduction in the overall cost of deposit funding.

Net interest income increased by US$16 million or 5.7%, driven by a 12.5% increase in gross loans while customer deposits grew by 4.5%.

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

Other operating income increased by US$2 million or 2.6% primarily attributable to increased housing lending origination volumes from higher refinance volumes, particularly in the March 2013 half year. This was partially offset by a decrease in realised gains on the sale of securities from the liquid investment portfolio.

Operating expenses increased by US$4 million or 2.2%, mainly driven by incremental branch operating costs associated with the ten branches acquired from First Federal Savings Bank of Iowa (First Federal) in June 2012.

The **charge to provide for bad and doubtful debts** decreased by US$3 million or 12.0%, reflecting continued improvement in the overall credit quality of the loan portfolio.

Cash earnings on risk weighted assets increased by four basis points as the year on year increase in cash earnings was partially offset by a rise in risk weighted assets driven in part by the runoff of TierOne acquired assets with Federal Deposit Insurance Corporation (FDIC) loss share coverage. These assets, which have preferential risk weighting treatment, were replaced with fully-risk weighted assets.

Average gross loans and acceptances grew by US$0.7 billion or 12.5%. This was due to strong organic growth in the Agribusiness and SME segments, as well as US$0.3 billion of loans acquired from First Federal in June 2012.

Average customer deposits increased by US$0.3 billion or 4.5%, reflecting the full year impact of US$0.3 billion of acquired First Federal deposits and organic growth in business transaction accounts.

September 2013 v March 2012

Cash earnings increased US$3 million or 5.5%. The increase was driven by expense reductions and a reduction in bad and doubtful debt charges.

Net interest income increased by US$1 million or 0.7%, driven by continued increases in average gross loans and incremental progress in reducing deposit costs partially offset by lower lending margins.

Net interest margin decreased by three basis points as lower lending margins attributable to competitive pressures outpaced the benefits of deposit cost reductions.

Other operating income decreased by US$1 million or 2.5%, primarily as a result of reductions in housing lending originations caused by rising interest rates in the US home mortgage market.

Operating expenses decreased by US$2 million or 2.2%, as a restructure of the Retail business and focused FTE reductions led to lower personnel costs.

The **charge to provide for bad and doubtful debts** decreased by US$4 million or 30.8% as the overall credit quality of the loan portfolio continued to improve with fewer specific charges.

Cash earnings on risk weighted assets increased by one basis point as the increase in cash earnings was partially offset by the runoff of the TierOne acquired assets and increases in risk weighted assets attributable to interest rate risk in the banking book as interest rates increased.

Average gross loans and acceptances increased by US$0.1 billion or 1.6%, due to organic growth in the portfolio continuing to outpace the runoff of non-core acquired loans.

Average customer deposits decreased by US$0.1 billion or 1.4% reflecting pricing strategies implemented during the year.

Other Items

Asset Quality

Excluding covered loans [1]	As at Sep 13	Mar 13	Sep 12
Specific provision for doubtful debts (US$m)	**9**	12	14
Collective provision for doubtful debts (US$m)	**40**	44	43
Gross impaired assets (US$m)	**73**	69	87
Gross impaired assets to non-covered gross loans and acceptances	**1.21%**	1.20%	1.55%
Specific provision to gross impaired assets	**12.3%**	12.5%	16.1%
Total provision to non-covered gross loans and acceptances	**0.81%**	0.97%	1.02%

Including covered loans [1]	As at Sep 13	Mar 13	Sep 12
90+DPD assets (US$m)	**15**	21	28
Specific provision for doubtful debts (US$m)	**9**	12	14
Collective provision for doubtful debts (US$m)	**40**	44	43
Collective provision on loans at fair value (US$m)	**6**	5	-
Gross impaired assets (US$m)	**96**	96	120
90+DPD to gross loans and acceptances	**0.24%**	0.34%	0.45%
Gross impaired assets to gross loans and acceptances	**1.50%**	1.55%	1.95%
90+DPD plus gross impaired assets to gross loans and acceptances	**1.74%**	1.90%	2.40%
Specific provision to gross impaired assets	**9.4%**	12.5%	11.7%
Net write-offs to gross loans and acceptances (annualised)	**0.36%**	0.32%	0.28%
Total provision to gross loans and acceptances	**0.86%**	0.98%	0.92%

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

Economic conditions in the key states within the GWB footprint continue to be favourable when compared to other regions in the United States, with lower unemployment, more stable housing prices, and less volatile commercial real estate. Concerns related to severe drought conditions experienced in 2012 have abated as much of the footprint received sufficient precipitation through the 2013 growing season, though some concerns remain. GWB continues to focus on growing a portfolio that is diversified across asset classes and selected geographies.

The acquired TierOne loan portfolio, predominantly covered by the FDIC loss share agreement, continues to perform and run off in line with expectations. Approximately US$390 million of assets with loss share coverage, including loans and foreclosed property, remained in the portfolio as of 30 September, 2013. Coverage on the commercial assets in the portfolio expires in June 2015, while consumer loans are covered through June 2020.

Assets included in 90+DPD, which relate to the acquired TierOne loans, continued to decline in absolute dollar terms and as a percentage of gross loans and acceptances, while gross impaired assets declined as a percentage of gross loans and acceptances.

Capital and Funding Position

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

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

Great Western Bank

Results presented in Australian dollars. See page 74 for results in local currency.

	Year to			Half Year to		
	Sep 13 $m	**Sep 12 $m**	**Sep 13 v Sep 12 %**	**Sep 13 $m**	**Mar 13 $m**	**Sep 13 v Mar 13 %**
Net interest income	**296**	272	8.8	**155**	141	9.9
Other operating income	**79**	74	6.8	**40**	39	2.6
Net operating income	**375**	346	8.4	**195**	180	8.3
Operating expenses	**(182)**	(173)	(5.2)	**(94)**	(88)	(6.8)
Underlying profit	**193**	173	11.6	**101**	92	9.8
Charge to provide for bad and doubtful debts	**(23)**	(25)	8.0	**(10)**	(13)	23.1
Cash earnings before tax	**170**	148	14.9	**91**	79	15.2
Income tax expense	**(57)**	(50)	(14.0)	**(31)**	(26)	(19.2)
Cash earnings	**113**	**98**	**15.3**	**60**	**53**	**13.2**

Impact of foreign exchange rate movements

Favourable/ (unfavourable) September 13	**Year since Sep 12 $m**	**Sep 13 v Sep 12 Ex FX %**	**Half year since Mar 13 $m**	**Sep 13 v Mar 13 Ex FX %**
Net interest income	**9**	5.5	**12**	1.4
Other operating income	**3**	2.7	**4**	(7.7)
Operating expenses	**(5)**	(2.3)	**(7)**	1.1
Charge to provide for bad and doubtful debts	**(1)**	12.0	**(2)**	38.5
Income tax expense	**(2)**	(10.0)	**(2)**	(11.5)
Cash earnings	**4**	11.2	**5**	3.8

NAB UK Commercial Real Estate

Bruce Munro

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

Given the formation of the business on 5 October 2012, no prior year comparatives are available.

Results presented in local currency below, see page 131 for foreign exchange rates.

	Year to	Half Year to		
	Sep 13 £m	Sep 13 £m	Mar 13 £m	Sep 13 v Mar 13 %
Net interest income	39	17	22	(22.7)
Other operating income	(11)	5	(16)	large
Net operating income	28	22	6	large
Operating expenses	(36)	(20)	(16)	(25.0)
Underlying (loss)/profit	(8)	2	(10)	large
Charge to provide for bad and doubtful debts	(304)	(119)	(185)	35.7
Cash deficit before tax	(312)	(117)	(195)	40.0
Income tax benefit	73	27	46	(41.3)
Cash deficit	(239)	(90)	(149)	39.6
Average Volumes (£bn)				
Gross loans and acceptances	4.9	4.5	5.3	(15.1)
Interest earning assets	5.0	4.7	5.4	(13.0)
Spot Volumes (£bn)				
Gross loans and acceptances	4.0	4.0	5.0	(19.6)
Interest earning assets	4.2	4.2	5.1	(17.6)
Capital (£bn)				
Risk-weighted assets - credit risk (spot)	3.8	3.8	4.3	(12.1)

Results presented in Australian dollars.

	Year to	Half Year to		
	Sep 13 $m	Sep 13 $m	Mar 13 $m	Sep 13 v Mar 13 %
Net interest income	61	28	33	(15.2)
Other operating income	(17)	8	(25)	large
Net operating income	44	36	8	large
Operating expenses	(56)	(33)	(23)	(43.5)
Underlying (loss)/profit	(12)	3	(15)	large
Charge to provide for bad and doubtful debts	(477)	(196)	(281)	30.2
Cash deficit before tax	(489)	(193)	(296)	34.8
Income tax benefit	114	44	70	(37.1)
Cash deficit	(375)	(149)	(226)	34.1

NAB UK Commercial Real Estate

Financial Analysis (in local currency)

September 2013

The cash earnings deficit of £239 million was principally driven by the bad and doubtful debt charge for the year.

Net operating income of £28 million represents £44 million of underlying interest margin and fee income offset by charges of £16 million relating to a customer derivative transaction. Mark-to-market exposure on the remaining customer derivatives totals £66 million as at 30 September 2013.

Operating expenses of £36 million mainly represents personnel costs, the UK Bank Levy and intra-group charges for the operating platform used by NAB UK CRE.

The **charge to provide for bad and doubtful debts** of £304 million reflects the ongoing stress in the commercial real estate market in the UK. Included within the results is a £20 million release of the NAB UK CRE overlay. While the level of bad and doubtful debts remains elevated, the level of losses has decreased since the September 2012 year. By way of an indicative comparison, UK CRE assets incurred a charge of £445 million in the year to September 2012, which were reflected in the UK Banking results.

The **interest earning assets spot** balance was £4.2 billion at 30 September 2013 with gross loans and acceptances (GLAs) of £4.0 billion, a net reduction of £1.6 billion over the period. Net of provisions for doubtful debts, GLAs stand at £3.5 billion.

Risk-weighted assets of £3.8 billion have been reduced by £1.4 billion during the period.

September 2013 vs March 2013

The **cash earnings deficit** decreased by £59 million or 39.6% on the March 2013 half year, primarily due to lower bad and doubtful debt charges and a charge of £16 million relating to a customer derivative transaction which occurred in the prior half year.

Net operating income increased by £16 million, largely due to a charge of £16 million in the March 2013 half year relating to a customer derivative transaction.

Operating expenses increased by £4 million, or 25.0% largely due to the UK Bank Levy charge of £2.0 million.

The **charge to provide for bad and doubtful debts** of £119 million was £66 million, or 35.7%, lower than in the previous half year due to a lower incidence of significant provisions taken on individual customers in the September 2013 half year. Included within the half year results to September 2013 is a £20 million release of the NAB UK CRE overlay.

The **interest earnings assets spot** balance was £0.9 billion lower at 30 September 2013 at £4.2 billion, with GLAs £1.0 billion lower at £4.0 billion. This is in line with the strategic aim of exiting the NAB UK CRE portfolio.

Risk Weighted Assets have been reduced by £0.5 billion in the half to 30 September 2013. This is line with the reduction in the balance sheet.

Other Items

Asset Quality

	As at Sep 13	As at Mar 13
Specific provision for doubtful debts (£m)	**328**	289
Collective provision for doubtful debts (£m)	**148**	183
Specific provision on loans at fair value (£m)	**69**	46
Collective provision on loans and derivatives at fair value (£m)	**49**	56
90+DPD assets (£m)	**127**	185
Gross impaired assets (£m)	**979**	1,051
90+DPD to gross loans and acceptances	**3.17%**	3.71%
Gross impaired assets to gross loans and acceptances	**24.40%**	21.05%
90+DPD plus gross impaired assets to gross loans and acceptances	**27.57%**	24.76%
Specific provision to gross impaired assets	**40.6%**	31.9%
Net write-offs to gross loans and acceptances (annualised)	**5.56%**	5.42%
Total provision as a percentage of net write-offs	**266%**	212%
Total provision to gross loans and acceptances	**14.81%**	11.48%
Bad and doubtful debt charge to credit risk weighted assets	**8.07%**	8.65%

The economic environment in the UK remains challenging, although there have recently been some early indications that the economy is starting to improve. The specific bad and doubtful debt charge over the period arises from ongoing economic pressure on distressed businesses and the continuing refresh of asset valuations as part of the close management of the portfolio.

During the second half the total of gross impaired and 90+DPD assets has reduced by 10.5% over the half to £1.1 billion from £1.2 billion. The reduction of gross loans and acceptances was more marked reducing 19.6% to £4.0 billion, leading to ratios that mask the underlying improvement in the nominal levels of gross impaired and 90+DPD assets.

Corporate Functions and Other

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

The results of the Corporate Functions and Other includes both the results of SGA and the results of NAB's operations in Asia for the September 2012 full year. In 2013, results for NAB's operations in Asia are included in the results for Business Banking and NAB Wealth.

	Year to			Half Year to		
	Sep 13 $m	Sep 12 $m	Sep 13 v Sep 12 %	Sep 13 $m	Mar 13 $m	Sep 13 v Mar 13 %
Net operating income	690	742	(7.0)	319	371	(14.0)
Operating expenses	(517)	(421)	(22.8)	(337)	(180)	(87.2)
Underlying profit	173	321	(46.1)	(18)	191	large
Charge to provide for bad and doubtful debts	8	(334)	large	29	(21)	large
Cash earnings/(deficit) before tax	181	(13)	large	11	170	(93.5)
Income tax benefit/(expense)	14	91	(84.6)	34	(20)	large
Cash earnings	195	78	large	45	150	(70.0)

September 2013 v September 2012

Cash earnings increased by $117 million against September 2012 primarily due to lower charges to provide for bad and doubtful debts given the economic cycle adjustment in the prior year and lower specific provisions in the SGA portfolio. These were partially offset by restructuring costs relating to the organisational realignment in Australia and additional provisions for UK conduct related matters.

Net operating income decreased by $52 million or 7.0%. Excluding the transfer of Asia, net operating income increased by $86 million driven by foreign exchange and interest rate movements on structural funding transactions to support the Group's operations, largely offset in other business units, and higher income on the SGA portfolio, partially offset by lower earnings on capital as interest rates declined.

Operating expenses increased by $96 million or 22.8%. Excluding the transfer of Asia, operating expenses increased by $164 million driven by restructuring costs relating to the organisational realignment in Australia, additional provisions of $85 million (£54 million) for UK conduct related matters held centrally, combined with higher costs incurred to support the implementation of NextGen.

The **charge to provide for bad and doubtful debts** decreased by $342 million as a result of the increase in the economic cycle adjustment included in September 2012, combined with lower specific provisions in the SGA portfolio.

The **income tax benefit** of $14 million includes the benefit of concessional taxation treatment of offshore funding activities and other centrally managed activities.

September 2013 v March 2013

Cash earnings decreased by $105 million or 70.0% against March 2013 due to restructuring costs relating to the organisational realignment in Australia, combined with additional provisions for UK conduct related matters combined with lower income. These were partially offset by lower charges for bad and doubtful debts.

Net operating income decreased by $52 million or 14.0% due to lower income in SGA as a result of the continued run-down of the portfolio, lower earnings on capital as interest rates declined, partially offset by the benefit of higher levels of capital held.

Operating expenses increased by $157 million or 87.2% due to restructuring costs relating to the organisational realignment in Australia, additional provisions of $40 million (£24 million) for UK conduct related matters held centrally, combined with continued investment in the business. This has been partially offset by a GST recovery.

The **charge to provide for bad and doubtful debts** decreased by $50 million primarily due to the release of the collective provision held centrally for hardship experience in Australia.

The **income tax benefit** of $34 million includes the benefit of concessional taxation treatment of offshore funding activities and other centrally managed activities.

