National Australia Bank

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Half Year Results 2016

Incorporating the requirements of Appendix 4D

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

The half year consolidated report is to be read in conjunction with the Annual Financial Report 2015.

National Australia Bank Limited ABN 12 004 044 937

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Results for announcement to the market

Report for the half year ended 31 March 2016

					31 March 2016 $m
Revenue from ordinary activities [(1)]	page 59	down	4.5%	* to	8,964
Net (loss) / profit after tax from ordinary activities attributable to owners of NAB [(2)]	page 59	down	150.6%	* to	(1,742)
Net (loss) / profit attributable to owners of NAB [(2)]	page 59	down	150.6%	* to	(1,742)

** On prior corresponding period (six months ended 31 March 2015).*

[(1)] *Required to be disclosed by ASX Listing Rule Appendix 4D. Reported as the sum of the following items from the Group's consolidated income statement: net interest income $6,597 million, net life insurance income $329 million and total other income $2,038 million. On a cash earnings basis revenue increased by 3.3%.*

[(2)] *Net (loss) / profit attributable to owners of NAB was down 150.6% to ($1,742) million, reflecting the CYBG demerger on 8 February 2016 and provisions for conduct costs pursuant to claims under the Conduct Indemnity Deed with CYBG as at 31 March 2016.*

Dividends	Amount per share cents	Franked amount per share %
Interim dividend	99	100
Record date for determining entitlements to the interim dividend		18 May 2016

A Glossary of Terms is included in Section 7.

A reference in this Appendix 4D to the 'Group' is a reference to NAB and its controlled entities. All currency amounts are expressed in Australian dollars unless otherwise stated. References in this document to the March 2016 half year are references to the six months ended 31 March 2016. Other six month periods are referred to in a corresponding manner. National Australia Bank Limited's consolidated financial statements, prepared in accordance with the *Corporations Act* 2001 (Cth), are included in Section 5. See page 106 for a complete index of ASX Appendix 4D requirements.

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Table of Contents

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AUSTRALIA
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Thursday, 5 May 2016

ASX Announcement

NAB 2016 Half Year Results

Simpler, more focused business, with improving momentum

Highlights

- Cash earnings[1] of $3.31 billion, up 6.5% compared to March 2015 half year
- Statutory net loss of $1.74 billion reflects discontinued operations[2]
- Interim dividend unchanged at 99 cents per share fully franked
- Australian Banking cash earnings up 5% and revenue up 4% over March 2015 half year
- Asset quality strong with 90+ days past due and gross impaired asset ratio of 0.78%
- Cash ROE 14.1%
- CET1 ratio of 9.7% compared to target range of 8.75 – 9.25%

Key points

The March 2016 half year results for continuing operations are compared with March 2015 half year results for continuing operations unless otherwise stated, and reflect revisions to prior comparative financial information as detailed in NAB's ASX announcement on 22 April 2016 including the impact of the CYBG demerger.

- On a statutory basis, net loss attributable to the owners of NAB was $1.74 billion, a decrease of $5.18 billion. This reflects discontinued operations[2] losses, in particular the loss on demerger and Initial Public Offering (IPO) of CYBG PLC (CYBG) of $4.22 billion as previously disclosed in NAB's 2016 First Quarter Trading Update, combined with a charge of $801 million relating to provisions for conduct costs pursuant to claims under the Conduct Indemnity Deed with CYBG[3]. Excluding discontinued operations[2], statutory net profit increased 2.4% to $3.31 billion.
- Cash earnings[1] were $3.31 billion, an increase of 6.5%. The main difference between statutory and cash earnings relates to discontinued operations[2], treasury shares, and effects of fair value and hedge ineffectiveness.
- On a cash earnings basis:
  - Revenue increased 3.3%. Excluding gains from the UK Commercial Real Estate loan portfolio sale and SGA asset sales in the March 2015 half year, revenue rose 4.5%. Key impacts include increased lending balances, higher Group net interest margin (NIM), and stronger NAB Wealth net income, partly offset by weaker Markets and Treasury income[4]. Group NIM rose 1 basis point, reflecting benefits of repricing in home lending and deposits, partly offset by higher wholesale funding costs and competition for business lending.

[1] Refer to note on cash earnings on page 4 of this document.

[2] Included within discontinued operations is the post-tax (loss)/profit of the CYBG demerger and IPO and CYBG discontinued operations, combined with provisions for conduct costs pursuant to claims under the Conduct Indemnity Deed with CYBG. The comparative information also includes the post-tax profit/(loss) of Great Western Bank discontinued operations. Refer to Note 15 of the 2016 Half Year Results Announcement for further detail.

[3] Relates to claims that have been or are expected to be made by CYBG in connection with the Conduct Indemnity Deed between CYBG and NAB. These claims relate principally to an increase in CYBG's provision for PPI costs of £450m. The actual and expected claims will reduce the unutilised portion of the Conduct Indemnity to £689 million.

[4] Markets and Treasury income represents Customer Risk Management and NAB Risk Management income.

    - Expenses rose 4.2%, reflecting investment in the Group's priority customer segments and increased technology and personnel costs.
    - The total charge for Bad and Doubtful Debts (B&DDs) was $375 million, down $24 million or 6.0%. However, compared to the September 2015 half year, the total charge increased $26 million or 7.4% reflecting higher specific provision charges in Australian Banking relating to a small number of large single name exposures, combined with increased collective provision charges for NZ Banking given the continued challenging outlook facing the dairy industry.
- The Group's Common Equity Tier 1 (CET1) ratio was 9.7% as at 31 March 2016, a decrease of 55 basis points from September 2015 mainly reflecting the impact of the CYBG demerger and IPO, including the conduct indemnity. The Group's CET1 target ratio remains between 8.75% – 9.25%. As part of NAB's ongoing commitment to maintaining a strong and efficient capital position, NAB is considering issuance of a new ASX listed Additional Tier 1 capital security, subject to market conditions, including any competing supply.
- The interim dividend is 99 cents per share fully franked, unchanged from the 2015 interim and final dividends.
- The Group maintains a well diversified funding profile and raised $17.7 billion of term wholesale funding in the March 2016 half year across a range of markets. The weighted average term to maturity of the funds raised by the Group over the March 2016 half year was 4.7 years. The stable funding index was 89% at 31 March 2016.
- The Group's quarterly average liquidity coverage ratio as at 31 March 2016 was 125%.

Executive Commentary

"This is our first result squarely focused on our Australian and New Zealand business. It shows that delivering against our strategic priorities is producing results and laying the foundations for sustainable growth and returns. We have a clear plan and are executing it in a disciplined way," NAB Group CEO Andrew Thorburn said.

"We are focused on getting the basics right and serving our customers better. A year after adopting the Net Promoter Score (NPS)[5] we are seeing encouraging results. NAB has led the aggregate NPS outcomes of the major banks over the four months to March 2016 in our priority customer segments[6] of mortgages, debt free, micro business, small business and medium business. But there is still more to do.

"Good progress has been made improving the customer experience by enhancing our technology and digital offerings, as well as process improvements which make it easier for customers to deal with us. We are accelerating the delivery of digital initiatives, which during this period saw the launch of NAB Pay, the pilot of our digital hub for small banking customers called Business in One, and the launch of NAB Dash which streamlines the consumer-merchant experience. In addition, the Personal Banking Origination Platform has been rolled out across South Australia, the Northern Territory and Western Australia. This technology enables our customers to track applications online and receive SMS or email updates at key milestones. Our 2016 national roll out remains on track.

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

[6] Priority segments Net Promoter Score (NPS) is a simple average of the NPS scores of five priority segments: Mortgage Customers, Debt Free, Micro Business (<$1m), Small Business ($1m-<$5m) and Medium Business ($5m-<$50m). The Priority Segments NPS data is based on six month moving averages from Roy Morgan Research and DBM BFSM Research.

“Our Australian businesses have performed well this period. Personal Banking continues to record strong revenue growth despite higher wholesale funding costs and some slowing in the growth rate of home lending. In Business Banking, revenue growth over the year has been encouraging, up 2%, with our investments in more bankers and enhanced tools and disciplines helping drive improved loan growth in our priority segments and higher margins over the March 2016 half year, combined with a five point lift in our aggregate SME NPS[5, 7] score over the six months to 31 March 2016 to first position against major bank peers.

“NAB Wealth has continued its track record of delivering significantly improved results since 2013. The long term partnership and sale of 80% of our Life Insurance business to Nippon Life is progressing well and remains on track for finalisation in the second half of calendar year 2016. This important transaction allows us to continue to provide insurance solutions to customers while improving Wealth returns for shareholders. In addition, we know there is strong upside for our Investments and Superannuation business from enhancing the customer experience and developing a closer relationship with our banking operations.

“Our NZ Banking business produced a solid result this period despite challenges facing the dairy industry. While we remain confident in the robustness of the underlying New Zealand economy, against a backdrop of sustained low milk prices we have taken a proactive approach to provisioning for future dairy impairments.

“The decisions we have made over the last two years have resulted in NAB being a stronger and simpler business. We are focused on improving returns in our Australian and New Zealand businesses and, while there is still more work to do, we have made good progress against our agenda,” Mr Thorburn said.

Business Unit Commentary

Australian Banking cash earnings were $2,694 million, an increase of 5%. Revenue rose 4% reflecting higher lending volumes and improved NIM, partly offset by weaker Markets and Treasury income[4]. Expenses grew 6% due to performance based incentive normalisation, Enterprise Bargaining Agreement salary increases and higher project and technology costs. B&DD charges were $341 million, a decrease of 7% with lower collective provision charges including the non-repeat of an agriculture and resource sector overlay taken in the March 2015 half year partly offset by higher specific charges arising from a small number of large single name impairments.

NZ Banking local currency cash earnings declined 3% to NZ$404 million with higher B&DD charges the key driver. Revenue rose 2% with higher lending volumes partly offset by lower NIM. Expenses were well contained rising 2% and compared to the September 2015 half year declining 1%. B&DD charges increased by NZ$38 million or 83% as a result of higher collective provision charges mainly related to the dairy industry. Compared with the September 2015 half year B&DD charges declined 5%.

NAB Wealth cash earnings increased 12% to $249 million driven by stronger Insurance results. Net income rose 4% reflecting Insurance premium growth and pricing increases combined with improved claims expense and stable lapse performance. Expenses declined 1%, due to lower technology and project costs partly offset by an increase in the number of financial planners.

[7] SME NPS is a simple average of the NPS scores of the three priority business segments: Micro Business (<$1m), Small Business ($1m-<$5m) and Medium Business ($5m-<$50m). The SME NPS data is based on six month moving averages from DBM BFSM Research.

Group Asset Quality

The ratio of Group 90+ days past due and gross impaired assets to gross loans and acceptances of 0.78% at 31 March 2016 compares to 0.63% at 30 September 2015 and 0.77% at 31 March 2015. Inclusion of A$522 million of New Zealand dairy impaired assets currently assessed as no loss based on security held accounted for 10 basis points of the increase in this ratio between 30 September 2015 and 31 March 2016.

The ratio of collective provision to credit risk weighted assets was 0.98% compared with 0.99% at 30 September 2015. The ratio of specific provisions to impaired assets was 36.4%[8] compared with 30.3% at 30 September 2015.

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DISCLAIMER – FORWARD LOOKING STATEMENTS

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

NOTE ON CASH EARNINGS

Full detail on how cash earnings is defined, a discussion of non-cash earnings items and a full reconciliation of statutory net profit/loss attributable to owners of NAB for the half year ended 31 March 2016 is set out on pages 2 to 7 of the 2016 Half Year Results Announcement under the heading "Profit Reconciliation".

The Group's results and Review of Divisional Operations and Results are presented on a cash earnings basis, unless otherwise stated. Cash earnings is a key financial performance measure used by NAB, the investment community and NAB's Australian peers with a similar business portfolio. NAB also uses cash earnings for its internal management reporting, as it better reflects what NAB considers to be the underlying performance of the Group. It is not a statutory financial measure, is not presented in accordance with Australian Accounting Standards,and is not audited or reviewed in accordance with Australian Auditing Standards. "Cash earnings" is calculated by excluding discontinued operations and certain other items which are included within the statutory net profit attributable to owners of NAB. The Group's financial statements, prepared in accordance with the *Corporations Act 2001* (Cth) and Australian Accounting Standards, and reviewed by the auditors in accordance with Australian Auditing Standards, are included in Section 5 of the 2016 Half Year Results Announcement.

[8] Consists only of impaired assets where a specific provision has been raised and excludes New Zealand dairy exposures currently assessed as no loss based on security held.

Section 1

Profit Reconciliation

Information about Cash Earnings

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

Explanation and Definition of Cash Earnings

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

Cash earnings is defined as net profit attributable to owners of NAB from continuing operations, adjusted for the items NAB considers appropriate to better reflect the underlying performance of the Group. Cash earnings for the March 2016 half year has been adjusted for the following:

- Distributions.
- Treasury shares.
- Fair value and hedge ineffectiveness.
- Life insurance economic assumption variation.
- Amortisation of acquired intangible assets.
- Life insurance sale transaction costs.

Non-cash items in prior year comparatives have been restated to exclude discontinued operations where relevant.

Reconciliation to Statutory Net Profit

Section 5 of the 2016 Half Year Results Announcement contains the Group's Income Statement, including statutory net profit. The statutory net profit for the period is the sum of both net profit / (loss) from continuing operations and discontinued operations. Discontinued operations includes the loss on demerger of CYBG and provisions for conduct costs pursuant to claims under the Conduct Indemnity Deed with CYBG. Further detail on discontinued operations is set out in Note 15 to the Consolidated Financial Statements on pages 89 - 90. The Group's consolidated financial statements, prepared in accordance with the *Corporations Act* 2001 (Cth) and applicable Australian Accounting Standards, and reviewed by the auditors in accordance with Australian Auditing Standards, are included in the financial report section of the 2016 Half Year Results Announcement.

A reconciliation of cash earnings to statutory net profit attributable to owners of NAB (statutory net profit, less non controlling interest in controlled entities) is set out on page 3, and full reconciliations between statutory net profit and cash earnings are included in this section on pages 5-7 of the 2016 Half Year Results Announcement.

Page 4 contains a description of non-cash earnings items for March 2016 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 [(1)]

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

	Note	Half Year to Mar 16 $m	Sep 15 $m	Mar 15 $m	Mar 16 v Sep 15 %	Mar 16 v Mar 15 %
Net interest income		**6,600**	6,288	6,210	5.0	6.3
Other operating income		**2,317**	2,464	2,402	(6.0)	(3.5)
IoRE		**6**	(5)	24	large	(75.0)
Net operating income		**8,923**	8,747	8,636	2.0	3.3
Operating expenses		**(3,831)**	(3,757)	(3,676)	(2.0)	(4.2)
Underlying profit		**5,092**	4,990	4,960	2.0	2.7
Charge to provide for bad and doubtful debts		**(375)**	(349)	(399)	(7.4)	6.0
Cash earnings before tax and distributions		**4,717**	4,641	4,561	1.6	3.4
Income tax expense		**(1,343)**	(1,312)	(1,345)	(2.4)	0.1
Cash earnings before distributions		**3,374**	3,329	3,216	1.4	4.9
Distributions		**(64)**	(66)	(109)	3.0	41.3
Cash earnings		**3,310**	3,263	3,107	1.4	6.5
Non-cash earnings items (after tax):						
Distributions		**64**	66	109	(3.0)	(41.3)
Treasury shares		**62**	321	(317)	(80.7)	large
Fair value and hedge ineffectiveness		**(60)**	163	353	large	large
Life insurance economic assumption variation		**-**	(12)	25	large	large
Amortisation of acquired intangible assets		**(40)**	(48)	(46)	16.7	13.0
Life insurance sale transaction costs		**(29)**	-	-	large	large
Net profit from continuing operations		**3,307**	3,753	3,231	(11.9)	2.4
Net (loss) / profit after tax from discontinued operations	**15**	**(5,049)**	(855)	209	large	large
Net (loss) / profit attributable to owners of NAB		**(1,742)**	2,898	3,440	large	large

(1) *Information is presented on a continuing operations basis including prior period restatements.*

Non-cash Earnings Items

Distributions

Distributions relating to hybrid equity instruments are treated as an expense for cash earnings purposes and as a reduction in equity (dividend) for statutory reporting purposes. The distributions on other equity instruments are set out in *Section 5, Note 6 - Dividends and Distributions*. The effect of this in the March 2016 half year is to reduce cash earnings by $64 million.

Treasury Shares

For statutory reporting purposes, the Group eliminates the effect on statutory profit of the Group's life insurance business investment in NAB shares. The elimination includes unrealised mark-to-market movements arising from changes in NAB's share price, dividend income and realised profits and losses on the disposal of shares. This results in an accounting mismatch because the impact of the life policy liabilities supported by these shares is reflected in statutory profit. As such the statutory treasury shares elimination is reversed for cash earnings purposes. In the March 2016 half year, there was an increase in statutory profit of $81 million ($62 million after tax) from these shares.

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 March 2016 half year there was a reduction in statutory profit of $67 million ($60 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 impact of interest rate and foreign exchange movements has resulted in mark-to-market gains on these derivatives and term funding issuances.

Life Insurance Economic Assumption Variation

The life insurance economic assumption variation represents the net impact to statutory profit of the change in value of life insurance policy liabilities (net of reinsurance) and investments relating to the life insurance business due to changes in economic assumptions (inflation and the risk free discount rate). In the March 2016 half year there was a minimal increase in the statutory profit due to the life insurance economic assumption variation.

Amortisation of Acquired Intangible Assets

The amortisation of acquired intangibles represents the amortisation of intangible assets arising from the acquisition of controlled entities and associates such as management agreements and contracts in force. In the March 2016 half year there was a decrease in statutory profit of $45 million ($40 million after tax) due to the amortisation of acquired intangible assets.

Life insurance sale transaction costs

Life insurance sale transaction costs represent costs incurred in preparation for the sale of 80% of NAB Wealth's life insurance business to Nippon Life Insurance Company (Nippon Life). In the March 2016 half year there was a decrease in statutory profit of $41 million ($29 million after tax) due to life insurance sale transaction costs.

Reconciliation between Statutory Net profit (after Tax) from Continuing Operations and Cash Earnings [(1)]

Half Year ended 31 March 2016	Statutory Net Profit from continuing operations $m	NAB Wealth adj.[(1)] $m	Distri-butions $m	Treasury shares $m	Fair value and hedge ineffec. $m	Life Insurance Economic Assumption $m	Amortisation of acquired intangible assets $m	Life insurance sale transaction costs $m	Cash Earnings $m
Net interest income	6,597	3	-	-	-	-	-	-	**6,600**
Net life insurance income	329	(248)	-	(81)	-	-	-	-	**-**
Other operating income	2,038	222	-	-	56	-	1	-	**2,317**
IoRE	-	6	-	-	-	-	-	-	**6**
Net operating income	8,964	(17)	-	(81)	56	-	1	-	**8,923**
Operating expenses	(3,965)	49	-	-	-	-	44	41	**(3,831)**
Profit / (loss) before charge to provide for doubtful debts	4,999	32	-	(81)	56	-	45	41	**5,092**
Charge to provide for doubtful debts	(386)	-	-	-	11	-	-	-	**(375)**
Profit / (loss) before tax	4,613	32	-	(81)	67	-	45	41	**4,717**
Income tax (expense) / benefit	(1,303)	(35)	-	19	(7)	-	(5)	(12)	**(1,343)**
Net profit / (loss) on continuing operations before distributions and non controlling interest	3,310	(3)	-	(62)	60	-	40	29	**3,374**
Net (loss) / profit attributable to non controlling interest in controlled entities	(3)	3	-	-	-	-	-	-	**-**
Distributions	-	-	(64)	-	-	-	-	-	**(64)**
Net profit / (loss) attributable to owners of NAB from continuing operations	**3,307**	**-**	**(64)**	**(62)**	**60**	**-**	**40**	**29**	**3,310**

(1) NAB Wealth statutory results include certain disclosures which do not exist in the cash earnings view, including net life insurance income (NLII) and policyholder amounts. The following adjustments are made to the statutory results for cash earnings purposes:

a) NLII is a statutory disclosure requirement only, and as such, all items shown under NLII are reclassified for cash earnings purposes, as follows:

i) Most policyholder amounts offset within NLII in the statutory results, except for policyholder tax which is reclassified and offset within NLII.

ii) All remaining NLII amounts are then reclassified to other operating income, IoRE and operating expenses.

b) Volume related expenses relating to entities outside of the life company are reclassified from operating expenses and net interest income to other operating income, consistent with the cash earnings view.

(1) *Information is presented on a continuing operations basis including prior period restatements.*

Reconciliation between Statutory Net profit (after Tax) from Continuing Operations and Cash Earnings (continued) [(1)]

Half Year ended 30 September 2015	Statutory Net Profit from continuing operations $m	NAB Wealth adj.[(1)] $m	Distri-butions $m	Treasury shares $m	Fair value and hedge ineffec. $m	Life insurance economic assumption $m	Amortisation of acquired intangible assets $m	Cash Earnings $m
Net interest income	6,272	16	-	-	-	-	-	**6,288**
Net life insurance income	93	279	-	(389)	-	17	-	**-**
Other operating income	2,504	187	-	-	(228)	-	1	**2,464**
IoRE	-	(5)	-	-	-	-	-	**(5)**
Net operating income	8,869	477	-	(389)	(228)	17	1	**8,747**
Operating expenses	(3,910)	96	-	-	-	-	57	**(3,757)**
Profit / (loss) before charge to provide for doubtful debts	4,959	573	-	(389)	(228)	17	58	**4,990**
Charge to provide for doubtful debts	(345)	-	-	-	(4)	-	-	**(349)**
Profit / (loss) before tax	4,614	573	-	(389)	(232)	17	58	**4,641**
Income tax (expense) / benefit	(858)	(576)	-	68	69	(5)	(10)	**(1,312)**
Net profit / (loss) on continuing operations before distributions and non controlling interest	3,756	(3)	-	(321)	(163)	12	48	**3,329**
Net (loss) / profit attributable to non controlling interest in controlled entities	(3)	3	-	-	-	-	-	**-**
Distributions	-	-	(66)	-	-	-	-	**(66)**
Net profit / (loss) attributable to owners of NAB from continuing operations	**3,753**	**-**	**(66)**	**(321)**	**(163)**	**12**	**48**	**3,263**

(1) NAB Wealth statutory results include certain disclosures which do not exist in the cash earnings view, including net life insurance income (NLII) and policyholder amounts. The following adjustments are made to the statutory results for cash earnings purposes:
a) NLII is a statutory disclosure requirement only, and as such, all items shown under NLII are reclassified for cash earnings purposes, as follows:
i) Most policyholder amounts offset within NLII in the statutory results, except for policyholder tax which is reclassified and offset within NLII.
ii) All remaining NLII amounts are then reclassified to other operating income, IoRE and operating expenses.
b) Volume related expenses relating to entities outside of the life company are reclassified from operating expenses and net interest income to other operating income, consistent with the cash earnings view.

(1) Information is presented on a continuing operations basis including prior period restatements.

Reconciliation between Statutory Net profit (after Tax) from Continuing Operations and Cash Earnings (continued) [1]

Half Year ended 31 March 2015	Statutory Net Profit from continuing operations $m	NAB Wealth adj.[1] $m	Distri-butions $m	Treasury shares $m	Fair value and hedge ineffec. $m	Life insurance economic assumption $m	Amortisation of acquired intangible assets $m	Cash Earnings $m
Net interest income	6,190	20	-	-	-	-	-	**6,210**
Net life insurance income	475	(800)	-	361	-	(36)	-	**-**
Other operating income	2,726	171	-	-	(496)	-	1	**2,402**
IoRE	-	24	-	-	-	-	-	**24**
Net operating income	9,391	(585)	-	361	(496)	(36)	1	**8,636**
Operating expenses	(3,800)	61	-	-	-	-	63	**(3,676)**
Profit / (loss) before charge to provide for doubtful debts	5,591	(524)	-	361	(496)	(36)	64	**4,960**
Charge to provide for doubtful debts	(388)	-	-	-	(11)	-	-	**(399)**
Profit / (loss) before tax	5,203	(524)	-	361	(507)	(36)	64	**4,561**
Income tax (expense)/benefit	(1,969)	521	-	(44)	154	11	(18)	**(1,345)**
Net profit / (loss) on continuing operations before distributions and non controlling interest	3,234	(3)	-	317	(353)	(25)	46	**3,216**
Net (loss) / profit attributable to non controlling interest in controlled entities	(3)	3	-	-	-	-	-	**-**
Distributions	-	-	(109)	-	-	-	-	**(109)**
Net profit / (loss) attributable to owners of NAB from continuing operations	**3,231**	**-**	**(109)**	**317**	**(353)**	**(25)**	**46**	**3,107**

[1] NAB Wealth statutory results include certain disclosures which do not exist in the cash earnings view, including net life insurance income (NLII) and policyholder amounts. The following adjustments are made to the statutory results for cash earnings purposes:

a) NLII is a statutory disclosure requirement only, and as such, all items shown under NLII are reclassified for cash earnings purposes, as follows:

i) Most policyholder amounts offset within NLII in the statutory results, except for policyholder tax which is reclassified and offset within NLII.

ii) All remaining NLII amounts are then reclassified to other operating income, IoRE and operating expenses.

b) Volume related expenses relating to entities outside of the life company are reclassified from operating expenses and net interest income to other operating income, consistent with the cash earnings view.

[1] Information is presented on a continuing operations basis including prior period restatements.

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Section 2

Highlights

Group Performance Results [1]

	Note	Half Year to Mar 16 $m	Sep 15 $m	Mar 15 $m	Mar 16 v Sep 15 %	Mar 16 v Mar 15 %
Net interest income		**6,600**	6,288	6,210	5.0	6.3
Other operating income		**2,317**	2,464	2,402	(6.0)	(3.5)
IoRE		**6**	(5)	24	large	(75.0)
Net operating income		**8,923**	8,747	8,636	2.0	3.3
Operating expenses		**(3,831)**	(3,757)	(3,676)	(2.0)	(4.2)
Underlying profit		**5,092**	4,990	4,960	2.0	2.7
Charge to provide for bad and doubtful debts		**(375)**	(349)	(399)	(7.4)	6.0
Cash earnings before tax and distributions		**4,717**	4,641	4,561	1.6	3.4
Income tax expense		**(1,343)**	(1,312)	(1,345)	(2.4)	0.1
Cash earnings before distributions		**3,374**	3,329	3,216	1.4	4.9
Distributions		**(64)**	(66)	(109)	3.0	41.3
Cash earnings		**3,310**	3,263	3,107	1.4	6.5
Non-cash earnings items (after tax):						
Distributions		**64**	66	109	(3.0)	(41.3)
Treasury shares		**62**	321	(317)	(80.7)	large
Fair value and hedge ineffectiveness		**(60)**	163	353	large	large
Life insurance economic assumption variation		**-**	(12)	25	large	large
Amortisation of acquired intangible assets		**(40)**	(48)	(46)	16.7	13.0
Life insurance sale transaction costs		**(29)**	-	-	large	large
Net profit from continuing operations		**3,307**	3,753	3,231	(11.9)	2.4
Net (loss) / profit after tax from discontinued operations	15	**(5,049)**	(855)	209	large	large
Net (loss) / profit attributable to owners of NAB		**(1,742)**	2,898	3,440	large	large
Represented by:						
Australian Banking		**2,694**	2,536	2,565	6.2	5.0
NZ Banking		**373**	371	391	0.5	(4.6)
NAB Wealth		**249**	241	223	3.3	11.7
Corporate Functions and Other		**58**	181	37	(68.0)	56.8
Distributions & Eliminations		**(64)**	(66)	(109)	3.0	41.3
Cash earnings		**3,310**	3,263	3,107	1.4	6.5

Shareholder Summary

	Half Year to Mar 16	Sep 15	Mar 15	Mar 16 v Sep 15	Mar 16 v Mar 15
Dividend per share (cents)	**99**	99	99	-	-
Dividend payout ratio	**78.8%**	77.9%	77.5%	90 bps	130 bps
Statutory earnings per share (cents) - basic	**(70.1)**	113.1	140.4	(183.2)	(210.5)
Statutory earnings per share (cents) - diluted	**(62.0)**	109.8	137.9	(171.8)	(199.9)
Statutory earnings per share from continuing operations (cents) - basic	**125.9**	147.2	131.5	(21.3)	(5.6)
Statutory earnings per share from continuing operations (cents) – diluted	**120.8**	141.9	129.4	(21.1)	(8.6)
Cash earnings per share (cents) - basic	**125.7**	127.1	127.8	(1.4)	(2.1)
Cash earnings per share (cents) - diluted	**120.7**	123.1	125.9	(2.4)	(5.2)
Statutory return on equity	**(7.9%)**	12.9%	17.7%	large	large
Cash return on equity (ROE)	**14.1%**	14.3%	15.8%	(20 bps)	(170 bps)

(1) *Information is presented on a continuing operations basis including prior period restatements.*

Key Performance Indicators

	Half Year to				
	Mar 16	Sep 15	Mar 15	Mar 16 v Sep 15	Mar 16 v Mar 15
Group [1]					
Cash earnings on average assets	**0.75%**	0.74%	0.73%	1 bp	2 bps
Cash earnings on average risk-weighted assets	**1.85%**	1.89%	1.91%	(4 bps)	(6 bps)
Cash earnings per average FTE ($'000)	**189**	187	181	1.1%	4.4%
Banking cost to income (CTI) ratio	**41.6%**	41.5%	41.0%	10 bps	60 bps
Net interest margin	**1.93%**	1.88%	1.92%	5 bps	1 bp
Capital [2]					
Common Equity Tier 1 ratio	**9.69%**	10.24%	8.87%	(55 bps)	82 bps
Tier 1 ratio	**11.77%**	12.44%	11.13%	(67 bps)	64 bps
Total capital ratio	**13.25%**	14.15%	12.81%	(90 bps)	44 bps
Risk-weighted assets ($bn)	**361.4**	399.8	393.2	(9.6%)	(8.1%)
Volumes ($bn) [1]					
Gross loans and acceptances [3] [4]	**532.3**	521.9	509.5	2.0%	4.5%
Average interest earning assets	**684.0**	666.5	650.2	2.6%	5.2%
Total average assets	**880.2**	884.6	858.6	(0.5%)	2.5%
Total customer deposits [3]	**376.7**	362.0	358.4	4.1%	5.1%
Asset quality [1]					
90+ days past due and gross impaired assets to gross loans and acceptances	**0.78%**	0.63%	0.77%	15 bps	1 bp
Collective provision to credit risk-weighted assets	**0.98%**	0.99%	0.97%	(1 bp)	1 bp
Specific provision to gross impaired assets [5]	**36.4%**	30.3%	35.8%	610 bps	60 bps
Other [1]					
Funds under management and administration ($bn) [6]	**191.1**	171.0	177.1	11.8%	7.9%
Annual inforce premiums ($m)	**1,845**	1,795	1,788	2.8%	3.2%
Full Time Equivalent Employees (FTE) (spot)	**35,520**	34,582	34,568	(2.7%)	(2.8%)
Full Time Equivalent Employees (FTE) (average)	**35,063**	34,837	34,339	(0.6%)	(2.1%)
Australian Banking (AU$) [1]					
Cash earnings ($m)	**2,694**	2,536	2,565	6.2%	5.0%
Cash earnings on average assets	**0.73%**	0.67%	0.70%	6 bps	3 bps
Cash earnings on average risk-weighted assets	**1.86%**	1.76%	1.90%	10 bps	(4 bps)
Net interest margin	**1.70%**	1.61%	1.65%	9 bps	5 bps
Net operating income ($m)	**7,001**	6,680	6,713	4.8%	4.3%
Cost to income ratio	**41.5%**	42.3%	40.6%	80 bps	(90 bps)
NZ Banking (NZ$) [1]					
Cash earnings (NZ$m)	**404**	405	418	(0.2%)	(3.3%)
Cash earnings on average assets	**1.11%**	1.16%	1.24%	(5 bps)	(13 bps)
Cash earnings on average risk-weighted assets	**1.61%**	1.69%	1.79%	(8 bps)	(18 bps)
Net interest margin	**2.31%**	2.42%	2.46%	(11 bps)	(15 bps)
Net operating income (NZ$m)	**1,051**	1,058	1,034	(0.7%)	1.6%
Cost to income ratio	**39.5%**	39.6%	39.4%	10 bps	(10 bps)
NAB Wealth (AU$) [1]					
Cash earnings ($m)	**249**	241	223	3.3%	11.7%
Investment operating expenses to average FUM (bps)	**38**	40	42	2 bps	4 bps
Insurance cost to average inforce premiums	**12.7%**	13.1%	15.0%	40 bps	230 bps
Cost to income ratio	**57.1%**	58.5%	60.2%	140 bps	310 bps

(1) *Information is presented on a continuing operations basis including prior period restatements.*
(2) *Capital numbers reflect the reported figures as at the respective dates and have not been restated.*
(3) *Spot balance at reporting date.*
(4) *Including loans and advances at fair value.*
(5) *Consists only of impaired assets where a specific provision has been raised and excludes $522 million (NZ$579 million) of NZ dairy exposures currently assessed as no loss based on security held.*
(6) *Excludes Trustee and Cash Management within NAB Wealth.*

Group Performance

Andrew Thorburn

Restatement of Prior Period Financial Information

Following the CYBG PLC (CYBG) demerger, the Group's Income Statement has been prepared on a continuing operations basis. The loss on demerger, the operating result of CYBG and provisions for conduct costs pursuant to claims under the Conduct Indemnity Deed with CYBG have been included as part of discontinued operations in accordance with applicable Australian Accounting Standards, with prior period comparatives restated. The restated Income Statements are presented on page 59.