Section 5

Financial Report

Income Statement

		Year to		Half Year to	
	Note	Sep 13 $m	Sep 12 $m	Sep 13 $m	Mar 13 $m
Interest income		31,311	34,542	15,422	15,889
Interest expense		(17,960)	(21,300)	(8,658)	(9,302)
Net interest income		13,351	13,242	6,764	6,587
Premium and related revenue		1,511	1,406	777	734
Investment revenue		11,065	7,463	5,763	5,302
Fee income		546	525	281	265
Claims expense		(909)	(800)	(477)	(432)
Change in policy liabilities		(9,072)	(5,677)	(4,737)	(4,335)
Policy acquisition and maintenance expense		(928)	(908)	(471)	(457)
Investment management expense		(4)	(5)	(1)	(3)
Movement in external unitholders' liability		(1,649)	(1,264)	(827)	(822)
Net life insurance income		560	740	308	252
Gains less losses on financial instruments at fair value	3	769	223	557	212
Other operating income	3	3,604	3,510	1,773	1,831
Total other income		4,373	3,733	2,330	2,043
Personnel expenses	4	(4,362)	(4,526)	(2,220)	(2,142)
Occupancy-related expenses	4	(600)	(609)	(309)	(291)
General expenses	4	(3,311)	(3,687)	(1,678)	(1,633)
Total operating expenses		(8,273)	(8,822)	(4,207)	(4,066)
Charge to provide for doubtful debts	8	(1,810)	(2,734)	(757)	(1,053)
Profit before income tax expense		8,201	6,159	4,438	3,763
Income tax expense	5	(2,741)	(2,076)	(1,501)	(1,240)
Net profit for the period		5,460	4,083	2,937	2,523
Attributable to:					
Owners of the Company		5,452	4,082	2,932	2,520
Non-controlling interest in controlled entities		8	1	5	3
Net profit for the period		5,460	4,083	2,937	2,523
		cents	cents	cents	cents
Basic earnings per share		229.5	175.3	122.3	105.8
Diluted earnings per share		227.5	174.4	120.8	105.1

Statement of Comprehensive Income

	Note	Year to Sep 13 $m	Year to Sep 12 $m	Half Year to Sep 13 $m	Half Year to Mar 13 $m
Net profit for the period		5,460	4,083	2,937	2,523
Other comprehensive income					
Items that will not be reclassified to profit or loss					
Actuarial gains/(losses) on defined benefit superannuation plans	11	19	(535)	(162)	181
Revaluation of land and buildings	11	6	(1)	6	-
Exchange differences on translation of other contributed equity		221	(61)	222	(1)
Tax on items transferred directly (from)/to equity		(62)	104	(16)	(46)
Total items that will not be reclassified to profit or loss		184	(493)	50	134
Items that will be reclassified subsequently to profit or loss					
Cash flow hedges:					
(Losses)/gains on cash flow hedging instruments	11	(438)	123	(255)	(183)
Losses/(gains) transferred to the income statement	11	11	(7)	6	5
Exchange differences on translation of foreign operations		1,158	(78)	1,406	(248)
Investments - available for sale:					
Revaluation (losses)/gains	11	(18)	66	(9)	(9)
Gains from sale transferred to the income statement	11	(38)	(19)	(26)	(12)
Impairment transferred to the income statement	11	13	5	10	3
Tax on items transferred directly to/(from) equity		61	(69)	8	53
Total items that will be reclassified subsequently to profit or loss		749	21	1,140	(391)
Other comprehensive income for the period, net of income tax		933	(472)	1,190	(257)
Total comprehensive income for the period		6,393	3,611	4,127	2,266
Attributable to:					
Owners of the Company		6,385	3,610	4,122	2,263
Non-controlling interest in controlled entities		8	1	5	3
Total comprehensive income for the period		6,393	3,611	4,127	2,266

Balance Sheet

	Note	As at 30 Sep 13 $m	31 Mar 13 $m	30 Sep 12 $m
Assets				
Cash and liquid assets		**35,666**	30,130	19,464
Due from other banks		**43,193**	42,018	47,410
Trading derivatives		**39,214**	36,027	40,899
Trading securities		**32,996**	29,494	28,614
Investments - available for sale		**34,886**	29,247	28,985
Investments - held to maturity		**5,629**	6,518	9,762
Investments relating to life insurance business		**75,599**	70,482	68,414
Other financial assets at fair value		**75,756**	68,463	64,027
Hedging derivatives		**3,926**	2,349	3,615
Loans and advances		**411,979**	394,741	394,735
Due from customers on acceptances		**29,319**	33,157	36,957
Current tax assets		**63**	79	92
Property, plant and equipment		**1,993**	1,908	1,901
Goodwill and other intangible assets		**7,641**	7,246	7,088
Deferred tax assets		**1,616**	1,738	2,150
Other assets		**8,951**	8,797	8,977
Total assets		**808,427**	762,394	763,090
Liabilities				
Due to other banks		**34,623**	28,128	28,691
Trading derivatives		**41,749**	40,375	45,127
Other financial liabilities at fair value		**26,431**	22,829	21,732
Hedging derivatives		**3,431**	5,404	6,348
Deposits and other borrowings	10	**445,572**	425,629	419,921
Liability on acceptances		**3,228**	6,273	7,801
Life policy liabilities		**64,509**	58,902	56,584
Current tax liabilities		**922**	514	713
Provisions		**1,636**	1,127	1,820
Bonds, notes and subordinated debt		**110,722**	101,004	103,372
Other debt issues		**2,944**	2,775	1,783
Defined benefit superannuation plan liabilities		**354**	123	482
External unitholders' liability		**11,837**	12,138	12,546
Other liabilities		**13,849**	12,472	12,367
Total liabilities		**761,807**	717,693	719,287
Net assets		**46,620**	44,701	43,803
Equity				
Contributed equity	11	**28,139**	28,208	27,373
Reserves	11	**(1,420)**	(2,850)	(2,319)
Retained profits	11	**19,842**	19,293	18,702
Total equity (parent entity interest)		**46,561**	44,651	43,756
Non-controlling interest in controlled entities		**59**	50	47
Total equity		**46,620**	44,701	43,803

Cash Flow Statement

	Note	Year to Sep 13 $m	Year to Sep 12 $m	Half Year to Sep 13 $m	Half Year to Mar 13 $m
Cash flows from operating activities					
Interest received		31,254	34,340	15,585	15,669
Interest paid		(18,326)	(21,731)	(8,784)	(9,542)
Dividends received		10	46	5	5
Life insurance:					
Premiums and other revenue received		9,139	6,648	5,654	3,485
Investment revenue received		2,073	2,371	1,404	669
Policy and other payments		(9,210)	(8,127)	(4,214)	(4,996)
Fees and commissions paid		(496)	(507)	(254)	(242)
Net trading revenue received/(paid)		2,577	(72)	557	2,020
Other operating income received		3,971	4,879	2,186	1,785
Payments to employees and suppliers:					
Personnel expenses paid		(4,210)	(4,434)	(1,991)	(2,219)
Other operating expenses paid		(3,862)	(3,960)	(1,589)	(2,273)
Goods and services tax (paid)/received		(15)	15	(20)	5
Payments for income taxes		(1,845)	(1,912)	(817)	(1,028)
Cash flows from operating activities before changes in operating assets and liabilities		11,060	7,556	7,722	3,338
Changes in operating assets and liabilities arising from cash flow movements					
Net funds (placed in)/received from deposits with supervisory central banks that are not part of cash equivalents		(313)	(168)	(328)	15
Net funds (advanced to)/received from other banks with maturity greater than three months		(4,518)	(3,756)	(4,733)	215
Net receipts from acceptance transactions		3,061	3,270	776	2,285
Net funds advanced to customers for loans and advances		(8,014)	(15,691)	(4,438)	(3,576)
Net acceptance from/(repayment of) deposits and other borrowings		8,388	21,196	(1,379)	9,767
Net movement in life insurance business investments		(659)	(2,373)	181	(840)
Net movement in other life insurance assets and liabilities		(93)	(303)	(6)	(87)
Net receipts from transactions in treasury bills and other eligible bills held for trading and not part of cash equivalents		921	70	33	888
Net (payments for)/receipts from transactions in trading securities		(4,957)	7,029	(5,012)	55
Net (payments for)/receipts from trading derivatives		(692)	4,016	1,369	(2,061)
Net funds advanced for hedging derivative assets and other financial assets at fair value		(7,714)	(12,609)	(3,912)	(3,802)
Net receipts from/(payments for) hedging derivative liabilities and other financial liabilities at fair value		390	(7,438)	670	(280)
Net decrease/(increase) in other assets		414	(1,116)	142	272
Net increase/(decrease) in other liabilities		3,890	(2,230)	3,767	123
Changes in operating assets and liabilities arising from cash flow movements		(9,896)	(10,103)	(12,870)	2,974
Net cash provided by/(used in) operating activities	12(a)	1,164	(2,547)	(5,148)	6,312

	Note	Year to Sep 13 $m	Year to Sep 12 $m	Half Year to Sep 13 $m	Half Year to Mar 13 $m
Cash flows from investing activities					
Movement in investments - available for sale					
Purchases		**(24,673)**	(32,616)	**(14,708)**	(9,965)
Proceeds from disposal		**2,309**	1,153	**1,319**	990
Proceeds on maturity		**16,245**	23,921	**8,134**	8,111
Movement in investments - held to maturity					
Purchases		**(1,896)**	(11,501)	**(1,856)**	(40)
Proceeds on disposal and maturity		**6,404**	13,524	**3,345**	3,059
Purchase of controlled entities and business combinations, net of cash acquired	12(d)	**-**	(57)	**-**	-
Purchase of property, plant, equipment and software		**(1,232)**	(946)	**(660)**	(572)
Proceeds from sale of property, plant, equipment and software, net of costs		**104**	115	**65**	39
Net cash (used in)/provided by investing activities		**(2,739)**	(6,407)	**(4,361)**	1,622
Cash flows from financing activities					
Repayments of bonds, notes and subordinated debt		**(24,442)**	(18,535)	**(12,441)**	(12,001)
Proceeds from issue of bonds, notes and subordinated debt, net of costs		**25,777**	31,388	**13,709**	12,068
Proceeds from issue of ordinary shares, net of costs		**20**	5	**18**	2
Repayments of BNZ income securities		**(380)**	-	**-**	(380)
Proceeds from other debt issues, net of costs		**1,496**	-	**-**	1,496
Purchase of shares for dividend reinvestment plan neutralisation		**(300)**	-	**(300)**	-
Dividends and distributions paid (excluding dividend reinvestment plan)		**(3,493)**	(2,744)	**(1,774)**	(1,719)
Net cash (used in)/provided by financing activities		**(1,322)**	10,114	**(788)**	(534)
Net (decrease)/increase in cash and cash equivalents		**(2,897)**	1,160	**(10,297)**	7,400
Cash and cash equivalents at beginning of period		**36,212**	36,006	**42,174**	36,212
Effects of exchange rate changes on balance of cash held in foreign currencies		**4,026**	(954)	**5,464**	(1,438)
Cash and cash equivalents at end of period	12(b)	**37,341**	36,212	**37,341**	42,174

Statement of Changes in Equity

Group – Yearly

	Contributed equity [1] $m	Reserves [1] $m	Retained profits [1] $m	Total $m	Non-controlling interest in controlled entities $m	Total equity $m
Balance at 1 October 2011	25,274	(773)	17,667	42,168	20	**42,188**
Net profit for the period	-	-	4,082	4,082	1	**4,083**
Other comprehensive income for the period	-	(41)	(431)	(472)	-	**(472)**
Total comprehensive income for the period	-	(41)	3,651	3,610	1	**3,611**
Transactions with owners, recorded directly in equity:						
Contributions by and distributions to owners						
Issue of ordinary shares	1,405	-	-	1,405	-	**1,405**
Exercise of executive share options	5	-	-	5	-	**5**
Conversion of other debt issues	600	-	-	600	-	**600**
Transfer from equity-based compensation reserve	253	(253)	-	-	-	**-**
Treasury shares adjustment relating to life insurance business	(164)	-	-	(164)	-	**(164)**
Transfer (to)/from retained profits	-	(1,471)	1,471	-	-	**-**
Equity-based compensation	-	219	-	219	-	**219**
Dividends paid	-	-	(3,880)	(3,880)	-	**(3,880)**
Distributions on other equity instruments	-	-	(207)	(207)	-	**(207)**
Changes in ownership interests [2]						
Movement of non-controlling interest in controlled entities	-	-	-	-	26	**26**
Balance at 30 September 2012	27,373	(2,319)	18,702	43,756	47	**43,803**
Net profit for the period	-	-	5,452	5,452	8	**5,460**
Other comprehensive income for the period	-	976	(43)	933	-	**933**
Total comprehensive income for the period	-	976	5,409	6,385	8	**6,393**
Transactions with owners, recorded directly in equity:						
Contributions by and distributions to owners						
Issue of ordinary shares	843	-	-	843	-	**843**
Exercise of executive share options	20	-	-	20	-	**20**
Conversion of other debt issues	500	-	-	500	-	**500**
Buyback of BNZ Income Securities	(380)	-	-	(380)	-	**(380)**
Transfer from equity-based compensation reserve	195	(195)	-	-	-	**-**
Treasury shares adjustment relating to life insurance business	(112)	-	-	(112)	-	**(112)**
On market purchase of shares for dividend reinvestment plan neutralisation	(300)			(300)	-	**(300)**
Transfer (to)/from retained profits	-	(67)	67	-	-	**-**
Equity-based compensation	-	185	-	185	-	**185**
Dividends paid	-	-	(4,148)	(4,148)	-	**(4,148)**
Distributions on other equity instruments	-	-	(188)	(188)	-	**(188)**
Changes in ownership interests [2]						
Movement of non-controlling interest in controlled entities	-	-	-	-	4	**4**
Balance at 30 September 2013	28,139	(1,420)	19,842	46,561	59	**46,620**

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

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

Statement of Changes in Equity

Group – Half Yearly

	Contributed equity (1) $m	Reserves (1) $m	Retained profits (1) $m	Total $m	Non-controlling interest in controlled entities $m	Total equity $m
Balance at 1 October 2012	27,373	(2,319)	18,702	43,756	47	**43,803**
Net profit for the period	-	-	2,520	2,520	3	**2,523**
Other comprehensive income for the period	-	(392)	135	(257)	-	**(257)**
Total comprehensive income for the period	-	(392)	2,655	2,263	3	**2,266**
Transactions with owners, recorded directly in equity:						
Contributions by and distributions to owners						
Issue of ordinary shares	403	-	-	403	-	**403**
Exercise of executive share options	2	-	-	2	-	**2**
Conversion of other debt issues	500	-	-	500	-	**500**
Buyback of BNZ Income Securities	(380)	-	-	(380)	-	**(380)**
Transfer from equity-based compensation reserve	177	(177)	-	-	-	**-**
Treasury share adjustment relating to life insurance business	133	-	-	133	-	**133**
Transfer (to)/from retained profits	-	(58)	58	-	-	**-**
Equity-based compensation	-	96	-	96	-	**96**
Dividends paid	-	-	(2,028)	(2,028)	-	**(2,028)**
Distributions on other equity instruments	-	-	(94)	(94)	-	**(94)**
Balance at 31 March 2013	28,208	(2,850)	19,293	44,651	50	**44,701**
Net profit for the period	-	-	2,932	2,932	5	**2,937**
Other comprehensive income for the period	-	1,368	(178)	1,190	-	**1,190**
Total comprehensive income for the period	-	1,368	2,754	4,122	5	**4,127**
Transactions with owners, recorded directly in equity:						
Contributions by and distributions to owners						
Issue of ordinary shares	440	-	-	440	-	**440**
Exercise of executive share options	18	-	-	18	-	**18**
Transfer from equity-based compensation reserve	18	(18)	-	-	-	**-**
Treasury shares adjustment relating to life insurance business	(245)	-	-	(245)	-	**(245)**
On market purchase of shares for dividend reinvestment plan neutralisation	(300)	-	-	(300)	-	**(300)**
Transfer (to)/from retained profits	-	(9)	9	-	-	**-**
Equity-based compensation	-	89	-	89	-	**89**
Dividends paid	-	-	(2,120)	(2,120)	-	**(2,120)**
Distributions on other equity instruments	-	-	(94)	(94)	-	**(94)**
Changes in ownership interests (2)						
Movement of non-controlling interest in controlled entities	-	-	-	-	4	**4**
Balance at 30 September 2013	28,139	(1,420)	19,842	46,561	59	**46,620**

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

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

1. Principal Accounting Policies

The preliminary final report for the year ended 30 September 2013 has been prepared in accordance with the requirements of the Australian Securities Exchange (ASX) Listing Rules.

This report does not, and cannot be expected to, contain all disclosures of the type normally found within an annual financial report and it is not designed or intended to be a suitable substitute for the 30 September 2013 annual financial report.

This report should be read in conjunction with the 2012 annual financial report, the 2013 half year results, any public announcements made by the Group during the year and when released, the 2013 annual financial report.

This report has been prepared on the basis of accounting policies consistent with those applied in the 30 September 2012 annual financial report, except as disclosed below.

Adoption of the following new and amended Accounting Standards and Interpretations, which were applicable from 1 October 2012, have not had a material impact on the Group:

- AASB 2010-8 "Amendments to Australian Accounting Standards - Deferred Tax: Recovery of Underlying Assets" which clarifies that the tax base of investment property measured using the fair value model is based on the premise that the carrying amount will be recovered entirely through sale rather than through use;
- AASB 2011-9 "Amendments to Australian Accounting Standards - Presentation of Items of Other Comprehensive Income" which requires presentation of items of other comprehensive income that will be reclassified to profit or loss in the future separately from those that will never be reclassified to profit or loss;
- AASB 2013-2 "Amendments to AASB 1038 – Regulatory Capital" which makes amendments to AASB 1038 Life Insurance Contracts as a consequence of changes to the Australian Prudential Regulation Authority's reporting requirements relating to life insurers, particularly Prudential Standard LPS 110 "Capital Adequacy", applicable from 1 January 2013. Primarily the amendments align terminology by changing references to 'solvency' in AASB 1038 to 'capital.'

The preparation of this report requires the use of critical accounting estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and the disclosed amount of contingent liabilities. Assumptions made at each reporting date (such as the calculation of provision for doubtful debts, defined benefit obligations and fair value adjustments), are based on best estimates at that date. Although the Group has internal control systems in place to ensure that estimates are reliably measured, actual amounts may differ from those estimated.

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

Currency of presentation

All amounts are expressed in Australian dollars unless otherwise stated.

2. Segment Information

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

The Group's business consists of the following reportable segments: Business Banking; Personal Banking; Wholesale Banking; NAB Wealth; and NZ Banking. In addition, information on the following segments that do not meet the threshold to be reportable segments is also included in this note to reconcile to Group information: UK Banking; Great Western Bank; NAB UK Commercial Real Estate and Corporate Functions & Other.

The NAB UK Commercial Real Estate business was transferred from Clydesdale Bank PLC to the Company on 5 October 2012. Following this change, the results of this segment are now separately reported going forward and no longer included in UK Banking. In addition, due to the run-down of the Specialised Group Assets portfolio, the business will no longer be separately reported as a separate segment and instead will be included in Corporate Functions & Other. Also, in addition to these changes NAB Asia is no longer reported in Corporate Functions & Other and is now reported in the Business Banking and NAB Wealth segments. As a result of these changes, the segment information for the current period has been presented on both the old basis (2012) and new basis (2013) of segmentation. The corresponding items of segment information for comparative periods has not been restated as the information is not available and the cost to develop it would be excessive.

Major Customers

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

	Year ended 30 September 2013			
Segment Information (new basis)	**Cash Earnings $m**	**Net interest income $m**	**Total other income and NAB Wealth income $m**	**Total assets $m**
Business Banking	2,488	5,017	1,047	196,439
Personal Banking	1,228	3,343	570	167,668
Wholesale Banking	1,194	1,231	1,356	243,567
NAB Wealth	482	421	1,408	108,908
NZ Banking	649	1,207	411	56,856
UK Banking	150	1,177	368	64,314
Great Western Bank	113	296	79	9,829
NAB UK Commercial Real Estate	(375)	61	(17)	6,600
Corporate Functions & Other	195	654	36	28,968
Distributions/Eliminations	(188)	-	(85)	(74,722)
Total	5,936	13,407	5,173	808,427

	Year ended 30 September 2013			
Segment Information (old basis)	**Cash Earnings $m**	**Net interest income $m**	**Total other income and NAB Wealth income $m**	**Total assets $m**
Business Banking	2,481	4,975	1,037	191,836
Personal Banking	1,228	3,343	570	167,668
Wholesale Banking	1,194	1,231	1,356	243,567
NAB Wealth	465	360	1,400	105,933
NZ Banking	649	1,207	411	56,856
UK Banking	(225)	1,238	351	70,914
Great Western Bank	113	296	79	9,829
Specialised Group Assets	72	66	47	6,128
Corporate Functions & Other	147	691	7	30,418
Distributions/Eliminations	(188)	-	(85)	(74,722)
Total	5,936	13,407	5,173	808,427

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

Segment Information (new basis)	Cash Earnings $m	Net interest income $m	Total other income and NAB Wealth income $m	Total assets $m
	Half Year ended 30 September 2013			
Business Banking	1,248	2,487	525	196,439
Personal Banking	675	1,709	296	167,668
Wholesale Banking	579	665	605	243,567
NAB Wealth	229	217	684	108,908
NZ Banking	340	623	212	56,856
UK Banking	88	618	183	64,314
Great Western Bank	60	155	40	9,829
NAB UK Commercial Real Estate	(149)	28	8	6,600
Corporate Functions & Other	45	297	22	28,968
Distributions/Eliminations	(94)	-	(44)	(74,722)
Total	3,021	6,799	2,531	808,427

Segment Information (new basis)	Cash Earnings $m	Net interest income $m	Total other income and NAB Wealth income $m	Total assets $m
	Half Year ended 31 March 2013			
Business Banking	1,240	2,530	522	198,467
Personal Banking	553	1,634	274	161,070
Wholesale Banking	615	566	751	222,785
NAB Wealth	253	204	724	102,246
NZ Banking	309	584	199	50,588
UK Banking	62	559	185	55,266
Great Western Bank	53	141	39	8,597
NAB UK Commercial Real Estate	(226)	33	(25)	6,956
Corporate Functions & Other	150	357	14	24,710
Distributions/Eliminations	(94)	-	(41)	(68,291)
Total	2,915	6,608	2,642	762,394

Reconciliation of cash earnings to net profit attributable to owners of the Company	Year to		Half Year to	
	Sep 13 $m	Sep 12 $m	Sep 13 $m	Mar 13 $m
Group cash earnings [1]	**5,936**	5,433	**3,021**	2,915
Non-cash earnings items (after tax):				
Distributions	**188**	207	**94**	94
Treasury shares	**(342)**	(155)	**(144)**	(198)
Fair value and hedge ineffectiveness	**(151)**	(270)	**97**	(248)
IoRE discount rate variation	**22**	16	**12**	10
Hedging costs on SCDO assets	**-**	(99)	**-**	-
Litigation expense/recovery	**39**	(101)	**56**	(17)
Amortisation of acquired intangible assets	**(77)**	(99)	**(41)**	(36)
PPI and Customer redress provisions	**(163)**	(239)	**(163)**	-
Impairment of goodwill and software	**-**	(349)	**-**	-
Restructure costs	**-**	(174)	**-**	-
Due diligence, acquisition and integration costs	**-**	(88)	**-**	-
Net profit attributable to owners of the Company	**5,452**	4,082	**2,932**	2,520

Reconciliation of net interest income	Year to		Half Year to	
	Sep 13 $m	Sep 12 $m	Sep 13 $m	Mar 13 $m
Net interest income on a cash earnings basis	**13,407**	13,297	**6,799**	6,608
NAB Wealth net adjustment [2]	**(56)**	(55)	**(35)**	(21)
Net interest income on a statutory basis	**13,351**	13,242	**6,764**	6,587

(1) *Includes eliminations and distributions.*

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

Reconciliation of other income and NAB Wealth income	Year to Sep 13 $m	Year to Sep 12 $m	Half Year to Sep 13 $m	Half Year to Mar 13 $m
Total other income and NAB Wealth income on a cash earnings basis (1)	**5,173**	4,927	**2,531**	2,642
NAB Wealth net adjustment (2)	**650**	296	**388**	262
Treasury shares	**(386)**	(175)	**(155)**	(231)
Fair value and hedge ineffectiveness	**(313)**	(256)	**80**	(393)
IoRE discount rate variation	**32**	24	**17**	15
Hedging costs on SCDO assets	**-**	(141)	**-**	-
Amortisation of acquired intangible assets	**(19)**	(18)	**(19)**	-
PPI customer redress provision	**(204)**	(184)	**(204)**	-
Total other income and Net life insurance income on a statutory basis	**4,933**	4,473	**2,638**	2,295

(1) *Includes eliminations and distributions.*

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

3. Other Income

	Year to		Half Year to	
	Sep 13 $m	Sep 12 $m	Sep 13 $m	Mar 13 $m
Gains less losses on financial instruments at fair value				
Trading securities	**162**	969	**(11)**	173
Trading derivatives:				
Trading and risk management purposes	**1,391**	(738)	**746**	645
Recovery on SCDO risk mitigation trades	**-**	219	**-**	-
Assets, liabilities and derivatives designated in hedge relationships [1]	**93**	116	**263**	(170)
Assets and liabilities designated at fair value	**(900)**	(281)	**(490)**	(410)
Impairment of investments - available for sale	**(13)**	(5)	**(10)**	(3)
Other	**36**	(57)	**59**	(23)
Total gains less losses on financial instruments at fair value	**769**	223	**557**	212
Other operating income				
Dividend revenue	**10**	46	**5**	5
Gains from sale of investments - available for sale	**38**	19	**26**	12
Gains from sale of property, plant and equipment and other assets	**-**	16	**-**	-
Banking fees	**969**	936	**477**	492
Money transfer fees	**654**	652	**332**	322
Fees and commissions	**1,734**	1,650	**902**	832
Investment management fees	**204**	177	**108**	96
Fleet management fees	**29**	26	**15**	14
Rentals received on leased vehicle assets	**12**	13	**6**	6
Revaluation (losses)/gains on investment properties	**2**	(11)	**2**	-
Other income [2]	**(48)**	(14)	**(100)**	52
Total other operating income	**3,604**	3,510	**1,773**	1,831
Total other income	**4,373**	3,733	**2,330**	2,043

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

(2) *Other income includes the charge for an additional provision in relation to UK payment protection insurance of $204 million for the September 2013 full year and $184 million for the September 2012 full year ($0 million half year March 2013).*

4. Operating Expenses

	Year to		Half Year to	
	Sep 13 $m	Sep 12 $m	Sep 13 $m	Mar 13 $m
Personnel expenses				
Salaries and related on-costs	3,242	3,236	1,634	1,608
Superannuation costs - defined contribution plans	266	256	134	132
Superannuation costs - defined benefit plans	31	38	14	17
Performance-based compensation:				
Cash	312	292	147	165
Equity-based compensation	174	214	84	90
Total performance-based compensation	486	506	231	255
Other expenses	337	490	207	130
Total personnel expenses	4,362	4,526	2,220	2,142
Occupancy-related expenses				
Operating lease rental expense	447	430	231	216
Other expenses	153	179	78	75
Total occupancy-related expenses	600	609	309	291
General expenses				
Fees and commission expense	285	253	148	137
Depreciation and amortisation of property, plant and equipment	301	299	149	152
Amortisation of intangible assets	330	337	162	168
Depreciation on leased vehicle assets	8	9	2	6
Operating lease rental expense	30	27	13	17
Advertising and marketing	205	181	119	86
Charge to provide for operational risk event losses	146	276	80	66
Communications, postage and stationery	295	262	155	140
Computer equipment and software	559	524	271	288
Data communication and processing charges	134	124	72	62
Transport expenses	86	85	44	42
Professional fees	373	450	224	149
Travel	79	72	45	34
Loss on disposal of property, plant and equipment and other assets	16	4	10	6
Impairment losses recognised	8	355	6	2
Other expenses	456	429	178	278
Total general expenses	3,311	3,687	1,678	1,633
Total operating expenses	8,273	8,822	4,207	4,066

5. Income Tax Expense

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

	Year to		Half Year to	
	Sep 13 $m	Sep 12 $m	Sep 13 $m	Mar 13 $m
Profit before income tax expense	**8,201**	6,159	**4,438**	3,763
Deduct profit before income tax expense attributable to the statutory funds of the life insurance business and their controlled trusts	**(885)**	(850)	**(433)**	(452)
Total profit excluding that attributable to the statutory funds of the life insurance business and their controlled trusts, before income tax expense	**7,316**	5,309	**4,005**	3,311
Prima facie income tax at 30%	**2,195**	1,593	**1,202**	993
Add/(deduct): Tax effect of amounts not deductible/(assessable):				
Assessable foreign income	**8**	8	**4**	4
Foreign tax rate differences	**27**	36	**10**	17
Depreciation on buildings not deductible	**3**	3	**2**	1
Foreign branch income not assessable	**(103)**	(82)	**(55)**	(48)
(Over)/under provision in prior years	**(13)**	38	**(11)**	(2)
Offshore banking unit income	**(49)**	(37)	**(32)**	(17)
Restatement of deferred tax balance for UK, US and NZ tax changes	**13**	5	**14**	(1)
Treasury shares adjustment	**71**	32	**35**	36
Goodwill impairment	**-**	88	**-**	-
Other	**(33)**	3	**(2)**	(31)
Total income tax expense on profit excluding that attributable to the statutory funds of the life insurance business and their controlled trusts	**2,119**	1,687	**1,167**	952
Income tax expense/(benefit) attributable to the statutory funds of the life insurance business and their controlled trusts	**622**	389	**334**	288
Total income tax expense	**2,741**	2,076	**1,501**	1,240
Effective tax rate, excluding statutory funds attributable to the life insurance business and their controlled trusts	**29.0%**	31.8%	**29.1%**	28.8%

6. Dividends and Distributions

Dividends on ordinary shares recognised by the Group the year ended 30 September:

	Amount per share cents	Total amount $m
2013		
Final dividend declared in respect of the year ended 30 September 2012	90	2,070
Interim dividend declared in respect of the year ended 30 September 2013	93	2,179
Deduct: Bonus shares in lieu of dividend	n/a	(53)
Dividends paid by the Company during the year ended 30 September 2013		4,196
Deduct: Dividends on treasury shares		(75)
Total dividends paid by the Group during the year ended 30 September 2013		4,121
2012		
Final dividend declared in respect of the year ended 30 September 2011	88	1,940
Interim dividend declared in respect of the year ended 30 September 2012	90	2,015
Deduct: Bonus shares in lieu of dividend	n/a	(51)
Dividends paid by the Company during the year ended 30 September 2012		3,904
Deduct: Dividends on treasury shares		(62)
Total dividends paid by the Group during the year ended 30 September 2012		3,842

Franked dividends declared or paid during the year were fully franked at a tax rate of 30% (2012: 30%).

Final Dividend

On 31 October 2013, the directors declared the following dividend:

	Amount per share cents	Total amount $m	Franked amount per share %
Final dividend declared in respect of the year ended 30 September 2013	97	2,278	100

The record date for determining entitlements to the 2013 final dividend is 13 November 2013. The financial effect of this dividend has not been brought to account in the financial statements for the year ended 30 September 2013 and will be recognised in subsequent financial reports. No New Zealand imputation credits have been attached to the 2013 final dividend.

	Year to			
	30 Sep 13		30 Sep 12	
Dividends on preference shares	Amount per security cents [(1)]	Total amount $m	Amount per security cents [(1)]	Total amount $m
BNZ Income Securities	**2.89**	**13**	5.56	25
BNZ Income Securities 2	**5.38**	**14**	5.00	13
Total dividends on preference shares		**27**		38

(1) *$A equivalent.*

	Year to			
	30 Sep 13		30 Sep 12	
Distributions on other equity instruments	Amount per security $	Total amount $m	Amount per security $	Total amount $m
National Income Securities	**4.40**	**88**	5.70	114
Trust Preferred Securities [(1)]	**87.50**	**35**	87.50	35
Trust Preferred Securities II [(1)]	**55.00**	**44**	53.75	43
National Capital Instruments	**2,625.00**	**21**	1,875.00	15
Total distributions on other equity instruments		**188**		207

(1) *$A equivalent.*

Dividend and distribution plans

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

The last date for receipt of election notices for the Dividend Reinvestment Plan and the Bonus Share Plan is 5pm (Australian Eastern Daylight Savings time) on 13 November 2013.

7. Loans and Advances including Acceptances

	As at 30 Sep 13 $m	31 Mar 13 $m	30 Sep 12 $m
Housing loans	**289,363**	274,603	268,729
Other term lending	**160,523**	149,834	150,803
Asset and lease financing	**13,069**	13,626	14,578
Overdrafts	**13,534**	13,193	14,168
Credit card outstandings	**7,867**	7,926	7,915
Other	**7,395**	7,201	6,348
Fair value adjustment	**687**	1,034	1,359
Gross loans and advances	**492,438**	467,417	463,900
Acceptances	**29,319**	33,157	36,957
Gross loans and advances including acceptances	**521,757**	500,574	500,857
Represented by:			
Loans and advances at fair value [1]	**75,012**	66,920	63,027
Loans and advances at amortised cost	**417,426**	400,497	400,873
Acceptances	**29,319**	33,157	36,957
Gross loans and advances including acceptances	**521,757**	500,574	500,857
Unearned income and deferred net fee income	**(1,429)**	(1,581)	(1,917)
Provision for doubtful debts	**(4,018)**	(4,175)	(4,221)
Net loans and advances including acceptances	**516,310**	494,818	494,719
Securitised loans [2]	**13,715**	12,376	11,771

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

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

By product and geographic location	Australia $m	Europe $m	New Zealand $m	United States $m	Asia $m	Total Group $m
As at 30 September 2013						
Housing loans	232,251	28,016	26,213	758	2,125	**289,363**
Other term lending	102,497	22,498	25,268	7,003	3,257	**160,523**
Asset and lease financing	11,293	1,761	10	-	5	**13,069**
Overdrafts	6,556	4,821	2,111	17	29	**13,534**
Credit card outstandings	5,972	687	1,184	24	-	**7,867**
Other	3,833	921	793	-	1,848	**7,395**
Fair value adjustment	523	251	(81)	(6)	-	**687**
Gross loans and advances	362,925	58,955	55,498	7,796	7,264	**492,438**
Acceptances	29,311	8	-	-	-	**29,319**
Gross loans and advances including acceptances	392,236	58,963	55,498	7,796	7,264	**521,757**
Represented by:						
Loans and advances at fair value	47,359	5,353	21,397	903	-	**75,012**
Loans and advances at amortised cost	315,566	53,602	34,101	6,893	7,264	**417,426**
Acceptances	29,311	8	-	-	-	**29,319**
Gross loans and advances including acceptances	392,236	58,963	55,498	7,796	7,264	**521,757**

By product and geographic location	Australia $m	Europe $m	New Zealand $m	United States $m	Asia $m	Total Group $m
As at 31 March 2013						
Housing loans	226,034	22,883	23,258	669	1,759	**274,603**
Other term lending	97,038	21,620	22,258	6,079	2,839	**149,834**
Asset and lease financing	11,959	1,650	9	-	8	**13,626**
Overdrafts	6,798	4,582	1,791	5	17	**13,193**
Credit card outstandings	6,193	601	1,115	17	-	**7,926**
Other	4,975	745	259	2	1,220	**7,201**
Fair value adjustment	545	476	(8)	21	-	**1,034**
Gross loans and advances	353,542	52,557	48,682	6,793	5,843	**467,417**
Acceptances	33,150	7	-	-	-	**33,157**
Gross loans and advances including acceptances	386,692	52,564	48,682	6,793	5,843	**500,574**
Represented by:						
Loans and advances at fair value	42,600	5,495	18,116	709	-	**66,920**
Loans and advances at amortised cost	310,942	47,062	30,566	6,084	5,843	**400,497**
Acceptances	33,150	7	-	-	-	**33,157**
Gross loans and advances including acceptances	386,692	52,564	48,682	6,793	5,843	**500,574**

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

8. Provision for Doubtful Debts

	As at 30 Sep 13 $m	31 Mar 13 $m	30 Sep 12 $m
Specific provision for doubtful debts	1,840	1,884	1,875
Collective provision for doubtful debts	2,178	2,291	2,346
Total provision for doubtful debts	4,018	4,175	4,221
Specific provision on loans at fair value [1]	190	126	108
Collective provision on loans and derivatives at fair value [1][2]	781	758	796
Total provision for doubtful debts and provisions held on assets at fair value [3]	4,989	5,059	5,125

(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 $176 million (March 2013 $208 million, September 2012 $226 million)*

(3) *Total provision for doubtful debts does not include provisions on investments - held to maturity of $77 million (March 2013 $89 million, September 2012 $80 million).*

Movement in provisions for doubtful debts

	Year to Sep 13 Specific $m	Collective $m	Total $m	Year to Sep 12 Specific $m	Collective $m	Total $m
Opening balance	1,875	2,346	4,221	1,475	2,505	3,980
Transfer to/(from) specific/collective provision	2,045	(2,045)	-	2,660	(2,660)	-
Bad debts recovered	160	-	160	160	-	160
Bad debts written off	(2,298)	-	(2,298)	(2,413)	-	(2,413)
Charge to income statement	-	1,799	1,799	-	2,521	2,521
Foreign currency translation and other adjustments	58	78	136	(7)	(20)	(27)
Total provision for doubtful debts	1,840	2,178	4,018	1,875	2,346	4,221

	Half Year to Sep 13 Specific $m	Collective $m	Total $m	Half Year to Mar 13 Specific $m	Collective $m	Total $m
Opening balance	1,884	2,291	4,175	1,875	2,346	4,221
Transfer to/(from) specific/collective provision	990	(990)	-	1,055	(1,055)	-
Bad debts recovered	73	-	73	87	-	87
Bad debts written off	(1,235)	-	(1,235)	(1,063)	-	(1,063)
Charge to income statement	-	757	757	-	1,042	1,042
Foreign currency translation and other adjustments	128	120	248	(70)	(42)	(112)
Total provision for doubtful debts	1,840	2,178	4,018	1,884	2,291	4,175

Charge to provide for doubtful debts

Charge for doubtful debts by geographic location	Year to Sep 13 $m	Sep 12 $m	Half Year to Sep 13 $m	Mar 13 $m
Australia	1,046	1,151	452	594
Europe	632	1,291	257	375
New Zealand	93	47	35	58
United States	22	31	11	11
Asia	6	1	2	4
Total charge to provide for doubtful debts excluding investments - held to maturity	1,799	2,521	757	1,042
Total charge on investments - held to maturity	11	213	-	11
Total charge to provide for doubtful debts	1,810	2,734	757	1,053