Cash earnings, the income statement, certain balance sheet components, and ratios within sections 1 to 4 and 6 of the 2016 Half Year Results Announcement have been restated to exclude discontinued operations where applicable for the half year ended 30 September 2015, and half year ended 31 March 2015, unless otherwise stated.

Net Profit / (Loss) Attributable to Owners of NAB

During the March 2016 half year, a net loss attributable to owners of NAB (statutory net loss) was incurred. This represented a decrease of $5,182 million against the March 2015 half year statutory net profit, and a decrease of $4,640 million against the September 2015 half year statutory net profit.

Excluding the impact of discontinued operations, a net profit attributable to owners of NAB (statutory net profit) was delivered for the March 2016 half year and increased by $76 million or 2.4% against the March 2015 half year, and a decrease of $446 million or 11.9% against the September 2015 half year. Net profit attributable to owners of NAB is prepared in accordance with the *Corporations Act* 2001 (Cth), and applicable Australian Accounting Standards.

Shareholders Returns

The Group's statutory return on equity decreased by 2,560 basis points to (7.9%) compared to the March 2015 half year, and decreased by 2,080 basis points compared to the September 2015 half year. The Group's cash return on equity decreased by 170 basis points to 14.1% compared to the March 2015 half year, and decreased by 20 basis points compared to the September 2015 half year.

The interim dividend for the March 2016 half year is 99 cents per share. This represents a dividend payout ratio of 78.8% for the March 2016 half year on a cash earnings basis.

The dividend payment is 100% franked and will be paid on 5 July 2016. Shares will be quoted ex-dividend on 17 May 2016.

Earnings Per Share

Basic statutory earnings per share decreased by 210.5 cents on the March 2015 half year. Diluted earnings per share decreased by 199.9 cents. This reflects the Group's decrease in statutory profit.

Basic statutory earnings per share decreased by 183.2 cents on the September 2015 half year. Diluted earnings per share decreased by 171.8 cents.

Basic statutory earnings from continuing operations per share decreased by 5.6 cents or 4.3% on the March 2015 half year. Diluted earnings per share decreased by 8.6 cents or 6.6%.

Basic statutory earnings from continuing operations per share decreased by 21.3 cents or 14.5% on the September 2015 half year. Diluted earnings per share decreased by 21.1 cents or 14.9%.

Basic cash earnings per share decreased by 2.1 cents or 1.6% on the March 2015 half year. Diluted cash earnings per share decreased by 5.2 cents or 4.1%.

Basic cash earnings per share decreased by 1.4 cents or 1.1% on the September 2015 half year. Diluted cash earnings per share decreased by 2.4 cents or 1.9%.

Strategic Highlights

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

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

Focusing on priority customer segments

The Group is focused on the most attractive customer segments and where it is best positioned to compete. To allow greater focus on its core Australian and New Zealand customers, the Group is exiting some lower returning, non-core assets. During the March 2016 half year, the Group took a number of strategic actions to effect this including:
- Successful completion of the CYBG demerger in February 2016.
- Announcement of the sale of 80% of the Group's life insurance business to Nippon Life in October 2015 and progress towards the finalisation of this transaction.

Given the Group's strong market position in micro, small and medium business, customers in these segments have been prioritised, including in the agricultural and health industries. Mortgage and debt free customer segments also remain a priority.

Investment in priority segments is delivering improved results for the Group. This is evident in Australian Banking which, during the March 2016 half year, recorded improved revenue growth on higher volumes and stronger margins, and improved underlying profit.

Delivering a great customer experience

Delivering a great customer experience is central to the Group's strategy. Substantial progress has been made to improve the customer experience by making it easier for customers to do their banking and accelerating innovation.

The Group continues to focus on solving customer pain points. For example, in the March 2016 half year, a mobile token was created for NAB's Business Internet Banking Service, removing the need for business customers to carry a physical token. Up to 40,000 business banking customers will now be able to log on securely without the requirement of a physical token device.

NAB is making it easier for customers to transact with us with investments in internet banking and mobile application services. In January 2016, NAB launched its new mobile payment service NAB Pay, enabling customers to use their Android mobile phone to make purchases without the need for a physical card. NAB customers have rapidly adopted the new payments technology with more than 18,000 downloads in the first month of operation.

NAB Labs, which has a dedicated capability to drive innovation and customer-led design, launched a number of customer-centric propositions in the March 2016 half year, including:
- Business In One – a digital platform that helps NAB's business customers operate their businesses more productively by integrating different cloud based business applications easily via a customisable business dashboard.
- Air Tax Partnership – a digital service that makes it easy for small online start-up businesses and sole traders to comply with their GST obligations.

In February 2016, the Group also launched a $50 million innovation fund, NAB Ventures. Through commercial and equity investments, the fund will further accelerate innovation by delivering access to new innovative capability, technology, intellectual property and business models. NAB Ventures' objectives focus on accessing capabilities and insights that will support the Group's strategy and fundamentally enhance the customer experience.

Executing flawlessly and relentlessly

The Group continues to drive improved performance and execution, by seeking to execute change well and transforming processes for speed and reliability.

An example is the national rollout of the Group's new Personal Banking Origination Platform (PBOP) which commenced in February 2016, following a successful pilot. PBOP is currently being used by 285 branches and more than 400 staff in contact centres across Australia. The new platform is improving the 'time to yes' for key banking products, including:
- Decreasing time to cash for personal loans by 50%.
- Reducing the time taken to unconditionally approve a new credit card by 46%.

Great people living the Group's values

The Group's culture is fundamental to driving performance and accelerating the execution of its strategy. The Group's five values are: *Passion for Customers, Will to Win*, *Be Bold*, *Respect for People,* and *Do the Right Thing*. The values create a direct link between culture and strategy, and have been incorporated into employees' performance reviews, staff induction and training materials, and people coaching processes.

Maintaining foundations

The Group's strategy is supported by maintaining strength in its balance sheet, risk management capability and technology platforms.

The Group remained well capitalised in the March 2016 half year and is operating above the Common Equity Tier 1 (CET1) target ratio of 8.75% - 9.25%, with a CET1 ratio of 9.69% as at 31 March 2016. Further detail on the Group's Capital Management and Funding can be found on page 30.

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Section 3

Review of Group Operations and Results

Review of Group Operations and Results [1]

Financial Analysis

March 2016 v March 2015

Net profit attributable to owners of NAB from continuing operations increased by $76 million or 2.4% compared to the March 2015 half year. Excluding foreign exchange rate movements, net profit attributable to owners of NAB from continuing operations increased by $64 million or 2.0%. This was largely driven by higher revenue and favourable movements in treasury shares, partially offset by unfavourable movements in fair value and hedge ineffectiveness and higher expenses.

Cash earnings increased by $203 million or 6.5% compared to the March 2015 half year. Excluding foreign exchange rate movements, cash earnings increased by $191 million or 6.1%. This was largely driven by higher revenue combined with lower charges for bad and doubtful debts, partially offset by higher expenses.

Cash earnings on average risk-weighted assets decreased by 6 basis points, driven by higher average risk-weighted assets partially offset by an uplift in cash earnings in the March 2016 half year.

Net interest income increased by $390 million or 6.3%. Excluding foreign exchange rate movements, net interest income increased by $383 million or 6.2%, including a gain of $47 million which is partially offset by movements in economic hedges in other operating income. The remaining increase was driven by higher volumes in housing and business lending and deposits, combined with improved housing lending and deposit margins due to repricing. These were partially offset by increased funding costs and competitive pressures on business lending margins.

Other operating income decreased by $85 million or 3.5%. Excluding foreign exchange rate movements, other operating income decreased by $111 million or 4.6%, including a decrease of $47 million due to movements in economic hedges, offset in net interest income. The underlying decrease of $38 million was largely driven by lower trading income, lower sales of risk management products to the Group's customers and gains in the March 2015 half year relating to the sales of loans in NAB UK CRE. These were partially offset by favourable impacts from derivative valuation adjustments and higher insurance income from NAB Wealth.

Operating expenses increased by $155 million or 4.2%. Excluding foreign exchange rate movements, operating expenses increased by $138 million or 3.8% due to Enterprise Bargaining Agreement (EBA) wage increases, performance based incentive normalisation, increased support costs from deployed projects and increases in depreciation and amortisation, partially offset by productivity savings.

The charge to provide for bad and doubtful debts decreased by $24 million or 6.0% compared to the March 2015 half year. Excluding foreign exchange rate movements, the charge to provide for bad and doubtful debts decreased by $23 million or 5.8%. This was due to a collective provision write-back in Australian Banking, partially offset by higher specific charges in Australian Banking, relating to a small number of large single name exposures, and increased collective provision charges in NZ Banking driven by the negative outlook for the dairy industry.

March 2016 v September 2015

Net profit attributable to owners of NAB from continuing operations decreased by $446 million or 11.9% compared to the September 2015 half year. Excluding foreign exchange rate movements, net profit attributable to owners of NAB from continuing operations decreased by $452 million or 12.0%. This was largely due to unfavourable movements in treasury shares and fair value and hedge ineffectiveness, combined with higher expenses, partially offset by higher revenue.

Cash earnings increased by $47 million or 1.4% compared to the September 2015 half year. Excluding foreign exchange rate movements, cash earnings increased by $42 million or 1.3%. This was largely driven by higher revenue, partially offset by higher expenses and higher charges for bad and doubtful debts.

Cash earnings on average risk-weighted assets decreased by 4 basis points, driven by higher average risk-weighted assets partially offset by an uplift in cash earnings in the March 2016 half year.

Net interest income increased by $312 million or 5.0% compared to the September 2015 half year. Excluding foreign exchange rate movements, net interest income increased by $306 million or 4.9%, including a loss of $10 million which was offset by movements in economic hedges in other operating income. Excluding this, net interest income increased by $322 million largely reflecting increased volumes in housing and business lending and deposits, combined with improved housing lending and deposit margins due to repricing. These were partially offset by increased funding costs and competitive pressures on business lending margins.

Other operating income decreased by $147 million or 6.0%. Excluding foreign exchange rate movements, other operating income decreased by $153 million or 6.2%, including an increase of $10 million due to movements in economic hedges, offset in net interest income. The underlying decrease of $157 million was driven by the gain on a settlement of a long standing legal dispute in the September 2015 half year not repeated, the removal of certain account fees in Australian Banking, lower credit card and interchange fees in NZ Banking, lower gains from Group funding and hedging activities and unfavourable impacts from derivative valuation adjustments.

Operating expenses increased by $74 million or 2.0%. Excluding foreign exchange rate movements, operating expenses increased by $69 million or 1.8% due to EBA wage increases, performance based incentive

[1] *Information is presented on a continuing operations basis including prior period restatements unless otherwise stated.*

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

Financial Analysis (continued)

March 2016 v September 2015 (continued)

normalisation and increased support costs from deployed projects, partially offset by productivity savings and lower levels of asset writedowns.

The charge to provide for bad and doubtful debts increased by $26 million or 7.4%, (increase of $26 million or 7.4% excluding foreign exchange rate movements) due to an increase in specific provisions in business lending as a result of a small number of large single name Australian exposures net of collective provision write-backs, partially offset by a decline in underlying collective provision charges for the Australian Banking business lending portfolio.

Impact of Foreign Exchange Rate Movements

Excluding foreign exchange rate movements, cash earnings increased by $191 million or 6.1% on the March 2015 half year and increased by $42 million or 1.3% against the September 2015 half year. Foreign exchange rate movements have had a favourable effect of $12 million on the March 2015 half year cash earnings, and $5 million when compared to the September 2015 half year cash earnings. Page 107 contains the March 2015 and September 2015 half year divisional performance summaries excluding foreign exchange rate movements.

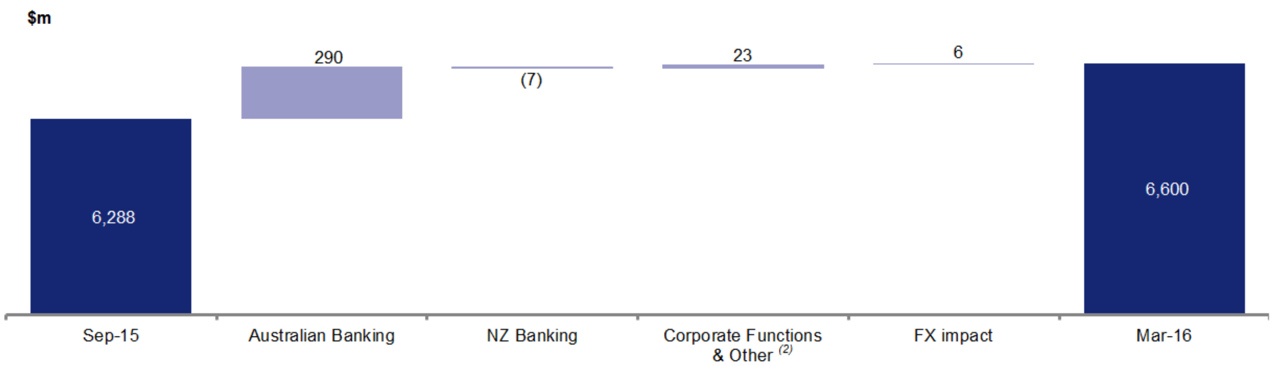
(1) *Information is presented on a continuing operations basis including prior period restatements unless otherwise stated.*

Net Interest Income [1]

	Half Year to				
	Mar 16	**Sep 15**	**Mar 15**	**Mar 16 v Sep 15 %**	**Mar 16 v Mar 15 %**
Net interest income ($m)	**6,600**	6,288	6,210	5.0	6.3
Average interest earning assets ($bn)	**684.0**	666.5	650.2	2.6	5.2
Net interest margin (%)	**1.93**	1.88	1.92	5 bps	1 bp

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) *Corporate Functions & Other includes eliminations. Refer to page 54 for the definition of Corporate Functions.*

March 2016 v March 2015

Net interest income increased by $390 million or 6.3% compared to the March 2015 half year. Excluding foreign exchange rate movements, net interest income increased by $383 million or 6.2% due to:

- An increase of $367 million in Australian Banking, including a gain of $47 million which is offset by movements in economic hedges in other operating income. These movements relate to interest rate risk management activities within the funding, liquidity and banking book and hedges relating to bonds held in the Markets business. Excluding this, the increase in net interest income reflects increased lending and deposit volumes, combined with the benefits received from repricing of housing lending and deposits. This was partially offset by higher funding costs and competitive pressures on business lending margins.
- An increase of $8 million in NZ Banking reflects increased lending and deposit volumes, partially offset by lower lending and deposit margins due to competitive market pressure.
- An increase of $8 million in Corporate Functions and Other reflects higher interest income from Group funding and hedging activities.

March 2016 v September 2015

Net interest income increased by $312 million or 5.0% compared to the September 2015 half year. Excluding foreign exchange rate movements, net interest income increased by $306 million or 4.9% due to:

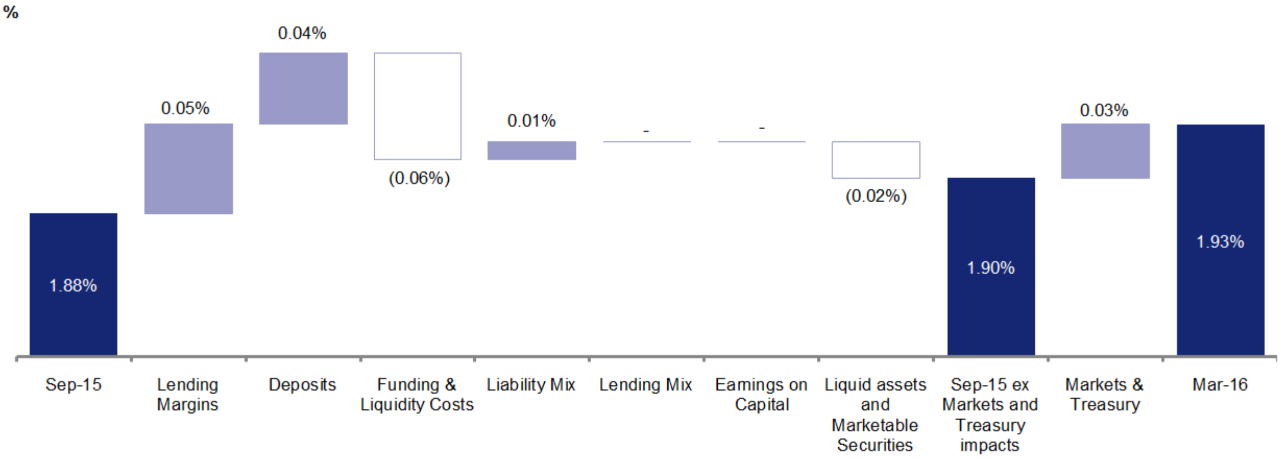
- An increase of $290 million in Australian Banking, including a loss of $10 million which is offset by movements in economic hedges in other operating income. These movements relate to interest rate risk management activities within the funding, liquidity and banking book and hedges relating to bonds held in the Markets business. Excluding this, the increase in net interest income largely reflects increased lending and deposit volumes, combined with the benefits received from repricing of housing lending and deposits. This was partially offset by competitive pressures on business lending margins, coupled with higher funding costs.
- A decrease of $7 million in NZ Banking reflects lower business and housing lending margins due to margin compression from competitive market pressures, partially offset by increased lending and deposit volumes.
- An increase of $23 million in Corporate Functions and Other reflects higher interest income from Group funding and hedging activities.

(1) *Information is presented on a continuing operations basis including prior period restatements.*

Net Interest Margin [1]

	Half Year to				
	Mar 16 %	Sep 15 %	Mar 15 %	Mar 16 v Sep 15	Mar 16 v Mar 15
Group net interest margin	**1.93**	1.88	1.92	5 bps	1 bp
Australian Banking	**1.70**	1.61	1.65	9 bps	5 bps
NZ Banking	**2.31**	2.42	2.46	(11 bps)	(15 bps)

Group Net Interest Margin Movement



March 2016 v March 2015

The Group's **net interest margin** increased by one basis point when compared to the March 2015 half year due to:

- An increase of one basis point in lending margin due to the benefits received from repricing, partially offset by competitive market pressures affecting business and housing lending margins in Australian Banking and NZ Banking.
- An increase of five basis points relating to deposits due to the benefits received from repricing, combined with lower term deposit costs.
- A decrease of seven basis points due to higher funding and liquidity costs, reflecting higher short term funding costs.
- An increase of three basis points in liability mix due to the shift from term deposits to on-demand and transactional deposit accounts.
- A decrease of one basis point due to a lower earnings rate on capital, reflecting the low interest rate environment.
- A decrease of one basis point from holding a higher proportion of liquid assets and marketable securities relative to total average interest earning assets.
- An increase of one basis point in Markets and Treasury mainly from holding a higher proportion of higher yielding assets for interest rate risk management activities.

March 2016 v September 2015

The Group's **net interest margin** increased by five basis points when compared to the September 2015 half year due to:

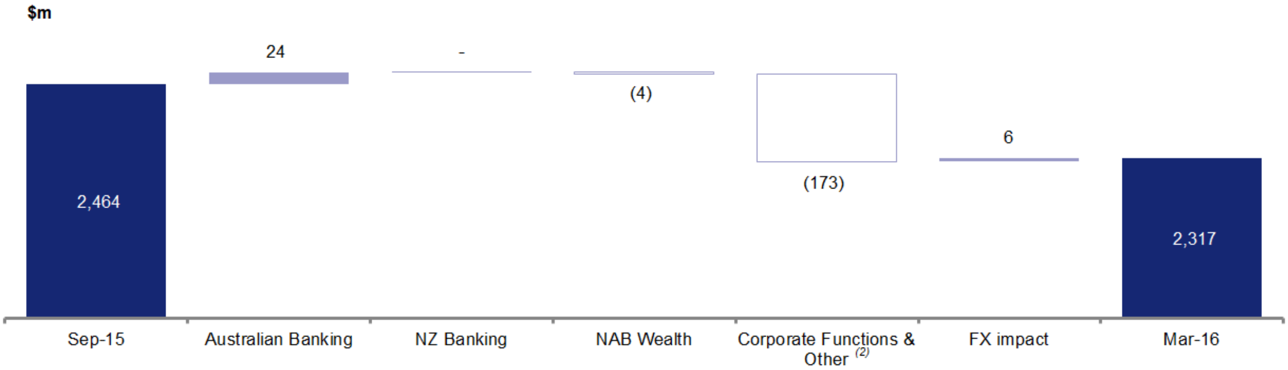
- An increase of five basis points in lending margin due to the benefits received from repricing, partially offset by competitive market pressures affecting business and housing lending margins in Australian Banking.
- An increase of four basis points relating to deposits due to the benefits received from repricing, combined with lower term deposit costs.
- A decrease of six basis points due to higher funding and liquidity costs, reflecting higher short term funding costs.
- An increase of one basis point in liability mix due to the shift from term deposits to on-demand and transactional accounts.
- A decrease of two basis points from holding a higher proportion of liquid assets and marketable securities relative to total average interest earning assets.
- An increase of three basis points in Markets and Treasury mainly from holding a higher proportion of higher yielding assets for interest rate risk management activities.

[1] *Information is presented on a continuing operations basis including prior period restatements.*

Other Operating Income [(1)]

	Half Year to				
	Mar 16 $m	Sep 15 $m	Mar 15 $m	Mar 16 v Sep 15 %	Mar 16 v Mar 15 %
Fees and commissions	**1,027**	1,082	1,008	(5.1)	1.9
Trading income	**350**	349	415	0.3	(15.7)
Other	**940**	1,033	979	(9.0)	(4.0)
Other operating income	**2,317**	2,464	2,402	(6.0)	(3.5)

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



(1) *At constant exchange rates.*

(2) *Corporate Functions & Other includes eliminations. Refer to page 54 for the definition of Corporate Functions.*

March 2016 v March 2015

Other operating income decreased by $85 million or 3.5% compared to the March 2015 half year. Excluding the impact of foreign exchange, other operating income decreased by $111 million or 4.6%.

Fees and commissions increased by $19 million or 1.9% compared to the March 2015 half year ($15 million or 1.5% excluding foreign exchange). Excluding the impact of foreign exchange, the underlying increase was due to increased volumes and improved transaction and lending fee collection rates in Australian Banking.

Trading income decreased by $65 million or 15.7% compared to the March 2015 half year ($81 million or 19.5% excluding foreign exchange). This result includes a decrease of $47 million due to movements in economic hedges, offset in net interest income. The underlying decrease of $18 million was mainly due to lower trading performance and lower sales of risk management products to the Group's customers, partially offset by favourable impacts from derivative valuation adjustments.

Other income decreased by $39 million or 4.0% compared to the March 2015 half year ($45 million or 4.6% excluding foreign exchange). Excluding the impact of foreign exchange, the underlying decrease was due to gains in the March 2015 half year relating to the sale of loans in NAB UK CRE and assets in Australian Banking, partially offset by higher insurance income in NAB Wealth.

March 2016 v September 2015

Other operating income decreased by $147 million or 6.0% compared to the September 2015 half year. Excluding the impact of foreign exchange, other operating income decreased by $153 million or 6.2%.

Fees and commissions decreased by $55 million or 5.1% compared to the September 2015 half year ($57 million or 5.3% excluding foreign exchange). Excluding the impact of foreign exchange, the underlying decrease was due to lower custody fees, the removal of certain account fees in Australian Banking and lower credit card and interchange fees in NZ Banking, partially offset by improved lending fee collection rates in Australian Banking.

Trading income increased by $1 million or 0.3% compared to the September 2015 half year ($2 million or 0.6% decrease excluding the impact of foreign exchange). This result includes an increase of $10 million due to movements in economic hedges, offset in net interest income. The underlying decrease of $9 million was due to lower gains relating to Group funding and hedging activities compared to the September 2015 half year and unfavourable impacts from derivative valuation adjustments, partially offset by improved trading performance and an increase in the sales of risk management products to the Group's customers.

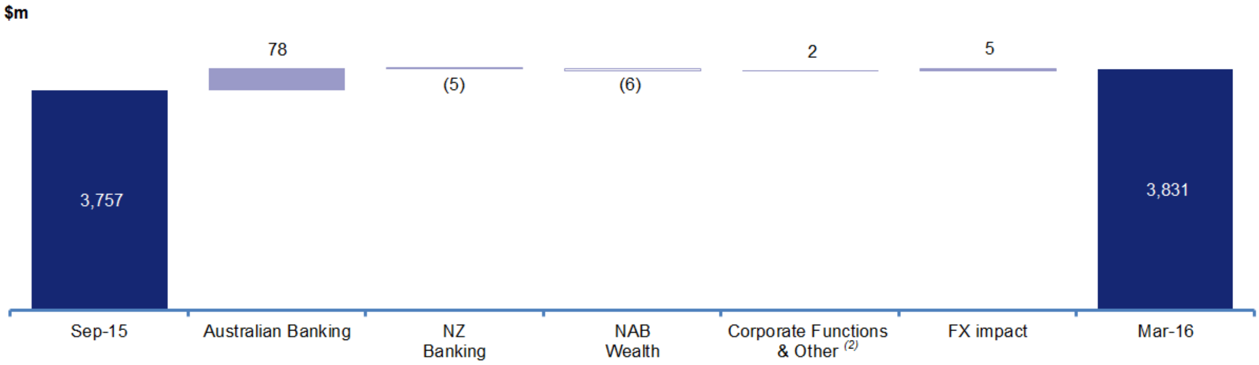
Other income decreased by $93 million or 9.0% compared to the September 2015 half year ($94 million or 9.1% excluding foreign exchange). Excluding the impact of foreign exchange, the decrease was mainly due to the settlement of a long standing legal dispute in the September 2015 half year.

(1) *Information is presented on a continuing operations basis including prior period restatements.*

Operating Expenses [1]

	Half Year to				
	Mar 16 $m	Sep 15 $m	Mar 15 $m	Mar 16 v Sep 15 %	Mar 16 v Mar 15 %
Personnel expenses	**2,278**	2,123	2,114	(7.3)	(7.8)
Occupancy related expenses	**332**	321	330	(3.4)	(0.6)
General expenses	**1,221**	1,313	1,232	7.0	0.9
Total operating expenses	**3,831**	3,757	3,676	(2.0)	(4.2)

Operating Expenses - Contribution to Net Increase [1]



(1) *At constant exchange rates.*

(2) *Corporate Functions & Other includes eliminations. Refer to page 54 for the definition of Corporate Functions.*

March 2016 v March 2015

Operating expenses increased by $155 million or 4.2% compared to the March 2015 half year. Excluding the impact of foreign exchange, operating expenses increased by $138 million or 3.8%.