9. Asset Quality

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

	As at		
Summary of total impaired assets	**30 Sep 13 $m**	**31 Mar 13 $m**	**30 Sep 12 $m**
Impaired assets [(1)]	**6,221**	5,988	6,329
Restructured loans [(2)]	**126**	114	214
Gross total impaired assets [(3)]	**6,347**	6,102	6,543
Specific provision - total impaired assets	**(2,030)**	(2,010)	(1,983)
Net total impaired assets	**4,317**	4,092	4,560

(1) *Impaired assets do not include impaired conduit assets classified as investments - held to maturity of $273 million (March 2013 $269 million, September 2012 $269 million).*

(2) *These loans represent facilities which have been classified as restructured for reasons relating to the financial difficulty of the counterparty. Restructured loans included $22 million of restructured fair value assets (March 2013 $nil, September 2012 $1 million).*

(3) *Gross impaired assets include $533 million of gross impaired other financial assets at fair value (March 2013 $341 million, September 2012 $256 million).*

Movement in gross impaired assets	**Australia $m**	**Europe $m**	**New Zealand $m**	**United States $m**	**Asia $m**	**Total Group $m**
Balance as at 31 March 2012	3,691	1,827	417	151	2	**6,088**
New	1,357	1,086	189	45	5	**2,682**
Written-off	(587)	(282)	(79)	(29)	-	**(977)**
Returned to performing or repaid	(722)	(359)	(163)	(38)	-	**(1,282)**
Foreign currency translation adjustments	-	28	4	-	-	**32**
Balance as at 30 September 2012	3,739	2,300	368	129	7	**6,543**
New	977	1,055	114	9	-	**2,155**
Written-off	(463)	(353)	(60)	(23)	-	**(899)**
Returned to performing or repaid	(1,043)	(389)	(89)	(23)	-	**(1,544)**
Foreign currency translation adjustments	-	(156)	2	1	-	**(153)**
Balance as at 31 March 2013	3,210	2,457	335	93	7	**6,102**
New	1,384	933	187	27	-	**2,531**
Written-off	(678)	(290)	(76)	(7)	-	**(1,051)**
Returned to performing or repaid	(763)	(808)	(122)	(24)	-	**(1,717)**
Foreign currency translation adjustments	-	433	36	12	1	**482**
Gross impaired assets as at 30 September 2013	3,153	2,725	360	101	8	**6,347**

Gross impaired assets to gross loans & acceptances - by geographic location	As at 30 Sep 13 %	31 Mar 13 %	30 Sep 12 %
Australia	**0.80**	0.83	0.97
Europe	**4.62**	4.67	3.96
New Zealand	**0.65**	0.69	0.78
United States	**1.30**	1.37	1.88
Asia	**0.11**	0.12	0.14
Total gross impaired assets to gross loans & acceptances	**1.22**	1.22	1.31
Group coverage ratios			
Net impaired assets to total equity (1)(2)	**9.3**	9.2	10.4
Specific provision to gross impaired assets	**32.0**	32.9	30.3
Collective provision to credit risk-weighted assets (3)	**0.94**	0.99	1.05
Collective provision including GRCL (top-up) to credit risk-weighted assets (3)	**1.16**	1.22	1.30
90+ days past due plus gross impaired assets to gross loans and acceptances	**1.69**	1.74	1.78
Net write-offs to gross loans and acceptances (annualised)	**0.41**	0.39	0.45
Total provision as a percentage of net write-offs (annualised) (4)	**233**	258	227
Total provision to gross loans and acceptances (4)	**0.96**	1.01	1.02

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

(2) *Net impaired assets include $344 million of net impaired other financial assets at fair value (March 2013 $215 million, September 2012 $148 million).*

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

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

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

Summary of non-impaired loans 90+ days past due	As at 30 Sep 13 $m	31 Mar 13 $m	30 Sep 12 $m
Total non-impaired assets past due 90 days or more with adequate security	**2,217**	2,389	2,191
Total non-impaired portfolio managed facilities past due 90 to 180 days	**246**	203	166
Total non-impaired 90+ days past due loans	**2,463**	2,592	2,357
Total non-impaired 90+ days past due loans to gross loans and acceptances (%)	**0.47**	0.52	0.47

Non-impaired loans 90+ days past due - by geographic location	As at 30 Sep 13 $m	31 Mar 13 $m	30 Sep 12 $m
Australia	**1,707**	1,824	1,626
Europe	**491**	535	501
New Zealand	**243**	211	199
United States	**17**	20	26
Asia	**5**	2	5
Total non-impaired 90+ day past due loans	**2,463**	2,592	2,357

10. Deposits and Other Borrowings

	As at		
	30 Sep 13 $m	31 Mar 13 $m	30 Sep 12 $m
Term deposits	**169,373**	165,328	162,027
On-demand and short-term deposits	**167,458**	150,436	152,240
Certificates of deposit	**62,684**	68,374	69,492
Deposits not bearing interest	**28,917**	26,396	24,667
Total deposits	**428,432**	410,534	408,426
Borrowings	**17,426**	13,831	11,229
Securities sold under agreements to repurchase	**7,551**	8,681	6,868
Fair value adjustment	**228**	241	266
Total deposits and other borrowings	**453,637**	433,287	426,789
Represented by:			
Total deposits and other borrowings at fair value [(1)]	**8,065**	7,658	6,868
Total deposits and other borrowings at amortised cost	**445,572**	425,629	419,921
Total deposits and other borrowings	**453,637**	433,287	426,789

[(1)] *Included within the carrying value of other financial liabilities at fair value. These amounts are included in the product and geographical analysis below.*

By product and geographic location	Australia $m	Europe $m	New Zealand $m	United States $m	Asia $m	Total Group $m
As at 30 September 2013						
Term deposits	116,339	14,173	22,243	4,076	12,542	**169,373**
On-demand and short-term deposits	120,560	30,081	12,610	3,867	340	**167,458**
Certificates of deposit	29,752	24,565	1,534	6,833	-	**62,684**
Deposits not bearing interest	22,422	2,893	2,302	1,296	4	**28,917**
Total deposits	289,073	71,712	38,689	16,072	12,886	**428,432**
Borrowings	1,105	-	3,400	12,921	-	**17,426**
Securities sold under agreements to repurchase	2,091	1,500	-	3,960	-	**7,551**
Fair value adjustment	-	221	6	1	-	**228**
Total deposits and other borrowings	292,269	73,433	42,095	32,954	12,886	**453,637**
Represented by:						
Total deposits and other borrowings at fair value	-	933	7,131	1	-	**8,065**
Total deposits and other borrowings at amortised cost	292,269	72,500	34,964	32,953	12,886	**445,572**
Total deposits and other borrowings	292,269	73,433	42,095	32,954	12,886	**453,637**

By product and geographic location	Australia $m	Europe $m	New Zealand $m	United States $m	Asia $m	Total Group $m
As at 31 March 2013						
Term deposits	115,223	13,894	18,075	6,047	12,089	**165,328**
On-demand and short-term deposits	110,170	24,209	11,153	4,579	325	**150,436**
Certificates of deposit	28,354	28,492	1,658	9,870	-	**68,374**
Deposits not bearing interest	20,533	2,512	1,942	1,406	3	**26,396**
Total deposits	274,280	69,107	32,828	21,902	12,417	**410,534**
Borrowings	986	-	3,485	9,360	-	**13,831**
Securities sold under agreements to repurchase	2,216	3,281	-	3,184	-	**8,681**
Fair value adjustment	-	232	7	2	-	**241**
Total deposits and other borrowings	277,482	72,620	36,320	34,448	12,417	**433,287**
Represented by:						
Total deposits and other borrowings at fair value	-	942	6,714	2	-	**7,658**
Total deposits and other borrowings at amortised cost	277,482	71,678	29,606	34,446	12,417	**425,629**
Total deposits and other borrowings	277,482	72,620	36,320	34,448	12,417	**433,287**

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

11. Contributed Equity and Reserves

Contributed equity	As at 30 Sep 13 $m	31 Mar 13 $m	30 Sep 12 $m
Issued and paid-up ordinary share capital			
Ordinary shares, fully paid	**23,605**	23,674	22,459
Issued and paid-up preference share capital			
BNZ Income Securities	**-**	-	380
BNZ Income Securities 2	**203**	203	203
Other contributed equity			
National Income Securities	**1,945**	1,945	1,945
Trust Preferred Securities	**975**	975	975
Trust Preferred Securities II	**1,014**	1,014	1,014
National Capital Instruments	**397**	397	397
Total contributed equity	**28,139**	28,208	27,373

Movements in contributed equity	Year to Sep 13 $m	Year to Sep 12 $m	Half Year to Sep 13 $m	Half Year to Mar 13 $m
Ordinary share capital				
Balance at beginning of period	**22,459**	20,360	**23,674**	22,459
Shares issued:				
Dividend reinvestment plan	**843**	1,405	**440**	403
Exercise of executive share options	**20**	5	**18**	2
Conversion of other debt issues	**500**	600	**-**	500
Transfer from equity-based compensation reserve	**195**	253	**18**	177
Treasury shares adjustment relating to life insurance business	**(112)**	(164)	**(245)**	133
On market purchase of shares for dividend reinvestment plan neutralisation	**(300)**	-	**(300)**	-
Balance at end of period	**23,605**	22,459	**23,605**	23,674
Preference share capital				
Balance at beginning of period	**583**	583	**203**	583
Buyback of BNZ Income Securities	**(380)**	-	**-**	(380)
Balance at end of period	**203**	583	**203**	203

Reserves	As at 30 Sep 13 $m	31 Mar 13 $m	30 Sep 12 $m
General reserve	**-**	-	-
Asset revaluation reserve	**79**	75	75
Foreign currency translation reserve	**(2,501)**	(4,075)	(3,828)
Cash flow hedge reserve	**105**	308	446
Equity-based compensation reserve	**296**	228	319
General reserve for credit losses	**539**	544	592
Available for sale investments reserve	**62**	70	77
Total reserves	**(1,420)**	(2,850)	(2,319)

Movements in reserves	Year to Sep 13 $m	Year to Sep 12 $m	Half Year to Sep 13 $m	Half Year to Mar 13 $m
General reserve				
Balance at beginning of period	**-**	1,267	**-**	-
Transfer to retained profits [(1)]	**-**	(1,267)	**-**	-
Balance at end of period	**-**	-	**-**	-

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

	Year to Sep 13 $m	Year to Sep 12 $m	Half Year to Sep 13 $m	Half Year to Mar 13 $m
Asset revaluation reserve				
Balance at beginning of period	**75**	76	**75**	75
Revaluation of land and buildings	**6**	(1)	**6**	-
Transfer to retained profits	**(1)**	-	**(1)**	-
Tax on revaluation adjustments	**(1)**	-	**(1)**	-
Balance at end of period	**79**	75	**79**	75

Movements in reserves	Year to Sep 13 $m	Year to Sep 12 $m	Half Year to Sep 13 $m	Half Year to Mar 13 $m
Foreign currency translation reserve				
Balance at beginning of period	**(3,828)**	(3,667)	**(4,075)**	(3,828)
Currency translation adjustments	**1,379**	(139)	**1,628**	(249)
Tax on foreign currency translation reserve	**(52)**	(22)	**(54)**	2
Balance at end of period	**(2,501)**	(3,828)	**(2,501)**	(4,075)
Cash flow hedge reserve				
Balance at beginning of period	**446**	355	**308**	446
(Losses)/gains on cash flow hedging instruments	**(438)**	123	**(255)**	(183)
Losses/(gains) transferred to the income statement	**11**	(7)	**6**	5
Tax on cash flow hedging instruments	**86**	(25)	**46**	40
Balance at end of period	**105**	446	**105**	308
Equity-based compensation reserve				
Balance at beginning of period	**319**	433	**228**	319
Equity-based compensation	**185**	219	**90**	95
Transfer to contributed equity	**(195)**	(253)	**(18)**	(177)
Transfer of options and rights lapsed to retained earnings	**(13)**	(80)	**(3)**	(10)
Tax on equity-based compensation	**-**	-	**(1)**	1
Balance at end of period	**296**	319	**296**	228
General reserve for credit losses				
Balance at beginning of period	**592**	716	**544**	592
Transfer to retained profits	**(53)**	(124)	**(5)**	(48)
Balance at end of period	**539**	592	**539**	544
Available for sale investments reserve				
Balance at beginning of period	**77**	47	**70**	77
Revaluation (losses)/gains	**(18)**	66	**(9)**	(9)
Gains from sale transferred to the income statement	**(38)**	(19)	**(26)**	(12)
Impairment transferred to the income statement	**13**	5	**10**	3
Tax on available for sale investments reserve	**28**	(22)	**17**	11
Balance at end of period	**62**	77	**62**	70

Reconciliation of movement in retained profits	Year to Sep 13 $m	Year to Sep 12 $m	Half Year to Sep 13 $m	Half Year to Mar 13 $m
Balance at beginning of period	**18,702**	17,667	**19,293**	18,702
Actuarial gains/(losses) on defined benefit superannuation plans	**19**	(535)	**(162)**	181
Tax on items taken directly (from)/to equity	**(62)**	104	**(16)**	(46)
Net profit attributable to owners of the Company	**5,452**	4,082	**2,932**	2,520
Transfer from general reserve for credit losses	**53**	124	**5**	48
Transfer from general reserves	**-**	1,267	**-**	-
Transfer from asset revaluation reserve	**1**	-	**1**	-
Transfer of options and rights lapsed from equity-based compensation reserve	**13**	80	**3**	10
Dividends paid	**(4,148)**	(3,880)	**(2,120)**	(2,028)
Distributions on other equity instruments	**(188)**	(207)	**(94)**	(94)
Balance at end of period	**19,842**	18,702	**19,842**	19,293

12. Notes to the Cash Flow Statement

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

	Year to		Half Year to	
	Sep 13 $m	Sep 12 $m	Sep 13 $m	Mar 13 $m
Net profit attributable to owners of the Company	5,452	4,082	2,932	2,520
Add/(deduct) non-cash items in the income statement:				
Decrease in interest receivable	446	200	333	113
Decrease in interest payable	(348)	(431)	(108)	(240)
Decrease in unearned income and deferred net fee income	(523)	(402)	(190)	(333)
Fair value movements on assets, liabilities and derivatives held at fair value	1,795	(300)	(10)	1,805
(Decrease)/increase in personnel provisions	(62)	(166)	127	(189)
(Decrease)/increase in other operating provisions	(329)	376	112	(441)
Equity-based compensation recognised in equity or reserves	185	219	90	95
Superannuation costs - defined benefit pension scheme	31	38	14	17
Impairment losses on non-financial assets	8	355	6	2
Impairment losses on financial assets	13	5	10	3
Charge to provide for bad and doubtful debts	1,810	2,734	757	1,053
Depreciation and amortisation expense	639	645	313	326
Movement in life insurance policyholder liabilities	7,853	3,067	5,596	2,257
Unrealised gain on investments relating to life insurance business	(8,556)	(4,003)	(4,745)	(3,811)
Decrease/(increase) in other assets	1,490	1,473	1,540	(50)
Increase/(decrease) in other liabilities	282	(469)	278	4
Increase/(decrease) in income tax payable	304	234	426	(122)
Decrease/(increase) in deferred tax assets	31	(450)	33	(2)
Increase in deferred tax liabilities	561	380	225	336
Operating cash flow items not included in profit	(9,896)	(10,103)	(12,870)	2,974
Investing or financing cash flows included in profit:				
Gain on investments classified as available for sale	(38)	(19)	(26)	(12)
Loss/(gain) on sale of property, plant, equipment and other assets	16	(12)	9	7
Net cash provided by/(used in) operating activities	1,164	(2,547)	(5,148)	6,312

(b) Reconciliation of cash and cash equivalents

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

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

	Year to		Half Year to	
Cash and cash equivalents	Sep 13 $m	Sep 12 $m	Sep 13 $m	Mar 13 $m
Assets				
Cash and liquid assets	35,666	19,464	35,666	30,130
Treasury and other eligible bills	81	135	81	28
Due from other banks (excluding mandatory deposits with supervisory central banks)	33,809	44,307	33,809	38,083
	69,556	63,906	69,556	68,241
Liabilities				
Due to other banks	(32,215)	(27,694)	(32,215)	(26,067)
Total cash and cash equivalents	37,341	36,212	37,341	42,174

Included within cash and cash equivalents is cash and liquid assets within the Group's life insurance business statutory funds of $1,912 million (March 2013 $1,744 million, September 2012 $2,262 million) which are subject to restrictions imposed under the *Life Insurance Act* 1995 (Cth) and other restrictions and therefore are not available for use in operating, investing or financing activities of other parts of the Group.

(c) Non-cash financing and investing transactions

	Year to		Half Year to	
	Sep 13 $m	Sep 12 $m	Sep 13 $m	Mar 13 $m
New share issues				
Dividend reinvestment plan	**843**	1,405	**440**	403
Debt to equity conversion	**500**	600	**-**	500

(d) Acquisitions of controlled entities and business combinations

There were no acquisitions of controlled entities during the year ended 30 September 2013.

Details of acquisitions in the prior period relating to Great Western Bancorporation, Inc's acquisition of North Central Bancshares, Inc., the holding company of First Federal Savings Bank of Iowa on 22 June 2012, were as follows:

	Year to		Half Year to	
	Sep 13 $m	Sep 12 $m	Sep 13 $m	Mar 13 $m
Cash paid	**-**	90	**-**	-
Deferred consideration	**-**	6	**-**	-
Total consideration transferred	**-**	96	**-**	-

	Year to		Half Year to	
Recognised amounts of identifiable assets acquired and liabilities assumed	Sep 13 $m	Sep 12 $m	Sep 13 $m	Mar 13 $m
Net identifiable assets and liabilities	**-**	55	**-**	-
Goodwill on acquisition	**-**	41	**-**	-
Total purchase consideration	**-**	96	**-**	-
Less: Deferred consideration	**-**	(6)	**-**	-
Less: Cash and cash equivalents acquired	**-**	(33)	**-**	-
Net cash outflow	**-**	57	**-**	-

(e) Reconciliation of goodwill

The following is a reconciliation of the carrying amount of goodwill.

	Year to		Half Year to	
Movements in goodwill	Sep 13 $m	Sep 12 $m	Sep 13 $m	Mar 13 $m
Balance at beginning of period	**5,266**	5,567	**5,268**	5,266
Additions from the acquisition of controlled entities and business combinations	**-**	41	**-**	-
Impairment losses recognised on UK Banking	**-**	(295)	**-**	-
Foreign currency translation adjustments	**81**	(47)	**79**	2
Balance at end of period	**5,347**	5,266	**5,347**	5,268

(f) Investments in associates and joint ventures

The Group held no material investments in associates or joint venture entities as at 30 September 2013, 31 March 2013 or 30 September 2012.

13. Contingent Liabilities

(i) Legal proceedings

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

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

(ii) Class actions

On 16 December 2011 Steven Farey and Others commenced a class action proceeding against the Group in relation to the payment of exception fees, along with similar proceedings against several other financial institutions. The quantum of the claim against the Group has not yet been identified in the proceeding. The Group has not been required to file a defence as the proceeding has been stayed until 7 March 2014. The proceeding will be vigorously defended.

In March 2013, a potential representative action against New Zealand banks (including, potentially the company's subsidiary Bank of New Zealand) was announced in relation to certain fees. Litigation Lending Services (NZ) Limited is funding the action. In June 2013, it was announced that representative proceedings had been commenced against another New Zealand bank. At this stage there is no representative action against Bank of New Zealand.

(iii) United Kingdom Financial Services Compensation Scheme

The United Kingdom (UK) Financial Services Compensation Scheme (FSCS) provides compensation to depositors in the event that a financial institution is unable to repay amounts due. Following the failure of a number of financial institutions in the UK, claims were triggered against the FSCS, initially to pay interest on borrowings which the FSCS has raised from the UK Government to support the protected deposits.

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

The FSCS has estimated levies due to 31 March 2014 and an accrual of $12.6 million (£7.3 million) is held for the Group's calculated liability to that date. The ultimate FSCS levy as a result of the failures is uncertain.

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

Market wide issues relating to the UK banking industry payment protection insurance (PPI) matter are ongoing. A provision of $264 million (£152 million) is held in respect of the estimated cost of redress and administration expenses for this matter. This includes $204 million (£130 million) provided for in September 2013. The provision calculation includes a number of assumptions, most of which are uncertain, and which have been based upon a combination of past experience, estimated future experience, industry comparison and the exercise of judgement. There remain a number of uncertainties as to the ultimate costs of redress and administration, including the number of PPI claims, the number of those claims that ultimately will be upheld, and the amount that will be paid in respect of those claims, as well as the impact of expected changes to the PPI complaints handling policy and the ongoing activities of regulatory bodies and claims management companies. The final amount required to settle the potential liability is therefore uncertain. The Group will continue to reassess the adequacy of the provision for this matter and the assumptions underlying the provision calculation at each reporting date based upon experience and other relevant factors at that time.

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

On 29 June 2012 the UK Financial Services Authority (FSA) announced that it had reached agreement with a number of UK banks in relation to a review and redress exercise on sales of certain interest rate hedging products to small and medium sized businesses. Clydesdale Bank PLC agreed to participate in this exercise, as announced by the FSA on 23 July 2012, and has embarked on a program to identify small and medium sized customers that may have been affected and where due, pay financial redress. The exercise incorporates certain of the Group's tailored business loan products as well as the standalone hedging products identified in the FSA's notice.

A provision of $85 million (£49 million) is held for this matter. The total cost of this exercise as well as, of any separate, thematic or other consideration of customer complaints in relation to out of scope tailored business loans, a number of which are currently subject to review and challenge by the Financial Ombudsman Service (FOS), is uncertain.

(vi) Other UK conduct related matters

On 1 April 2013, the FSA was de-merged into the Financial Conduct Authority (FCA) and the Prudential Regulation Authority (PRA). The FCA has expressed a willingness to be a more proactive and intrusive regulator, and this may impact upon the manner in which the Group's UK operations deal with, and the ultimate extent of, conduct-related customer redress and associated costs. The current provision held in respect of UK conduct related matters, other than payment protection insurance and interest rate hedging products, is $112 million (£64.5 million). The total cost associated with these and other conduct related matters is uncertain.

14. Events Subsequent to Reporting Date

No matter, item, transaction or event of a material or unusual nature has arisen in the interval between the end of the reporting period (30 September 2013) and the date of this report, that in the opinion of the directors, has significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future periods.

Compliance Statement

The preliminary final report for the year ended 30 September 2013 is prepared in accordance with the ASX Listing Rules. It should be read in conjunction with any announcements to the market made by the Group during the period.

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

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

Louise Thomson
Company Secretary
31 October 2013

Section 6

Supplementary Information

1. Net Interest Margins and Spreads

Group	Year to Sep 13 %	Sep 12 %	Sep 13 v Sep 12	Half Year to Sep 13 %	Mar 13 %	Sep 13 v Mar 13
Net interest spread [1]	**1.69**	1.71	(2 bps)	**1.70**	1.67	3 bps
Benefit of net free liabilities, provisions and equity	**0.33**	0.39	(6 bps)	**0.31**	0.35	(4 bps)
Net interest margin - statutory basis [2]	**2.02**	2.10	(8 bps)	**2.01**	2.02	(1 bps)

[1] Net interest spread represents the difference between the average interest rate earned and the average interest rate incurred on funds.

[2] Net interest margin is net interest income as a percentage of average interest earning assets.

Average interest earning assets	Year to Sep 13 $bn	Sep 13 Mix %	Sep 12 $bn	Sep 12 Mix %	Movement in mix % of Group AIEA
Business Banking	**200.0**	**30.2**	198.6	31.7	(1.5)
Personal Banking	**161.0**	**24.3**	146.2	23.2	1.1
Wholesale Banking	**206.5**	**31.2**	190.2	30.2	1.0
NZ Banking	**51.1**	**7.7**	46.2	7.3	0.4
UK Banking	**55.5**	**8.4**	65.1	10.3	(1.9)
Great Western Bank	**7.9**	**1.2**	7.3	1.2	-
NAB UK Commercial Real Estate	**7.9**	**1.2**	-	-	n/a
Other [1]	**(27.8)**	**(4.2)**	(23.6)	(3.9)	(0.3)
Group	**662.1**	**100.0**	630.0	100.0	-

Net interest income and margins	Year to Sep 13 $m	Sep 13 NIM %	Sep 12 $m	Sep 12 NIM %	NIM Change
Business Banking	**5,017**	**2.51**	5,026	2.53	(2 bps)
Personal Banking	**3,343**	**2.08**	2,967	2.03	5 bps
Wholesale Banking	**1,231**	**0.60**	1,519	0.80	(20 bps)
NZ Banking	**1,207**	**2.36**	1,106	2.39	(3 bps)
UK Banking	**1,177**	**2.12**	1,324	2.03	9 bps
Great Western Bank	**296**	**3.78**	272	3.75	3 bps
NAB UK Commercial Real Estate	**61**	**0.77**	-	-	large
Other [1]	**1,075**	**n/a**	1,083	n/a	n/a
Group - cash earnings basis	**13,407**	**2.02**	13,297	2.11	(9 bps)
NAB Wealth net interest income	**(56)**	**-**	(55)	(0.01)	1 bps
Group - statutory basis	**13,351**	**2.02**	13,242	2.10	(8 bps)

Year ended September 2013 v Year ended September 2012

Contribution to Group Margin	Impact of Change in NIM [2]	Impact of Change in Mix [3]	Impact on Group NIM
Business Banking	(1 bps)	-	**(1 bps)**
Personal Banking	1 bps	-	**1 bps**
Wholesale Banking	(6 bps)	(2 bps)	**(8 bps)**
NZ Banking	-	-	**-**
UK Banking	1 bps	-	**1 bps**
Great Western Bank	-	-	**-**
NAB UK Commercial Real Estate	-	(2 bps)	**(2 bps)**
Other [1]	(2 bps)	2 bps	**-**
Group - cash earnings basis	(7 bps)	(2 bps)	**(9 bps)**
NAB Wealth net interest income	1 bps	-	**1 bps**
Group - statutory basis	(6 bps)	(2 bps)	**(8 bps)**

[1] Includes NAB Wealth, Group Funding, other supporting units and eliminations.

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

[3] The increase/(decrease) in net interest margin caused by changes in divisional mix of AIEA.

Average interest earning assets	Half Year to Sep 13 $bn	Sep 13 Mix %	Mar 13 $bn	Mar 13 Mix %	Movement in mix % of Group AIEA
Business Banking	**199.1**	**29.6**	200.8	30.8	(1.2)
Personal Banking	**164.9**	**24.6**	157.1	24.1	0.5
Wholesale Banking	**213.4**	**31.7**	199.5	30.6	1.1
NZ Banking	**53.2**	**7.9**	48.9	7.5	0.4
UK Banking	**56.4**	**8.4**	54.6	8.4	-
Great Western Bank	**8.2**	**1.2**	7.5	1.1	0.1
NAB UK Commercial Real Estate	**7.6**	**1.1**	8.1	1.2	(0.1)
Other [1]	**(31.2)**	**(4.5)**	(24.0)	(3.7)	(0.8)
Group	**671.6**	**100.0**	652.5	100.0	-

Net interest income and margins	Half Year to Sep 13 $m	Sep 13 NIM %	Mar 13 $m	Mar 13 NIM %	NIM Change
Business Banking	**2,487**	**2.49**	2,530	2.53	(4 bps)
Personal Banking	**1,709**	**2.07**	1,634	2.09	(2 bps)
Wholesale Banking	**665**	**0.62**	566	0.57	5 bps
NZ Banking	**623**	**2.33**	584	2.40	(7 bps)
UK Banking	**618**	**2.19**	559	2.06	13 bps
Great Western Bank	**155**	**3.74**	141	3.77	(3 bps)
NAB UK Commercial Real Estate	**28**	**0.73**	33	0.82	(9 bps)
Other [1]	**514**	**n/a**	561	n/a	n/a
Group - cash earnings basis	**6,799**	**2.02**	6,608	2.03	(1 bps)
NAB Wealth net interest income	**(35)**	**(0.01)**	(21)	(0.01)	-
Group - statutory basis	**6,764**	**2.01**	6,587	2.02	(1 bps)

Half year ended September 2013 v Half year ended March 2013

Contribution to Group Margin	Impact of Change in NIM [2]	Impact of Change in Mix [3]	Impact on Group NIM
Business Banking	(1 bps)	(1 bps)	**(2 bps)**
Personal Banking	-	-	**-**
Wholesale Banking	1 bps	(1 bps)	**-**
NZ Banking	-	-	**-**
UK Banking	1 bps	-	**1 bps**
Great Western Bank	-	-	**-**
NAB UK Commercial Real Estate	-	-	**-**
Other [1]	(5 bps)	5 bps	**-**
Group - cash earnings basis	(4 bps)	3 bps	**(1 bps)**
NAB Wealth net interest income	-	-	**-**
Group - statutory basis	(4 bps)	3 bps	**(1 bps)**

(1) *Includes NAB Wealth, Group Funding, other supporting units and eliminations.*

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

(3) *The increase/(decrease) in net interest margin caused by changes in divisional mix of AIEA.*

2. Loans and Advances by Industry and Geography

As at 30 September 2013	Australia $m	Europe $m	New Zealand $m	United States $m	Asia $m	Total $m
Real estate - mortgage	232,251	28,016	26,213	758	2,125	**289,363**
Other commercial and industrial	51,162	9,257	6,368	3,968	2,337	**73,092**
Commercial property services	46,301	4,104	6,643	15	333	**57,396**
Agriculture, forestry, fishing and mining	19,494	3,133	10,980	1,695	12	**35,314**
Financial, investment and insurance	11,623	3,043	642	778	1,620	**17,706**
Asset and lease financing	11,293	1,761	10	-	5	**13,069**
Instalment loans to individuals and other personal lending (including credit cards)	9,051	3,305	1,550	82	1	**13,989**
Manufacturing	7,259	1,388	2,236	-	830	**11,713**
Real estate - construction	1,696	4,894	679	368	1	**7,638**
Government and public authorities	2,106	62	177	132	-	**2,477**
Gross loans and advances including acceptances [(1)]	392,236	58,963	55,498	7,796	7,264	**521,757**
Deduct:						
Unearned income and deferred net fee income	(1,196)	(187)	(11)	(11)	(24)	**(1,429)**
Provisions for doubtful debts	(2,164)	(1,529)	(250)	(56)	(19)	**(4,018)**
Total net loans and advances including acceptances	388,876	57,247	55,237	7,729	7,221	**516,310**

As at 31 March 2013	Australia $m	Europe $m	New Zealand $m	United States $m	Asia $m	Total $m
Real estate - mortgage	226,034	22,883	23,258	669	1,759	**274,603**
Other commercial and industrial	51,015	8,975	5,286	3,565	2,441	**71,282**
Commercial property services	47,210	4,067	5,874	14	293	**57,458**
Agriculture, forestry, fishing and mining	19,052	2,703	9,535	1,426	12	**32,728**
Financial, investment and insurance	10,717	2,915	680	610	558	**15,480**
Asset and lease financing	11,959	1,650	9	-	8	**13,626**
Instalment loans to individuals and other personal lending (including credit cards)	9,316	3,059	1,389	72	1	**13,837**
Manufacturing	7,766	1,268	1,882	6	771	**11,693**
Real estate - construction	1,860	4,992	553	318	-	**7,723**
Government and public authorities	1,763	52	216	113	-	**2,144**
Gross loans and advances including acceptances [(1)]	386,692	52,564	48,682	6,793	5,843	**500,574**
Deduct:						
Unearned income and deferred net fee income	(1,326)	(198)	(24)	(10)	(23)	**(1,581)**
Provisions for doubtful debts	(2,545)	(1,309)	(246)	(60)	(15)	**(4,175)**
Total net loans and advances including acceptances	382,821	51,057	48,412	6,723	5,805	**494,818**

As at 30 September 2012	Australia $m	Europe $m	New Zealand $m	United States $m	Asia $m	Total $m
Real estate - mortgage	220,033	23,894	22,485	703	1,614	**268,729**
Other commercial and industrial	51,354	10,004	5,102	3,532	1,917	**71,909**
Commercial property services	47,936	4,390	5,772	30	484	**58,612**
Agriculture, forestry, fishing and mining	19,232	3,016	9,177	1,384	14	**32,823**
Financial, investment and insurance	11,646	3,389	669	689	558	**16,951**
Asset and lease financing	12,585	1,971	13	-	9	**14,578**
Instalment loans to individuals and other personal lending (including credit cards)	9,359	3,689	1,451	74	1	**14,574**
Manufacturing	8,285	1,650	1,623	6	313	**11,877**
Real estate - construction	1,793	5,968	496	323	-	**8,580**
Government and public authorities	1,817	61	239	107	-	**2,224**
Gross loans and advances including acceptances (1)	384,040	58,032	47,027	6,848	4,910	**500,857**
Deduct:						
Unearned income and deferred net fee income	(1,587)	(264)	(35)	(11)	(20)	**(1,917)**
Provisions for doubtful debts	(2,515)	(1,388)	(242)	(64)	(12)	**(4,221)**
Total net loans and advances including acceptances	379,938	56,380	46,750	6,773	4,878	**494,719**

(1) *Includes loans at fair value.*

3. Average Balance Sheet and Related Interest

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

Average assets and interest income

	Year ended Sep 13			Year ended Sep 12		
	Average balance $m	Interest $m	Average rate %	Average balance $m	Interest $m	Average rate %
Average interest earning assets						
Due from other banks						
Australia	10,567	243	2.3	16,053	532	3.3
Europe	28,091	152	0.5	23,746	114	0.5
Other International	17,714	84	0.5	14,612	74	0.5
Marketable debt securities						
Australia	45,453	1,727	3.8	38,516	1,692	4.4
Europe	10,149	144	1.4	14,619	241	1.6
Other International	12,036	213	1.8	13,610	220	1.6
Loans and advances - housing						
Australia	225,796	11,915	5.3	212,998	13,191	6.2
Europe	24,611	833	3.4	22,414	743	3.3
Other International	26,321	1,384	5.3	23,621	1,326	5.6
Loans and advances - non-housing						
Australia	159,699	10,691	6.7	160,759	11,716	7.3
Europe	31,384	1,361	4.3	35,544	1,610	4.5
Other International	37,051	1,986	5.4	32,259	1,852	5.7
Other interest earning assets						
Australia	5,921	433	n/a	2,584	1,006	n/a
Europe	19,174	81	n/a	12,996	125	n/a
Other International	8,168	64	n/a	5,641	100	n/a
Total average interest earning assets and interest income by:						
Australia	447,436	25,009	5.6	430,910	28,137	6.5
Europe	113,409	2,571	2.3	109,319	2,833	2.6
Other International	101,290	3,731	3.7	89,743	3,572	4.0
Total average interest earning assets and interest income	662,135	31,311	4.7	629,972	34,542	5.5
Average non-interest earning assets						
Investments relating to life insurance business [1]						
Australia	70,421			65,694		
Other International	51			43		
Other assets	72,464			66,334		
Total average non-interest earning assets	142,936			132,071		
Provision for doubtful debts						
Australia	(2,448)			(2,591)		
Europe	(1,265)			(731)		
Other International	(325)			(360)		
Total average assets	801,033			758,361		

[1] *Included within investments relating to life insurance business are interest earning debt securities. The interest earned from these securities is reported in life insurance income, and has therefore been treated as non-interest earning for the purposes of this note.*