Personnel expenses increased by $164 million or 7.8%. Excluding the impact of foreign exchange, personnel expenses increased by $151 million or 7.1%. The increase was driven by investment in the Group's priority customer segments, including additional service roles to support strategic initiatives, EBA wage increases and performance based incentive normalisation, partially offset by productivity savings across the Group's businesses.

Occupancy related expenses increased by $2 million or 0.6% ($1 million or 0.3% excluding foreign exchange), reflecting property rental increases partly offset by productivity savings.

General expenses decreased by $11 million or 0.9%. Excluding the impact of foreign exchange, general expenses decreased by $14 million or 1.1%. The decrease reflects productivity savings across the Group's businesses, lower marketing costs and lower operating costs from NAB UK CRE and SGA as a result of the continued run off of the portfolio. These were partially offset by higher project spend, increased support costs from deployed projects and higher depreciation and amortisation on capitalised software.

March 2016 v September 2015

Operating expenses increased by $74 million or 2.0% compared to the September 2015 half year. Excluding the impact of foreign exchange, operating expenses increased by $69 million or 1.8%.

Personnel expenses increased by $155 million or 7.3%. Excluding the impact of foreign exchange, personnel expenses increased by $152 million or 7.2%. The increase reflects higher investment in the Group's priority customer segments, including additional service roles to support strategic initiatives, EBA wage increases and performance based incentive normalisation, partially offset by productivity savings across the Group's businesses.

Occupancy related expenses increased by $11 million or 3.4% ($10 million or 3.1% excluding foreign exchange), reflecting property rental increases.

General expenses decreased by $92 million or 7.0%. Excluding the impact of foreign exchange, general expenses decreased by $93 million or 7.1%. The decrease reflects lower levels of asset write downs, reduced project spend and productivity savings across the Group's businesses, partially offset by increased support costs from deployed projects and higher depreciation and amortisation on capitalised software.

(1) *Information is presented on a continuing operations basis including prior period restatements.*

Full Time Equivalent Employees [(1)]

	As at				
	31 Mar 16	30 Sep 15	31 Mar 15	Mar 16 v Sep 15 %	Mar 16 v Mar 15 %
Australian Banking	**25,073**	24,770	24,745	(1.2)	(1.3)
NZ Banking	**5,012**	4,784	4,737	(4.8)	(5.8)
NAB Wealth	**5,307**	4,903	4,932	(8.2)	(7.6)
Corporate Functions and Other	**128**	125	154	(2.4)	16.9
Total full time equivalent employees (FTEs)	**35,520**	34,582	34,568	(2.7)	(2.8)
Average half year FTEs	**35,063**	34,837	34,339	(0.6)	(2.1)

March 2016 v March 2015

Total FTEs have increased by 952 compared to the March 2015 half year.

Key FTE movements in each business were as follows:
- Australian Banking FTEs increased by 328, reflecting investment in the Group's priority customer segments, including service roles to support customer needs, the increased FTEs were partially offset by productivity savings.
- NZ Banking FTEs increased by 275 to support priority segments as well as strategic initiatives.
- NAB Wealth FTEs increased by 375, largely driven by an increase of 157 FTEs due to the transaction to sell 80% of NAB Wealth's life insurance business, in addition to increased financial planners and increased compliance and transformation activities.
- Corporate Functions and Other FTEs decreased by 26, due to process simplification.

March 2016 v September 2015

Total FTEs have increased by 938 compared to the September 2015 half year.

Key FTE movements in each business were as follows:
- Australian Banking FTEs increased by 303, reflecting investment in the Group's priority customer segments, including service roles to support customer needs, the increased FTEs were partially offset by productivity savings.
- NZ Banking FTEs increased by 228 to support priority segments as well as strategic initiatives.
- NAB Wealth FTEs increased by 404, largely driven by an increase of 157 FTEs due to the transaction to sell 80% of NAB Wealth's life insurance business, in addition to increased financial planners and increased compliance and transformation activities.
- Corporate Functions and Other were relatively flat on the previous period.

(1) *Information is presented on a continuing operations basis including prior period restatements.*

Investment Spend [1]

	Half Year to				
	Mar 16 $m	**Sep 15 $m**	**Mar 15 $m**	**Mar 16 v Sep 15 %**	**Mar 16 v Mar 15 %**
Infrastructure	**206**	333	304	38.1	32.2
Compliance / Operational Risk	**173**	205	130	15.6	(33.1)
Efficiency and Sustainable Revenue	**89**	54	44	(64.8)	large
Other	**8**	-	6	large	(33.3)
Total Investment Spend	**476**	592	484	19.6	1.7

Investment spend is expenditure on projects and initiatives designed to enhance the customer experience, comply with legal and regulatory requirements, and improve capabilities and efficiencies in the Group's business processes. Investment spend for the March 2016 half year was $476 million, a decrease of $8 million or 1.7% against the March 2015 half year, and a decrease of $116 million or 19.6% against the September 2015 half year.

March 2016 v March 2015

Investment in infrastructure projects decreased by $98 million or 32.2% against the March 2015 half year due to significant progress made in delivering the continuing transformation agenda in Australia, including completion of a new data centre and upgrades to network and infrastructure. Spend on the Oracle Banking Platform has reduced, as the focus has shifted to deployment of the Personal Banking Origination Platform into Retail, which will drive improved customer experience, and deliver efficiency and revenue benefits.

Spend on compliance and operational risk projects increased by $43 million or 33.1% largely driven by regulatory reporting compliance improvement programs which include risk systems, Anti-Money Laundering, foreign taxation compliance, and G20 regulatory reform.

Investment in efficiency and sustainable revenue projects increased by $45 million largely driven by an increase in spend on customer focussed digital solutions and innovation.

March 2016 v September 2015

Investments in infrastructure projects decreased by $127 million or 38.1% against the September 2015 half year due to significant progress made in delivering the continuing transformation agenda in Australia, including completion of a new data centre and upgrades to network and infrastructure. Spend on the Oracle Banking Platform has reduced, as the focus has shifted to deployment of the Personal Banking Origination Platform into Retail, which will drive improved customer experience, and deliver efficiency and revenue benefits.

Spend on compliance and operational risk projects decreased by $32 million or 15.6% against the September 2015 half year, driven by decreased spend on the Stronger Super project as most streams were finalised during the March 2016 half year.

Investment in efficiency and sustainable revenue projects increased by $35 million or 64.8% against the September 2015 half year, reflecting the Group's investment in improving customer focussed digital solutions and innovation.

(1) *Information is presented on a continuing operations basis including prior period restatements.*

Taxation [1]

	Half Year to				
	Mar 16	Sep 15	Mar 15	Mar 16 v Sep 15	Mar 16 v Mar 15
Income tax expense ($m)	1,343	1,312	1,345	(2.4%)	0.1%
Effective tax rate (%)	28.5	28.3	29.5	(20 bps)	100 bps

March 2016 v March 2015

Cash earnings income tax expense for the March 2016 half year was broadly flat with the March 2015 half year down $2 million or 0.1%.

The **cash earnings effective tax rate** for the March 2016 half year of 28.5% was 100 basis points lower than the March 2015 half year. The decrease in the March 2016 effective tax rate was primarily driven by an increase in the amount of Offshore Banking Unit income.

March 2016 v September 2015

Cash earnings income tax expense for the March 2016 half year was $31 million or 2.4% higher than the September 2015 half year. The increase was driven by comparatively lower non-assessable foreign branch income, and the timing of tax return credits in the previous half that did not reoccur.

The **cash earnings effective tax rate** for the March 2016 half year of 28.5% was 20 basis points higher than the September 2015 half year. The increase for the March 2016 half year was driven by the items noted above.

(1) *Information is presented on a continuing operations basis including prior period restatements.*

Lending [1]

	As at				
	31 Mar 16 $m	30 Sep 15 $m	31 Mar 15 $m	Mar 16 v Sep 15 %	Mar 16 v Mar 15 %
Housing					
Australian Banking	**273,003**	268,486	260,593	1.7	4.8
NZ Banking	**30,117**	29,122	30,768	3.4	(2.1)
Total housing	**303,120**	297,608	291,361	1.9	4.0
Non-housing					
Australian Banking	**193,739**	190,391	181,832	1.8	6.5
NZ Banking	**33,994**	32,787	34,072	3.7	(0.2)
NAB Wealth	**41**	36	60	13.9	(31.7)
Corporate Functions and Other	**1,419**	1,059	2,132	34.0	(33.4)
Total non-housing	**229,193**	224,273	218,096	2.2	5.1
Gross loans and advances including acceptances	**532,313**	521,881	509,457	2.0	4.5

March 2016 v March 2015

Lending (gross loans and advances including acceptances) increased by $22.9 billion or 4.5% compared to the March 2015 half year. Excluding foreign exchange, lending increased by $28.7 billion or 5.6%. This increase was primarily due to growth in housing lending and priority customer segments, partially offset by the continued run-off of the NAB UK CRE portfolio.

Housing lending increased by $11.8 billion or 4.0% compared to the March 2015 half year. Excluding foreign exchange, the increase was $14.4 billion or 4.9% due to:

- An increase of $12.4 billion in Australian Banking reflecting growth in both the proprietary and broker channels.
- An increase of $2.0 billion in NZ Banking reflecting growth in both the proprietary and broker channels.

Non-housing lending increased by $11.1 billion or 5.1% when compared to the March 2015 half year. Excluding foreign exchange, non-housing lending increased by $14.3 billion or 6.6% mainly due to:

- An increase of $12.1 billion in Australian Banking mainly due to growth in priority customer segments.
- An increase of $2.9 billion in NZ Banking reflecting growth in market share in business lending.

March 2016 v September 2015

Lending (gross loans and advances including acceptances) increased by $10.4 billion or 2.0% compared to the September 2015 half year. Excluding foreign exchange, lending increased by $12.8 billion or 2.5%.

Housing lending increased by $5.5 billion or 1.9% when compared to the September 2015 half year. Excluding foreign exchange, housing lending increased by $6.0 billion or 2.0% due to:

- An increase of $4.7 billion in Australian Banking due to continued growth in both the proprietary and broker channels.
- An increase of $1.3 billion in NZ Banking reflecting growth in both proprietary and broker channels.

Non-housing lending increased by $4.9 billion or 2.2% compared to the September 2015 half year. Excluding foreign exchange, non-housing lending increased by $6.8 billion or 3.0%, mainly due to:

- An increase of $4.9 billion in Australian Banking mainly due to growth in priority customer segments.
- An increase of $1.4 billion in NZ Banking reflecting growth in market share in business lending.

(1) *Information is presented on a continuing operations basis including prior period restatements.*

Goodwill and Other Intangible Assets [(1)]

Goodwill decreased by $2 million compared to the September 2015 half year, due to the effects of foreign exchange.

Intangible assets comprise capitalised software and other intangible assets. Intangible assets increased by $95 million or 4.7% compared to the September 2015 half year. This increase was attributable to continued investment in the transformational agenda in the March 2016 half year, along with efficiency and compliance projects, partially offset by an increase in amortisation.

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

- In Australia, further investment in the transformational agenda with the deployment of the Personal Banking Origination Platform into Retail, as well as regulatory compliance initiatives and enhancing the digital capabilities of the Australian Banking franchise.
- In New Zealand, continued investment on capabilities to support the implementation of the BNZ strategic plan.

The movement in capitalised software is as follows:

	Half year ended		
	Mar 16	**Sep 15**	**Mar 15**
	$m	**$m**	**$m**
Balance at beginning of period	**2,032**	1,859	1,730
Additions	**245**	304	243
Disposals and write-offs	**(7)**	(10)	(23)
Amortisation	**(138)**	(109)	(100)
Foreign currency translation adjustments	**(5)**	(12)	9
Capitalised software	**2,127**	2,032	1,859

(1) *Information is presented on a continuing operations basis including prior period restatements.*

Customer Deposits [1]

	As at				
	31 Mar 16 $m	30 Sep 15 $m	31 Mar 15 $m	Mar 16 v Sep 15 %	Mar 16 v Mar 15 %
Australian Banking	**332,741**	320,410	314,577	3.8	5.8
NZ Banking	**43,941**	41,619	43,817	5.6	0.3
Corporate Functions and Other	**1**	2	9	(50.0)	(88.9)
Total customer deposits	**376,683**	362,031	358,403	4.0	5.1

March 2016 v March 2015

Customer deposits have increased by $18.3 billion or 5.1% compared to the March 2015 half year. Excluding foreign exchange, customer deposits have increased by $22.3 billion or 6.2%. This is as a result of the Group continuing to execute on its funding plan, which includes growth in sustainable customer deposits. Growth (excluding foreign exchange) was due to:

- An increase of $18.4 billion or 5.8% in Australian deposits, reflecting the attractiveness of this source of funding as wholesale and short term funding costs continued to rise during the March 2016 half year. Specifically, growth in on demand deposits of $11.3 billion, transactional account deposits of $4.8 billion, and term deposits of $2.3 billion.
- An increase of $4.0 billion or 9.0% in New Zealand Banking. This was due to growth in both on demand and term deposits of $2.8 billion, as well as transactional account deposits of $1.2 billion.

March 2016 v September 2015

Customer deposits have increased by $14.7 billion or 4.0% compared to the September 2015 half year. Excluding foreign exchange, customer deposits have increased by $17.7 billion or 4.9%. Growth (excluding foreign exchange) was attributable to:

- An increase of $15.0 billion or 4.7% in Australian Banking reflecting the attractiveness of this source of funding as wholesale and short term funding costs continued to rise during the March 2016 half year. Specifically, growth in on demand deposits of $10.9 billion, term deposits of $2.7 billion, and transactional account deposits of $1.4 billion.
- An increase of $2.7 billion or 6.5% in New Zealand Banking due to growth in both on demand and term deposits.

(1) *Information is presented on a continuing operations basis including prior period restatements.*

Asset Quality [(1)]

Bad and Doubtful Debt Charge

	Half Year to		
	Mar 16	**Sep 15**	**Mar 15**
	$m	**$m**	**$m**
Specific charge to provide for bad and doubtful debts	**426**	268	341
Collective (write-back)/charge to provide for bad and doubtful debts	**(51)**	81	58
Total charge to provide for bad and doubtful debts	**375**	349	399

	Half Year to		
	Mar 16	**Sep 15**	**Mar 15**
Bad and doubtful debts charge to gross loans and acceptances (annualised)	**0.14%**	0.13%	0.16%
Net write-offs to gross loans and acceptances (annualised) [(1)]	**0.10%**	0.20%	0.20%

(1) *Net write-offs include net write-offs of fair value loans.*

Provisions for Bad and Doubtful Debts

	As at		
	31 Mar 16	**30 Sep 15**	**31 Mar 15**
	$m	**$m**	**$m**
Collective provision for bad and doubtful debts	**2,978**	3,054	2,910
Specific provision for bad and doubtful debts	**602**	448	700
Total provision for bad and doubtful debts	**3,580**	3,502	3,610

	As at		
	31 Mar 16	**30 Sep 15**	**31 Mar 15**
Total provision to gross loans and acceptances	**0.67%**	0.67%	0.71%
Total provisions to net write-offs (annualised) [(1) (2)]	**671%**	341%	352%
Net impaired assets to total equity (parent entity interest)	**3.1%**	2.1%	3.0%
Specific provision to gross impaired assets [(3)]	**36.4%**	30.3%	35.8%
Collective provision to credit risk-weighted assets	**0.98%**	0.99%	0.97%
Collective provision to gross loans and acceptances	**0.56%**	0.59%	0.57%

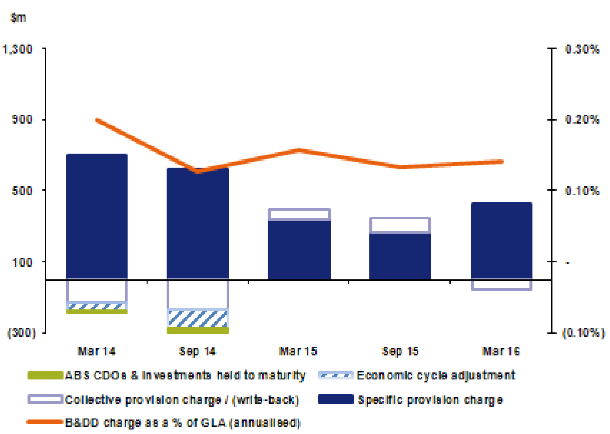
(1) *March 2015 and March 2016 metrics refer to the half year ratio annualised; September 2015 metrics refers to the full year ratio.*

(2) *Net write-offs include net write-offs of fair value loans.*

(3) *Consists only of impaired assets where a specific provision has been raised and excludes $522 million (NZ$579 million) of NZ dairy exposures currently assessed as no loss based on security held.*

Bad and Doubtful Debt Charge

Half Yearly Total Bad and Doubtful Debt Charge



The total charge to provide for bad and doubtful debts (B&DD) for the March 2016 half year was $375 million, an increase of $26 million or 7.4% when compared to the September 2015 half year, and $24 million lower than the March 2015 half year.

Specific provision B&DD charges of $426 million have increased by $158 million compared to the September 2015 half year, driven by the impairment of a small number of large single name exposures in Australian Banking.

The March 2016 half year collective provision B&DD write-back was $51 million, due to collective provision releases in the Australian Banking business lending portfolio associated with the raising of specific provisions mentioned above, improvement in the underlying Australian Banking business lending portfolio, partly offset by charges in NZ Banking reflecting the outlook for the New Zealand dairy industry.

(1) *Information is presented on a continuing operations basis including prior period restatements.*

Asset Quality (continued) [(1)]

Provisions for Bad and Doubtful Debts

Total provisions for B&DDs increased $78 million to $3,580 million during the March 2016 half year.

Specific provisions increased by $154 million to $602 million during the March 2016 half year due to provisions associated with a small number of large single name exposures in Australian Banking with a high level of coverage. This resulted in an increase to the Group coverage of specific provisions to gross impaired assets from 30.3% at the September 2015 half year to 36.4% at the March 2016 half year.

Total collective provisions have decreased since the September 2015 half year by $76 million to $2,978 million at the March 2016 half year. This was due to write-backs associated with the raising of specific provisions mentioned above, improvement in the underlying Australian Banking business lending portfolio, partly offset by increased provisions for the New Zealand dairy industry reflecting the re-rating of dairy exposures.

Collective provision coverage continues to hold with the collective provision to credit risk weighted assets ratio decreasing one basis point since the September 2015 half year to 0.98% and up one basis point from the March 2015 half year.

90+ Days Past Due and Gross Impaired Assets

Asset Quality	As at		
	31 Mar 16	**30 Sep 15**	**31 Mar 15**
90+ days past due loans ($m)	**2,003**	1,813	1,945
Gross impaired assets ($m) [(1)]	**2,174**	1,481	1,955
90+ days past due and gross impaired assets ($m)	**4,177**	3,294	3,900

(1) *Gross impaired assets include $522 million (NZ$579 million) of NZ Banking dairy exposures currently assessed as no loss based on security held.*

	As at		
	31 Mar 16	**30 Sep 15**	**31 Mar 15**
90+ days past due loans to gross loans and acceptances	**0.37%**	0.35%	0.38%
Gross impaired assets to gross loans and acceptances	**0.41%**	0.28%	0.39%
90+ days past due and gross impaired assets to gross loans and acceptances	**0.78%**	0.63%	0.77%

90+ Days Past Due

The Group ratio of 90+ days past due loans to gross loans and acceptances (90+ DPD ratio) has increased by two basis points to 0.37% during the March 2016 half year, due to deterioration in the Australian Banking mortgage portfolio, largely experienced in Queensland and Western Australia. The business lending portfolio 90+ DPD ratio improved one basis point over the March 2016 half year to 0.20%.

Gross Impaired Assets

The Group ratio of gross impaired assets to gross loans and acceptances (impaired asset ratio) increased by 13 basis points to 0.41% during the March 2016 half year. This increase reflects the inclusion of New Zealand dairy exposures (10 basis points) totalling $522 million (NZ$579 million) currently assessed as no loss and a small number of large single name exposures in the Australian Banking business lending portfolio.

Net Write-Offs

The Group's net write-offs to gross loans and acceptances annualised ratio reduced by 10 basis points to 0.10% during the March 2016 half year. The reduction in net write-offs was experienced across both Australian Banking and NZ Banking, with no large single name exposures written off during the March 2016 half year.

The 12 month rolling net write-off rate for the Group's retail portfolio increased by one basis point to 0.11% over the half year to March 2016 and was stable at 0.02% for the Group's housing portfolio.

(1) *Information is presented on a continuing operations basis including prior period restatements.*

Capital Management and Funding

Balance Sheet Management Overview

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

The Group maintains a well-diversified wholesale funding portfolio with its ability to access a range of funding and capital across various senior, subordinated and secured debt markets, including the domestic retail hybrid market.

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

Regulatory Reform

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

Basel III:

- APRA's disclosure requirements in relation to Leverage Ratio, Global Systemically Important Bank (G-SIB) indicators and LCR became effective 1 July 2015. The March 2016 Leverage Ratio and LCR are disclosed within NAB's March 2016 Pillar 3 Report. The minimum Leverage Ratio is yet to be determined by APRA, with Pillar 1 compliance not expected to be required until 1 January 2018.
- In January 2016, the Basel Committee on Banking Supervision (BCBS) released a revised market risk framework, which is due to come into effect internationally on 1 January 2019. The Credit Valuation Adjustment (CVA) framework is currently in consultation.
- In March 2016, APRA released a discussion paper on the Net Stable Funding Ratio (NSFR). The consultation period is open until 31 May 2016, and a ratio of at least 100% is proposed for regulatory purposes from 1 January 2018. NAB is making considerable progress towards satisfying NSFR requirements (e.g. increasing the stability of the Group's funding profile over recent years).

Federal Government's Financial System Inquiry (Inquiry):

- Released in December 2014, the Inquiry's final report included recommendations focused on financial system resilience, including ensuring unquestionably strong bank capital ratios, calibration of mortgage risk weights and the implementation of a loss absorbing capacity framework.
- In July 2015, APRA announced an increase in mortgage risk weights for internal ratings based (IRB) approach accredited Authorised Deposit-taking Institutions (ADI) to an average of 25% in response to a recommendation of the Inquiry. This change takes effect from 1 July 2016.

Total loss-absorbing capacity (TLAC):

- The Financial Stability Board (FSB) issued the TLAC standard in November 2015 for G-SIBs. As a domestic systemically important bank (D-SIB), the Group could be required to implement a loss absorbing capacity framework in accordance with emerging international practice. At this stage, APRA have not yet issued guidance on how TLAC might be implemented.

Revised BCBS standards:

- Themes driving the BCBS's revision of standards include improving transparency, consistency and credibility of IRB models. Draft proposals include revisions to the standardised approaches for calculating regulatory capital for credit risk and operational risk, revisions to IRB approaches for credit risk and the introduction of a capital floor framework.
- In April 2016, the BCBS released the revised interest rate risk in the banking book (IRRBB) framework, which is due to come into effect internationally by 2018.

Other regulatory changes

- APRA's notification regarding the definition of entities to be included within the Level 2 ADI Group, as previously announced on 5 May 2014. The change will remove over time the capital benefit that NAB gains from the debt on the National Wealth Management Holdings (NWMH) balance sheet, in accordance with the APRA approved transition period to December 2017. As of 31 March 2016, NWMH has $1.0 billion of debt remaining subject to transition, which is equivalent to 28 basis points of Common Equity Tier 1 (CET1) capital.
- APRA's consultation on revisions to APRA Prudential Standard APS 120 "Securitisation".
- APRA's consultation on clarifications to the non-capital components of the Level 3 framework, effective on 1 July 2017. Final Level 3 capital requirements will be determined following the finalisation of other domestic and international policy initiatives, with implementation no earlier than 2019. APRA's quantitative impact analysis suggests no potential Level 3 Group would be required to raise additional capital as a result of the implementation.

Capital Management

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

The Group's CET1 operating target remains between 8.75% and 9.25%, based on current regulatory requirements. The Group will continue to regularly review operating target levels and aims to retain flexibility in executing capital initiatives to support balance sheet strength.

Capital Management and Funding (continued)

Capital Management (continued)

Capital Ratios

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

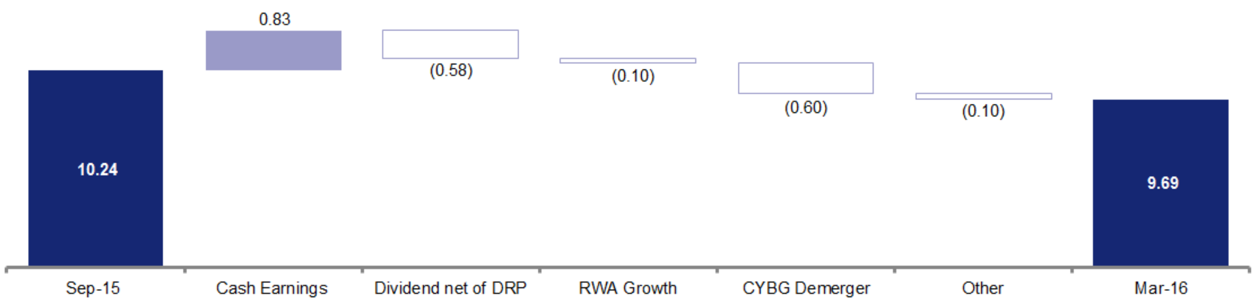
Capital Ratios	As at 31 Mar 16 %	30 Sep 15 %	31 Mar 15 %	Mar 16 v Sep 15	Mar 16 v Mar 15
Common Equity Tier 1 ratio	**9.69**	10.24	8.87	(55 bps)	82 bps
Tier 1 ratio	**11.77**	12.44	11.13	(67 bps)	64 bps
Total capital ratio	**13.25**	14.15	12.81	(90 bps)	44 bps

Risk-weighted assets [(1)]	As at 31 Mar 16 $m	30 Sep 15 $m	31 Mar 15 $m	Mar 16 v Sep 15%	Mar 16 v Mar 15%
Credit risk	**303,458**	344,326	340,227	(11.9)	(10.8)
Market risk	**7,250**	5,793	5,821	25.2	24.5
Operational risk	**40,000**	40,000	40,000	-	-
Interest rate risk in the banking book [(2)]	**10,725**	9,639	7,190	11.3	49.2
Total risk-weighted assets	**361,433**	399,758	393,238	(9.6)	(8.1)

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

[(2)] *Due to an IRRBB model enhancement reflected in the 30 September 2015 result, the equivalent March 2015 result would now be $11,581 million.*

Movements in Basel III Common Equity Tier 1 Ratio



Capital Movements During the March 2016 Half Year

The Group's CET1 ratio was 9.69% at 31 March 2016. The key movements in capital in the March 2016 half year include cash earnings less the dividend net of Dividend Reinvestment Plan (DRP) participation (25 basis points).

This was more than offset by:
- The CYBG demerger (60 basis points).
- RWA growth (excluding the impact of the CYBG demerger and FX) of $4.3 billion (10 basis points). The RWA increase largely comprises:
  - Interest rate risk in the banking book RWA of $3.2 billion
  - Market Risk RWA of $1.5 billion
- Following the recent CYBG demerger, total operational risk capital for the Group has been maintained at $40 billion of RWA. Group operational risk capital levels are subject to reassessment as part of a broader review which follows the release on 4 March 2016 of the BCBS consultation paper on the Standardised Measurement Approach for operational risk.

Dividend and Dividend Reinvestment Plan

The Group periodically adjusts the DRP to reflect the capital position and outlook. The interim dividend is 99 cents and the DRP discount is nil with no participation limit.

Tier 2 Capital Initiatives

On 17 December 2015, BNZ, a subsidiary of NAB, issued NZ$550 million of subordinated unsecured notes in New Zealand (BNZ Notes). The BNZ Notes may, in certain circumstances, convert into ordinary shares in NAB or a non-operating holding company of NAB. The BNZ Notes qualify as Tier 2 Capital for BNZ and the NAB Level 2 group (subject to a regulatory deduction).

Pillar 3 Disclosures

Further disclosures with respect to capital adequacy and risk management will be made in the March 2016 Pillar 3 Report as required by APRA Prudential Standard APS 330 "Public Disclosure".

Capital Management and Funding (continued)

Funding

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

Funding Indices

The Group employs a range of 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 continuing operations maintain strong funding indices and continue to support core assets with stable funding sources. As at the March 2016 half year, Group SFI is 89.2%, CFI 68.3% and TFI 20.9%.

Overall the SFI decreased over the March 2016 half year largely due to the CYBG demerger and the strengthening Australian dollar's impact on the term wholesale funding portfolio.

Group Funding Indices (CFI, TFI and SFI)

	Half year to		
	Mar 16	Sep 15	Mar 15
Group Funding Indices	%	%	%
Customer Funding Index	**68.3**	71.5	71.3
Term Funding Index	**20.9**	20.8	21.3
Stable Funding Index	**89.2**	92.3	92.6

Customer Funding

The Group has continued to grow deposits in the March 2016 half year. Deposit raising is informed by current market conditions, funding requirements and the characteristics of funds raised.

Term Wholesale Funding

Term funding markets have experienced some volatility since the beginning of 2016. Credit spreads have widened as a result of the instability in oil prices, concerns about global growth and the divergence of various central bank policies. More recently, additional stimulatory policy from major central banks has helped reverse some of the spread widening witnessed over the last six months.

During the March 2016 half year, NAB raised $15.7 billion, including $12.5 billion of senior unsecured debt and $3.2 billion of secured funding (comprising both covered bonds and residential mortgage backed securities re-finance). In addition, BNZ raised $2.0 billion of secured and unsecured debt funding during the March 2016 half year.

The weighted average maturity of term wholesale funding raised by the Group over the March 2016 half year was approximately 4.7 years to the first call date. The weighted average remaining maturity of the Group's term wholesale funding portfolio is 3.1 years (4.0 years for TFI qualifying debt, which only includes debt with more than 12 months remaining term to maturity).

Half Year 2016 Term Wholesale Funding by Deal Type ($17.7 billion)

	As at		
Wholesale Funding by Deal Type	**31 Mar 16**	**30 Sep 15**	**31 Mar 15**
Senior Public Offshore	**40%**	47%	47%
Senior Public Domestic	**25%**	13%	7%
Secured Public Offshore	**17%**	10%	13%
Secured Public Domestic	**2%**	11%	12%
Private Placements	**13%**	11%	8%
Subordinated Debt	**3%**	8%	13%
Total	**100%**	100%	100%

Half Year 2016 Term Wholesale Funding by Currency ($17.7 billion)

	As at		
Wholesale Funding by Currency	**31 Mar 16**	**30 Sep 15**	**31 Mar 15**
USD	**49%**	28%	16%
AUD	**27%**	21%	21%
EUR	**9%**	30%	41%
GBP	**3%**	8%	8%
JPY	**1%**	4%	7%
Other	**11%**	9%	7%
Total	**100%**	100%	100%

Short-term Wholesale Funding

The Group consistently accessed international and domestic short-term wholesale funding markets during the March 2016 half year.

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

Liquid Asset Portfolio

The Group maintains well diversified and high quality liquid asset portfolios to support regulatory and internal requirements in the various countries in which it operates. Total liquid assets held as at 31 March 2016 were $120 billion (market value) excluding contingent liquidity, a decrease of $4 billion from 30 September 2015 and a decrease of $5 billion from 31 March 2015, noting all movements include impacts relating to the CYBG demerger.

Holdings of liquid assets include $102 billion of regulatory liquid assets (consisting both High Quality Liquid Assets (HQLA) and Committed Liquidity Facility eligible assets) as at 31 March 2016.

In addition to these liquid assets, the Group holds internal securitisation pools of Residential Mortgage Backed Securities (RMBS) as a source of contingent liquidity. These assets may also support the Committed Liquidity Facility. Internal RMBS held at 31 March 2016 was $45 billion (post applicable central bank deduction). This was an increase of $1 billion on 30 September 2015 and an increase of $5 billion on 31 March 2015.

Capital Management and Funding (continued)

Funding (continued)

Liquid Asset Portfolio (continued)

Liquid assets that qualify for inclusion in the Group's LCR (net of applicable regulatory deductions) were on average $148 billion for the quarter ending 31 March 2016 resulting in an average Group LCR of 125%.

Credit Ratings

Credit ratings are an opinion on the general creditworthiness of an obligor and may be an important reference for market participants in evaluating the Group and its products, services and securities.

Credit rating agencies conduct ongoing review activity based on a number of factors including the Group's financial strength and outlook.

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).

On 29 October 2015, S&P placed National Wealth Management Holdings Limited A+ rating on outlook negative following the announcement of the sale of 80% of NAB Wealth's life insurance business to Nippon Life. On 30 March 2016, S&P placed National Wealth Management Holdings Limited A+ rating on credit watch negative pending clarity over the business and financial structure of the entity.

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

Corporate Responsibility and Shared Value

Corporate Responsibility contributes towards NAB’s vision to be the most respected bank in Australia and New Zealand by understanding and mitigating environmental, social and governance risks and deepening customer and employee relationships. NAB’s initiatives are structured to a portfolio approach encompassing:

- Corporate philanthropy, designed primarily to provide social or environmental benefit to society.
- Corporate responsibility programs, designed to deliver business outcomes (such as business efficiencies or cost savings) with social or environmental benefit.
- Shared value initiatives, designed to uncover new business opportunities or transform current business models by addressing social and environmental challenges, delivering both business and societal value.

The Group's Corporate Responsibility and Shared Value performance highlights for the March 2016 half year include:

Corporate Philanthropy

- The NAB Foundation established a new grant program, Stronger Minds, designed to support mental health and wellbeing of Australians. Up to $1 million of grants will be made available across the categories of: research, youth, rural and remote Australia, and social inclusion.
- NAB employees have contributed over 53,800 volunteer hours to the community, and over $1 million of donations through the Workplace Giving donations, matched by NAB.
- Since 2005, NAB has assisted more than 421,800 people with microfinance products through its partnership with Good Shepherd Microfinance, making progress on its goal of providing fair and affordable microfinance to 1 million people on low incomes by 2018.
- Progress continues on BNZ's Community Finance initiative with over NZ$500,000 in loans provided to low income New Zealanders since August 2014. BNZ committed an additional NZ$50 million in loan funding in November 2015 to support the success of this initiative.
- During the March 2016 half year, low income customers reached a milestone of saving $1 million through the NAB AddsUP Savings Program. This amount was matched dollar for dollar by NAB.
- JBWere released its Philanthropic Services paper titled ‘The Cause Report: 20 years of (r)evolution in the not for profit sector’. The report describes the evolution of the not for profit sector over the last 20 years, the role of the sector today, and explores how it may evolve in the future.

Corporate Responsibility

- NAB released its seventh Reconciliation Action Plan (RAP), the third consecutive RAP to be awarded the Elevate status by Reconciliation Australia. Since October 2015, NAB has provided 48 school based traineeships, 3 full time traineeships, and 17 internships for Indigenous Australians to start building their careers.
- NAB was again recognised as an Employer of Choice for Gender Equality by the Workplace Gender Equality Agency in 2015.
- NAB was recognised as a global sustainability leader, achieving Gold Class Status in RobecoSAM’s Sustainability Yearbook 2015, and was also listed as a constituent company on the 2015 MSCI Global Sustainability Index Series, 2015 FTSE4Good Index, and named as one of the 'World’s Most Ethical Companies' in the Ethisphere Institute’s 2016 assessment.
- NAB is the launch partner of ‘Guardian Australia Sustainable Business’ which aligns NAB with local content on social equality, smart cities and innovation in renewable energy. There have been more than 484,000 page visits as at 31 March 2016.
- NAB established a cross business working group to develop a two year action plan to address the issue of family violence and financial abuse. The action plan will focus on five streams of work: understanding data; culture and leadership; policy, legal and product; insights and engagement; and training.
- NAB continues to support employees, customers and local communities affected by natural disasters. This has included financial relief packages for impacted customers, employee volunteering to support relief and recovery efforts and the commitment of up to $320,000 in donations to community organisations.
- Through Start Counting, NAB continues its commitment to help organisations empower women to build strong money and life habits. In the past six months, 21 new organisations have participated in the program, demonstrating their commitment to gender diversity and lifting engagement.

Shared Value

- NAB’s Impact Investment Readiness Fund has approved seven grants exceeding a total of $480,000, which is expected to attract an estimated $8 million to scale up grantees' businesses.
- NAB provided $5 million in debt funding to the Murray Darling Basin Balanced Water Fund, Australia’s first impact investment water fund, a significant transaction brought to market by The Nature Conservancy.
- Prior to the 2015 Paris Climate Change Conference, NAB made five new Climate Change Commitments, including the largest commitment to clean energy financing of any Australian bank, to undertake financing activities of $18 billion over 7 years to September 2022 to help address climate change and support the transition to a low carbon economy.
- NAB established a partnership with Kildonan UnitingCare’s ‘CareRing’, which provides holistic support for vulnerable customers, including those experiencing family violence and/or financial abuse, by connecting them to a range of specialised support services.
- NAB, with support from the Clean Energy Finance Corporation, has provided over $68 million in discounted loans to renewable energy and energy efficient assets. Approximately 88% of the funds have been provided to clients in rural and regional Australia, which assists in improving the efficiency of rural businesses, supporting local jobs and delivering a positive environmental outcome.

Corporate Responsibility and Shared Value (continued)

- In February, Dr Ken Henry gave a speech in Moree, attended by Agribusiness clients, highlighting the role of a farmer’s natural capital (such as soil health, water and energy management, and biodiversity) in both supporting resilient and productive agribusiness, and also in providing access to high value global markets.

Further detail on NAB’s Corporate Responsibility and Shared Value initiatives is available at http://cr.nab.com.au.

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Section 4

Review of Divisional Operations and Results

Australian Banking [1] [2]

Antony Cahill, Angela Mentis, Gavin Slater, Renee Roberts

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

	Half Year to				
	Mar 16 $m	Sep 15 $m	Mar 15 $m	Mar 16 v Sep 15 %	Mar 16 v Mar 15 %
Net interest income	**5,701**	5,408	5,319	5.4	7.2
Other operating income	**1,300**	1,272	1,394	2.2	(6.7)
Net operating income	**7,001**	6,680	6,713	4.8	4.3
Operating expenses	**(2,907)**	(2,824)	(2,732)	(2.9)	(6.4)
Underlying profit	**4,094**	3,856	3,981	6.2	2.8
Charge to provide for bad and doubtful debts	**(341)**	(299)	(366)	(14.0)	6.8
Cash earnings before tax	**3,753**	3,557	3,615	5.5	3.8
Income tax expense	**(1,059)**	(1,021)	(1,050)	(3.7)	(0.9)
Cash earnings	**2,694**	2,536	2,565	6.2	5.0

Average Volumes ($bn)					
Housing lending	**270.4**	265.6	254.8	1.8	6.1
Business lending	**181.8**	176.6	168.0	2.9	8.2
Other lending	**10.1**	10.1	10.0	-	1.0
Gross loans and acceptances	**462.3**	452.3	432.8	2.2	6.8
Interest earning assets	**669.8**	671.5	648.3	(0.3)	3.3
Total assets	**736.0**	757.1	737.7	(2.8)	(0.2)
Customer deposits	**333.4**	321.6	308.9	3.7	7.9

Capital ($bn)					
Risk-weighted assets - credit risk (spot)	**257.3**	261.6	247.6	(1.6)	3.9
Total risk-weighted assets (spot)	**291.6**	294.2	280.5	(0.9)	4.0

Performance Measures					
Cash earnings on average assets	**0.73%**	0.67%	0.70%	6 bps	3 bps
Cash earnings on average risk-weighted assets	**1.86%**	1.76%	1.90%	10 bps	(4 bps)
Net interest margin	**1.70%**	1.61%	1.65%	9 bps	5 bps
Cost to income ratio	**41.5%**	42.3%	40.6%	80 bps	(90 bps)
'Jaws'	**1.9%**	(3.9%)	n/a	580 bps	n/a
Cash earnings per average FTE ($'000s)	**216**	202	210	6.9	2.9
FTEs (spot) [1]	**25,073**	24,770	24,745	(1.2)	(1.3)

(1) *FTEs includes FTEs attributable to Corporate Functions.*

	As at		
Market Share	**31 Mar 16**	**30 Sep 15**	**31 Mar 15**
Business lending [1]	**22.0%**	**22.2%**	22.3%
Business lending [2]	**21.3%**	**21.4%**	21.3%
Business deposits [1]	**20.3%**	**20.7%**	20.2%
Housing lending [2]	**14.7%**	**14.8%**	14.9%
Household deposits [1]	**14.4%**	**14.7%**	14.9%

(1) *Source: APRA Banking System.*
(2) *Source: RBA Financial System.*

	As at		
Distribution	**31 Mar 16**	**30 Sep 15**	**31 Mar 15**
Number of branches and business banking centres	**821**	828	852
Number of ATMs	**2,943**	3,033	3,034
Number of internet banking customers (million)	**3.64**	3.49	3.39

(1) *Information is presented on a continuing operations basis including prior period restatements.*
(2) *Australian Banking includes the Australian banking operations, offshore branches and New Zealand markets operations.*

Australian Banking [1]

Financial Analysis

March 2016 v March 2015

Cash earnings increased by $129 million or 5.0% compared to the March 2015 half year (excluding foreign exchange impacts cash earnings increased by $113 million or 4.4%), driven by higher net operating income and a lower charge for bad and doubtful debts, partially offset by higher expenses.

Cash earnings on average assets increased by three basis points as a result of increased cash earnings combined with a decline in non-interest earning balances.

Cash earnings on average risk-weighted assets decreased by four basis points, as growth in risk weighted assets outpaced growth in cash earnings.

Net interest income increased by $382 million or 7.2% ($367 million or 6.9% excluding foreign exchange), including a gain of $47 million, which is offset by movements in economic hedges in other operating income. Excluding this, net interest income increased by $335 million, largely reflecting increased volumes in housing and business lending and deposits, combined with repricing of housing lending and deposits. This was partially offset by increased funding costs and competitive pressures on business lending margins.

Average interest earning assets increased by $21.5 billion or 3.3%, this is largely due to an increase in housing lending and business lending combined with an increase in liquid assets to support Group liquidity, partially offset by lower internal lending from Group Treasury.

Average customer deposits increased by $24.5 billion or 7.9% mainly as a result of an increase in on-demand deposits and transactional accounts, as deposits become a more attractive source of funding.

Net interest margin increased by five basis points driven by increased lending margins in housing lending and deposit repricing, partially offset by competitive pressure on customer pricing in business lending and increased wholesale funding costs.

Other operating income decreased by $94 million or 6.7% (a decrease of $121 million or 8.7% excluding foreign exchange). The result includes a decrease of $47 million due to movements in economic hedges, offset in net interest income. The underlying decrease of $47 million was driven largely by a decline in the sales of risk management products to the Group's customers and lower trading performance, partially offset by favourable impacts from derivative valuation adjustments.

Operating expenses increased by $175 million or 6.4% (increase of $152 million or 5.6% excluding foreign exchange), mainly due to EBA wage increases, increased non capitalisable project spend, incremental costs from deployed projects and performance based incentive compensation normalisation, partially offset by productivity savings.

The **charge to provide for bad and doubtful debts** decreased by $25 million or 6.8% compared to the March 2015 half year (decrease of $26 million or 7.1% excluding foreign exchange). This was due to lower collective provision charges for the business lending portfolio combined with the overlay for the agriculture and resource sectors taken in the March 2015 half year that did not reoccur. These were offset by a higher specific provision charge as a result of a small number of large single name exposures and an overlay for the unsecured retail portfolio.

March 2016 v September 2015

Cash earnings increased by $158 million or 6.2% compared to the September 2015 half year (excluding foreign exchange impacts, cash earnings increased by $156 million or 6.2%), driven by higher net operating income, partially offset by higher expenses and a higher charge to provide for bad and doubtful debts.

Cash earnings on average assets increased by six basis points as a result of increased cash earnings combined with a decline in non-interest earning balances.

Cash earnings on average risk-weighted assets increased by 10 basis points, as cash earnings outpaced the growth in risk weighted assets.

Net interest income increased by $293 million or 5.4% ($290 million or 5.4% excluding foreign exchange), including a decrease of $10 million, which is offset by movements in economic hedges in other operating income. Excluding this, net interest income increased by $303 million, largely reflecting increased volumes in housing and business lending and deposits, combined with repricing of housing lending and deposits. This was partially offset by competitive pressures on business lending margins and higher funding costs.

Average interest earning assets decreased by $1.7 billion or 0.3%, this is largely due to lower internal lending from Group Treasury, offset by an increase in housing lending and business lending combined with an increase in liquid assets to support Group liquidity.

Average customer deposits increased by $11.8 billion or 3.7% mainly as a result of an increase in on-demand deposits, transactional accounts and term deposits, as deposits become a more attractive source of funding.

Net interest margin increased by nine basis points driven by increased lending margins in housing lending and deposit repricing in the period. This was partially offset by competitive pressure on customer pricing in business lending and increased wholesale funding costs.

Note: Financial Analysis for March 2016 v September 2015 continues on the following page.

(1) *Information is presented on a continuing operations basis including prior period restatements.*

Australian Banking [(1)]

Financial Analysis (continued)

March 2016 v September 2015 (continued)

Other operating income increased by $28 million or 2.2% (increase of $24 million or 1.9% excluding foreign exchange). This includes an increase of $10 million due to movements in economic hedges, offset in net interest income. The underlying increase of $18 million was primarily as a result of an improved trading performance.

Operating expenses increased by $83 million or 2.9% ($78 million or 2.8% excluding foreign exchange) due to EBA wage increases, normalisation of performance based incentive compensation and incremental support costs from deployed projects, partially offset by productivity savings.

The **charge to provide for bad and doubtful debts** increased by $42 million or 14.0% compared to the September 2015 half year. This was due to an increase in specific provisions as a result of a small number of single large name exposures and an overlay raised for the unsecured retail portfolio. These were partially offset by a write-back in collective provision charges for specific provisions raised, a reduction in underlying collective provision charges for improvement in the business lending portfolio and additional overlays within the agriculture and resource sectors raised within the September 2015 half year that did not reoccur.

(1) *Information is presented on a continuing operations basis including prior period restatements.*

Australian Banking [(1)]

Net Interest Income

	Half year to				
	Mar 16 $m	Sep 15 $m	Mar 15 $m	Mar 16 v Sep 15 %	Mar 16 v Mar 15 %
Housing lending	**1,736**	1,655	1,592	4.9	9.0
Business lending	**1,629**	1,637	1,720	(0.5)	(5.3)
Other banking products [(1)]	**455**	462	440	(1.5)	3.4
Deposits	**1,351**	1,174	1,071	15.1	26.1
NAB risk management	**530**	480	496	10.4	6.9
Total net interest income	**5,701**	5,408	5,319	5.4	7.2

(1) *Other banking products includes personal lending, credit cards, investment securities and margin lending.*

Net Interest Margins

	Half year to				
	Mar 16 %	Sep 15 %	Mar 15 %	Mar 16 v Sep 15 bps	Mar 16 v Mar 15 bps
Australian Banking net interest margin	**1.70%**	1.61%	1.65%	9 bps	5 bps
Housing lending net interest margin	**1.40%**	1.35%	1.35%	5 bps	5 bps
Business lending net interest margin	**1.79%**	1.85%	2.05%	(6 bps)	(26 bps)
Personal Banking net interest margin	**2.25%**	2.13%	2.14%	12 bps	11 bps
Business Banking net interest margin	**2.34%**	2.31%	2.41%	3 bps	(7 bps)

March 2016 v March 2015

Net interest income increased by $382 million or 7.2% ($367 million or 6.9% excluding foreign exchange) compared to the March 2015 half year.

Housing lending net interest income increased by $144 million or 9.0% driven by volume increases and repricing, partially offset by increased funding costs.

Housing lending margin increased by five basis points largely due to repricing, partially offset by increased funding costs.

Business lending net interest income decreased by $91 million or 5.3% driven by competitive pressure on customer pricing combined with higher funding costs, partially offset by increased volumes.

Business lending margin decreased by 26 basis points as a result of competitive pressure on customer pricing and higher funding costs.

Other banking products net interest income increased by $15 million or 3.4% mainly in unsecured lending as a result of volume growth combined with margin improvement.

Deposits net interest income increased by $280 million or 26.1% from volume growth due to the attractiveness of deposits as a source of funding as compared to wholesale funding sources, repricing benefits and the shift from term deposits to on-demand and transactional deposit accounts.

NAB risk management income increased by $34 million or 6.9%. This result includes a $47 million increase, which is offset by movements on economic hedges in other operating income. The underlying decrease of $13 million is a result of unfavourable outcomes in interest rate risk management.

March 2016 v September 2015

Net interest income increased by $293 million or 5.4% ($290 million or 5.4% excluding foreign exchange) compared to the September 2015 half year.

Housing lending net interest income increased by $81 million or 4.9% driven by volume increases and repricing, partially offset by increased funding costs.

Housing lending margin increased by five basis points largely due to repricing partly offset by increased funding costs.

Business lending net interest income decreased by $8 million or 0.5%, driven by competitive pressure on customer pricing combined with higher funding costs, partially offset by increased volumes.

Business lending margin decreased by six basis points due to competitive pressure on customer pricing and higher funding costs.

Other banking products net interest income decreased by $7 million or 1.5%, driven by a decrease in non-lending income, partially offset by volume growth in unsecured lending.

Deposits net interest income increased by $177 million or 15.1% from volume growth due to the attractiveness of deposits as a source of funding as compared to wholesale funding sources, repricing benefits and the shift from term deposits to on-demand and transactional deposit accounts.

NAB risk management income increased by $50 million or 10.4%. This result includes a $10 million decrease, which is offset by movements on economic hedges in other operating income. The underlying increase of $60 million is a result of favourable outcomes in interest rate risk management.

(1) *Information is presented on a continuing operations basis including prior period restatements.*

Australian Banking [1]

Other Operating Income

	Half year to				
	Mar 16 $m	Sep 15 $m	Mar 15 $m	Mar 16 v Sep 15 %	Mar 16 v Mar 15 %
Housing lending	**141**	141	131	-	7.6
Business lending	**319**	309	276	3.2	15.6
Other banking products [1]	**435**	469	459	(7.2)	(5.2)
Deposits	**41**	43	43	(4.7)	(4.7)
Customer risk management	**339**	424	400	(20.0)	(15.3)
NAB risk management	**25**	(114)	85	large	(70.6)
Total other operating income	**1,300**	1,272	1,394	2.2	(6.7)

[1] *Other banking products includes personal lending, credit cards, investment securities and margin lending.*

	Half year to				
	Mar 16 $m	Sep 15 $m	Mar 15 $m	Mar 16 v Sep 15 %	Mar 16 v Mar 15 %
Fees and commissions	**858**	895	830	(4.1)	3.4
Trading income	**349**	313	431	11.5	(19.0)
Other	**93**	64	133	45.3	(30.1)
Total other operating income	**1,300**	1,272	1,394	2.2	(6.7)

March 2016 v March 2015

Other operating income decreased by $94 million or 6.7% (decrease of $121 million or 8.7% excluding foreign exchange) compared to the March 2015 half year.

Housing lending income increased by $10 million or 7.6% compared to the March 2015 half year as a result of increased volumes and improved fee collection rates.

Business lending income increased by $43 million or 15.6% as a result of increased volumes, improved collection rates and gains from asset sales.

Other banking products income decreased by $24 million or 5.2% as a result of the removal of certain account fees and lower issuance fees.

Deposits income decreased by $2 million or 4.7% compared to the March 2015 half year.

Customer risk management income decreased by $61 million or 15.3% as a result of a decrease in the sales of risk management products to the Group's customers.

NAB risk management income decreased by $60 million, inclusive of a $47 million decrease as a result of movements in economic hedges, offset in net interest income. The underlying decrease of $13 million is a result of a lower trading performance and a gain on sale of assets made during the March 2015 half year, partially offset by favourable impacts from derivative valuation adjustments.

March 2016 v September 2015

Other operating income increased by $28 million or 2.2% (increase of $24 million or 1.9% excluding foreign exchange) compared to the September 2015 half year.

Housing lending income remained flat compared to the September 2015 half year.

Business lending income increased by $10 million or 3.2% as a result of increased volumes, improved collection rates and gains from asset sales.

Other banking products income decreased by $34 million or 7.2% as a result of lower custody fees and the removal of certain account fees.

Deposits income decreased by $2 million or 4.7% compared to the September 2015 half year.

Customer risk management income decreased by $85 million or 20.0% as a result of adverse impacts from derivative valuation adjustments.

NAB risk management income increased by $139 million, inclusive of a $10 million increase as a result of movements in economic hedges, offset in net interest income. The underlying increase of $129 million is mainly as a result of a favourable trading performance and favourable impacts from derivative valuation adjustments.

[1] *Information is presented on a continuing operations basis including prior period restatements.*

Australian Banking [1]

Operating Expenses

	Half year to				
	Mar 16 $m	Sep 15 $m	Mar 15 $m	Mar 16 v Sep 15 %	Mar 16 v Mar 15 %
Personnel expenses	**1,712**	1,625	1,560	(5.4)	(9.7)
Occupancy related expenses	**259**	261	261	0.8	0.8
General expenses	**936**	938	911	0.2	(2.7)
Total operating expenses	**2,907**	2,824	2,732	(2.9)	(6.4)

March 2016 v March 2015

Operating expenses increased by $175 million or 6.4% ($152 million or 5.6% excluding foreign exchange) compared to the March 2015 half year.

Personnel expenses increased by $152 million or 9.7% ($137 million or 8.8% excluding foreign exchange). The increase was driven by investment in the Group's priority customer segments, including additional service roles to support strategic initiatives, EBA wage increases and performance based incentive normalisation. These costs were partially offset by productivity savings.

Occupancy related expenses decreased by $2 million or 0.8% ($4 million or 1.5% excluding foreign exchange) driven by property optimisation benefits, partially offset by property rental increases.

General expenses increased by $25 million or 2.7% ($19 million or 2.1% excluding foreign exchange), driven by increased project spend, support costs for deployed projects and amortisation of capitalised software, partially offset by productivity savings and reduced marketing spend.

March 2016 v September 2015

Operating expenses increased by $83 million or 2.9% ($78 million or 2.8% excluding foreign exchange) compared to the September 2015 half year.

Personnel expenses increased by $87 million or 5.4% ($83 million or 5.1% excluding foreign exchange). The increase was driven by investment in the Group's priority customer segments, including additional service roles to support strategic initiatives, EBA wage increases and performance based incentive normalisation. These costs were partially offset by productivity savings.

Occupancy related expenses decreased by $2 million or 0.8% ($3 million or 1.1% excluding foreign exchange) driven by property optimisation benefits, partially offset by property rental increases.

General expenses decreased by $2 million or 0.2% ($2 million or 0.2% excluding foreign exchange), driven by productivity savings and reduced project spend, partially offset by increased support costs from deployed projects and amortisation of capitalised software.

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(1) *Information is presented on a continuing operations basis including prior period restatements.*

Australian Banking [1]

Bad and Doubtful Debt Charge

	Half Year to				
	Mar 16 $m	Sep 15 $m	Mar 15 $m	Mar 16 v Sep 15 %	Mar 16 v Mar 15 %
Specific charge to provide for bad and doubtful debts	**410**	243	289	(68.7)	(41.9)
Collective (write-back)/charge to provide for bad and doubtful debts	**(69)**	56	77	large	large
Total charge to provide for bad and doubtful debts	**341**	299	366	(14.0)	6.8
Housing Lending	**42**	6	37	large	(13.5)
Business Lending	**167**	180	229	7.2	27.1
Other banking products [1]	**132**	113	100	(16.8)	(32.0)
Total charge to provide for bad and doubtful debts	**341**	299	366	(14.0)	6.8

[1] *Other banking products includes personal lending, credit cards, investment securities and margin lending.*

	Half year to				
	Mar 16 $m	Sep 15 $m	Mar 15 $m	Mar 16 v Sep 15 %	Mar 16 v Mar 15 %
Personal Banking	180	121	124	(48.8)	45.2
Business Banking	161	178	242	9.6	(33.5)
Total charge to provide for doubtful debts	341	299	366	(14.0)	(6.8)

March 2016 v March 2015

The charge to provide for bad and doubtful debts decreased by $25 million or 6.8% compared to the March 2015 half year. This was due to:

- Higher collective provision write-backs for the business lending portfolio as a result of specific provisions being raised on a small number of large single name exposures.
- Underlying improvements in the business lending portfolio.
- Agriculture and resource sector overlays raised in the March 2015 half year that did not reoccur.

This was partially offset by:

- Higher business lending specific charges, driven by a small number of large single name exposures.
- An overlay raised for the unsecured retail portfolio.

March 2016 v September 2015

The **charge to provide for bad and doubtful debts** increased by $42 million or 14.0% compared to the September 2015 half year. This was primarily driven by:

- An increase in specific provision charges in the business lending portfolio, from a relatively low level, with the impairment of a small number of large single name exposures.
- Higher collective provision charges for the housing lending portfolio, reflecting increased delinquency in Queensland and Western Australia.
- An overlay raised for the unsecured retail portfolio addressing signs of delinquency.

This was partially offset by:

- Write-backs in collective provision charges for a small number of large single name exposures in the business lending portfolio.
- Underlying improvements in the business lending portfolio.
- Additional overlays within the agriculture and resource sector raised within the September 2015 half year that did not reoccur.

[1] *Information is presented on a continuing operations basis including prior period restatements.*

Australian Banking [1]

Asset Quality

	As at		
	31 Mar 16	**30 Sep 15**	**31 Mar 15**
Specific provision for doubtful debts ($m)	**501**	346	532
Collective provision for doubtful debts ($m)	**1,897**	1,956	1,884
Collective provision on loans at fair value ($m)	**124**	120	119
Collective provision on derivatives at fair value ($m)	**290**	309	234
90+DPD assets ($m)	**1,797**	1,620	1,731
Gross impaired assets ($m)	**1,425**	1,249	1,621
Collective provisions to credit risk weighted assets	**0.90%**	0.91%	0.90%
90+DPD assets to gross loans and acceptances	**0.38%**	0.36%	0.39%
Gross impaired assets to gross loans and acceptances	**0.31%**	0.27%	0.37%
90+DPD assets plus gross impaired assets to gross loans and acceptances	**0.69%**	0.63%	0.76%
Specific provision to gross impaired assets	**35.2%**	27.7%	32.8%
Net write-offs to gross loans and acceptances (annualised) [1]	**0.11%**	0.19%	0.21%
Total provision as a percentage of net write-offs (annualised) [1]	**560%**	309%	304%
Total provision to gross loans and acceptances	**0.60%**	0.60%	0.63%
Bad and doubtful debt charge to gross loans and acceptances (annualised) [1]	**0.15%**	0.14%	0.17%

(1) *March 2016 and 2015 metrics refer to the half year ratio annualised, the September 2015 metrics refer to the full year ratio.*

The ratio of 90+ DPD assets plus gross impaired assets to gross loans and acceptances deteriorated by six basis points to 0.69% over the March 2016 half year, and increased by seven basis points against the March 2015 half year. The March 2016 half year result was driven by an increase in housing lending 90+ DPD assets largely due to deterioration experienced in Queensland and Western Australia and increases in business lending gross impaired assets. The level of new impaired assets for the March 2016 half year of $677 million was 47% higher than the September 2015 half year, largely due to the impairment of a small number of large single name exposures.

Total provisions to gross loans and acceptances decreased slightly over the March 2016 half year to 0.60%.

Total collective provisions for Australian Banking decreased by $74 million against the September 2015 half year to $2,311 million due to write-backs for specific provisions raised on a small number of large single name exposures and an improvement in the underlying business lending portfolio, partially offset by an overlay raised for the unsecured retail portfolio. Overlays for the agriculture and resource sectors remain unchanged.

The coverage of specific provisions to gross impaired assets increased by 750 basis points to 35.2% during the March 2016 half year. Specific provisions increased by $155 million to $501 million, driven by a small number of large single name exposures with a high level of coverage.