Average liabilities and interest expense

	Year ended Sep 13			Year ended Sep 12		
	Average balance $m	Interest $m	Average rate %	Average balance $m	Interest $m	Average rate %
Average interest bearing liabilities						
Due to other banks						
Australia	20,770	512	2.5	22,674	863	3.8
Europe	10,124	29	0.3	11,281	21	0.2
Other International	3,455	52	1.5	4,664	62	1.3
On-demand and short-term deposits						
Australia	112,499	3,004	2.7	101,769	3,555	3.5
Europe	26,221	186	0.7	25,053	171	0.7
Other International	23,171	289	1.2	19,280	227	1.2
Certificates of deposit						
Australia	29,760	912	3.1	29,709	1,271	4.3
Europe	27,682	84	0.3	29,929	141	0.5
Other International	11,944	99	0.8	23,742	150	0.6
Term deposits						
Australia	115,183	5,116	4.4	106,844	5,930	5.6
Europe	15,490	314	2.0	16,561	384	2.3
Other International	35,712	966	2.7	30,100	902	3.0
Other borrowings						
Australia	2,699	89	3.3	3,949	134	3.4
Europe	6,972	27	0.4	2,344	10	0.4
Other International	24,567	59	0.2	19,023	60	0.3
Bonds, notes and subordinated debt						
Australia	93,754	4,852	5.2	90,742	5,855	6.5
Europe	4,855	118	2.4	4,279	80	1.9
Other International	16,908	470	2.8	11,580	450	3.9
Other interest bearing liabilities						
Australia	6,347	485	n/a	8,126	716	n/a
Europe	865	19	n/a	399	12	n/a
Other International	1,606	278	n/a	2,548	306	n/a
Total average interest bearing liabilities and interest expense by:						
Australia	381,012	14,970	3.9	363,813	18,324	5.0
Europe	92,209	777	0.8	89,846	819	0.9
Other International	117,363	2,213	1.9	110,937	2,157	1.9
Total average interest bearing liabilities and interest expense	590,584	17,960	3.0	564,596	21,300	3.8

Average liabilities

	Year ended	
	Sep 13 $m	Sep 12 $m
Average non-interest bearing liabilities		
Deposits not bearing interest		
Australia	**20,760**	17,387
Europe	**2,700**	2,359
Other International	**3,306**	2,748
Life insurance policy liabilities		
Australia	**59,576**	55,050
Other International	**2**	2
Other liabilities	**79,591**	73,875
Total average non-interest bearing liabilities	**165,935**	151,421
Total average liabilities	**756,519**	716,017
Average equity		
Contributed equity	**27,821**	25,853
Reserves	**(2,137)**	(1,430)
Retained profits	**18,779**	17,885
Parent entity interest	**44,463**	42,308
Non-controlling interest in controlled entities	**51**	36
Total average equity	**44,514**	42,344
Total average liabilities and equity	**801,033**	758,361

Average assets and interest income

	Half Year ended Sep 13			Half Year ended Mar 13		
	Average balance $m	**Interest $m**	**Average rate %**	**Average balance $m**	**Interest $m**	**Average rate %**
Average interest earning assets						
Due from other banks						
Australia	7,568	79	2.1	13,583	164	2.4
Europe	29,651	80	0.5	26,521	72	0.5
Other International	18,647	47	0.5	16,777	37	0.4
Marketable debt securities						
Australia	49,387	931	3.8	41,388	797	3.9
Europe	7,860	64	1.6	12,452	80	1.3
Other International	12,025	110	1.8	12,047	103	1.7
Loans and advances - housing						
Australia	229,057	5,837	5.1	222,517	6,077	5.5
Europe	25,565	434	3.4	23,652	399	3.4
Other International	27,471	714	5.2	25,165	670	5.3
Loans and advances - non-housing						
Australia	158,566	5,180	6.5	160,799	5,511	6.9
Europe	30,810	658	4.3	31,962	703	4.4
Other International	38,991	1,030	5.3	34,813	949	5.5
Other interest earning assets						
Australia	7,510	181	n/a	4,308	252	n/a
Europe	20,331	48	n/a	18,010	34	n/a
Other International	8,112	29	n/a	8,511	41	n/a
Total average interest earning assets and interest income by:						
Australia	452,088	12,208	5.4	442,595	12,801	5.8
Europe	114,217	1,284	2.2	112,597	1,288	2.3
Other International	105,246	1,930	3.7	97,313	1,800	3.7
Total average interest earning assets and interest income	671,551	15,422	4.6	652,505	15,889	4.9
Average non-interest earning assets						
Investments relating to life insurance business [1]						
Australia	71,912			68,923		
Other International	55			46		
Other assets	79,710			64,894		
Total average non-interest earning assets	151,677			133,863		
Provision for doubtful debts						
Australia	(2,363)			(2,534)		
Europe	(1,390)			(1,139)		
Other International	(321)			(328)		
Total average assets	819,154			782,367		

(1) *Included within investments relating to life insurance business are interest earning debt securities. The interest earned from these securities is reported in life insurance income, and has therefore been treated as non-interest earning for the purposes of this note.*

Average liabilities and interest expense

	Half Year ended Sep 13			Half Year ended Mar 13		
	Average balance $m	Interest $m	Average rate %	Average balance $m	Interest $m	Average rate %
Average interest bearing liabilities						
Due to other banks						
Australia	22,414	258	2.3	19,096	254	2.7
Europe	11,451	16	0.3	8,789	13	0.3
Other International	3,127	23	1.5	3,785	29	1.5
On-demand and short-term deposits						
Australia	114,996	1,459	2.5	109,983	1,546	2.8
Europe	27,410	95	0.7	25,025	91	0.7
Other International	24,049	151	1.3	22,288	138	1.2
Certificates of deposit						
Australia	30,284	440	2.9	29,233	472	3.2
Europe	26,315	36	0.3	29,056	48	0.3
Other International	9,812	46	0.9	14,088	53	0.8
Term deposits						
Australia	115,547	2,447	4.2	114,817	2,670	4.7
Europe	15,327	140	1.8	15,654	174	2.2
Other International	37,698	507	2.7	33,716	460	2.7
Other borrowings						
Australia	2,322	38	3.3	3,078	50	3.3
Europe	7,715	17	0.4	6,224	10	0.3
Other International	25,301	26	0.2	23,828	33	0.3
Bonds, notes and subordinated debt						
Australia	94,645	2,307	4.9	92,857	2,545	5.5
Europe	4,945	59	2.4	4,765	59	2.5
Other International	18,747	253	2.7	15,058	217	2.9
Other interest bearing liabilities						
Australia	5,355	200	n/a	7,317	285	n/a
Europe	928	1	n/a	801	18	n/a
Other International	1,677	139	n/a	1,535	137	n/a
Total average interest bearing liabilities and interest expense by:						
Australia	385,563	7,149	3.7	376,381	7,822	4.2
Europe	94,091	364	0.8	90,314	413	0.9
Other International	120,411	1,145	1.9	114,298	1,067	1.9
Total average interest bearing liabilities and interest expense	600,065	8,658	2.9	580,993	9,302	3.2

Average liabilities

	Half year ended	
	Sep 13 $m	Mar 13 $m
Average non-interest bearing liabilities		
Deposits not bearing interest		
Australia	**21,627**	19,889
Europe	**2,798**	2,602
Other International	**3,402**	3,209
Life insurance policy liabilities		
Australia	**61,673**	57,468
Other International	**3**	2
Other liabilities	**84,489**	74,371
Total average non-interest bearing liabilities	**173,992**	157,541
Total average liabilities	**774,057**	738,534

Average equity

	Sep 13 $m	Mar 13 $m
Contributed equity	**27,508**	28,070
Reserves	**(1,856)**	(2,493)
Retained profits	**19,425**	18,207
Parent entity interest	**45,077**	43,784
Non-controlling interest in controlled entities	**20**	49
Total average equity	**45,097**	43,833
Total average liabilities and equity	**819,154**	782,367

4. Capital Adequacy - Basel III

The APRA Basel III capital standards are effective from 1 January 2013. The following table presents the Basel III capital adequacy calculation at 30 September 2013 and 31 March 2013, together with a proforma calculation showing the 30 September 2012 position as if these standards had been in place at that date.

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

	As at		
Reconciliation to shareholders' funds	**30 Sep 13 $m**	**31 Mar 13 $m**	**30 Sep 12 $m Pro forma**
Contributed equity	**28,139**	28,208	27,373
Reserves	**(1,420)**	(2,850)	(2,319)
Retained profits	**19,842**	19,293	18,702
Non-controlling interest in controlled entities	**59**	50	47
Total equity per consolidated balance sheet	**46,620**	44,701	43,803
Equity-accounted Additional Tier 1 capital before application of Basel III transitional arrangements	**(4,535)**	(4,534)	(4,915)
Non-controlling interest in controlled entities	**(59)**	(50)	(47)
Treasury shares	**1,528**	1,155	1,078
Eligible deferred fee income	**93**	142	198
General reserve for credit losses	**(539)**	(544)	(592)
Deconsolidation of Wealth Management equity	**(412)**	(250)	(481)
Common Equity Tier 1 Capital before regulatory adjustments	**42,696**	40,620	39,044
Banking goodwill and other intangibles	**(1,353)**	(1,264)	(1,306)
Wealth Management goodwill and other intangibles	**(4,119)**	(4,150)	(4,209)
Investment in non-consolidated controlled entities (net of intangible component)	**(1,826)**	(1,795)	(1,660)
DTA in excess of DTL	**(1,637)**	(1,464)	(1,563)
Capitalised expenses	**(117)**	(87)	(69)
Capitalised software (excluding Wealth Management)	**(1,953)**	(1,620)	(1,447)
Defined benefit pension scheme surplus	**(19)**	(16)	(15)
Change in own creditworthiness	**188**	148	56
Cash flow hedge reserve	**(120)**	(308)	(623)
Equity exposures	**(510)**	(563)	(521)
Expected loss in excess of eligible provisions	**(668)**	(604)	(319)
Other	**(31)**	(30)	-
Common Equity Tier 1 Capital	**30,531**	28,867	27,368
Transitional Additional Tier 1 Capital instruments	**5,450**	5,450	6,538
Basel III eligible Additional Tier 1 Capital instruments	**1,496**	1,497	-
Eligible Additional Tier 1 Capital for non-controlling interest	**3**	3	2
Additional Tier 1 Capital	**6,949**	6,950	6,540
Tier 1 Capital	**37,480**	35,817	33,908
Collective provision for doubtful debts - Standardised approach	**565**	523	566
IRB approach surplus provisions on non-defaulted exposures	**129**	133	347
Transitional Tier 2 Capital instruments	**4,776**	4,872	5,368
Eligible Tier 2 Capital for non-controlling interest	**1**	1	1
Regulatory adjustments to Tier 2 Capital	**(218)**	(185)	(75)
Tier 2 Capital	**5,253**	5,344	6,207
Total Capital	**42,733**	41,161	40,115
Risk-weighted assets			
Credit risk	**314,674**	307,517	314,813
Market risk	**5,191**	5,899	4,436
Operational risk	**34,749**	33,332	23,008
Interest rate risk in the banking book	**7,464**	4,643	4,021
Total risk-weighted assets	**362,078**	351,391	346,278
Risk-based regulatory capital ratios			
Common Equity Tier 1	**8.43%**	8.22%	7.90%
Tier 1	**10.35%**	10.19%	9.79%
Total Capital	**11.80%**	11.71%	11.58%

	Risk-Weighted Assets as at			Exposures as at		
	30 Sep 13 Basel III $m	31 Mar 13 Basel III $m	30 Sep 12 Basel II $m	30 Sep 13 $m	31 Mar 13 $m	30 Sep 12 $m
Credit risk (1)						
IRB approach						
Corporate (including SME)	**105,115**	105,166	105,672	**211,440**	201,813	189,318
Sovereign	**1,452**	1,127	1,122	**43,846**	34,561	39,037
Bank	**11,785**	10,755	7,852	**60,092**	61,091	59,184
Residential Mortgage	**59,527**	58,062	56,403	**298,529**	287,324	279,330
Qualifying revolving retail	**3,725**	4,022	4,036	**11,095**	11,199	11,148
Retail SME	**6,731**	6,873	7,240	**16,876**	17,083	17,367
Other retail	**3,343**	3,446	3,447	**4,547**	4,463	4,490
Total IRB approach	**191,678**	189,451	185,772	**646,425**	617,534	599,874
Specialised lending (SL)	**53,193**	54,192	50,227	**65,211**	66,309	60,391
Standardised approach						
Australian and foreign governments	**66**	55	65	**4,071**	3,585	3,835
Bank	**265**	235	129	**10,458**	9,359	11,129
Residential mortgage	**17,463**	14,945	19,155	**38,023**	31,170	36,159
Corporate	**23,973**	21,771	29,011	**45,928**	49,023	29,397
Other	**3,206**	2,803	3,052	**3,744**	3,279	3,521
Total standardised approach	**44,973**	39,809	51,412	**102,224**	96,416	84,041
Other						
Securitisation	**7,018**	7,633	4,189	**18,690**	16,344	16,919
Equity (2)	**-**	-	1,818	**-**	-	521
Credit value adjustment	**10,035**	10,343	-	**-**	-	-
Central counterparty default fund contribution guarantee	**263**	197	-	**-**	-	-
Other (3)	**7,514**	5,892	6,453	**9,127**	9,658	9,444
Total other	**24,830**	24,065	12,460	**27,817**	26,002	26,884
Total credit risk	**314,674**	307,517	299,871	**841,677**	806,261	771,190
Market risk	**5,191**	5,899	4,436			
Operational risk	**34,749**	33,332	23,008			
Interest rate risk in the banking book	**7,464**	4,643	4,021			
Total risk-weighted assets & exposures	**362,078**	351,391	331,336			

(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) Subject to Basel III capital reforms, all equity investments held by the Level 2 Group are treated as a deduction from capital and no longer attract RWA.

(3) 'Other' includes non-lending asset exposures and the implementation of an RBNZ overlay adjustment, required to maintain a minimum risk profile of the NZ agri portfolio.

5. Earnings per Share

	Year to			
	Sep 13		Sep 12	
Earnings per Share	**Basic**	**Diluted**	**Basic**	**Diluted**
Earnings ($m)				
Net profit attributable to owners of the Company	**5,452**	**5,452**	4,082	4,082
Distributions on other equity instruments	**(215)**	**(215)**	(245)	(245)
Potential dilutive adjustments (after tax)				
Interest expense on convertible notes [(1)]	**-**	**6**	-	-
Interest expense on convertible preference shares	**-**	**36**	-	-
Adjusted earnings	**5,237**	**5,279**	3,837	3,837
Weighted average ordinary shares (no. '000)				
Weighted average ordinary shares (net of treasury shares)	**2,282,185**	**2,282,185**	2,188,873	2,188,873
Potential dilutive ordinary shares				
Performance options and performance rights	**-**	**5,676**	-	2,869
Partly paid ordinary shares	**-**	**60**	-	63
Employee share plans	**-**	**5,274**	-	8,366
Convertible notes	**-**	**3,550**	-	-
Convertible preference shares	**-**	**23,978**	-	-
Total weighted average ordinary shares	**2,282,185**	**2,320,723**	2,188,873	2,200,171
Earnings per share (cents)	**229.5**	**227.5**	175.3	174.4

(1) *During the year ended 30 September 2012, the impact of all convertible notes has not been included in the diluted earnings per share because they were anti-dilutive.*

	Half Year to			
	Sep 13		Mar 13	
Earnings per Share	**Basic**	**Diluted**	**Basic**	**Diluted**
Earnings ($m)				
Net profit attributable to owners of the Company	**2,932**	**2,932**	2,520	2,520
Distributions on other equity instruments	**(101)**	**(101)**	(114)	(114)
Potential dilutive adjustments (after tax)				
Interest expense on convertible notes	**-**	**-**	-	6
Interest expense on convertible preference shares	**-**	**34**	-	2
Adjusted earnings	**2,831**	**2,865**	2,406	2,414
Weighted average ordinary shares (no. '000)				
Weighted average ordinary shares (net of treasury shares)	**2,315,553**	**2,315,553**	2,274,645	2,274,645
Potential dilutive ordinary shares				
Performance options and performance rights	**-**	**5,476**	-	5,864
Partly paid ordinary shares	**-**	**62**	-	63
Employee share plans	**-**	**5,274**	-	6,285
Convertible notes	**-**	**-**	-	7,120
Convertible preference shares	**-**	**44,882**	-	3,287
Total weighted average ordinary shares	**2,315,553**	**2,371,247**	2,274,645	2,297,264
Earnings per share (cents)	**122.3**	**120.8**	105.8	105.1

	Year to			
	Sep 13		Sep 12	
Cash Earnings per Share	**Basic**	**Diluted**	**Basic**	**Diluted**
Earnings ($m)				
Cash earnings [1]	**5,936**	**5,936**	5,433	5,433
Distributions on other equity instruments	**(27)**	**(27)**	(38)	(38)
Potential dilutive adjustments (after tax)				
Interest expense on convertible notes	**-**	**6**	-	83
Interest expense on convertible preference shares	**-**	**36**	-	-
Adjusted cash earnings	**5,909**	**5,951**	5,395	5,478
Weighted average ordinary shares (no. '000)				
Weighted average ordinary shares	**2,335,903**	**2,335,903**	2,239,831	2,239,831
Potential dilutive weighted average ordinary shares				
Performance options and performance rights	**-**	**5,676**	-	2,869
Partly paid ordinary shares	**-**	**60**	-	63
Employee share plans	**-**	**5,274**	-	8,366
Convertible notes	**-**	**3,550**	-	42,755
Convertible preference shares	**-**	**23,978**	-	-
Total weighted average ordinary shares	**2,335,903**	**2,374,441**	2,239,831	2,293,884
Cash earnings per share (cents)	**253.0**	**250.6**	240.9	238.8

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

	Half Year to			
	Sep 13		Mar 13	
Cash Earnings per Share	**Basic**	**Diluted**	**Basic**	**Diluted**
Earnings ($m)				
Cash earnings [1]	**3,021**	**3,021**	2,915	2,915
Distributions on other equity instruments	**(7)**	**(7)**	(20)	(20)
Potential dilutive adjustments (after tax)				
Interest expense on convertible notes	**-**	**-**	-	6
Interest expense on convertible preference shares	**-**	**34**	-	2
Adjusted cash earnings	**3,014**	**3,048**	2,895	2,903
Weighted average ordinary shares (no. '000)				
Weighted average ordinary shares	**2,366,201**	**2,366,201**	2,325,101	2,325,101
Potential dilutive weighted average ordinary shares				
Performance options and performance rights	**-**	**5,476**	-	5,864
Partly paid ordinary shares	**-**	**62**	-	63
Employee share plans	**-**	**5,274**	-	6,285
Convertible notes	**-**	**-**	-	7,120
Convertible preference shares	**-**	**44,882**	-	3,287
Total weighted average ordinary shares	**2,366,201**	**2,421,895**	2,325,101	2,347,720
Cash earnings per share (cents)	**127.4**	**125.9**	124.5	123.7

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

6. Life Insurance Operations

Income statement items	Year to Sep 13 $m	Year to Sep 12 $m	Half Year to Sep 13 $m	Half Year to Mar 13 $m
Premium and related revenue	**1,511**	1,406	**777**	734
Investment revenue	**11,065**	7,463	**5,763**	5,302
Fee income	**546**	525	**281**	265
Claims expense	**(909)**	(800)	**(477)**	(432)
Change in policy liabilities	**(9,072)**	(5,677)	**(4,737)**	(4,335)
Policy acquisition and maintenance expense	**(928)**	(908)	**(471)**	(457)
Investment management expense	**(4)**	(5)	**(1)**	(3)
Movement in external unitholders' liability	**(1,649)**	(1,264)	**(827)**	(822)
Net life insurance income	**560**	740	**308**	252

Related balance sheet items	As at 30 Sep 13 $m	As at 31 Mar 13 $m	As at 30 Sep 12 $m
Investments relating to life insurance business	**75,599**	70,482	68,414
Life policy liabilities	**64,509**	58,902	56,584
External unitholders' liability	**11,837**	12,138	12,546

Investment revenue includes returns on assets held in the Group's investment-linked business and returns on assets held in the life insurance business.