The ratio of bad and doubtful debt charge to gross loans and acceptances (annualised) remained at cyclical lows at 0.15% at the March 2016 half year.

(1) *Information is presented on a continuing operations basis including prior period restatements.*

Australian Banking [1]

Net Operating Income Analysis

	Half year to Mar 16 $m	Sep 15 $m	Mar 15 $m	Mar 16 v Sep 15 %	Mar 16 v Mar 15 %
By Product					
Housing Lending	**1,877**	1,796	1,723	4.5	8.9
Business Lending	**1,948**	1,946	1,996	0.1	(2.4)
Other banking products [1]	**890**	931	899	(4.4)	(1.0)
Deposits	**1,392**	1,217	1,114	14.4	25.0
Customer risk management	**339**	424	400	(20.0)	(15.3)
NAB risk management	**555**	366	581	51.6	(4.5)
Net operating income	**7,001**	6,680	6,713	4.8	4.3
By Customer [2]					
Personal Banking	**2,439**	2,345	2,214	4.0	10.2
Business Banking	**4,007**	3,969	3,918	1.0	2.3
NAB risk management	**555**	366	581	51.6	(4.5)
Net Operating Income	**7,001**	6,680	6,713	4.8	4.3

(1) *Other banking products includes personal lending, credit cards, investment securities and margin lending.*

(2) *Customer revenue numbers for March 2015 and September 2015 have been restated to reflect the transfer of customers between Business Banking and Personal Banking, consistent with where customers were domiciled in the March 2016 half year.*

(1) *Information is presented on a continuing operations basis including prior period restatements.*

NZ Banking

Anthony Healy

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

Results presented in local currency. See page 50 for results in Australian dollars and page 106 for foreign exchange rates.

	Half Year to				
	Mar 16 $m	**Sep 15 $m**	**Mar 15 $m**	**Mar 16 v Sep 15 %**	**Mar 16 v Mar 15 %**
Net interest income	**812**	820	804	(1.0)	1.0
Other operating income	**239**	238	230	0.4	3.9
Net operating income	**1,051**	1,058	1,034	(0.7)	1.6
Operating expenses	**(415)**	(419)	(407)	1.0	(2.0)
Underlying profit	**636**	639	627	(0.5)	1.4
Charge to provide for bad and doubtful debts	**(84)**	(88)	(46)	4.5	(82.6)
Cash earnings before tax	**552**	551	581	0.2	(5.0)
Income tax expense	**(148)**	(146)	(163)	(1.4)	9.2
Cash earnings	**404**	405	418	(0.2)	(3.3)
Average Volumes (NZ$bn)					
Gross loans and acceptances	**69.4**	66.7	65.0	4.0	6.8
Interest earning assets	**70.4**	67.5	65.6	4.3	7.3
Total assets	**72.5**	69.5	67.7	4.3	7.1
Customer deposits	**47.5**	45.0	44.8	5.6	6.0
Capital (NZ$bn)					
Risk-weighted assets - credit risk (spot)	**47.7**	44.8	42.4	6.5	12.5
Total risk-weighted assets (spot)	**51.6**	48.6	47.0	6.2	9.8
Performance Measures					
Cash earnings on average assets	**1.11%**	1.16%	1.24%	(5 bps)	(13 bps)
Cash earnings on average risk-weighted assets	**1.61%**	1.69%	1.79%	(8 bps)	(18 bps)
Net interest margin	**2.31%**	2.42%	2.46%	(11 bps)	(15 bps)
Cost to income ratio	**39.5%**	39.6%	39.4%	10 bps	(10 bps)
'Jaws'	**0.3%**	(0.6%)	2.3%	90 bps	(200 bps)
Cash earnings per average FTE (NZ$'000s)	**165**	169	178	(2.4)	(7.3)
FTEs (spot)	**5,012**	4,784	4,737	(4.8)	(5.8)

	As at		
Market Share [(1)]	**31 Mar 16**	**30 Sep 15**	**31 Mar 15**
Housing lending	**15.5%**	15.5%	15.8%
Cards	**19.9%**	20.4%	23.4%
Agribusiness	**22.6%**	22.4%	22.2%
Business lending	**27.2%**	26.5%	26.5%
Retail deposits [(2)]	**17.6%**	17.6%	18.1%

(1) *Source RBNZ: March 2016 (historical market share rebased with latest revised RBNZ published data).*

(2) *Retail deposits include business and personal deposits and exclude wholesale deposits.*

	As at		
Distribution	**31 Mar 16**	**30 Sep 15**	**31 Mar 15**
Number of retail branches	**173**	173	175
Number of ATMs	**479**	474	475
Number of internet banking customers (no. '000s)	**705**	686	670

NZ Banking

Financial Analysis (in local currency)

March 2016 v March 2015

Cash earnings decreased by NZ$14 million or 3.3% compared to the March 2015 half year driven by increased charges for bad and doubtful debts and higher operating expenses, partially offset by improved revenue.

Cash earnings on average risk-weighted assets decreased 18 basis points to 1.61% due to reduced cash earnings and increased risk-weighted assets from asset growth as well as the increased risk-weighted assets in the New Zealand dairy portfolio.

Net interest income increased by NZ$8 million or 1.0% driven by growth in lending and deposit volumes partially offset by lower deposit and lending margins.

Average volumes of **gross loans and acceptances** increased by NZ$4.4 billion or 6.8%. Both the business and housing lending portfolio experienced steady growth supported by continued positive economic conditions. Average business lending volumes increased by NZ$3 billion or 9.1%, with market share increasing [(1)]. Average housing volumes increased by NZ$1.7 billion or 5.3% with strong growth in the broker channel.

Average customer deposits increased by NZ$2.7 billion or 6.0%. Customer deposits growth reflected an increased focus on higher quality personal deposits as well as managing deposit growth in line with asset growth.

Net interest margin decreased by 15 basis points to 2.31%, largely driven by lower deposit and lending margins due to strong competition combined with increased funding costs from heightened market volatility.

Other operating income increased by NZ$9 million or 3.9% given strong asset growth across business and housing lending partially offset by reduced credit card income.

Operating expenses increased by NZ$8 million or 2.0% due to growth in FTE to support priority segments as well as strategic initiatives and increased regulatory spend.

The charge to provide for bad and doubtful debts increased by NZ$38 million or 82.6% in the March 2016 half year as a result of increased collective provision charges, due to the outlook for the New Zealand dairy industry.

March 2016 v September 2015

Cash earnings decreased by NZ$1 million or 0.2% compared to the September 2015 half year driven by lower revenue, partially offset by lower operating expenses and charges for bad and doubtful debts.

Cash earnings on average risk-weighted assets decreased by 8 basis points to 1.61% due to reduced cash earnings and increased risk-weighted assets from asset growth as well as the increased risk-weighted assets in the New Zealand dairy portfolio.

Net interest income decreased by NZ$8 million or 1.0% driven by lower net interest margin partially offset by growth in lending and deposit volumes.

Average volumes of **gross loans and acceptances** increased by NZ$2.7 billion or 4.0%. Average housing volumes increased by NZ$0.9 billion or 3.0% with market share [(1)] remaining constant. Strong growth in business average volumes, increasing by NZ$1.9 billion or 5.5%, was supported by continued positive economic conditions and higher lending demand.

Average customer deposits increased by NZ$2.5 billion or 5.6%. Customer deposits growth was driven by an increased focus on higher quality personal deposits as well as managing deposit growth in line with asset growth.

Net interest margin decreased by 11 basis points to 2.31%, largely driven by lower deposit and lending margins due to strong competition combined with increased funding costs from heightened market volatility.

Other operating income increased by NZ$1 million or 0.4%.

Operating expenses decreased by NZ$4 million or 1.0% mainly due to a reduction in marketing costs and improved operational efficiencies to support asset growth, partially offset by growth in FTE to support priority segments.

The **charge to provide for bad and doubtful debts** decreased by NZ$4 million or 4.5% in the March 2016 half year as a result of lower specific provision charges and lower collective provision charges to the non-dairy portfolio as a result of generally favourable economic conditions leading to an improved portfolio. This was partially offset by increased collective provision charges relating to the dairy portfolio as a result of the outlook for the New Zealand dairy industry.

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(1) *Source RBNZ: March 2016.*

NZ Banking

Other Items

Asset Quality

	As at		
	31 Mar 16	**30 Sep 15**	**31 Mar 15**
Specific provision for doubtful debts (NZ$m)	**101**	92	151
Collective provision for doubtful debts (NZ$m)	**386**	331	279
Collective provision on loans at fair value (NZ$m)	**48**	44	37
90+DPD assets (NZ$m)	**210**	196	203
Gross impaired assets (NZ $m) (1)	**807**	216	308
Collective provisions to credit risk weighted assets	**0.91%**	0.84%	0.75%
90+DPD to gross loans and acceptances	**0.30%**	0.29%	0.31%
Gross impaired assets to gross loans and acceptances (1)	**1.13%**	0.32%	0.46%
90+DPD plus gross impaired assets to gross loans and acceptances (1)	**1.43%**	0.61%	0.77%
Specific provision to gross impaired assets (2)	**44.3%**	42.6%	49.0%
Net write-offs to gross loans and acceptances (annualised) (3)	**0.04%**	0.17%	0.08%
Total provision as a percentage of net write-offs (annualised) (3)	**1,819%**	406%	896%
Total provision to gross loans and acceptances	**0.75%**	0.69%	0.71%
Bad and doubtful debt charge to gross loans and acceptances (annualised) (3)	**0.24%**	0.20%	0.14%

(1) *Gross impaired assets include NZ$579 million dairy exposures currently assessed as no loss based on security held.*

(2) *Consists only of impaired assets where a specific provision has been raised and excludes NZ$579 million of NZ dairy exposures currently assessed as no loss based on security held.*

(3) *March 2016 and March 2015 metrics refer to the half year ratio annualised; the September 2015 metrics refer to the full year ratio.*

Compared with the September 2015 half year, the level of 90+ DPD plus gross impaired assets has deteriorated by 82 basis points from 0.61% to 1.43%, primarily driven by the inclusion of NZ$579 million of dairy exposures currently assessed as no loss in impaired assets for the March 2016 half year.

Total provisioning coverage to gross loans and acceptances increased by six basis points to 0.75%.

Total collective provision for doubtful debts (including loans at fair value) increased in the March 2016 half year by NZ$59 million to NZ$434 million. This was primarily driven by increased collective provision charges for the dairy industry resulting from cash flow pressures from current and forecast pay-out levels. Specific provisions increased by NZ$9 million over the March 2016 half year.

Capital and Funding Position

BNZ maintained a strong capital position, with its balance sheet being well funded through diversified and stable funding sources.

BNZ's Core Funding Ratio (CFR) of 86.1% at 31 March 2016 exceeded the RBNZ minimum requirement of 75%. BNZ's Common Equity Tier 1, Tier 1 and Total capital ratios of 10.41%, 11.03% and 12.58% respectively as at 31 March 2016 were above the RBNZ minimum capital ratio requirements of 7.00%, 8.50% and 10.50% respectively.

BNZ continued its focus on growing high quality personal deposits to support lending growth, and also refinanced term debt maturities with issuance in both domestic and offshore wholesale markets. Transactions of note included a NZ$550 million domestic Subordinated Notes issue in December 2015 and a US$500 million 5 year offshore senior unsecured issue in March 2016. BNZ also re-entered the Covered Bond market, issuing a NZ$300 million domestic 7 year Covered Bond in February 2016.

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

NZ Banking

Results presented in Australian dollars. *See page 47 for results in local currency.*

	Half Year to				
	Mar 16 $m	**Sep 15 $m**	**Mar 15 $m**	**Mar 16 v Sep 15 %**	**Mar 16 v Mar 15 %**
Net interest income	**749**	753	751	(0.5)	(0.3)
Other operating income	**220**	219	215	0.5	2.3
Net operating income	**969**	972	966	(0.3)	0.3
Operating expenses	**(382)**	(386)	(380)	1.0	(0.5)
Underlying profit	**587**	586	586	0.2	0.2
Charge to provide for bad and doubtful debts	**(77)**	(80)	(44)	3.8	(75.0)
Cash earnings before tax	**510**	506	542	0.8	(5.9)
Income tax expense	**(137)**	(135)	(151)	(1.5)	9.3
Cash earnings	**373**	371	391	0.5	(4.6)

Impact of foreign exchange rate movements

Favourable/ (unfavourable) March 16	**Half year since Sep 15 $m**	**Mar 16 v Sep 15 Ex FX %**	**Year since Mar 15 $m**	**Mar 16 v Mar 15 Ex FX %**
Net interest income	**3**	(0.9)	**(10)**	1.1
Other operating income	**1**	-	**(3)**	3.7
Operating expenses	**(1)**	1.3	**6**	(2.1)
Charge to provide for bad and doubtful debts	**-**	3.8	**1**	(77.3)
Income tax expense	**(1)**	(0.7)	**1**	8.6
Cash earnings	**2**	-	**(5)**	(3.3)

NAB Wealth

Andrew Hagger

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

	Half year to Mar 16 $m	Sep 15 $m	Mar 15 $m	Mar 16 v Sep 15 %	Mar 16 v Mar 15 %
Net investments income	**531**	537	554	(1.1)	(4.2)
Net insurance income	**275**	273	203	0.7	35.5
IoRE	**6**	(5)	24	large	(75.0)
Net income	**812**	805	781	0.9	4.0
Operating expenses	**(464)**	(471)	(470)	1.5	1.3
Cash earnings before tax	**348**	334	311	4.2	11.9
Income tax expense	**(99)**	(93)	(88)	(6.5)	(12.5)
Cash earnings	**249**	241	223	3.3	11.7
Represented by:					
Investments	**138**	130	173	6.2	(20.2)
Insurance	**111**	111	50	-	large
Cash earnings	**249**	241	223	3.3	11.7
Planned and Experience Analysis - Insurance					
Planned profit margins	**80**	71	85	12.7	(5.9)
Experience loss	**31**	40	(35)	(22.5)	large
Insurance cash earnings	**111**	111	50	-	large

Performance Measures [1]	Mar 16	Sep 15	Mar 15	Mar 16 v Sep 15 %	Mar 16 v Mar 15 %
Funds under management (spot) ($m) [2]	**191,129**	170,952	177,076	11.8	7.9
Funds under management (average) ($m) [2]	**182,327**	176,574	162,884	3.3	11.9
Net funds flow ($m)	**106**	182	(1,042)	(41.8)	large
Cost to income ratio (%)	**57.1%**	58.5%	60.2%	140 bps	310 bps
Investment operating expenses to average FUM (bps) [2]	**38**	40	42	2 bps	4 bps
Investment income to average FUM (bps) [2]	**58**	61	68	(3 bps)	(10 bps)
Annual inforce premiums (spot) ($m)	**1,845**	1,795	1,788	2.8	3.2
Annual inforce premiums (average) ($m)	**1,820**	1,792	1,740	1.6	4.6
Insurance cost to average inforce premiums (%)	**12.7%**	13.1%	15.0%	40 bps	230 bps
Cash earnings per average FTE ($'000s)	**98**	98	91	-	7.7
FTEs (spot)	**5,307**	4,903	4,932	(8.2)	(7.6)

(1) *FUM excludes Trustee and Cash Management. FUM is reported on the basis of nabInvest's proportional ownership interest rather than the total FUM of these businesses.*
(2) *FUM includes a boutique fund manager purchased during the March 2015 half year and JBWere FUM, 100% owned from January 2016.*

Annual Inforce Premiums (spot)	Mar 16 $m	Sep 15 $m	Mar 15 $m	Mar 16 v Sep 15 %	Mar 16 v Mar 15 %
Retail insurance	**1,311**	1,290	1,275	1.6	2.8
Group insurance	**534**	505	513	5.7	4.1
Total	**1,845**	1,795	1,788	2.8	3.2

NAB Wealth - Interest on Retained Earnings (IoRE) by Asset Class

	Half year to Mar 16			Sep 15			Mar 15		
IoRE by Asset Class	Actual Earnings $m	Weighted Asset Balance $m	Earnings Rate[1] %	Actual Earnings $m	Weighted Asset Balance $m	Earnings Rate[1] %	Actual Earnings $m	Weighted Asset Balance $m	Earnings Rate[1] %
Equity	**3**	**94**	**6.4**	(13)	163	(16.1)	19	196	19.4
Fixed interest	**(2)**	**28**	**(14.3)**	5	97	10.3	4	86	8.4
Cash	**5**	**315**	**3.2**	3	216	2.6	1	99	2.8
IoRE before Tax	**6**			(5)			24		

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

NAB Wealth

Financial Analysis

March 2016 v March 2015

Cash earnings increased by $26 million or 11.7% compared to the March 2015 half year, reflecting strong insurance results and efficiency in operating expenses, partially offset by lower performing investment markets.

Net investments income decreased by $23 million or 4.2% compared to the March 2015 half year due to lower performing investment markets and lower margins. Margins have declined since the March 2015 half year driven by MySuper plan transitions and a change in business mix to lower margin wholesale and institutional products, consistent with the broader industry experience.

Net insurance income increased by $72 million or 35.5% compared to the March 2015 half year. The increase was driven by stable claims and lapse performance, premium growth and pricing increases.

Operating expenses decreased by $6 million or 1.3% compared to the March 2015 half year primarily due to lower project and technology costs, partially offset by an increase in the number of financial planners.

Average FUM increased by $19.4 billion or 11.9% primarily due to the inclusion of JBWere FUM following the acquisition of the remaining 20% of JBWere in January 2016 and the purchase of the boutique fund manager Orchard Street Investment Management in 2015.

Net funds flow was $106 million, an increase of $1.1 billion compared to the March 2015 half year due to the contractual end of one institutional fund mandate ($1.4 billion) in the March 2015 half year, partially offset by negative institutional flows in the current period.

Planned profit margins and experience profit / (loss)
Planned profit margins were exceeded primarily due to pricing increases and favourable claims experience.

Inforce premiums as at 31 March 2016 of $1.8 billion grew by $57 million compared to 31 March 2015.

FTEs increased by 375 or 7.6% to 5,307 compared to the March 2015 half year, primarily driven by increased resources in relation to the transaction to sell 80% of NAB Wealth's life insurance business and increased financial planner numbers.

March 2016 v September 2015

Cash earnings increased by $8 million or 3.3% compared to the September 2015 half year reflecting strong insurance results and efficiencies in operating expenses.

Net investments income decreased by $6 million or 1.1% compared to the September 2015 half year primarily due to lower margins and lower performing investment markets.

Net insurance income increased $2 million or 0.7% compared to the September 2015 half year. The increase was due to improved lapse experience and stable claims during the half.

Operating expenses decreased by $7 million or 1.5% compared to the September 2015 half year primarily due to lower project costs, partially offset by an increase in the number of financial planners.

Average FUM increased by $5.8 billion or 3.3% primarily due to the inclusion of JBWere FUM following the acquisition of the remaining 20% of JBWere in January 2016.

Net funds flow slightly decreased compared to the September 2015 half year, primarily due to negative institutional flows.

Planned profit margins and experience profit / (loss)
Planned profit margins were exceeded primarily due to favourable claims experience.

Inforce premiums as at 31 March 2016 of $1.8 billion grew by $50 million compared to 30 September 2015.

FTEs increased by 404 or 8.2% to 5,307 compared to the September 2015 half year, primarily driven by increased resources in relation to the transaction to sell 80% of NAB Wealth's life insurance business and increased financial planner numbers.

NAB Wealth

Funds Under Management

Movement in Funds under Management and Administration ($m)	As at Mar 15	Inflows	Outflows	Netflows	Investment earnings	Other [1] [2]	As at Mar 16
Retail Platforms	62,207	9,927	(7,746)	2,181	(2,528)	17,399	**79,259**
Business and Corporate Superannuation	36,739	4,114	(4,433)	(319)	(1,521)	48	**34,947**
Offsale Retail Products & Other	16,672	752	(2,063)	(1,311)	(174)	(705)	**14,482**
Retail	115,618	14,793	(14,242)	551	(4,223)	16,742	**128,688**
Wholesale	61,458	7,094	(7,357)	(263)	(148)	1,394	**62,441**
Total NAB Wealth ex Trustee and Cash Management	177,076	21,887	(21,599)	288	(4,371)	18,136	**191,129**

Movement in Funds under Management and Administration ($m)	As at Sep 15	Inflows	Outflows	Netflows	Investment earnings	Other [1] [2]	As at Mar 16
Retail Platforms	59,383	4,784	(3,621)	1,163	1,240	17,473	**79,259**
Business and Corporate Superannuation	35,530	1,846	(1,978)	(132)	(436)	(15)	**34,947**
Offsale Retail Products & Other	15,009	300	(922)	(622)	283	(188)	**14,482**
Retail	109,922	6,930	(6,521)	409	1,087	17,270	**128,688**
Wholesale	61,030	4,125	(4,428)	(303)	503	1,211	**62,441**
Total NAB Wealth ex Trustee and Cash Management	170,952	11,055	(10,949)	106	1,590	18,481	**191,129**

(1) *Other includes trust distributions.*
(2) *FUM includes a boutique fund manager purchased during the March 2015 half and JBWere FUM, 100% owned from January 2016.*

	As at		
FUM by Asset Class	**31 Mar 16**	**30 Sep 15**	**31 Mar 15**
Australian equities	**38%**	31%	33%
International equities	**20%**	24%	25%
Australian fixed interest	**14%**	15%	16%
International fixed interest	**9%**	9%	8%
Australian cash	**11%**	11%	10%
International direct property	**4%**	5%	4%
International listed property	**2%**	2%	2%
Australian listed property	**2%**	3%	2%

	Funds under Management [1]					
	Dec 15		Sep 15		Dec 14	
	Rank	Market Share %	Rank	Market Share %	Rank	Market Share %
Retail (excl. Cash)	**2**	**14.4**	2	14.6	2	15.0
Total Retail Superannuation	**2**	**18.8**	2	18.8	2	19.5
Total Wholesale	**4**	**5.6**	4	5.5	4	5.5

(1) *Source: Plan for Life Australian Retail & Wholesale Investments Market Share and Dynamics Report - December 2015. (Prior periods include re-statements of funds under management made by Plan for Life.)*

	Premiums in Force [1]					
	Dec 15		Sep 15		Dec 14	
	Rank	Market Share %	Rank	Market Share %	Rank	Market Share %
Retail insurance	**2**	**14.7**	2	14.8	2	15.2
Group insurance	**5**	**8.7**	5	8.9	5	9.5

(1) *Source: DEXX&R Life Analysis - December 2015. (Prior periods include restatements of premiums inforce and share of new business made by DEXX&R.)*

	Share of New Business [1]					
	Dec 15		Sep 15		Dec 14	
	Rank	Market Share %	Rank	Market Share %	Rank	Market Share %
Retail insurance	**1**	**15.6**	1	15.4	2	15.1
Group insurance	**4**	**13.2**	2	24.1	3	13.3

(1) *Source: DEXX&R Life Analysis - December 2015. (Prior periods include restatements of premiums inforce and share of new business made by DEXX&R.)*

Corporate Functions and Other [(1)]

The Group's 'Corporate Functions' business includes functions that support all businesses including Group Funding, Other Corporate Functions activities and the results of Specialised Group Assets (SGA) (closed as at 31 March 2015) and NAB UK CRE. Group Funding acts as the central vehicle for movements of capital and structural funding to support the Group's operations, together with capital and balance sheet management. Other Corporate Functions activities include Enterprise Services and Transformation, and Support Units (which include Office of the CEO, Risk, Finance, Strategy, People and Governance and Reputation).

	Half Year to				
	Mar 16 $m	**Sep 15 $m**	**Mar 15 $m**	**Mar 16 v Sep 15 %**	**Mar 16 v Mar 15 %**
Net operating income	**160**	307	196	**(47.9)**	(18.4)
Operating expenses	**(97)**	(93)	(114)	**(4.3)**	14.9
Underlying profit	**63**	214	82	**(70.6)**	(23.2)
Write-backs of bad and doubtful debts	**43**	30	11	**43.3**	large
Cash earnings before tax	**106**	244	93	**(56.6)**	14.0
Income tax expense	**(48)**	(63)	(56)	**23.8**	14.3
Cash earnings	**58**	181	37	(68.0)	56.8

March 2016 v March 2015

Cash earnings increased by $21 million or 56.8% compared to the March 2015 half year. Excluding the impact of foreign exchange, cash earnings increased $17 million. This increase was driven by higher write-backs of bad and doubtful debts, a decrease in operating expenses and income tax, partially offset by lower net operating income.

Net operating income decreased by $36 million or 18.4%. Excluding the impact of foreign exchange, net operating income decreased by $40 million driven by lower income from Group funding and hedging activities and gains in the March 2015 half year relating to the sale of loans within the NAB UK CRE and SGA portfolios that did not reoccur.

Operating expenses decreased by $17 million or 14.9%. Excluding the impact of foreign exchange, operating expenses decreased by $18 million. This was due to lower performance based incentive costs and lower operating costs from NAB UK CRE and SGA as a result of continued run off of the portfolio and the closure of SGA, partially offset by increased investment in customer centric digital capabilities and innovation.

The **write-backs of bad and doubtful debts** increased by $32 million mainly due to a write-back from a new credit system implementation.

Income tax expense decreased by $8 million. Excluding the impact of foreign exchange income tax decreased by $8 million.

March 2016 v September 2015

Cash earnings decreased by $123 million or 68.0% compared to the September 2015 half year. Excluding the impact of foreign exchange, cash earnings decreased by $124 million. This decrease was driven by lower net operating income and an increase in operating expenses, partially offset by higher write-backs of bad and doubtful debts and a decrease in income tax expenses.

Net operating income decreased by $147 million or 47.9%. Excluding the impact of foreign exchange, net operating income decreased by $148 million driven by lower income from Group funding and hedging activities, combined with the settlement of a long standing legal dispute in the September 2015 half year that did not reoccur.

Operating expenses increased by $4 million or 4.3%. Excluding the impact of foreign exchange, operating expenses increased by $4 million. This was due to performance based incentives normalisation and increased investment in customer centric digital capabilities and innovation, partially offset by lower operating costs from NAB UK CRE as a result of continued run off of the portfolio.

The **write-backs of bad and doubtful debts** increased by $13 million due to a write-back from a new credit system implementation, partially offset by write-backs from the run off of the NAB UK CRE portfolio in the September 2015 half year that did not reoccur.

Income tax expense decreased by $15 million. Excluding the impact of foreign exchange, income tax expense decreased by $15 million.

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(1) *Information is presented on a continuing operations basis including prior period restatements.*

Section 5

Financial Report

Report of the Directors

The directors of National Australia Bank Limited (NAB) (ABN 12 004 044 937) present their report, together with the financial statements of NAB and its controlled entities (the Group) for the half year ended 31 March 2016.

Directors

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

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

Michael A Chaney
Chairman from September 2005 to December 2015 and Director from December 2004 to December 2015

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

David H Armstrong
Director since August 2014

Philip W Chronican
Director since May 2016

Daniel T Gilbert
Director since September 2004

Peeyush K Gupta
Director since November 2014

Anne J Loveridge
Director since December 2015

Geraldine C McBride
Director since March 2014

Doug A McKay
Director since February 2016

Paul J Rizzo
Director from September 2004 to December 2015

Jillian S Segal
Director since September 2004

Anthony KT Yuen
Director since March 2010

Rounding of Amounts

Pursuant to Class Order 98/100 made by the Australian Securities and Investments Commission on 10 July 1998, NAB has rounded off amounts in this report and the accompanying financial statements to the nearest million dollars, except where indicated.

Review of Group Operations

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

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

- Focusing on priority customer segments.
- Delivering a great customer experience.
- Executing flawlessly and relentlessly.
- Great people living the Group's values.

The Group's strategy is supported by maintaining balance sheet strength, risk management capability and technology platforms.

The March 2016 half year results reflect continued improvement across the largely domestic businesses of Australian Banking and NAB Wealth, increased competition in New Zealand, and progress on the Group's strategic priorities to exit some lower returning, non-core assets.

Australian Banking delivered a strong result with higher volumes in housing and business lending and improved net interest margins in housing and deposits, partially offset by increased funding costs and competitive pressures on business lending margins. The Australian Banking result was supported by the continued relatively subdued charges for bad and doubtful debts, despite some large single name provisions being booked during the half year to 31 March 2016.

The Group's New Zealand franchise, BNZ, continued to increase its loan book on increased demand with generally favourable economic conditions. Margins were under pressure due to strong competition and increased funding costs from heightened market volatility. Charges for bad and doubtful debts increased compared to the half year ended 31 March 2015 due to the outlook for the dairy industry.

NAB Wealth continued showing strong results from the insurance business driven by stable claims performance and lapses, premium growth and price increases, and an efficiency in operating expenses. This was partly offset by lower performing investment markets impacting the investment business. FUM increased mainly due to the acquisition of the remaining 20% in JBWere in January 2016.

During the March 2016 half year, the Group took a number of strategic actions to exit some lower returning, non-core assets:

- Successful completion of the CYBG PLC (CYBG) demerger in February 2016.
- Announcement of the sale of 80% of the Group's life insurance business to Nippon Life (in October 2015) and progress towards the finalisation of this transaction.

Report of the Directors (continued)

Review of Group Results

Net profit from continuing operations increased by $76 million or 2.4% for the 31 March 2016 half year compared to the 31 March 2015 half year. This was largely due to favourable treasury shares, higher revenue and lower charges to provide for doubtful debts, partially offset by unfavourable fair value and hedge ineffectiveness and higher expenses.

Net interest income increased by $407 million or 6.6% driven by higher volumes in housing and business lending and deposits, combined with improved housing lending and deposit margins due to repricing. These were partially offset by increased funding costs and competitive pressures on business lending margins.

Net life insurance income decreased by $146 million or 30.7% mainly due to favourable treasury shares, partially offset by lower investment revenue from lower investment market performance.

Total other income decreased by $688 million or 25.2% largely attributable to net losses on financial instruments at fair value and gains in the March 2015 half year relating to the sales of loans in NAB UK CRE.

Operating expenses increased by $165 million or 4.3% mainly due to EBA wage increases, performance based incentive normalisation, increased support costs from deployed projects and increases in depreciation and amortisation, partially offset by productivity savings.

Charges to provide for doubtful debts decreased by $2 million or 0.5% due to a collective provision write-back in Australian Banking. This was partially offset by higher specific charges in Australian Banking, relating to a small number of large single name exposures and increased collective provision charges in NZ Banking driven by the outlook for the dairy industry.

Total assets decreased by $90 billion or 9.4% mainly due to the CYBG demerger. Excluding the impact of the demerger, total assets decreased by $14 billion or 1.5%. This was due to lower trading and hedging derivative assets driven by the Group applying offsetting of financial assets in respect of certain centrally cleared derivatives and associated collateral which were previously reported on a gross basis on the balance sheet, other financial assets at fair value and due from customers on acceptances reflecting customer preference towards Business Market Loans rather than Bills. These items were partially offset by an increase in loans and advances due to growth in housing lending.

Total liabilities decreased by $90 billion or 9.9% mainly due to the CYBG demerger. Excluding the impact of the demerger, total liabilities decreased by $21 billion or 2.3% due to lower trading and hedging liabilities driven by the Group applying offsetting of financial liabilities in respect of certain centrally cleared derivatives and associated collateral which were previously reported on a gross basis on the balance sheet. This was partially offset by an increase in deposits and other borrowings.

Corporate Governance

The Board has received the relevant assurances required under Recommendation 4.2 of the ASX Corporate Governance Principles and Recommendations jointly from the Group Chief Executive Officer and the Group Executive, Finance in respect of the half year financial report for the period ended 31 March 2016.

The directors of NAB have a significant responsibility with respect to the integrity of external reporting. This involves reviewing and monitoring, with the assistance of the Audit Committee and management, the processes, controls and procedures that are in place to maintain the integrity of the Group's financial statements. Further details on the role of the Board and its Committees can be found in the Corporate Governance section of the Group's 2015 Annual Financial Report or on the Group's website at www.nab.com.au.

Auditor's independence declaration

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

Directors' signatures

Signed in accordance with the resolution of the directors:

Dr Ken Henry
Chairman

Mr Andrew Thorburn
Group Chief Executive Officer

5 May 2016

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

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

Auditor's Independence Declaration to the Directors of National Australia Bank Limited

As lead auditor for the review of National Australia Bank Limited for the half-year ended 31 March 2016, I declare to the best of my knowledge and belief, there have been:

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

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

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

Ernst & Young

Ernst & Young

Andrew Price
Partner
Melbourne

5 May 2016

Consolidated Financial Statements

Income Statement

	Note	Half Year to Mar 16 [(1)] $m	Sep 15 [(1)] $m	Mar 15 [(1)] $m
Interest income		**13,905**	13,802	14,545
Interest expense		**(7,308)**	(7,530)	(8,355)
Net interest income		**6,597**	6,272	6,190
Premium and related revenue		**786**	875	850
Investment revenue		**1,627**	(3,070)	8,350
Fee income		**295**	306	294
Claims expense		**(366)**	(402)	(441)
Change in policy liabilities		**(1,303)**	2,213	(6,714)
Policy acquisition and maintenance expense		**(501)**	(482)	(490)
Investment management expense		**-**	-	(6)
Movement in external unitholders' liability		**(209)**	653	(1,368)
Net life insurance income		**329**	93	475
Gains less losses on financial instruments at fair value	3	**299**	578	920
Other operating income	3	**1,739**	1,926	1,806
Total other income		**2,038**	2,504	2,726
Personnel expenses	4	**(2,217)**	(2,065)	(2,029)
Occupancy-related expenses	4	**(247)**	(244)	(242)
General expenses	4	**(1,501)**	(1,601)	(1,529)
Total operating expenses		**(3,965)**	(3,910)	(3,800)
Charge to provide for doubtful debts	8	**(386)**	(345)	(388)
Profit before income tax expense		**4,613**	4,614	5,203
Income tax expense	5	**(1,303)**	(858)	(1,969)
Net profit for the period from continuing operations		**3,310**	3,756	3,234
Net (loss) / profit after tax for the period from discontinued operations	15	**(5,049)**	(824)	226
Net (loss) / profit for the period		**(1,739)**	2,932	3,460
Attributable to owners of NAB		**(1,742)**	2,898	3,440
Attributable to non controlling interests		**3**	34	20
		cents	**cents**	**cents**
Basic earnings per share		**(70.1)**	113.1	140.4
Diluted earnings per share		**(62.0)**	109.8	137.9
		cents	**cents**	**cents**
Basic earnings per share from continuing operations		**125.9**	147.2	131.5
Diluted earnings per share from continuing operations		**120.8**	141.9	129.4

(1) *Information is presented on a continuing operations basis including prior period restatements.*

Statement of Comprehensive Income

		Half Year to		
		Mar 16 (1)	Sep 15 (1)	Mar 15 (1)
	Note	$m	$m	$m
Net profit for the period from continuing operations		**3,310**	3,756	3,234
Other comprehensive income				
Items that will not be reclassified to profit or loss				
Actuarial gains / (losses) on defined benefit superannuation plans		**-**	(1)	-
Fair value changes on financial liabilities designated at fair value attributable to the Group's own credit risk	11	**211**	92	73
Exchange differences on translation of other contributed equity		**(114)**	90	139
Equity instruments at fair value through other comprehensive income reserve:				
Revaluation (losses) / gains	11	**(52)**	175	43
Tax on items transferred directly from equity		**(24)**	(34)	(17)
Total items that will not be reclassified to profit or loss		**21**	322	238
Items that will be reclassified subsequently to profit or loss				
Cash flow hedges:				
(Losses) / gains on cash flow hedging instruments		**(25)**	(10)	100
Losses / (gains) transferred to the income statement		**1**	1	(2)
Exchange differences on translation of foreign operations		**(121)**	(498)	562
Debt instruments at fair value through other comprehensive income reserve:				
Revaluation (losses) / gains		**(39)**	(147)	119
Gains from sale transferred to the income statement		**(5)**	(4)	(65)
Loss allowance on debt instruments at fair value through other comprehensive income		**-**	1	-
Tax on items transferred directly to / (from) equity		**75**	71	(93)
Total items that will be reclassified subsequently to profit or loss		**(114)**	(586)	621
Other comprehensive income for the period, net of income tax		**(93)**	(264)	859
Total comprehensive income for the period from continuing operations		**3,217**	3,492	4,093
Net (loss) / profit for the period from discontinued operations	15	**(5,049)**	(824)	226
Other comprehensive income for the period from discontinued operations, net of income tax		**979**	564	196
Total comprehensive income for the period		**(853)**	3,232	4,515
Attributable to owners of NAB		**(856)**	3,109	4,416
Attributable to non controlling interests		**3**	123	99

(1) *Information is presented on a continuing operations basis including prior period restatements.*

Balance Sheet [1]

	Note	As at 31 Mar 16 $m	30 Sep 15 $m	31 Mar 15 $m
Assets				
Cash and liquid assets		**33,174**	30,934	32,967
Due from other banks		**44,578**	50,595	57,042
Trading derivatives		**58,509**	78,384	76,872
Trading securities		**42,801**	42,937	40,886
Debt instruments at fair value through other comprehensive income		**41,920**	45,189	47,099
Investments relating to life insurance business		**90,005**	89,350	92,965
Other financial assets at fair value		**23,949**	29,696	31,426
Hedging derivatives		**6,740**	11,599	9,479
Loans and advances		**490,756**	532,784	517,680
Due from customers on acceptances		**15,544**	19,437	21,649
Property, plant and equipment		**1,468**	1,741	1,948
Goodwill and other intangible assets		**6,820**	7,347	8,030
Deferred tax assets		**1,254**	2,141	1,381
Other assets [1]		**11,212**	12,918	19,163
Total assets		**868,730**	955,052	958,587
Liabilities				
Due to other banks		**47,821**	54,405	47,946
Trading derivatives		**59,002**	74,442	76,913
Other financial liabilities at fair value		**28,159**	30,046	30,678
Hedging derivatives		**2,664**	4,539	5,448
Deposits and other borrowings	10	**448,659**	489,010	503,977
Life policy liabilities		**76,689**	76,311	78,596
Current tax liabilities		**362**	1,114	694
Provisions		**928**	3,575	2,518
Bonds, notes and subordinated debt		**125,199**	130,518	124,544
Other debt issues		**6,143**	6,292	6,129
External unitholders' liability		**14,538**	14,520	14,811
Other liabilities [2]		**8,484**	14,767	16,465
Total liabilities		**818,648**	899,539	908,719
Net assets		**50,082**	55,513	49,868
Equity				
Contributed equity	11	**32,666**	34,651	29,031
Reserves	11	**358**	(362)	(656)
Retained profits	11	**17,033**	21,205	20,867
Total equity (parent entity interest)		**50,057**	55,494	49,242
Non controlling interest in controlled entities		**25**	19	626
Total equity		**50,082**	55,513	49,868

(1) *Includes current tax assets, other debt instruments at amortised cost, equity instruments at fair value through other comprehensive income and equity instruments at fair value through profit or loss.*

(2) *Includes liability on acceptances, deferred tax liabilities and provisions for conduct costs pursuant to claims under the Conduct Indemnity Deed with CYBG.*

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

Condensed Cash Flow Statement [1]

	Note	Half Year to Mar 16[1] $m	Sep 15[1] $m	Mar 15[1] $m
Cash flows from operating activities				
Interest received		**14,769**	15,239	15,464
Interest paid		**(8,294)**	(8,268)	(8,740)
Dividends received		**11**	27	8
Income taxes paid		**(1,854)**	(891)	(1,537)
Other cash flows from operating activities before changes in operating assets and liabilities		**(4,149)**	(281)	1,163
Changes in operating assets and liabilities arising from cash flow movements		**13,148**	(23,124)	(2,150)
Net cash provided by / (used in) operating activities		**13,631**	(17,298)	4,208
Net cash used in investing activities [2]		**(11,434)**	(31)	(1,799)
Cash flows from financing activities				
Repayments of bonds, notes and subordinated debt		**(8,119)**	(16,401)	(13,540)
Proceeds from issue of bonds, notes and subordinated debt, net of costs		**18,640**	10,087	17,294
Proceeds from issue of ordinary shares, net of costs		**-**	5,446	800
Repayments of other contributed equity, net of costs		**-**	-	(1,014)
Proceeds from sale of interest in a subsidiary, net of costs		**-**	573	369
Proceeds from other debt issues, net of costs		**6**	5	1,331
Dividends and distributions paid (excluding dividend reinvestment plan)		**(2,278)**	(2,070)	(1,554)
Net cash provided by / (used in) financing activities		**8,249**	(2,360)	3,686
Net increase / (decrease) in cash and cash equivalents		**10,446**	(19,689)	6,095
Cash and cash equivalents at beginning of period		**20,528**	35,762	26,517
Effects of exchange rate changes on balance of cash held in foreign currencies		**(4,322)**	4,455	3,150
Cash and cash equivalents at end of period	**12**	**26,652**	20,528	35,762

(1) *The cash flow statement includes net cash inflows / (outflows) from operating, investing and financing activities of discontinued operations. Discontinued operations for the 2015 comparative half year periods reflect the loss of control of GWB. Loss of control of GWB occurred on 3 August 2015. For the March 2016 half year, loss of control of CYBG occurred on 8 February 2016.*

(2) *The March 2016 half year includes $10,405 million of net cash outflows from the CYBG demerger. The net cash outflows are net of transaction costs and are further reduced by cash and cash equivalents disposed of $11,188 million. Refer to Note 15 - Discontinued operations for further information.*

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

Statement of Changes in Equity

	Contributed equity[(1)]	Reserves[(1)]	Retained profits[(1)]	Total	Non controlling interest in controlled entities	Total equity
	$m	$m	$m	$m	$m	$m
Balance at 1 October 2014	28,380	(866)	20,377	47,891	17	**47,908**
Restated for adoption of new accounting standards	-	(587)	(465)	(1,052)	-	**(1,052)**
Net profit for the period from continuing operations	-	-	3,231	3,231	3	**3,234**
Net profit for the period from discontinued operations	-	-	209	209	17	**226**
Other comprehensive income for the period from continuing operations	-	802	57	859	-	**859**
Other comprehensive income for the period from discontinued operations	-	127	(10)	117	79	**196**
Total comprehensive income for the period	-	929	3,487	4,416	99	**4,515**
Transactions with owners, recorded directly in equity:						
Contributions by and distributions to owners						
Issue of ordinary shares	1,615	-	-	1,615	-	**1,615**
Redemption of Trust Preferred Securities II	(1,014)	-	(8)	(1,022)	-	**(1,022)**
Transfer from equity-based compensation reserve	186	(186)	-	-	-	**-**
Treasury shares adjustment relating to life insurance business	(136)	-	-	(136)	-	**(136)**
Transfer (to) / from retained profits	-	(20)	20	-	-	**-**
Equity-based compensation	-	74	-	74	-	**74**
Dividends paid	-	-	(2,257)	(2,257)	(3)	**(2,260)**
Distributions on other equity instruments	-	-	(109)	(109)	-	**(109)**
Discontinued operations	-	-	(178)	(178)	515	**337**
Changes in ownership interests [(2)]						
Movement of non controlling interest in controlled entities	-	-	-	-	(2)	**(2)**
Balance at 31 March 2015	29,031	(656)	20,867	49,242	626	**49,868**
Net profit for the period from continuing operations	-	-	3,753	3,753	3	**3,756**
Net (loss) / profit for the period from discontinued operations	-	-	(855)	(855)	31	**(824)**
Other comprehensive income for the period from continuing operations	-	(340)	76	(264)	-	**(264)**
Other comprehensive income for the period from discontinued operations	-	527	(52)	475	89	**564**
Total comprehensive income for the period	-	187	2,922	3,109	123	**3,232**
Transactions with owners, recorded directly in equity:						
Contributions by and distributions to owners						
Issue of ordinary shares	322	-	-	322	-	**322**
Rights Issue	5,446	-	-	5,446	-	**5,446**
Transfer from equity-based compensation reserve	(4)	4	-	-	-	**-**
Treasury shares adjustment relating to life insurance business	(144)	-	-	(144)	-	**(144)**
Transfer from / (to) retained profits	-	57	(57)	-	-	**-**
Equity-based compensation	-	46	-	46	-	**46**
Dividends paid	-	-	(2,316)	(2,316)	(10)	**(2,326)**
Distributions on other equity instruments	-	-	(66)	(66)	-	**(66)**
Discontinued operations	-	-	(145)	(145)	(722)	**(867)**
Changes in ownership interests [(2)]						
Movement of non controlling interest in controlled entities	-	-	-	-	2	**2**
Balance at 30 September 2015	34,651	(362)	21,205	55,494	19	**55,513**

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

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

Note: Statement of Changes in Equity continues on the following page.

Statement of Changes in Equity (continued)

	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 30 September 2015	34,651	(362)	21,205	55,494	19	**55,513**
Net profit for the period from continuing operations	-	-	3,307	3,307	3	**3,310**
Net loss for the period from discontinued operations	-	-	(5,049)	(5,049)	-	**(5,049)**
Other comprehensive income for the period from continuing operations	-	(280)	187	(93)	-	**(93)**
Other comprehensive income for the period from discontinued operations	-	955	24	979	-	**979**
Total comprehensive income for the period	-	675	(1,531)	(856)	3	**(853)**
Transactions with owners, recorded directly in equity:						
Contributions by and distributions to owners						
Issue of ordinary shares	307	-	-	307	-	**307**
Transfer from equity-based compensation reserve	105	(105)	-	-	-	**-**
Treasury shares adjustment relating to life insurance business	248	-	-	248	-	**248**
Transfer from / (to) retained profits	-	64	(64)	-	-	**-**
Equity-based compensation	-	92	-	92	-	**92**
Dividends paid	-	-	(2,519)	(2,519)	(2)	**(2,521)**
Distributions on other equity instruments	-	-	(64)	(64)	-	**(64)**
Capital distribution on demerger[(2)]	(2,645)	-	-	(2,645)	-	**(2,645)**
Released on divestment of discontinued operations	-	(6)	6	-	-	**-**
Changes in ownership interests[(3)]						
Movement of non controlling interest in controlled entities	-	-	-	-	5	**5**
Balance at 31 March 2016	32,666	358	17,033	50,057	25	**50,082**

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

(2) *Refer to Note 15 - Discontinued operations for further details.*

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

Notes to the Consolidated Financial Statements

1. Principal Accounting Policies

This interim financial report for the half year reporting period ended 31 March 2016 has been prepared in accordance with the ASX Listing Rules, the *Corporations Act* 2001 (Cth) and AASB 134 'Interim Financial Reporting'.

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

This interim financial report does not contain all disclosures of the type normally found within an annual financial report and therefore cannot be expected to provide as full an understanding of the financial position and financial performance of the Group as that given by the annual financial report. This report should be read in conjunction with the Group's 2015 Annual Financial Report and any public announcements made up until the date of this interim financial report.

Accounting policies are consistent with those applied in the Group's 2015 Annual Financial Report. There were no amendments to Australian Accounting Standards adopted during the period that have a material impact to the Group.

Discontinued operations are excluded from the results of the continuing operation and are presented as a single amount as profit or loss after tax from discontinued operations in the income statement. Additional disclosures are provided in *Note 15 - Discontinued operations.*

a) Critical accounting assumptions and estimates

The preparation of this report requires the use of critical accounting estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and the disclosed amounts of liabilities. Areas where assumptions are significant and are based on best estimates to the Group include:
- Provision for doubtful debts.
- Fair value of financial assets and liabilities.
- Recoverability of deferred tax assets and measurement of current and deferred tax liabilities.
- The impairment of goodwill and other identifiable intangible assets with indefinite useful lives.
- Life insurance and policyholder liabilities.
- Provision for obligations to CYBG related to UK conduct risk under the terms of the Conduct Indemnity Deed as a result of the CYBG demerger.

No significant changes in assumptions have occurred in the 31 March 2016 half year reporting period from those applied in the 2015 Annual Financial Report.

b) Currency of presentation

All amounts are expressed in Australian dollars unless otherwise stated.

2. Segment Information [(1)]

The Group evaluates reportable segments' performance on the basis of cash earnings. Cash earnings is a non-IFRS key financial performance measure used by NAB, the investment community and NAB's Australian peers with similar business portfolios. It is not a statutory financial measure, is not presented in accordance with Australian Accounting Standards and is not reviewed in accordance with Australian Auditing Standards. Cash earnings represents the net profit attributable to owners of NAB from continuing operations, adjusted for certain non-cash items, distributions and significant items.

Following the CYBG demerger, the previous operating segment UK Banking is no longer part of the Group's reportable segment. The Group's business now consists of the following reportable segments: Australian Banking; NZ Banking and NAB Wealth. In addition, information on Corporate Functions and Other is included in this note to reconcile to Group information.

Sale of 80% of Life Insurance Business

On 28 October 2015, NAB announced it had entered into an agreement to sell 80% of NAB Wealth's life insurance business to Nippon Life for $2.4 billion, while NAB will retain the remaining 20%. The purchase price is an estimate and may be adjusted for certain capital inflows and outflows between signing and completion, including dividends paid by the life insurance business. NAB will retain ownership of its investments business which includes superannuation, platforms, advice and asset management.

The transaction is expected to be completed in late 2016 subject to certain conditions including regulatory approvals, establishment of the life insurance business as a standalone entity, extraction of the investment business from MLC Limited and the finalisation of certain agreements. On completion, a portion of goodwill managed at the level of the NAB Wealth segment will be allocated to the sold business and included in the loss on sale.

As highlighted in the 30 September 2015 Results Announcement, an indicative loss on sale of $1.1 billion was anticipated as a result of the transaction. The final loss on sale will vary depending on the level of earnings between signing and completion, the final allocation of goodwill at the time of deconsolidation, final transaction costs and a number of other items.

As at 31 March 2016, goodwill associated with NAB Wealth has been assessed for impairment on the basis of the insurance business being a continuing operation since the conditions for 'held for sale' classification under AASB 5 'Non-current Assets Held for Sale and Discontinued operations' have not been met.

Major Customers

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

Reportable Segment

	Half Year ended 31 March 2016			
	Cash Earnings	Net interest income	Total other income	Total assets
Segment Information	$m	$m	$m	$m
Australian Banking	2,694	5,701	1,300	729,339
NZ Banking	373	749	220	66,721
NAB Wealth	249	-	812	101,272
Corporate Functions and Other	58	150	10	25,556
Distributions / Eliminations	(64)	-	(19)	(54,158)
Total	**3,310**	**6,600**	**2,323**	**868,730**

	Half Year ended 30 September 2015			
	Cash Earnings	Net interest income	Total other income	Total assets[(1)]
Segment Information	$m	$m	$m	$m
Australian Banking	2,536	5,408	1,272	738,847
NZ Banking	371	753	219	64,481
NAB Wealth	241	-	805	101,246
Corporate Functions and Other	181	127	180	30,594
Distributions / Eliminations	(66)	-	(17)	(63,940)
Total	**3,263**	**6,288**	**2,459**	**871,228**

(1) *Balances have not been restated to exclude discontinued operations, except for $83,824 million of total assets relating to UK Banking following the CYBG demerger.*

(1) *Information is presented on a continuing operations basis including prior period restatements unless otherwise stated.*

2. Segment Information (continued) [1]

Reportable Segment (continued)

	Half Year ended 31 March 2015			
	Cash Earnings	Net interest income	Total other income	Total assets[1]
Segment Information	**$m**	**$m**	**$m**	**$m**
Australian Banking	2,565	5,319	1,394	748,124
NZ Banking	391	751	215	67,557
NAB Wealth	223	-	781	105,017
Corporate Functions and Other	37	140	56	47,637
Distributions / Eliminations	(109)	-	(20)	(85,558)
Total	**3,107**	**6,210**	**2,426**	**882,777**

(1) *Balances have not been restated to exclude discontinued operations, except for $75,810 million of total assets relating to UK Banking following the CYBG demerger.*

Reconciliations between reportable segment information and statutory results

	Half Year to		
	Mar 16	Sep 15	Mar 15
Reconciliation of cash earnings to Net profit attributable to owners of NAB	**$m**	**$m**	**$m**
Group cash earnings [1]	**3,310**	3,263	3,107
Non-cash earnings items (after tax):			
Distributions	**64**	66	109
Treasury shares	**62**	321	(317)
Fair value and hedge ineffectiveness	**(60)**	163	353
Life insurance economic assumption variation	**-**	(12)	25
Amortisation of acquired intangible assets	**(40)**	(48)	(46)
Life insurance sale transaction costs	**(29)**	-	-
Net (loss) / profit from discontinued operations	**(5,049)**	(855)	209
Net (loss) / profit attributable to owners of NAB	**(1,742)**	2,898	3,440

(1) *Includes eliminations and distributions.*

	Half Year to		
	Mar 16	Sep 15	Mar 15
Reconciliation of net interest income	**$m**	**$m**	**$m**
Net interest income on a cash earnings basis	**6,600**	6,288	6,210
NAB Wealth net adjustment [1]	**(3)**	(16)	(20)
Net interest income on a statutory basis	**6,597**	6,272	6,190

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

	Half Year to		
	Mar 16	Sep 15	Mar 15
Reconciliation of other income and IoRE	**$m**	**$m**	**$m**
Other operating income on a cash earnings basis [1]	**2,317**	2,464	2,402
IoRE	**6**	(5)	24
Total other operating income and IoRE	**2,323**	2,459	2,426
NAB Wealth net adjustment [2]	**20**	(461)	605
Treasury shares	**81**	389	(361)
Fair value and hedge ineffectiveness	**(56)**	228	496
Life insurance economic assumption variation	**-**	(17)	36
Amortisation of acquired intangible assets	**(1)**	(1)	(1)
Total other income and Net life insurance income on a statutory basis	**2,367**	2,597	3,201

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

(1) *Information is presented on a continuing operations basis including prior period restatements unless otherwise stated.*

3. Other Income [(1)]

	Half Year to		
	Mar 16 $m	**Sep 15 $m**	**Mar 15 $m**
Gains less losses on financial instruments at fair value			
Trading securities	**289**	(285)	1,504
Trading derivatives:			
Trading and risk management purposes	**199**	677	(1,231)
Assets, liabilities and derivatives designated in hedge relationships [(1)]	**46**	228	383
Assets and liabilities designated at fair value	**(289)**	29	331
Other	**54**	(71)	(67)
Total gains less losses on financial instruments at fair value	**299**	578	920
Other operating income			
Dividend revenue	**11**	18	8
Gains from sale of investments, loans, property, plant and equipment and other assets	**32**	29	139
Banking fees	**438**	444	424
Money transfer fees	**291**	297	292
Fees and commissions	**750**	830	756
Investment management fees	**123**	139	121
Fleet management fees	**15**	16	16
Other income	**79**	153	50
Total other operating income	**1,739**	1,926	1,806
Total other income	**2,038**	2,504	2,726

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

[(1)] *Information is presented on a continuing operations basis including prior period restatements.*

4. Operating Expenses [1]

	Half Year to		
	Mar 16 $m	**Sep 15 $m**	**Mar 15 $m**
Personnel expenses			
Salaries and related on-costs	**1,669**	1,583	1,577
Superannuation costs - defined contribution plans	**137**	134	129
Superannuation costs - defined benefit plans	**1**	(3)	2
Performance-based compensation:			
Cash	**216**	217	168
Equity-based compensation	**96**	47	66
Total performance-based compensation	**312**	264	234
Other expenses	**98**	87	87
Total personnel expenses	**2,217**	2,065	2,029
Occupancy-related expenses			
Operating lease rental expense	**201**	199	200
Other expenses	**46**	45	42
Total occupancy-related expenses	**247**	244	242
General expenses			
Fees and commission expense	**127**	132	140
Depreciation and amortisation of property, plant and equipment	**131**	146	125
Amortisation of intangible assets	**179**	162	146
Depreciation on leased vehicle assets	**-**	2	3
Operating lease rental expense	**15**	12	16
Advertising and marketing	**76**	86	86
Charge to provide for operational risk event losses	**17**	52	32
Communications, postage and stationery	**121**	120	144
Computer equipment and software	**309**	315	312
Data communication and processing charges	**42**	48	38
Transport expenses	**32**	35	34
Professional fees	**270**	245	242
Travel	**36**	45	34
Loss on disposal of property, plant and equipment and other assets	**2**	2	6
Impairment losses recognised	**3**	56	3
Other expenses	**141**	143	168
Total general expenses	**1,501**	1,601	1,529
Total operating expenses	**3,965**	3,910	3,800

(1) *Information is presented on a continuing operations basis including prior period restatements.*

5. Income Tax Expense [1]

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

	Half Year to		
	Mar 16 $m	**Sep 15 $m**	**Mar 15 $m**
Profit before income tax expense	**4,613**	4,614	5,203
Deduct profit before income tax expense attributable to the statutory funds of the life insurance business and their controlled trusts	**(221)**	271	(783)
Total profit excluding that attributable to the statutory funds of the life insurance business and their controlled trusts, before income tax expense	**4,392**	4,885	4,420
Prima facie income tax at 30%	**1,318**	1,466	1,326
Add / (deduct): Tax effect of amounts not deductible / (assessable):			
Assessable foreign income	**3**	3	4
Foreign tax rate differences	**(30)**	(4)	(28)
Foreign branch income not assessable	**(33)**	(51)	(56)
Under / (over) provision in prior years	**(2)**	(29)	1
Offshore banking unit income	**(26)**	(19)	(13)
Restatement of deferred tax balances for UK and US tax rate changes	**-**	1	1
Treasury shares adjustment	**(6)**	(49)	64
Non-deductible hybrid distributions	**27**	27	20
Deferred tax asset no longer recognised	**25**	14	36
Other	**(13)**	(9)	24
Total income tax expense on profit excluding that attributable to the statutory funds of the life insurance business and their controlled trusts	**1,263**	1,350	1,379
Income tax expense / (benefit) attributable to the statutory funds of the life insurance business and their controlled trusts	**40**	(492)	590
Total income tax expense	**1,303**	858	1,969
Effective tax rate, excluding statutory funds attributable to the life insurance business and their controlled trusts	**28.8%**	27.6%	31.2%

[1] *Information is presented on a continuing operations basis including prior period restatements.*

6. Dividends and Distributions

The Group has recognised the following dividends on ordinary shares:

	Half Year to					
	Mar 16		Sep 15		Mar 15	
Dividends on ordinary shares	**Amount per share cents**	**Total amount $m**	**Amount per share cents**	**Total amount $m**	**Amount per share cents**	**Total amount $m**
Dividends declared	**99**	**2,600**	99	2,397	99	2,343
Deduct: Bonus shares in lieu of dividend	**n/a**	**(28)**	n/a	(32)	n/a	(38)
Dividends paid by NAB	**n/a**	**2,572**	n/a	2,365	n/a	2,305
Deduct: Dividends on treasury shares	**n/a**	**(53)**	n/a	(49)	n/a	(48)
Add: Dividends paid to non controlling interest in controlled entities	**n/a**	**2**	n/a	10	n/a	3
Total dividends paid by the Group	**n/a**	**2,521**	n/a	2,326	n/a	2,260

Franked dividends declared or paid during the period were fully franked at a tax rate of 30% (2015: 30%).

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

Interim dividend

On 5 May 2016, the directors declared the following dividend:

	Amount per share cents	**Franked amount per share %**	**Foreign income per share %**	**Total amount $m**
Interim dividend declared in respect of the year ended 30 September 2016	99	100	Nil	**2,618**

The record date for determining entitlements to the 2016 interim dividend is 18 May 2016. The interim dividend has been declared by the directors of NAB and is payable on 5 July 2016. The financial effect of this dividend has not been brought to account in the financial statements for the half year ended 31 March 2016 and will be recognised in subsequent financial reports.