Life policy liabilities and external unitholders' liability on issue represent amounts owed to policyholders and unitholders of consolidated trusts. Movements in these liabilities reflect policy and unitholders' share in the performance of investment assets and their share of net life insurance income.

Overall positive investment market experience within domestic and global financial markets over the course of the September 2013 year has affected individual components of the Group's life insurance operations as follows:

- Positive investment revenue attributable to investment linked investments and life insurance business that is largely offset by movements in amounts owing to policyholders
- Positive investment revenue attributable to investment holdings in consolidated trusts. The external unitholders of the trusts share in these gains; their share is reflected as the movement in external unitholders' liability.

7. Australian Life Company Margins

Sources of Operating Profit from Australian Life Companies life insurance funds	Year to Sep 13 $m	Year to Sep 12 $m	Year to Sep 13 v Sep 12 %	Half Year to Sep 13 $m	Half Year to Mar 13 $m	Half Year to Sep 13 v Mar 13 %
Life company - planned profit margins	**298**	302	(1.3)	**155**	143	8.4
Life company - experience profit/(loss)	**(123)**	43	large	**(94)**	(29)	large
Capitalised (losses)/ reversal of losses	**(10)**	7	large	**(10)**	-	large
Life company operating margins [1]	**165**	352	(53.1)	**51**	114	(55.3)
IoRE (after tax) [2]	**79**	107	(26.2)	**37**	42	(11.9)
Net profit of life insurance funds after non-controlling interest	**244**	459	(46.8)	**88**	156	(43.6)

(1) *Reflects operation profit of all business types (investment or insurance) written through life insurance funds.*

(2) *Includes investment earnings on shareholders' retained profits and capital from life businesses after non-controlling interest of $57 million (September 2012 $90 million, Half Year September 2013 $25 million, Half Year March 2013 $32 million) and IoRE discount rate variation of $22 million (September 2012 $16 million, Half Year September 2013 $12 million, Half Year March 2013 $10 million), IoRE attributable to non-life insurance funds of ($59 million) (September 2012 ($52 million), Half Year September 2013 ($27 million), Half Year March 2013 ($32 million)) is excluded.*

8. Other Income Excluding NAB Wealth Investments and Insurance

	Year to		Half Year to	
	Sep 13 $m	Sep 12 $m	Sep 13 $m	Mar 13 $m
Gains less losses on financial instruments at fair value				
Trading securities	**162**	969	**(11)**	173
Trading derivatives:				
Trading purposes and risk management purposes	**1,391**	(738)	**746**	645
Recovery on SCDO risk mitigation trades	**-**	219	**-**	-
Assets, liabilities and derivatives designated in hedge relationships [(1)]	**93**	116	**263**	(170)
Assets and liabilities designated at fair value	**(900)**	(281)	**(490)**	(410)
Impairment of investments - available for sale	**(13)**	(5)	**(10)**	(3)
Other	**36**	(57)	**59**	(23)
Total gains less losses on financial instruments at fair value	**769**	223	**557**	212
Other operating income				
Dividend revenue	**10**	46	**5**	5
Gains from sale of investments - available for sale	**38**	19	**26**	12
Gains from sale of property, plant and equipment and other assets	**-**	16	**-**	-
Banking fees	**969**	936	**477**	492
Money transfer fees	**654**	652	**332**	322
Fees and commissions	**861**	850	**452**	409
Investment management fees	**7**	7	**3**	4
Fleet management fees	**29**	26	**15**	14
Rentals received on leased vehicle assets	**12**	13	**6**	6
Revaluation (losses)/gains on investment properties	**2**	(11)	**2**	-
Other income	**(134)**	(90)	**(144)**	10
Total other operating income	**2,448**	2,464	**1,174**	1,274
Total other income	**3,217**	2,687	**1,731**	1,486

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

9. Operating Expenses Excluding NAB Wealth Investments and Insurance

	Year to		Half Year to	
	Sep 13 $m	Sep 12 $m	Sep 13 $m	Mar 13 $m
Personnel expenses				
Salaries and related on-costs	**2,926**	2,949	**1,470**	1,456
Superannuation costs - defined contribution plans	**242**	229	**123**	119
Superannuation costs - defined benefit plans	**29**	36	**13**	16
Performance-based compensation				
Cash	**263**	248	**129**	134
Equity-based compensation	**164**	198	**79**	85
Total performance-based compensation	**427**	446	**208**	219
Other expenses	**327**	504	**190**	137
Total personnel expenses	**3,951**	4,164	**2,004**	1,947
Occupancy-related expenses				
Operating lease rental expense	**391**	372	**203**	188
Other expenses	**166**	195	**85**	81
Total occupancy-related expenses	**557**	567	**288**	269
General expenses				
Fees and commission expense	**58**	80	**25**	33
Depreciation and amortisation of property, plant and equipment	**299**	296	**148**	151
Amortisation of intangible assets	**279**	262	**136**	143
Depreciation on leased vehicle assets	**8**	9	**2**	6
Operating lease rental expense	**30**	25	**13**	17
Advertising and marketing	**194**	170	**112**	82
Charge to provide for operational risk event losses	**134**	248	**75**	59
Communications, postage and stationery	**265**	239	**136**	129
Computer equipment and software	**543**	516	**264**	279
Data communication and processing charges	**129**	119	**69**	60
Transport expenses	**86**	85	**44**	42
Professional fees	**283**	339	**169**	114
Travel	**68**	62	**39**	29
Loss on disposal of property, plant and equipment and other assets	**16**	3	**10**	6
Impairment losses recognised	**8**	355	**6**	2
Other expenses	**290**	216	**107**	183
Total general expenses	**2,690**	3,024	**1,355**	1,335
Total operating expenses	**7,198**	7,755	**3,647**	3,551

10. Net Interest Income / Other Operating Income Analysis – Wholesale Banking (cash earnings basis)

	Year ended Sep 13						Year ended Sep 12					
		Other Operating Income						Other Operating Income				
	NII $m	Trading [1] $m	Fees & Comm. $m	Other Income [1] $m	Total OOI $m	Total Revenue $m	NII $m	Trading [1] $m	Fees & Comm. $m	Other Income [1] $m	Total OOI $m	Total Revenue $m
Risk Income	747	354	(21)	36	369	1,116	1,045	72	(21)	24	75	1,120
Customer Income	484	654	288	45	987	1,471	474	558	279	70	907	1,381
Total Revenue	**1,231**	**1,008**	**267**	**81**	**1,356**	**2,587**	**1,519**	**630**	**258**	**94**	**982**	**2,501**

(1) *Excluding internal funding transactions with Bank of New Zealand International Finance.*

	Half year ended Sep 13						Half year ended Mar 13					
		Other Operating Income						Other Operating Income				
	NII $m	Trading [1] $m	Fees & Comm. $m	Other Income [1] $m	Total OOI $m	Total Revenue $m	NII $m	Trading [1] $m	Fees & Comm. $m	Other Income [1] $m	Total OOI $m	Total Revenue $m
Risk Income	423	124	(9)	26	141	564	324	230	(12)	10	228	552
Customer Income	242	296	137	31	464	706	242	358	151	14	523	765
Total Revenue	**665**	**420**	**128**	**57**	**605**	**1,270**	**566**	**588**	**139**	**24**	**751**	**1,317**

(1) *Excluding internal funding transactions with Bank of New Zealand International Finance.*

11. Net Tangible Assets

	As at		
	Sep 13	Mar 13	Sep 12
Net tangible assets per ordinary share ($) [1]	14.64	14.03	13.82

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

12. Asset Funding

	As at				
Core assets	**Sep 13 $m**	**Mar 13 $m**	**Sep 12 $m**	**Sep 13 vs Sep 12 %**	**Sep 13 vs Mar 13 %**
Gross loans and advances	417,426	400,497	400,873	4.1	4.2
Loans at fair value	75,012	66,920	63,027	19.0	12.1
Other financial assets at fair value	28	1,515	971	(97.1)	(98.2)
Due from customers on acceptances	29,319	33,157	36,957	(20.7)	(11.6)
Investments held to maturity	5,629	6,518	9,762	(42.3)	(13.6)
Total core assets	527,414	508,607	511,590	3.1	3.7
Customer deposits					
On-demand and short-term deposits	167,193	150,235	152,000	10.0	11.3
Term deposits	166,736	163,258	159,950	4.2	2.1
Deposits not bearing interest	28,917	26,396	24,667	17.2	9.6
Customer deposits at fair value	3,130	2,512	2,581	21.3	24.6
Total customer deposits	365,976	342,401	339,198	7.9	6.9
Wholesale funding					
Bonds, notes and subordinated debt	110,722	101,004	103,372	7.1	9.6
Other debt issues	2,944	2,775	1,783	65.1	6.1
Preference shares and other contributed equity	4,534	4,534	4,914	(7.7)	-
Certificates of deposit	61,150	66,713	68,019	(10.1)	(8.3)
Securities sold under repurchase agreements	7,551	8,681	6,868	9.9	(13.0)
Due to other banks - Securities sold under repurchase agreements	15,068	13,611	16,774	(10.2)	10.7
Due to other banks - Other	19,555	14,517	11,917	64.1	34.7
Other borrowings	14,025	10,346	8,417	66.6	35.6
Liability on acceptances	3,228	6,273	7,801	(58.6)	(48.5)
Other financial liabilities at fair value	23,301	20,317	19,151	21.7	14.7
Total wholesale funding	262,078	248,771	249,016	5.2	5.3
Total funding liabilities	628,054	591,172	588,214	6.8	6.2
Total equity excluding preference shares and other contributed equity	42,086	40,167	38,889	8.2	4.8
Life insurance liabilities [1]	76,346	71,040	69,130	10.4	7.5
Other liabilities	61,941	60,015	66,857	(7.4)	3.2
Total liabilities and equity	808,427	762,394	763,090	5.9	6.0
Wholesale funding by maturity					
Short-term funding	106,122	105,629	103,332	2.7	0.5
Securities sold under repurchase agreements	22,619	22,292	23,642	(4.3)	1.5
Term funding:					
less than 1 year residual maturity	29,147	26,037	23,187	25.7	11.9
greater than 1 year residual maturity	104,190	94,813	98,855	5.4	9.9
Total wholesale funding by maturity	262,078	248,771	249,016	5.2	5.3
Funding liabilities					
Customer deposits	58.3%	57.9%	57.7%		
Short-term funding less than 1 year residual maturity	16.9%	17.9%	17.6%		
Securities sold under repurchase agreements	3.6%	3.8%	4.0%		
Term funding:					
less than 1 year residual maturity	4.6%	4.4%	3.9%		
greater than 1 year residual maturity	16.6%	16.0%	16.8%		
Total funding liabilities	100.0%	100.0%	100.0%		

[1] *Comprises life policy liabilities and external unitholders' liability.*

13. Number of Ordinary Shares

	Year to	
	Sep 13 No. '000	Sep 12 No. '000
Ordinary shares, fully paid		
Balance at beginning of period	**2,297,247**	2,201,189
Shares issued		
Dividend reinvestment plan	**32,278**	62,952
Bonus share plan	**2,075**	2,255
Conversion of other debt issues	**21,242**	23,999
Employee share plans	**5,593**	5,841
Performance options and performance rights	**805**	958
Paying up of partly paid shares	**15**	53
On market purchase of shares for dividend reinvestment plan neutralisation	**(10,352)**	-
	2,348,903	2,297,247
Ordinary shares, partly paid to 25 cents		
Balance at beginning of period	**104**	157
Paying up of partly paid shares	**(15)**	(53)
	89	104
Total number of ordinary shares on issue at end of period (including treasury shares)	**2,348,992**	2,297,351
Less: Treasury shares	**(53,910)**	(53,526)
Total number of ordinary shares on issue at end of period (excluding treasury shares)	**2,295,082**	2,243,825

	Half Year to	
	Sep 13 No. '000	Mar 13 No. '000
Ordinary shares, fully paid		
Balance at beginning of period	**2,342,509**	2,297,247
Shares issued		
Dividend reinvestment plan	**15,190**	17,088
Bonus share plan	**963**	1,112
Conversion of other debt issues	**-**	21,242
Employee share plans	**55**	5,538
Performance options and performance rights	**530**	275
Paying up of partly paid shares	**8**	7
On market purchase of shares for dividend reinvestment plan neutralisation	**(10,352)**	-
	2,348,903	2,342,509
Ordinary shares, partly paid to 25 cents		
Balance at beginning of period	**97**	104
Paying up of partly paid shares	**(8)**	(7)
	89	97
Total number of ordinary shares on issue at end of period (including treasury shares)	**2,348,992**	2,342,606
Less: Treasury shares	**(53,910)**	(47,387)
Total number of ordinary shares on issue at end of period (excluding treasury shares)	**2,295,082**	2,295,219

14. Exchange Rates

	Income Statement - average				Balance Sheet - spot		
	Year to		Half Year to		As at		
One Australian dollar equals	Sep 13	Sep 12	Sep 13	Mar 13	Sep 13	Mar 13	Sep 12
British Pounds	**0.6382**	0.6528	**0.6182**	0.6582	**0.5764**	0.6856	0.6432
Euros	**0.7596**	0.7930	**0.7253**	0.7938	**0.6903**	0.8128	0.8088
United States Dollars	**0.9963**	1.0290	**0.9538**	1.0387	**0.9315**	1.0427	1.0460
New Zealand Dollars	**1.2152**	1.2885	**1.1775**	1.2529	**1.1255**	1.2458	1.2536

15. ASX Appendix 4E

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16. NAB Wealth Reconciling Items

Year ended 30 September 2013	Life Reclassification [a] Cash IoRE [i] $m	Policy-holder tax [ii] $m	Other NLII reclass-ification [iii] $m	Non-life reclass-ification [b] $m	Other $m	NAB Wealth adj. $m
Net interest income	85	-	1	(30)	-	**56**
Net life insurance income	(76)	(486)	(352)	-	-	**(914)**
Other operating income	-	-	30	(1,101)	-	**(1,071)**
NAB Wealth net operating income	-	-	616	720	(1)	**1,335**
Net operating income	9	(486)	295	(411)	(1)	**(594)**
Operating expenses	-	-	(337)	411	1	**75**
Operating profit pre-charge to provide for doubtful debts	9	(486)	(42)	-	-	**(519)**
Charge to provide for doubtful debts	-	-	-	-	-	**-**
Operating profit/loss before tax	9	(486)	(42)	-	-	**(519)**
Income tax (expense)/benefit	(6)	486	42	-	-	**522**
Operating profit before distributions and non-controlling interest	3	-	-	-	-	**3**
Net profit - non-controlling interest	-	-	-	-	-	**-**
IoRE (after tax)	(3)	-	-	-	-	**(3)**
Distributions	-	-	-	-	-	**-**
Net profit attributable to owners of the Company	-	-	-	-	-	**-**

Year ended 30 September 2012	Life Reclassification [a] Cash IoRE [i] $m	Policy-holder tax [ii] $m	Other NLII reclass-ification [iii] $m	Non-life reclass-ification [b] $m	Other $m	NAB Wealth adj. $m
Net interest income	74	-	-	(19)	-	**55**
Net life insurance income	(126)	(171)	(594)	-	-	**(891)**
Other operating income	-	-	50	(970)	-	**(920)**
NAB Wealth net operating income	-	-	853	662	-	**1,515**
Net operating income	(52)	(171)	309	(327)	-	**(241)**
Operating expenses	-	-	(353)	327	1	**(25)**
Operating profit pre-charge to provide for doubtful debts	(52)	(171)	(44)	-	1	**(266)**
Charge to provide for doubtful debts	-	-	-	-	-	**-**
Operating profit/loss before tax	(52)	(171)	(44)	-	1	**(266)**
Income tax (expense)/benefit	14	171	44	-	(1)	**228**
Operating profit before distributions and non-controlling interest	(38)	-	-	-	-	**(38)**
Net profit - non-controlling interest	-	-	-	-	-	**-**
IoRE (after tax)	38	-	-	-	-	**38**
Distributions	-	-	-	-	-	**-**
Net profit attributable to owners of the Company	-	-	-	-	-	**-**

Half Year ended 30 September 2013	Life Reclassification [a] Cash IoRE [i] $m	Policy-holder tax [ii] $m	Other NLII reclass-ification [iii] $m	Non-life reclass-ification [b] $m	Other $m	NAB Wealth adj. $m
Net interest income	39	-	3	(7)	-	**35**
Net life insurance income	(34)	(276)	(136)	-	-	**(446)**
Other operating income	-	-	(5)	(573)	-	**(578)**
NAB Wealth net operating income	-	-	262	374	-	**636**
Net operating income	5	(276)	124	(206)	-	**(353)**
Operating expenses	-	-	(149)	206	-	**57**
Operating profit pre-charge to provide for doubtful debts	5	(276)	(25)	-	-	**(296)**
Charge to provide for doubtful debts	-	-	-	-	-	**-**
Operating profit before tax	5	(276)	(25)	-	-	**(296)**
Income tax (expense)/benefit	(2)	276	25	-	-	**299**
Operating profit before distributions and non-controlling interest	3	-	-	-	-	**3**
Net profit - non-controlling interest	-	-	-	-	-	**-**
IoRE (after tax)	(3)	-	-	-	-	**(3)**
Distributions	-	-	-	-	-	**-**
Net profit attributable to owners of the Company	-	-	-	-	-	**-**

Half Year ended 31 March 2013	Life Reclassification [a] Cash IoRE [i] $m	Policy-holder tax [ii] $m	Other NLII reclass-ification [iii] $m	Non-life reclass-ification [b] $m	Other $m	NAB Wealth adj $m
Net interest income	46	-	(2)	(23)	-	**21**
Net life insurance income	(42)	(210)	(216)	-	-	**(468)**
Other operating income	-	-	35	(528)	-	**(493)**
NAB Wealth net operating income	-	-	354	346	(1)	**699**
Net operating income	4	(210)	171	(205)	(1)	**(241)**
Operating expenses	-	-	(188)	205	1	**18**
Operating profit pre-charge to provide for doubtful debts	4	(210)	(17)	-	-	**(223)**
Charge to provide for doubtful debts	-	-	-	-	-	**-**
Operating profit before tax	4	(210)	(17)	-	-	**(223)**
Income tax (expense)/benefit	(4)	210	17	-	-	**223**
Operating profit before distributions and non-controlling interest	-	-	-	-	-	**-**
Net profit - non-controlling interest	-	-	-	-	-	**-**
IoRE (after tax)	-	-	-	-	-	**-**
Distributions	-	-	-	-	-	**-**
Net profit attributable to owners of the Company	-	-	-	-	-	**-**

[a] *Reclassification of Net Life Insurance Income (NLII).*

NLII is a statutory disclosure only and as such all items shown under NLII are reclassified for management reporting purposes. A summary of the respective NLII adjustments is provided below:

[i] *Cash IoRE:*

Interest on Retained Earnings is a separate disclosable item for management reporting purposes. Under the statutory view, components of IoRE are disclosed in the following lines:

- Net interest income: this is the net interest cost of subordinated and senior debt raised for capital management purposes.