	Half Year to					
	Mar 16		Sep 15		Mar 15	
Distributions on other equity instruments	**Amount per security[1] $**	**Total amount $m**	**Amount per security[1] $**	**Total amount $m**	**Amount per security[1] $**	**Total amount $m**
National Income Securities	**1.73**	**35**	1.73	35	2.00	40
Trust Preferred Securities [2]	**57.56**	**23**	57.29	23	53.18	21
Trust Preferred Securities II [2]	**-**	**-**	2.27	2	51.02	41
National Capital Instruments	**808.95**	**6**	786.41	6	923.67	7
Total distributions on other equity instruments		**64**		66		109

(1) *Amount per security is based upon actual dollar value distributed divided by the number of units on issue. Prior periods are restated to reflect this treatment.*

(2) *$A equivalent.*

Dividend and distribution plans

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

The last date for receipt of election notices for the Dividend Reinvestment Plan and the Bonus Share Plan is 5pm (Australian Eastern Standard time) on 19 May 2016.

7. Loans and Advances including Acceptances [(1)]

	As at		
	31 Mar 16 $m	**30 Sep 15 $m**	**31 Mar 15 $m**
Housing loans	**303,120**	341,965	330,340
Other term lending	**180,920**	184,220	182,263
Asset and lease financing	**10,868**	11,764	11,444
Overdrafts	**6,220**	8,912	9,214
Credit card outstandings	**7,512**	8,078	8,310
Other	**7,439**	8,815	9,199
Fair value adjustment	**690**	956	1,071
Gross loans and advances	**516,769**	564,710	551,841
Acceptances	**15,544**	19,437	21,649
Gross loans and advances including acceptances	**532,313**	584,147	573,490
Represented by:			
Loans and advances at fair value [(1)]	**22,373**	27,545	29,512
Loans and advances at amortised cost	**494,396**	537,165	522,329
Acceptances	**15,544**	19,437	21,649
Gross loans and advances including acceptances	**532,313**	584,147	573,490
Unearned income and deferred net fee income	**(591)**	(861)	(906)
Provision for doubtful debts	**(3,049)**	(3,520)	(3,743)
Net loans and advances including acceptances	**528,673**	579,766	568,841
Securitised loans and loans supporting covered bonds [(2)]	**34,125**	44,411	40,685

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

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

By product and geographic location	**Australia $m**	**Europe $m**	**New Zealand $m**	**United States $m**	**Asia $m**	**Total Group $m**
As at 31 March 2016						
Housing loans	270,640	-	30,117	-	2,363	**303,120**
Other term lending	139,364	5,043	30,820	2,439	3,254	**180,920**
Asset and lease financing	10,366	496	5	-	1	**10,868**
Overdrafts	4,213	7	2,000	-	-	**6,220**
Credit card outstandings	6,486	-	1,026	-	-	**7,512**
Other	4,320	144	591	19	2,365	**7,439**
Fair value adjustment	607	(53)	136	-	-	**690**
Gross loans and advances	435,996	5,637	64,695	2,458	7,983	**516,769**
Acceptances	15,544	-	-	-	-	**15,544**
Gross loans and advances including acceptances	451,540	5,637	64,695	2,458	7,983	**532,313**
Represented by:						
Loans and advances at fair value	16,294	195	5,884	-	-	**22,373**
Loans and advances at amortised cost	419,702	5,442	58,811	2,458	7,983	**494,396**
Acceptances	15,544	-	-	-	-	**15,544**
Gross loans and advances including acceptances	451,540	5,637	64,695	2,458	7,983	**532,313**

By product and geographic location	**Australia $m**	**Europe $m**	**New Zealand $m**	**United States $m**	**Asia $m**	**Total Group $m**
As at 30 September 2015						
Housing loans	265,928	44,357	29,122	-	2,558	**341,965**
Other term lending	129,459	19,209	29,442	2,286	3,824	**184,220**
Asset and lease financing	10,252	1,505	5	-	2	**11,764**
Overdrafts	4,185	2,718	2,009	-	-	**8,912**
Credit card outstandings	6,218	813	1,047	-	-	**8,078**
Other	4,357	922	605	-	2,931	**8,815**
Fair value adjustment	753	80	123	-	-	**956**
Gross loans and advances	421,152	69,604	62,353	2,286	9,315	**564,710**
Acceptances	19,428	9	-	-	-	**19,437**
Gross loans and advances including acceptances	440,580	69,613	62,353	2,286	9,315	**584,147**
Represented by:						
Loans and advances at fair value	18,237	2,824	6,484	-	-	**27,545**
Loans and advances at amortised cost	402,915	66,780	55,869	2,286	9,315	**537,165**
Acceptances	19,428	9	-	-	-	**19,437**
Gross loans and advances including acceptances	440,580	69,613	62,353	2,286	9,315	**584,147**

[(1)] *Prior periods have not been restated to exclude discontinued operations.*

7. Loans and Advances including Acceptances (continued) [1]

By product and geographic location	Australia $m	Europe $m	New Zealand $m	United States $m	Asia $m	Total Group $m
As at 31 March 2015						
Housing loans	258,154	38,014	30,768	965	2,439	**330,340**
Other term lending	119,968	17,848	30,564	9,810	4,073	**182,263**
Asset and lease financing	10,190	1,244	8	-	2	**11,444**
Overdrafts	4,503	2,580	2,072	7	52	**9,214**
Credit card outstandings	6,266	702	1,298	44	-	**8,310**
Other	3,951	899	567	1	3,781	**9,199**
Fair value adjustment	837	124	53	57	-	**1,071**
Gross loans and advances	403,869	61,411	65,330	10,884	10,347	**551,841**
Acceptances	21,638	11	-	-	-	**21,649**
Gross loans and advances including acceptances	425,507	61,422	65,330	10,884	10,347	**573,490**
Represented by:						
Loans and advances at fair value	18,254	3,092	6,777	1,389	-	**29,512**
Loans and advances at amortised cost	385,615	58,319	58,553	9,495	10,347	**522,329**
Acceptances	21,638	11	-	-	-	**21,649**
Gross loans and advances including acceptances	425,507	61,422	65,330	10,884	10,347	**573,490**

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

8. Provision for Doubtful Debts

	As at		
	31 Mar 16	30 Sep 15	31 Mar 15
	$m	$m	$m
Specific provision for doubtful debts - Lifetime Expected Credit Losses (ECL)	**596**	637	872
Collective provision for doubtful debts - Lifetime ECL	**2,022**	2,428	2,287
Collective provision for doubtful debts - 12 months ECL	**431**	455	584
Total collective provision for doubtful debts	**2,453**	2,883	2,871
Total provision for doubtful debts	**3,049**	3,520	3,743
Specific provision on loans at fair value [(1)]	**6**	34	35
Collective provision on loans and derivatives at fair value and other debt instruments [(1)] [(2)]	**525**	611	573
Total provision for doubtful debts and provisions held on assets at fair value	**3,580**	4,165	4,351

(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 $300 million (September 2015 $322 million, March 2015 $255 million). The March 2016 balance includes provisions on other debt instruments at amortised cost of $nil (September 2015 $nil, March 2015 $1 million), and other debt instruments at fair value through other comprehensive income of $1 million (September 2015 $1 million, March 2015 $6 million).*

Movement in provisions for doubtful debts

	Collective provision 12-mth ECL	Collective provision Lifetime ECL not credit impaired	Collective provision Lifetime ECL credit impaired	Collective provision	Specific provision Lifetime ECL credit impaired	Total
	$m	$m	$m	$m	$m	$m
Balance at 1 October 2014	-	-	-	1,760	1,358	**3,118**
Restated for adoption of new accounting standards	559	1,639	567	(1,760)	(322)	**683**
Changes due to financial assets recognised in the opening balance that have:						
Transferred to 12-mth ECL	317	(298)	(19)	-	-	**-**
Transferred to Lifetime ECL not credit impaired	(44)	95	(51)	-	-	**-**
Transfer to Lifetime ECL credit impaired - collective provision	(3)	(52)	55	-	-	**-**
Transfer to Lifetime ECL credit impaired - specific provision	-	(46)	(102)	-	148	**-**
Bad debts recovered	-	-	-	-	72	**72**
Bad debts written-off	-	-	-	-	(664)	**(664)**
Charge to income statement from continuing operations	(219)	391	18	-	198	**388**
Charge to income statement from discontinued operations [(1)]	(42)	47	9	-	51	**65**
Foreign currency translation and other adjustments	16	25	9	-	31	**81**
Balance at 31 March 2015	**584**	**1,801**	**486**	**-**	**872**	**3,743**
Changes due to financial assets recognised in the opening balance that have:						
Transferred to 12-mth ECL	377	(359)	(18)	-	-	**-**
Transferred to Lifetime ECL not credit impaired	(46)	97	(51)	-	-	**-**
Transfer to Lifetime ECL credit impaired - collective provision	(2)	(66)	68	-	-	**-**
Transfer to Lifetime ECL credit impaired - specific provision	(1)	(50)	(103)	-	154	**-**
Bad debts recovered	-	-	-	-	57	**57**
Bad debts written-off	-	-	-	-	(636)	**(636)**
Charge to income statement from continuing operations	(386)	516	78	-	137	**345**
Charge to income statement from discontinued operations [(1)]	(54)	84	(25)	-	59	**64**
Derecognised in respect of the group disposal [(2)]	(27)	(52)	(1)	-	(13)	**(93)**
Foreign currency translation and other adjustments	10	17	6	-	7	**40**
Balance at 30 September 2015	**455**	**1,988**	**440**	**-**	**637**	**3,520**
Changes due to financial assets recognised in the opening balance that have:						
Transferred to 12-mth ECL	408	(391)	(17)	-	-	**-**
Transferred to Lifetime ECL not credit impaired	(38)	85	(47)	-	-	**-**
Transfer to Lifetime ECL credit impaired - collective provision	(2)	(76)	78	-	-	**-**
Transfer to Lifetime ECL credit impaired - specific provision	(1)	(32)	(97)	-	130	**-**
Bad debts recovered	-	-	-	-	63	**63**
Bad debts written-off	-	-	-	-	(358)	**(358)**
Charge to income statement from continuing operations	(321)	258	151	-	298	**386**
Charge to income statement from discontinued operations [(1)]	21	8	21	-	20	**70**
Derecognised in respect of the group disposal [(2)]	(85)	(222)	(94)	-	(174)	**(575)**
Foreign currency translation and other adjustments	(6)	(24)	(7)	-	(20)	**(57)**
Balance at 31 March 2016	**431**	**1,594**	**428**	**-**	**596**	**3,049**

(1) *Includes discontinued operations of GWB and CYBG in the 2015 comparative half year periods. For the March 2016 half year, discontinued operations reflects CYBG. Refer to Note 15 – Discontinued operations for further details.*

(2) *The September 2015 half year reflects the disposal of GWB, and the March 2016 half year reflects the CYBG demerger. Refer to Note 15 – Discontinued operations for further details.*

8. Provision for Doubtful Debts (continued)

Charge to provide for doubtful debts [(1)]

	Half Year to		
Total charge for doubtful debts by geographic location	**Mar 16 $m**	**Sep 15 $m**	**Mar 15 $m**
Australia	**309**	305	378
Europe	**(4)**	(36)	(25)
New Zealand	**73**	75	44
United States	**10**	(7)	6
Asia	**(2)**	8	(15)
Total charge to provide for doubtful debts	**386**	345	388

(1) *Information is presented on a continuing operations basis including prior period restatements.*

9. Asset Quality [(1)]

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/or there is sufficient doubt about the ultimate collectability of principal and interest, and impaired off-balance sheet credit exposures where current circumstances indicate that losses may be incurred. Unsecured portfolio managed facilities are classified as impaired loans when they become 180 days past due (if not written-off).

	As at		
Summary of total impaired assets	**31 Mar 16 $m**	**30 Sep 15 $m**	**31 Mar 15 $m**
Impaired assets [(1)]	**2,173**	1,990	2,478
Restructured loans [(2)]	**1**	60	80
Gross total impaired assets [(3)]	**2,174**	2,050	2,558
Specific provisions - total impaired assets	**(602)**	(671)	(907)
Net total impaired assets	**1,572**	1,379	1,651

(1) Impaired assets include $522 million (NZ$579 million) NZ Banking dairy exposures currently assessed as no loss based on security held.

(2) These loans represent facilities which have been classified as restructured for reasons relating to the financial difficulty of the counterparty. The restructured loans include $nil of restructured fair value assets (September 2015 $nil, March 2015 $6 million).

(3) Gross impaired assets include $14 million of gross impaired other financial assets at fair value (September 2015 $58 million, March 2015 $73 million).

Movement in gross impaired assets	**Australia $m**	**Europe $m**	**New Zealand $m**	**United States $m**	**Asia $m**	**Total Group $m**
Balance as at 1 October 2014	1,925	1,847	249	42	59	**4,122**
New	474	155	125	29	1	**784**
Written-off	(290)	(203)	(30)	(8)	-	**(531)**
Returned to performing or repaid	(624)	(336)	(67)	(10)	(54)	**(1,091)**
Disposals	-	(834)	-	-	-	**(834)**
Foreign currency translation adjustments	-	74	26	7	1	**108**
Balance as at 31 March 2015	1,485	703	303	60	7	**2,558**
New	460	114	99	15	-	**688**
Written-off	(249)	(142)	(68)	(2)	-	**(461)**
Returned to performing or repaid	(455)	(153)	(117)	(9)	(2)	**(736)**
Derecognised in respect of the disposal group [(1)]	-	-	-	(70)	-	**(70)**
Foreign currency translation adjustments	-	82	(20)	6	3	**71**
Balance as at 30 September 2015	1,241	604	197	-	8	**2,050**
New [(2)]	657	59	609	20	-	**1,345**
Written-off	(139)	(31)	(13)	-	-	**(183)**
Returned to performing or repaid	(361)	(56)	(51)	-	-	**(468)**
Derecognised in respect of the disposal group [(1)]	-	(514)	-	-	-	**(514)**
Foreign currency translation adjustments	-	(41)	(14)	(1)	-	**(56)**
Gross impaired assets as at 31 March 2016	1,398	21	728	19	8	**2,174**

(1) Includes discontinued operations of GWB in the September 2015 half year and CYBG in the March 2016 half year. Refer to Note 15 - Discontinued operations for further details.

(2) New gross impaired assets include $522 million (NZ$579 million) of NZ Banking dairy exposures currently assessed as no loss based on security held.

	As at		
Gross impaired assets to gross loans & acceptances - by geographic location	**31 Mar 16 %**	**30 Sep 15 %**	**31 Mar 15 %**
Australia	**0.31**	0.28	0.35
Europe	**0.37**	0.87	1.14
New Zealand	**1.13**	0.32	0.46
United States	**0.77**	-	0.55
Asia	**0.10**	0.09	0.07
Total gross impaired assets to gross loans & acceptances	**0.41**	0.35	0.45

(1) Prior periods have not been restated to exclude discontinued operations.

9. Asset Quality (continued) [1]

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

	As at		
	31 Mar 16	30 Sep 15	31 Mar 15
Summary of 90+ days past due loans	$m	$m	$m
Total assets past due 90 days or more with adequate security	**1,682**	1,862	2,018
Total portfolio managed facilities past due 90 to 180 days	**321**	260	274
Total 90+ days past due loans	**2,003**	2,122	2,292
Total 90+ days past due loans to gross loans and acceptances (%)	**0.37**	0.36	0.40

	As at		
	31 Mar 16	30 Sep 15	31 Mar 15
90+ days past due loans - by geographic location	$m	$m	$m
Australia	**1,794**	1,620	1,731
Europe	**16**	324	349
New Zealand	**190**	178	199
United States	**-**	-	13
Asia	**3**	-	-
90+ day past due loans	**2,003**	2,122	2,292

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

10. Deposits and Other Borrowings [1]

	As at 31 Mar 16 $m	30 Sep 15 $m	31 Mar 15 $m
Term deposits	**151,493**	161,020	162,865
On-demand and short-term deposits	**186,533**	216,719	215,579
Certificates of deposit	**49,017**	40,251	59,074
Deposits not bearing interest	**38,640**	41,138	38,380
Total deposits	**425,683**	459,128	475,898
Borrowings	**20,058**	29,177	26,401
Securities sold under agreements to repurchase	**11,189**	8,917	10,645
Fair value adjustment	**14**	16	6
Total deposits and other borrowings	**456,944**	497,238	512,950
Represented by:			
Total deposits and other borrowings at fair value [1]	**8,285**	8,228	8,973
Total deposits and other borrowings at amortised cost	**448,659**	489,010	503,977
Total deposits and other borrowings	**456,944**	497,238	512,950

[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 31 March 2016						
Term deposits	115,103	2,002	23,476	591	10,321	**151,493**
On-demand and short-term deposits	154,296	918	17,612	12,071	1,636	**186,533**
Certificates of deposit	35,172	6,777	1,485	5,583	-	**49,017**
Deposits not bearing interest	34,858	-	3,778	-	4	**38,640**
Total deposits	339,429	9,697	46,351	18,245	11,961	**425,683**
Borrowings	16,919	-	2,363	776	-	**20,058**
Securities sold under agreements to repurchase	2,080	2,673	-	6,436	-	**11,189**
Fair value adjustment	-	-	14	-	-	**14**
Total deposits and other borrowings	358,428	12,370	48,728	25,457	11,961	**456,944**
Represented by:						
Total deposits and other borrowings at fair value	-	-	8,285	-	-	**8,285**
Total deposits and other borrowings at amortised cost	358,428	12,370	40,443	25,457	11,961	**448,659**
Total deposits and other borrowings	358,428	12,370	48,728	25,457	11,961	**456,944**

By product and geographic location	Australia $m	Europe $m	New Zealand $m	United States $m	Asia $m	Total Group $m
As at 30 September 2015						
Term deposits	111,341	14,169	22,529	289	12,692	**161,020**
On-demand and short-term deposits	157,297	41,539	16,582	1	1,300	**216,719**
Certificates of deposit	31,686	4,970	1,560	2,035	-	**40,251**
Deposits not bearing interest	33,396	4,296	3,352	-	94	**41,138**
Total deposits	333,720	64,974	44,023	2,325	14,086	**459,128**
Borrowings	24,806	-	3,014	1,357	-	**29,177**
Securities sold under agreements to repurchase	1,299	2,004	-	5,614	-	**8,917**
Fair value adjustment	-	9	7	-	-	**16**
Total deposits and other borrowings	359,825	66,987	47,044	9,296	14,086	**497,238**
Represented by:						
Total deposits and other borrowings at fair value	-	142	8,086	-	-	**8,228**
Total deposits and other borrowings at amortised cost	359,825	66,845	38,958	9,296	14,086	**489,010**
Total deposits and other borrowings	359,825	66,987	47,044	9,296	14,086	**497,238**

[1] *Prior periods have not been restated to exclude discontinued operations.*

10. Deposits and Other Borrowings (continued) [1]

By product and geographic location	Australia $m	Europe $m	New Zealand $m	United States $m	Asia $m	Total Group $m
As at 31 March 2015						
Term deposits	110,595	12,425	24,577	2,786	12,482	**162,865**
On-demand and short-term deposits	148,544	35,016	17,306	13,837	876	**215,579**
Certificates of deposit	33,242	20,229	2,163	3,440	-	**59,074**
Deposits not bearing interest	30,029	3,611	2,897	1,817	26	**38,380**
Total deposits	322,410	71,281	46,943	21,880	13,384	**475,898**
Borrowings	19,720	-	2,682	3,999	-	**26,401**
Securities sold under agreements to repurchase	1,375	2,411	-	6,859	-	**10,645**
Fair value adjustment	-	10	(4)	-	-	**6**
Total deposits and other borrowings	343,505	73,702	49,621	32,738	13,384	**512,950**
Represented by:						
Total deposits and other borrowings at fair value	-	148	8,825	-	-	**8,973**
Total deposits and other borrowings at amortised cost	343,505	73,554	40,796	32,738	13,384	**503,977**
Total deposits and other borrowings	343,505	73,702	49,621	32,738	13,384	**512,950**

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

11. Contributed Equity and Reserves [(1)]

	As at		
Contributed equity	**31 Mar 16 $m**	**30 Sep 15 $m**	**31 Mar 15 $m**
Issued and paid-up ordinary share capital			
Ordinary shares, fully paid	**29,349**	31,334	25,714
Other contributed equity			
National Income Securities	**1,945**	1,945	1,945
Trust Preferred Securities	**975**	975	975
National Capital Instruments	**397**	397	397
Total contributed equity	**32,666**	34,651	29,031

	Half Year to		
Movements in issued and paid-up ordinary share capital	**Mar 16 $m**	**Sep 15 $m**	**Mar 15 $m**
Ordinary share capital			
Balance at beginning of period	**31,334**	25,714	24,049
Shares issued:			
Dividend reinvestment plan (DRP)	**307**	322	815
DRP underwritten allotments	**-**	-	800
Rights issue	**-**	5,446	-
Transfer from equity-based compensation reserve	**105**	(4)	186
Capital distribution on demerger [(1)]	**(2,645)**	-	-
Treasury shares sold / (purchased) relating to life insurance business	**248**	(144)	(136)
Balance at end of period	**29,349**	31,334	25,714

(1) *Refer to Note 15 - Discontinued operations for further details.*

	As at		
Reserves	**31 Mar 16 $m**	**30 Sep 15 $m**	**31 Mar 15 $m**
Asset revaluation reserve	**68**	75	81
Foreign currency translation reserve	**(350)**	(1,091)	(1,192)
Cash flow hedge reserve	**106**	110	51
Equity-based compensation reserve	**190**	204	162
General reserve for credit losses	**130**	64	-
Debt instruments at fair value through other comprehensive income reserve	**46**	56	178
Equity instruments at fair value through other comprehensive income reserve	**168**	220	64
Total reserves	**358**	**(362)**	**(656)**

	Half Year to		
Movements in reserves	**Mar 16 $m**	**Sep 15 $m**	**Mar 15 $m**
Asset revaluation reserve			
Balance at beginning of period	**75**	81	81
Revaluation of land and buildings	**-**	1	-
Transfer to retained profits	**(1)**	(1)	-
Released on divestment of discontinued operations	**(6)**	(6)	-
Balance at end of period	**68**	75	81
Foreign currency translation reserve			
Balance at beginning of period	**(1,091)**	(1,192)	(1,936)
Currency translation adjustments	**(630)**	190	877
Attributable to non controlling interest	**-**	(89)	(77)
Released on divestment of discontinued operations	**1,368**	(31)	(15)
Tax on foreign currency translation reserve	**3**	31	(41)
Balance at end of period	**(350)**	(1,091)	(1,192)

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

11. Contributed Equity and Reserves (continued) [1]

Cash flow hedge reserve	Half Year to Mar 16 $m	Sep 15 $m	Mar 15 $m
Balance at beginning of period	**110**	51	(55)
Gains / (losses) on cash flow hedging instruments	**42**	21	116
(Gains) / losses transferred to the income statement	**-**	(14)	(22)
Tax on cash flow hedging instruments	**2**	2	(11)
Released on divestment of discontinued operations	**(48)**	50	23
Balance at end of period	**106**	110	51

Equity-based compensation reserve	Mar 16 $m	Sep 15 $m	Mar 15 $m
Balance at beginning of period	**204**	162	277
Equity-based compensation	**92**	46	74
Transfer to contributed equity	**(105)**	4	(186)
Transfer of options and rights lapsed to retained earnings	**(1)**	(6)	(5)
Tax on equity-based compensation	**-**	(2)	2
Balance at end of period	**190**	204	162

General reserve for credit losses	Mar 16 $m	Sep 15 $m	Mar 15 $m
Balance at beginning of period	**64**	-	601
Restated for adoption of new accounting standards	**-**	-	(586)
Transfer from / (to) retained profits	**66**	64	(15)
Balance at end of period	**130**	64	-

Available for sale investments reserve	Mar 16 $m	Sep 15 $m	Mar 15 $m
Balance at beginning of period	**-**	-	166
Restated for adoption of new accounting standards	**-**	-	(166)
Balance at end of period	**-**	-	-

Debt instruments at fair value through other comprehensive income reserve	Mar 16 $m	Sep 15 $m	Mar 15 $m
Balance at beginning of period	**56**	178	-
Restated for adoption of new accounting standards	**-**	-	143
Revaluation (losses) / gains	**(32)**	(156)	153
(Losses) / gains from sale transferred to the income statement	**(5)**	(4)	(65)
Loss allowance on debt instruments at fair value through other comprehensive income	**-**	1	-
Tax on debt instruments at fair value through other comprehensive income reserve	**56**	40	(51)
Attributable to non controlling interest	**-**	-	(2)
Released on divestment of discontinued operations	**(29)**	(3)	-
Balance at end of period	**46**	56	178

Equity instruments at fair value through other comprehensive income reserve	Mar 16 $m	Sep 15 $m	Mar 15 $m
Balance at beginning of period	**220**	64	-
Restated for adoption of new accounting standards	**-**	-	22
Revaluation (losses) / gains	**(52)**	175	43
Tax on equity instruments at fair value through other comprehensive income reserve	**-**	(19)	(1)
Balance at end of period	**168**	220	64

Reconciliation of movement in retained profits	Half Year to Mar 16 $m	Sep 15 $m	Mar 15 $m
Balance at beginning of period	**21,205**	20,867	20,377
Restated for adoption of new accounting standards	**-**	-	(465)
Actuarial gains / (losses) on defined benefit superannuation plans	**31**	(67)	(12)
Fair value changes on financial liabilities designated at fair value attributable to the Group's own credit risk	**211**	92	73
Tax on items taken directly (from) / to equity	**(31)**	(1)	(14)
Net profit attributable to owners of NAB from continuing operations	**3,307**	3,753	3,231
Net (loss) / profit attributable to owners of NAB from discontinued operations	**(5,049)**	(855)	209
Transfer (to) / from general reserve for credit losses	**(66)**	(64)	15
Transfer from asset revaluation reserve	**1**	1	-
Transfer of options and rights lapsed from equity-based compensation reserve	**1**	6	5
Dividends paid	**(2,519)**	(2,316)	(2,257)
Distributions on other equity instruments	**(64)**	(66)	(109)
Gains / (losses) on disposal of interest in subsidiary [1]	**6**	(145)	(178)
Reclassification of Trust Preferred Securities II transaction costs	**-**	-	(8)
Balance at end of period	**17,033**	21,205	20,867

[1] *Represents gains / (losses) from discontinued operations recognised directly in retained profits. Refer Note 15 - Discontinued operations for further details.*

[1] *Prior periods have not been restated to exclude discontinued operations.*

12. Notes to the Condensed Cash Flow Statement [(1)]

(a) 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 condensed cash flow statement is reconciled to the related items on the balance sheet as follows:

	As at		
	31 Mar 16	**30 Sep 15**	**31 Mar 15**
Cash and cash equivalents	**$m**	**$m**	**$m**
Assets			
Cash and liquid assets	**33,174**	30,934	32,967
Treasury and other eligible bills	**507**	1,371	1,132
Due from other banks (excluding mandatory deposits with supervisory central banks)	**36,810**	40,775	47,248
Total cash and cash equivalents assets	**70,491**	73,080	81,347
Liabilities			
Due to other banks	**(43,839)**	(52,552)	(45,585)
Total cash and cash equivalents	**26,652**	20,528	35,762

Included within cash and liquid assets are cash and liquid assets within the Group's life insurance business statutory funds of $2,287 million (September 2015: $2,453 million, March 2015: $1,938 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.

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

(b) Non-cash Financing and Investing Transactions

	Half Year to		
	Mar 16	**Sep 15**	**Mar 15**
	$m	**$m**	**$m**
New share issues			
Dividend reinvestment plan	**307**	322	815

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

13. Fair Value of Financial Instruments [1]

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

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

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

The fair value estimates are based on the methodologies and assumptions consistent with those applied in the Group's 2015 Annual Financial Report.

	As at 31 March 2016		As at 30 September 2015	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	$m	$m	$m	$m
Financial assets				
Loans and advances	**490,756**	**491,637**	532,784	533,879
Financial liabilities				
Deposits and other borrowings	**448,659**	**449,001**	489,010	489,473
Bonds, notes and subordinated debt	**125,199**	**126,502**	130,518	132,335

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

13. Fair Value of Financial Instruments (continued) [1]

(b) Fair value measurements recognised on the balance sheet

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

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

	Fair value measurement as at 31 March 2016				Fair value measurement as at 30 September 2015			
	Quoted market prices (Level 1) $m	Valuation techniques (observable inputs) (Level 2) $m	Valuation techniques (significant non-observable inputs) (Level 3) $m	Total $m	Quoted market prices (Level 1) $m	Valuation techniques (observable inputs) (Level 2) $m	Valuation techniques (significant non-observable inputs) (Level 3) $m	Total $m
Financial assets								
Trading derivatives [1]	796	57,587	126	58,509	1,011	77,317	56	78,384
Trading securities	19,303	23,498	-	42,801	18,639	24,298	-	42,937
Debt instruments at fair value through other comprehensive income	2,910	39,010	-	41,920	5,166	40,018	5	45,189
Investments relating to life insurance business [2]	915	85,801	3,289	90,005	814	85,153	3,383	89,350
Other financial assets at fair value	9	23,746	194	23,949	11	26,852	2,833	29,696
Hedging derivatives [1]	-	6,740	-	6,740	-	11,599	-	11,599
Total financial assets measured at fair value	**23,933**	**236,382**	**3,609**	**263,924**	**25,641**	**265,237**	**6,277**	**297,155**
Financial liabilities								
Trading derivatives [1]	959	57,993	50	59,002	1,184	73,258	-	74,442
Other financial liabilities at fair value	699	27,460	-	28,159	1,304	28,600	142	30,046
Hedging derivatives [1]	-	2,664	-	2,664	-	4,539	-	4,539
Life investment contract liabilities	-	73,875	-	73,875	-	73,580	-	73,580
External unitholders' liability	-	14,538	-	14,538	-	14,520	-	14,520
Total financial liabilities measured at fair value	**1,658**	**176,530**	**50**	**178,238**	**2,488**	**194,497**	**142**	**197,127**

(1) *As at 31 March 2016, the Group has applied offsetting of financial assets and liabilities in respect of certain centrally cleared derivatives and their associated collateral amounts which were deemed to satisfy the AASB 132 'Financial instruments: Presentation' requirements. This offsetting had the effect of reducing Trading derivative assets and liabilities by $20,123 million and $20,430 million respectively, reducing Hedging derivative assets and liabilities by $473 million and $911million respectively, and reducing Other assets and Other liabilities by $2,184 million and $1,439 million respectively. Prior year comparatives have not been restated. These derivatives are recognised in Trading and Hedging derivatives and are classified as Level 2 in the fair value measurement hierarchy. The associated collateral amounts are recognised in Other assets and Other liabilities.*

(2) *In the current period, sovereign bonds held by managed investment schemes, previously classified as Level 1, have now been classified as Level 2. Accordingly, the prior year comparative amounts have been restated by $4,223 million to reflect this classification.*

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

As at 31 March 2016 the Group carried assets classified as held for sale of $1,506 million. These assets include AT1 Notes and Tier 2 Notes issued by CYBG where the intention is to sell them in the short term. These instruments are measured at fair value and are classified as being Level 2 in the fair value measurement hierarchy.