- NLII: includes interest earnings on insurance VARC (Value of Acquisition Recovery Components) and investment earnings on surplus assets.

[ii] *Policyholder tax reclassification:*

The NAB Wealth investment linked business is written within statutory funds. As a result NLII includes both shareholder and policyholder amounts for statutory reporting purposes. For management reporting purposes only the shareholder component is disclosed. From a statutory reporting disclosure point of view all policyholder amounts offset within the NLII disclosure, except for tax on the investment-linked business. As a result there is a reclassification between NLII and tax for these amounts.

[iii] *Other NLII Reclassification:*

These are all other components of NLII, not adjusted for above, which are included in NAB Wealth net operating income, operating expenses and income tax expense in the management view. These include premiums, investment earnings, claims, change in policy liabilities, policy acquisition and maintenance costs and investments management costs.

[b] *Non-Life Reclassifications:*

Non-life net interest income, other operating income and volume related expenses (included in operating expenses) are reclassified to NAB Wealth net operating income for management reporting purposes.

17. Divisional Performance Summary Excluding Foreign Currency Movements

Year ended 30 September 2013 at 30 September 2012 FX rates	Business Banking $m	Personal Banking $m	Wholesale Banking $m	NAB Wealth $m	NZ Banking $m	UK Banking $m	GWB $m	NAB UK Commercial Real Estate $m	Corporate Functions and Other $m	Distributions & Eliminations $m	Group Cash Earnings $m
Net interest income	5,015	3,343	1,219	419	1,137	1,150	287	60	651	-	**13,281**
Other operating income	1,047	570	1,341	73	388	360	76	(17)	37	(85)	**3,790**
NAB Wealth net operating income	-	-	-	1,335	-	-	-	-	-	-	**1,335**
Net operating income	6,062	3,913	2,560	1,827	1,525	1,510	363	43	688	(85)	**18,406**
Operating expenses	(1,786)	(1,848)	(956)	(1,153)	(614)	(1,074)	(177)	(54)	(514)	85	**(8,091)**
Underlying profit	4,276	2,065	1,604	674	911	436	186	(11)	174	-	**10,315**
Charge to provide for bad and doubtful debts	(754)	(319)	(29)	(11)	(77)	(242)	(22)	(467)	9	-	**(1,912)**
Cash earnings before tax, IoRE, distribution and non-controlling interest	3,522	1,746	1,575	663	834	194	164	(478)	183	-	**8,403**
Income tax expense	(1,034)	(518)	(396)	(171)	(223)	(49)	(55)	112	14	-	**(2,320)**
Cash earnings before IoRE, distribution and non-controlling interest	2,488	1,228	1,179	492	611	145	109	(366)	197	-	**6,083**
Net profit - non-controlling interest	-	-	-	(7)	-	-	-	-	-	-	**(7)**
IoRE	-	-	-	(3)	-	-	-	-	-	-	**(3)**
Distributions	-	-	-	-	-	-	-	-	-	(185)	**(185)**
Cash earnings	2,488	1,228	1,179	482	611	145	109	(366)	197	(185)	**5,888**

Half Year ended 30 September 2013 at 31 March 2013 FX rates	Business Banking $m	Personal Banking $m	Wholesale Banking $m	NAB Wealth $m	NZ Banking $m	UK Banking $m	GWB $m	NAB UK Commercial Real Estate $m	Corporate Functions and Other $m	Distributions & Eliminations $m	Group Cash Earnings $m
Net interest income	2,485	1,709	651	214	586	582	143	26	292	-	**6,688**
Other operating income	525	296	590	48	200	172	36	8	21	(44)	**1,852**
NAB Wealth net operating income	-	-	-	636	-	-	-	-	-	-	**636**
Net operating income	3,010	2,005	1,241	898	786	754	179	34	313	(44)	**9,176**
Operating expenses	(895)	(915)	(464)	(581)	(316)	(542)	(87)	(31)	(333)	44	**(4,120)**
Underlying profit	2,115	1,090	777	317	470	212	92	3	(20)	-	**5,056**
Charge to provide for bad and doubtful debts	(353)	(132)	(27)	(8)	(34)	(101)	(8)	(182)	30	-	**(815)**
Cash earnings before tax, IoRE, distribution and non-controlling interest	1,762	958	750	309	436	111	84	(179)	10	-	**4,241**
Income tax expense	(514)	(283)	(187)	(74)	(116)	(28)	(29)	41	34	-	**(1,156)**
Cash earnings before IoRE, distribution and non-controlling interest	1,248	675	563	235	320	83	55	(138)	44	-	**3,085**
Net profit - non-controlling interest	-	-	-	(4)	-	-	-	-	-	-	**(4)**
IoRE	-	-	-	(3)	-	-	-	-	-	-	**(3)**
Distributions	-	-	-	-	-	-	-	-	-	(90)	**(90)**
Cash earnings	1,248	675	563	228	320	83	55	(138)	44	(90)	**2,988**

Section 7

Glossary of Terms

Term	Description
AASB	Australian Accounting Standards Board.
ABS CDO	Asset-backed securities collateralised debt obligation.
APRA	Australian Prudential Regulation Authority.
APS	Prudential Standards issued by APRA applicable to Authorised Deposit-taking Institutions.
ASX	Australian Securities Exchange.
ATO	Australian Taxation Office.
Average assets	Represents the average of assets over the period adjusted for disposed operations. Disposed operations include any operations that will not form part of the continuing Group. These include operations sold and those that have been announced to the market that have yet to reach completion.
Average interest earning assets	The average balance of assets held by the Group that generate interest income.
Banking	Banking operations include the Group's: - Retail and Non-Retail deposit, lending and other banking services in Business Banking, Personal Banking, UK Banking, NAB UK Commercial Real Estate, NZ Banking, NAB Wealth and Great Western Bank; - Global Capital Markets and Treasury, Specialised Finance, Financial Institutions business within Wholesale Banking; and - Specialised Group Assets (SGA) operations and Group Funding within Corporate Functions and Other.
Banking Cost to Income Ratio	Represents banking operating expenses (before inter-segment eliminations) as a percentage of banking operating revenue (before inter-segment eliminations).
Basel III	Basel III is a global regulatory framework designed to increase the resilience of banks and banking systems and is effective for Australian Banks from 1 January 2013.
BBSW	Bank bill swap rate.
BNZ	Bank of New Zealand.
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' (half year period) / four quarters' (full year period) risk-weighted assets.
Cash earnings per share - basic	Calculated as cash earnings adjusted for distributions on other equity instruments, divided by the weighted average number of ordinary shares adjusted to include treasury shares held by the Group's life insurance business.
Cash earnings per share - diluted	Calculated as cash earnings adjusted for distributions on other equity instruments and interest expense on dilutive potential ordinary shares. This adjusted cash earnings is divided by the weighted average number of ordinary shares, adjusted to include treasury shares held by the Group's life insurance business and dilutive potential ordinary shares.
Cash return on equity (ROE)	Calculated as cash earnings divided by average shareholders' equity, excluding non-controlling interests and other equity instruments and adjusted for treasury shares.
Common Equity Tier 1 (CET1) Capital	Common Equity Tier 1 (CET1) Capital is recognised as the highest quality component of capital. It is subordinated to all other elements of funding, absorbs losses as and when they occur, has full flexibility of dividend payments and has no maturity date. It is predominately comprised of common shares; retained earnings; undistributed current year earnings; as well as other elements as defined under APS111 - Capital Adequacy: Measurement of Capital.
Common Equity Tier 1 Ratio	Common Equity Tier 1 as defined by APRA divided by risk-weighted assets.
Company	National Australia Bank Limited.
Conduit	Special Purpose Entity (SPE) used to fund assets through the issuance of asset-backed commercial paper or medium-term notes.
Core Assets	Represents gross loans and advances including acceptances, financial assets at fair value, and investments held to maturity.
Customer Deposits	Deposits (Interest Bearing, Non-Interest Bearing and Term Deposits).
Customer Funding Index (CFI)	Customer Deposits divided by Core Assets.
Distributions	Payments to holders of other equity instrument issues such as National Income Securities, Trust Preferred Securities, Trust Preferred Securities II and National Capital Instruments.
Dividend payout ratio	Dividends paid on ordinary shares divided by cash earnings per share.
Earnings Per Share	Basic and diluted earnings per share calculated in accordance with the requirements of AASB 133 "Earnings per Share".
Fair value	Fair value is defined as the amount for which an asset could be exchanged, or a liability settled, between willing parties in an arm's length transaction.
Fair value and hedge ineffectiveness	Represents volatility attributable to the Group's application of the fair value option, ineffectiveness from designated accounting and economic hedge relationships and economic hedges of significant approved funding activities where hedge accounting has not been applied.
FCA	United Kingdom Financial Conduct Authority.
FDIC	United States of America Federal Deposit Insurance Corporation.
FOFA	The Future of Financial Services Advice package (FOFA) includes a set of reforms designed to improve the trust and confidence of Australian retail investors in the financial planning sector, and to tackle conflicts that have threatened the quality of financial advice provided to Australian investors. The reforms are mandatory from 1 July 2013.
FSA	United Kingdom Financial Services Authority. Effective from 1 April 2013, the FSA has been abolished and replaced with two successor organisations. The Prudential Regulation Authority (PRA) will ensure the stability of financial services firms and the Financial Conduct Authority (FCA) will provide oversight and regulate conduct in the financial services industry.
Full-time equivalent employees (FTEs)	Includes all full-time staff, part-time, fixed term and casual staff equivalents, as well as agency temps and external contractors either self-employed or employed by a third party agency. Note: This does not include consultants, IT professional services, outsourced service providers and non-executive directors.
FUM	Funds Under Management.
GDP	Gross Domestic Product (GDP) is the market value of the finished goods and services produced within a country in a given period of time.

General Reserve for Credit Losses (GRCL)	The general reserve for credit losses (GRCL) is an estimate of the reasonable and prudent expected credit losses over the remaining life of the portfolio and on non-defaulted assets. The reserve is a compliance requirement under APS 220 - Credit Quality. The GRCL is calculated as a collective provision for doubtful debts, excluding securitisation and provision on default no-loss assets. The difference between the GRCL and accounting collective provision is covered with an additional top-up, created through a transfer from retained earnings to a reserve, to reflect losses expected as a result of future events that are not recognised in the Group's collective provision for accounting purposes.
Group	The Company and its controlled entities.
GWB	Great Western Bank.
IFRS	International Financial Reporting Standards.
Impaired Assets	Consist of: - Retail loans (excluding unsecured portfolio managed facilities) which are contractually past due 90 days with security insufficient to cover principal and arrears of interest revenue; - Non-retail loans which are contractually past due and there is sufficient doubt about the ultimate collectability of principal and interest; and - Impaired off-balance sheet credit exposures where current circumstances indicate that losses may be incurred. Unsecured portfolio managed facilities are also classified as impaired assets when they become 180 days past due (if not written off).
Insurance	Includes the provision of personal and Group insurance by NAB Wealth.
Investment earnings on Retained Earnings (IoRE)	Investment earnings (net of tax) on shareholders' retained profits and capital from life businesses, net of capital funding costs, (IoRE) is comprised of three items: - Investment earnings on surplus assets which are held in the Statutory Funds to meet capital adequacy requirements under the Life Insurance Act 1995 (Cth); - Interest on deferred acquisition costs (net of reinsurance) included in insurance policy liabilities resulting from the unwind of discounting; and - Less the borrowing costs of any capital funding initiatives.
IoRE discount rate variation	The profit impact of a change in value of deferred acquisition costs (net of reinsurance) included in insurance policy liabilities resulting from a movement in the inflation adjusted risk-free discount rate.
IRB approach	The internal ratings based (IRB) approach refers to the processes employed by the Group to estimate credit risk. This is achieved through the use of internally developed models to assess the potential credit losses using the outputs from the probability of default, loss given default and exposure at default models.
'Jaws'	The difference between the percentage growth in revenue on the preceding period and the percentage growth in the expenses on the preceding period, calculated on a cash earnings basis.
Liquidity Coverage Ratio (LCR)	LCR is a new measure announced as part of the Basel III liquidity reforms that will apply from January 2015. The ratio measures the amount of high quality liquid assets held that can be converted to cash easily and immediately in private markets, to total net cash flows required to meet its liquidity needs for a 30 day calendar liquidity stress scenario.
Marketable debt securities	Comprises trading securities, investments - available for sale and investments - held to maturity.
NAB	The Company and its controlled entities.
NAB UK Commercial Real Estate (NAB UK CRE)	NAB UK CRE was created on 5 October 2012 following the transfer of certain commercial real estate loan assets from Clydesdale Bank PLC to the Company. These loan assets are managed by the NAB London Branch.
Net interest margin (NIM)	Net interest income as a percentage of average interest earning assets.
Net profit attributable to non-controlling interest	Reflects the allocation of profit to non-controlling interests in the Group.
Net profit attributable to owners of the Company	Represents the Group's statutory profit after tax and reflects the amount of net profit that is attributable to owners.
Net Stable Funding Ratio (NSFR)	NSFR is a new measure announced as part of the Basel III liquidity reforms that will apply from January 2018. The ratio measures the amount of longer-term, stable sources of funding relative to the liquidity profiles of the assets funded and the potential for contingent calls on funding liquidity arising from off-balance sheet commitments and obligations.
Non-impaired assets 90+ days past due	Non-impaired assets 90+ days past due consist of well-secured assets that are more than 90 days past due and portfolio-managed facilities that are not well secured and between 90 and 180 days past due.
Non-Retail Lending	Non-retail transactions broadly refer to transactions with business customers. It excludes retail lending defined below.
PRA	United Kingdom Prudential Regulation Authority.
RBA	Reserve Bank of Australia.
Retail Lending	For the purposes of segmenting the customer base and managing transactions, two broad categories are used: Retail and Non-Retail. This reflects the different approaches to managing sales and distribution channels. Retail broadly refers to products provided to personal customers.
Risk-weighted assets (RWA)	A quantitative measure of the Group's risk, required by the APRA risk-based capital adequacy framework, covering credit risk for on- and off-balance sheet exposures, market risk, operational risk and interest rate risk in the banking book.
SCDO	Synthetic Collateralised Debt Obligation.
Securitisation	Structured finance technique which involves pooling and packaging cash-flow converting financial assets into securities that can be sold to investors.
SGA	Specialised Group Assets.
Stable Funding Index (SFI)	Term Funding Index (TFI) plus Customer Funding Index (CFI).
Statutory Funds	A Statutory Fund is a fund that: - is established in the records of a life company; and - relates solely to the life insurance business of the Company or a particular part of that business.
Term Funding Index (TFI)	Term Wholesale Funding (with a remaining maturity to first call date greater than 12 months) divided by Core Assets.
Tier 1 Capital	Tier 1 Capital comprises the highest quality components of capital that fully satisfy all of the characteristics outlined under APRA's prudential framework. It provides a permanent and unrestricted commitment of funds, are freely available to absorb losses, do not impose any unavoidable servicing charge against earnings and rank behind the claims of depositors and other creditors in the event of winding-up.
Tier 1 Capital ratio	Tier 1 Capital as defined by APRA divided by risk-weighted assets.
Total Shareholder Return (TSR)	Total Shareholder Return (TSR) is a concept used to compare the performance of different companies' securities over time. It combines share price appreciation and dividends paid to show the total return to the shareholder. The absolute size of the TSR will vary with stock markets, but the relative position reflects the market perception of overall performance relative to a reference group.

Treasury shares	Shares in the Company held by the Group's life insurance business and in trust by a controlled entity of the Group to meet the requirements of employee incentive schemes. The unrealised mark-to-market movements arising from changes in the share price, dividend income and realised profit and losses arising from the sale of shares held by the Group's life insurance business are eliminated for statutory reporting purposes.
Value of Acquisition Recovery Components (VARC)	It is a component, net of reinsurance costs of insurance policy liabilities. It is the current termination value less insurance policy liabilities and represents the value of acquisition costs recoverable from future premiums.
Weighted Average Number of Shares	Calculated in accordance with the requirements of AASB 133 'Earnings per Share'.