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

13. Fair Value of Financial Instruments (continued) [1]

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

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

	Half Year to 31 March 2016					
	Assets				Liabilities	
	Trading derivatives	Debt instruments at fair value through other comprehensive income	Investments relating to life insurance business[1]	Other financial assets at fair value	Trading derivatives	Other financial liabilities at fair value
	$m	$m	$m	$m	$m	$m
Balance at the beginning of period	56	5	3,383	2,833	-	142
Total gains / losses						
In profit or loss [2]	(119)	-	(24)	3	(110)	(1)
In other comprehensive income [3]	-	-	-	-	-	-
Purchases and issues	187	-	136	-	160	-
Sales and settlements	-	-	(206)	(451)	-	(16)
Transfers into Level 3 [4]	17	-	-	-	-	-
Transfers out of Level 3 [4]	(13)	-	-	-	-	-
Foreign currency translation adjustments	(1)	(1)	-	(227)	-	(10)
Derecognised in respect of the disposal group	(1)	(4)	-	(1,964)	-	(115)
Balance at the end of period	126	-	3,289	194	50	-
Total gains / losses for the reporting period related to assets and liabilities held at the end of the reporting period						
- In profit or loss	(119)	-	(106)	28	(110)	-
- In other comprehensive income	-	-	-	-	-	-

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

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

(3) *Net gains or losses were recorded in debt instruments at fair value through other comprehensive income reserve.*

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

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

13. Fair Value of Financial Instruments (continued) [(1)]

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

	Full Year to 30 September 2015						
	Assets					Liabilities	
	Trading derivatives	Investments - available for sale	Debt instruments at fair value through other comprehensive income	Investments relating to life insurance business[(1)]	Other financial assets at fair value	Trading derivatives	Other financial liabilities at fair value
	$m	$m	$m	$m	$m	$m	$m
Balance at the beginning of period	18	337	-	2,638	3,834	7	164
Impact from adoption of new Accounting Standards	-	(337)	3	-	1,565	-	-
Total gains / losses							
In profit or loss [(2)]	3	-	-	314	93	-	(4)
In other comprehensive income [(3)]	-	-	-	-	-	-	-
Purchases and issues	-	-	3	725	-	-	-
Sales and settlements	(1)	-	(1)	(294)	(3,546)	(7)	(42)
Transfers into Level 3 [(4)]	78	-	-	-	-	-	-
Transfers out of Level 3 [(4)]	(43)	-	-	-	-	-	-
Foreign currency translation adjustments	1	-	-	-	887	-	24
Balance at the end of period	56	-	5	3,383	2,833	-	142
Total gains / losses for the reporting period related to assets and liabilities held at the end of the reporting period							
- In profit or loss	3	-	-	506	73	-	(4)
- In other comprehensive income	-	-	-	-	-	-	-

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

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

(3) *Net gains or losses were recorded in debt instruments at fair value through other comprehensive income reserve.*

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

Quantitative information about significant unobservable inputs in Level 3 valuations

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

Sensitivity of Level 3 fair value measurements to reasonably possible alternative assumptions

Where valuation techniques use non-observable inputs that are significant to a fair value measurement in its entirety, changing these inputs will change the resultant fair value measurement.

The most significant exposure to Level 3 fair value measurements for the Group is in respect of the private equity investments included in investments relating to life insurance business. Changing one or more of the inputs for measurement of these private equity investments using reasonable alternative assumptions would result in a change by the same amount to both the fair value of investments relating to life insurance business and life investment contract liabilities. Life investment contract liabilities are classified as Level 2 fair value measurements as the liabilities are not directly matched with individual underlying assets in the same statutory fund, and underlying assets with significant non-observable inputs are not significant to the fair value measurement of life investment contract liabilities in a statutory fund in their entirety.

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

The Group's exposure to Level 3 fair value measurements has been significantly reduced as a result of the CYBG demerger as well as the continued run off of the UK CRE portfolio.

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

14. Contingent Liabilities

(i) Legal proceedings

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

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

(ii) Class actions

On 16 December 2011, Steven Farey and Others commenced a class action proceeding against the Group in relation to the payment of exception fees, along with similar actions against other financial institutions. The proceeding had been stayed pending the resolution of the exception fees class action against ANZ Banking Group Limited. On 6 April 2016, the Federal Court approved the settlement of the proceeding pursuant to which NAB has made a payment of $6.6 million (Settlement Monies). The Settlement Monies will be distributed, in accordance with a Federal Court approved settlement distribution scheme, if no appeal of the settlement is brought before 18 May 2016. If an appeal of the settlement is ultimately allowed, the Settlement Monies are to be remitted to the Group.

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

(iii) UK conduct issues and the Conduct Indemnity Deed

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

- payment protection insurance (PPI), certain interest rate hedging products (IRHP) and certain fixed rate tailored business loans (FRTBLs); and
- other conduct matters, measured by reference to the following thresholds: (a) claims relating to an industry wide compensation customer redress program entered into as part of a settlement with a regulator exceeding £2.5 million, in aggregate; and (b) all other claims that exceed £5 million, in aggregate, and affect more than 50 customers, which, in each case, relate to conduct in the period prior to 8 February 2016 (the Demerger Date) whether or not known at the Demerger Date. Such conduct issues include acts, omissions and agreements by or on behalf of CYBG Group with respect to customers which either constitute a breach of or failure to comply with applicable law or regulations, or are determined by CYGB in good faith to be reasonably likely on a balance of probabilities to constitute a breach of or failure to comply with applicable law or regulations. It is not expected that payments to CYBG under the Capped Indemnity will be taxable in the hands of CYBG Group, but if tax were to be payable then the Conduct Indemnity Deed contains provisions pursuant to which NAB has agreed to compensate CYBG for any actual tax incurred that would not have been incurred but for the receipt of amounts under the Capped Indemnity. Claims may be made by CYBG under the Capped Indemnity when it or any member of CYBG Group raises a new provision or increases an existing provision in respect of any such conduct issues. Under a loss sharing arrangement, CYBG will be responsible for 9.7% of the liabilities under any provision for such conduct issues with NAB responsible for the remainder under the Capped Indemnity up to the Capped Indemnity Amount. The Capped Indemnity is perpetual in nature, although NAB has rights in certain circumstances to negotiate arrangements to terminate the Capped Indemnity subject to the approval of the PRA.

Between the demerger date and the date of this report, CYBG has made claims under the Capped Indemnity for £19.3 million, leaving £1,096 million outstanding as available support under the Capped Indemnity (Unutilised Indemnity Amount). In addition, CYBG has notified NAB that it will increase the amount of its provision held in respect of PPI costs by £450 million at its half year results and would expect to make a claim in relation to this amount under the Capped Indemnity. Consequently NAB has increased the amount of provisions held against claims under the Conduct Indemnity Deed by £406.4 million (reflecting the portion of the PPI costs for which NAB is responsible under the loss sharing arrangement). Should CYBG make a claim under the Conduct Indemnity Deed for this amount, the Unutilised Indemnity Amount would be reduced to £689 million.

The Unutilised Indemnity Amount at any point in time is accounted for by NAB as a contingent liability, with any potential future losses incurred under the indemnity expensed within discontinued operations. The frequency and timing of any potential future losses is unknown. The amount of the Capped Indemnity that will be utilised by any potential future losses is unknown.

NAB collateralised its obligations under the Capped Indemnity by placing a cash deposit of £1.115 billion with The Bank of England from the Demerger Date. The cash deposit with The Bank of England has been reduced commensurate with the amounts claimed under the Capped Indemnity such that the cash deposit amount is equal to the Unutilised Indemnity Amount (plus accrued interest). The Unutilised Indemnity Amount is treated as a Common Equity Tier 1 (CET1) deduction for NAB.

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

14. Contingent Liabilities (continued)

(iv) Industry investigations by Australian regulators

ASIC is conducting an industry-wide investigation into potential wrongdoing in relation to the bank bill swap reference rate. NAB is co-operating with ASIC and is responding to ASIC's inquiries. ASIC has commenced proceedings against two market participants and ASIC's public comments suggest that it is considering whether proceedings will be brought against other market participants.

The industry-wide investigations by ASIC and the ACCC into potential wrongdoing in relation to Spot FX trading are continuing. NAB is co-operating with ASIC and the ACCC and is responding to their inquiries. The potential outcome of the investigations is uncertain at this time.

(v) Wealth advice review

Since September 2014, the Senate Economics References Committee has been conducting an inquiry into aspects of the financial advice industry, including potential unethical or misleading financial advice and compensation processes for consumers impacted by that advice. The Committee was due to report by 1 February 2016, but this has been extended to 31 August 2016. NAB appeared before the Committee on 6 March 2015 and committed to write to customers where misconduct may have occurred in the preceding five years.

In October 2015, NAB began contacting customers who may have received non-compliant advice since 2009 to assess the appropriateness of that advice and identify if those customers have suffered loss as a result and would warrant compensation. The first cases through the review program have been finalised, with compensation in some cases offered and paid. No case has yet progressed to another forum, typically the Financial Ombudsman Service.

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

(vi) New Zealand *Credit Contracts and Consumer Finance Act* 2003

On 6 June 2015, the New Zealand *Credit Contracts and Consumer Finance Act* 2003 (as amended by the *Credit Contracts and Consumer Finance Amendment Act* 2014) (CCCFA) became effective in New Zealand. BNZ is currently validating and reviewing its compliance with the CCCFA with a particular focus on disclosure requirements. As at the date of this report, this review is still in progress.

15. Discontinued Operations

On 8 February 2016, the Group completed the demerger and Initial Public Offering (IPO) of CYBG Group, a part of UK Banking operations of the Group, at which point it met the criteria for being classified as discontinued operations. UK Banking was a separate operating and reportable segment of the Group in prior reporting periods (Refer to *Note 2 - Segment information*). This operating segment was not previously classified as held for sale or as a discontinued operation. The comparative Income Statements and Statements of Comprehensive Income of the Group have been restated to show discontinued operations separately from continuing operations.

In the previous reporting period, the Group divested its holding in Great Western Bancorp, Inc. (GWB), a US based subsidiary of the Group. The transaction qualified as a discontinued operation, the impact of which is reflected in the comparative information as discontinued operations.

(a) Loss of control over subsidiaries

The separation of CYBG Group was achieved by a demerger of 75% of CYBG shares to NAB shareholders, with the remaining 25% divested through an IPO to institutional investors (with both transactions referred to as the CYBG demerger). The total accounting loss recognised in the Group's income statement in respect of the CYBG demerger was $4,218 million, which included a release of the Foreign Currency Translation Reserve (FCTR) and other reserves relating to CYBG Group. Also included in this amount are the one-off costs comprising transaction, execution and separation costs directly attributable to executing the CYBG demerger.

The total FCTR (inclusive of net investment hedge adjustments) which was released to the Group's income statement was a $1,368 million loss.

The total value of the CYBG shares distributed to NAB shareholders was $2,645 million. Eligible NAB shareholders were entitled to receive one CYBG share for every four NAB shares held as well as retaining their existing shares in the Group. The distribution occurred by way of a scheme of arrangement and a reduction of capital in the Group (Refer to *Note 11 - Contributed equity and reserves*).

Total net cash consideration proceeds received from the IPO was $783 million [(1)]. The amount of cash and cash equivalents in the consolidated CYBG Group as at the Demerger Date was $11,188 million.

The disposal of GWB in the previous reporting period occurred in stages, with some of the transactions treated as equity transactions. The total accounting loss recognised in the Group's prior period income statement in respect of the final public offering in which the Group lost control was $83 million.

(b) Investment in AT1 Notes and Tier 2 Notes

Following the CYBG demerger, NAB continues to hold two types of instruments issued by CYBG Group, Additional Tier 1 capital notes (AT1 Notes) with an issue size of £450 million, and Tier 2 capital notes (Tier 2 Notes) with an issue size of £475 million. NAB intends to sell these instruments during 2016 and has classified these instruments as assets held for sale in accordance with AASB 5 'Non-current Assets Held for Sale and Discontinued Operations'.

(c) Conduct Indemnity Deed

As part of the CYBG demerger, NAB and CYBG entered into the Conduct Indemnity Deed under which NAB agreed, subject to certain limitations, to provide CYBG with a Capped Indemnity in respect of certain historic conduct liabilities (Refer to *Note 14 - Contingent liabilities* for further information on the Capped Indemnity). In the half year to 31 March 2016, CYBG raised provisions of £21.3 million in relation to conduct issues and made claims under the Capped Indemnity in relation to those amounts. NAB has recognised conduct provisions of £19.3 million in respect of these claims. This represents NAB's 90.3% portion of the relevant costs with CYBG recording the other 9.7% as agreed under the loss sharing arrangement. In addition, CYBG has notified NAB that it will increase the amount of its provision held in respect of PPI costs by £450 million at its half year results and would expect to make a claim in relation to this amount under the Capped Indemnity. Consequently NAB has increased the amount of provisions held against claims under the Conduct Indemnity Deed by £406.4 million (reflecting the portion of the PPI costs for which NAB is responsible under the loss sharing arrangement). All conduct provisions recognised by NAB under the Conduct Indemnity Deed are presented within the CYBG discontinued operations and other liabilities.

(1) *This amount is net of underwriting commissions and stamp duty fees.*

15. Discontinued Operations (continued)

(d) Analysis of profit for the year from discontinued operations

The results set out below represent the discontinued operations of NAB's UK Banking operations as related to the CYBG demerger and provisions for conduct costs pursuant to claims under the Conduct Indemnity Deed with CYBG. The information contained in the table is prepared under Australian Accounting Standards and does not purport to represent the results of CYBG and should not be used as a representation of CYBG's performance during the half year to 31 March 2016. The discontinued operations also includes NAB's provisions for claims under the Conduct Indemnity Deed in the March 2016 half year and other adjustments relating to the AT1 Notes and Tier 2 Notes.

	Half Year to		
	Mar 16 $m	**Sep 15 $m**	**Mar 15 $m**
Discontinued Operations			
Net operating income	**585**	995	949
Total expenses including doubtful debts	**(1,377)**	(1,946)	(735)
(Loss) / profit before income tax expense	**(792)**	(951)	214
Income tax (expense) / benefit	**(39)**	157	(47)
Net (loss) / profit from discontinued operations before loss on demerger	**(831)**	(794)	167
Loss on demerger of CYBG before taxation	**(4,285)**	-	-
Income tax benefit associated with demerger	**67**	-	-
Loss on demerger of CYBG after taxation	**(4,218)**	-	-
Net (loss) / profit from CYBG discontinued operations	**(5,049)**	(794)	167
Net (loss) / profit from GWB discontinued operations	**-**	(30)	59
Total net (loss) / profit from discontinued operations	**(5,049)**	(824)	226
Attributable to owners of NAB	**(5,049)**	(855)	209
Attributable to non controlling interests	**-**	31	17

(e) Effect of disposal on the financial position of the Group

The assets and liabilities of CYBG discontinued operations removed from the Group's balance sheet at the date that control was lost (8 February 2016) is set out below. In line with accounting standard requirements, comparative information of the Group's balance sheet for CYBG discontinued operations has not been restated. The information contained in the table is prepared under Australian Accounting Standards and does not purport to represent the financial position of CYBG and should not be used as a representation of CYBG's financial position at 31 March 2016.

	2016 $m
Assets	
Cash and liquid assets	**2,533**
Due from other banks	**10,019**
Trading derivatives	**399**
Debt instruments at fair value through other comprehensive income	**2,836**
Other financial assets at fair value	**1,964**
Hedging derivatives	**331**
Loans and advances	**56,304**
Property, plant and equipment	**204**
Goodwill and other intangible assets	**556**
Deferred tax assets	**706**
Other assets	**2,343**
Total assets	**78,195**
Liabilities	
Due to other banks	**1,275**
Trading derivatives	**609**
Hedging derivatives	**447**
Deposits and other borrowings	**53,084**
Current tax liabilities	**15**
Provisions	**1,632**
Due to controlled entities	**1,787**
Bonds, notes and subordinated debt	**7,567**
Other liabilities	**4,797**
Total liabilities	**71,213**
Net assets	**6,982**

16. Events Subsequent to Reporting Date

There are no other matters, items, transactions or events of a material or unusual nature that have arisen in the interval between the end of the reporting period (31 March 2016) and the date of this report that, in the opinion of the directors, have significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in future years.

Directors' Declaration

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

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

b) the financial statements and the notes, as set out on pages 59 to 91, are in accordance with the *Corporations Act* 2001 (Cth), including:

i. section 304, which requires that the half year financial report comply with Accounting Standards made by the Australian Accounting Standards Board for the purposes of the *Corporations Act* 2001 (Cth) and any further requirements in the *Corporations Regulations* 2001; and
ii. section 305, which requires that the financial statements and notes give a true and fair view of the financial position of the Group as at 31 March 2016, and of the performance of the Group for the six months ended 31 March 2016.

Dated this 5th day of May, 2016 and signed in accordance with a resolution of the directors.

Dr Ken Henry
Chairman

Mr Andrew Thorburn
Group Chief Executive Officer

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To the members of National Australia Bank Limited

Report on the Half Year Financial Report

We have reviewed the accompanying half year financial report of National Australia Bank Limited (the "Company"), which comprises the consolidated balance sheet as at 31 March 2016, the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated condensed cash flow statement for the half year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the Company and the entities it controlled (the "Group") at the half year end or from time to time during the half year.

Directors' Responsibility for the Half Year Financial Report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 March 2016 and its performance for the half year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of National Australia Bank Limited and the entities it controlled during the half year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

Conclusion

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

a. giving a true and fair view of the Group's financial position as at 31 March 2016 and of its performance for the half year ended on that date; and

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

Ernst & Young

Ernst & Young

Andrew Price
Partner
Melbourne

5 May 2016

Section 6

Supplementary Information

1. Net Interest Margins and Spreads [1]

Group	Half Year to Mar 16 %	Sep 15 %	Mar 15 %	Mar 16 v Sep 15	Mar 16 v Mar 15
Net interest spread [1]	**1.76**	1.71	1.73	5 bps	3 bps
Benefit of net free liabilities, provisions and equity	**0.17**	0.17	0.18	-	(1 bp)
Net interest margin - statutory basis [2]	**1.93**	1.88	1.91	5 bps	2 bps

(1) *Net interest spread represents the difference between the average interest rate earned and the average interest rate incurred on funds.*
(2) *Net interest margin (NIM) is net interest income as a percentage of average interest earning assets.*

Half year ended March 2016 v Half year ended March 2015

Contribution to Group Margin	Impact of Change in NIM [1] [2]	Impact of Change in Mix [3]	Impact on Group NIM
Australian Banking	6 bps	-	**6 bps**
NZ Banking	(2 bps)	-	**(2 bps)**
Other [4]	-	(2 bps)	**(2 bps)**
Group (excluding Liquid Assets, and Markets & Treasury)	4 bps	(2 bps)	**2 bps**
Total Liquid Assets and Marketable Securities [5]	-	(1 bp)	**(1 bp)**
Markets & Treasury	23 bps	(22 bps)	**1 bp**
Total Group	27 bps	(25 bps)	**2 bps**

(1) *The increase/(decrease) in net interest margin assuming no change in mix of average interest earning assets (AIEA).*
(2) *Impact of Change in NIM represents the effect of each division's NIM movement on the Group's NIM. These amounts do not reflect each individual division's NIM movement.*
(3) *The increase/(decrease) in net interest margin caused by changes in divisional mix of AIEA.*
(4) *Includes NAB UK CRE, other supporting units and eliminations.*
(5) *Liquid Assets and Marketable Securities volume impact only.*

Half year ended March 2016 v Half year ended September 2015

Contribution to Group Margin	Impact of Change in NIM [1] [2]	Impact of Change in Mix [3]	Impact on Group NIM
Australian Banking	9 bps	-	**9 bps**
NZ Banking	(1 bp)	-	**(1 bp)**
Other [4]	(2 bps)	(2 bps)	**(4 bps)**
Group (excluding Liquid Assets, and Markets & Treasury)	6 bps	(2 bps)	**4 bps**
Total Liquid Assets and Marketable Securities [5]	-	(2 bps)	**(2 bps)**
Markets & Treasury	21 bps	(18 bps)	**3 bps**
Total Group	27 bps	(22 bps)	**5 bps**

(1) *The increase/(decrease) in net interest margin assuming no change in mix of average interest earning assets (AIEA).*
(2) *Impact of Change in NIM represents the effect of each division's NIM movement on the Group's NIM. These amounts do not reflect each individual division's NIM movement.*
(3) *The increase/(decrease) in net interest margin caused by changes in divisional mix of AIEA.*
(4) *Includes NAB UK CRE, other supporting units and eliminations.*
(5) *Liquid Assets and Marketable Securities volume impact only.*

(1) *Information is presented on a continuing operations basis including prior period restatements.*

2. Loans and Advances by Industry and Geography (1)

As at 31 March 2016	Australia $m	Europe $m	New Zealand $m	United States $m	Asia $m	Total $m
Real estate - mortgage	270,640	-	30,117	-	2,363	**303,120**
Other commercial and industrial	55,042	2,545	7,380	393	2,478	**67,838**
Commercial property services	56,963	173	7,519	24	293	**64,972**
Agriculture, forestry, fishing and mining	21,197	4	13,004	19	83	**34,307**
Financial, investment and insurance	16,226	1,706	1,332	1,979	803	**22,046**
Asset and lease financing	10,366	496	5	-	1	**10,868**
Instalment loans to individuals and other personal lending (including credit cards)	9,628	-	1,452	-	131	**11,211**
Manufacturing	7,771	1	2,942	3	1,831	**12,548**
Real estate - construction	1,641	712	852	-	-	**3,205**
Government and public authorities	2,066	-	92	40	-	**2,198**
Gross loans and advances including acceptances (1)	451,540	5,637	64,695	2,458	7,983	532,313
Deduct:						
Unearned income and deferred net fee income	(580)	(40)	61	(15)	(17)	**(591)**
Provisions for doubtful debts	(2,528)	(24)	(439)	(17)	(41)	**(3,049)**
Total net loans and advances including acceptances	448,432	5,573	64,317	2,426	7,925	528,673

(1) *Includes loans at fair value.*

As at 30 September 2015	Australia $m	Europe $m	New Zealand $m	United States $m	Asia $m	Total $m
Real estate - mortgage	265,928	-	29,122	-	2,558	**297,608**
Other commercial and industrial	55,267	2,857	7,545	303	4,057	**70,029**
Commercial property services	53,838	293	6,827	7	388	**61,353**
Agriculture, forestry, fishing and mining	21,768	8	12,814	-	102	**34,692**
Financial, investment and insurance	12,949	2,649	933	1,933	1,228	**19,692**
Asset and lease financing	10,252	586	5	-	2	**10,845**
Instalment loans to individuals and other personal lending (including credit cards)	9,299	-	1,400	-	1	**10,700**
Manufacturing	7,515	2	2,823	-	979	**11,319**
Real estate - construction	1,623	952	778	-	-	**3,353**
Government and public authorities	2,141	-	106	43	-	**2,290**
Gross loans and advances including acceptances (1)	440,580	7,347	62,353	2,286	9,315	521,881
Deduct:						
Unearned income and deferred net fee income	(701)	(54)	41	(15)	(24)	**(753)**
Provisions for doubtful debts	(2,472)	(32)	(384)	(8)	(48)	**(2,944)**
Total net loans and advances including acceptances	437,407	7,261	62,010	2,263	9,243	518,184

(1) *Includes loans at fair value.*

As at 31 March 2015	Australia $m	Europe $m	New Zealand $m	United States $m	Asia $m	Total $m
Real estate - mortgage	258,154	-	30,768	-	2,439	**291,361**
Other commercial and industrial	53,876	2,618	7,467	144	4,022	**68,127**
Commercial property services	50,572	405	7,138	8	389	**58,512**
Agriculture, forestry, fishing and mining	20,203	7	12,843	1	80	**33,134**
Financial, investment and insurance	12,083	2,218	1,328	1,402	2,152	**19,183**
Asset and lease financing	10,190	457	8	-	2	**10,657**
Instalment loans to individuals and other personal lending (including credit cards)	9,328	-	1,647	-	1	**10,976**
Manufacturing	7,397	2	3,247	-	1,262	**11,908**
Real estate - construction	1,678	969	884	-	-	**3,531**
Government and public authorities	2,026	-	-	42	-	**2,068**
Gross loans and advances including acceptances (1)	425,507	6,676	65,330	1,597	10,347	509,457
Deduct:						
Unearned income and deferred net fee income	(739)	(50)	20	(9)	(24)	**(802)**
Provisions for doubtful debts	(2,534)	(137)	(422)	(13)	(26)	**(3,132)**
Total net loans and advances including acceptances	422,234	6,489	64,928	1,575	10,297	505,523

(1) *Includes loans at fair value.*

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

3. Average Balance Sheet and Related Interest [1]

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

Average assets and interest income

	Half Year ended Mar 16			Half Year ended Sep 15			Half Year ended Mar 15		
	Average balance	Interest	Average rate	Average balance	Interest	Average rate	Average balance	Interest	Average rate
	$m	$m	%	$m	$m	%	$m	$m	%
Average interest earning assets									
Due from other banks									
Australia	**14,083**	**141**	**2.0**	14,178	126	1.8	12,142	130	2.1
New Zealand	**3,416**	**25**	**1.5**	3,626	33	1.8	4,198	41	2.0
Other International	**39,075**	**163**	**0.8**	34,637	102	0.6	29,636	113	0.8
Total due from other banks	**56,574**	**329**	**1.2**	52,441	261	1.0	45,976	284	1.2
Marketable debt securities									
Australia	**67,064**	**881**	**2.6**	68,055	970	2.8	68,139	1,089	3.2
New Zealand	**4,956**	**75**	**3.0**	5,056	105	4.1	4,882	94	3.9
Other International	**14,705**	**73**	**1.0**	14,070	72	1.0	14,544	75	1.0
Total marketable debt securities	**86,725**	**1,029**	**2.4**	87,181	1,147	2.6	87,565	1,258	2.9
Loans and advances - housing [1]									
Australia	**244,754**	**5,734**	**4.7**	241,665	5,511	4.5	233,394	5,797	5.0
New Zealand	**28,763**	**811**	**5.6**	27,817	835	6.0	27,669	844	6.1
Other International	**2,496**	**39**	**3.1**	2,477	36	2.9	2,375	36	3.0
Total loans and advances - housing	**276,013**	**6,584**	**4.8**	271,959	6,382	4.7	263,438	6,677	5.1
Loans and advances - non-housing									
Australia	**177,377**	**4,599**	**5.2**	169,307	4,530	5.3	163,593	4,773	5.9
New Zealand	**34,457**	**888**	**5.2**	32,654	979	6.0	32,374	1,025	6.3
Other International	**14,595**	**170**	**2.3**	17,244	186	2.2	16,385	194	2.4
Total loans and advances - non-housing	**226,429**	**5,657**	**5.0**	219,205	5,695	5.2	212,352	5,992	5.7
Other interest earning assets									
Australia	**6,832**	**173**	**n/a**	8,433	190	n/a	7,822	244	n/a
New Zealand	**196**	**5**	**n/a**	137	4	n/a	17	1	n/a
Other International	**31,189**	**128**	**n/a**	27,151	123	n/a	33,043	89	n/a
Total other interest earning assets	**38,217**	**306**	**n/a**	35,721	317	n/a	40,882	334	n/a
Total average interest earning assets and interest income by:									
Australia	**510,110**	**11,528**	**4.5**	501,638	11,327	4.5	485,090	12,033	5.0
New Zealand	**71,788**	**1,804**	**5.0**	69,290	1,956	5.6	69,140	2,005	5.8
Other International	**102,060**	**573**	**1.1**	95,579	519	1.1	95,983	507	1.1
Total average interest earning assets and interest income	**683,958**	**13,905**	**4.1**	666,507	13,802	4.1	650,213	14,545	4.5

(1) *Loans and advances - housing is disclosed net of mortgage offset balances. Previously, Loans and advances – housing was disclosed gross of these balances. Mortgage offset balances for the 30 September 2015 half year for Australia are $21,392 million (31 March 2015 half year: $18,918 million) and for the 30 September 2015 half year for New Zealand are $1,263 million (31 March 2015 half year: $1,273 million).*

(1) *Information is presented on a continuing operations basis including prior period restatements.*

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

Average assets and interest income

	Half year ended		
	Mar 16	**Sep 15**	**Mar 15**
	$m	**$m**	**$m**
Average non-interest earning assets			
Investments relating to life insurance business [1]			
Australia	**90,536**	90,812	88,337
New Zealand	**66**	70	63
Total investments relating to life insurance business	**90,602**	90,882	88,400
Other assets [2]	**108,653**	130,345	123,299
Total average non-interest earning assets	**199,255**	221,227	211,699
Provision for doubtful debts			
Australia	**(2,505)**	(2,547)	(2,545)
New Zealand	**(416)**	(394)	(340)
Other International	**(90)**	(172)	(398)
Total provision for doubtful debts	**(3,011)**	(3,113)	(3,283)
Total average assets	**880,202**	884,621	858,629

(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.*

(2) *Includes mortgage offset balances which were previously disclosed in Loans and advances – housing, and netting of centrally cleared derivative assets and their associated collateral amounts.*

(1) *Information is presented on a continuing operations basis including prior period restatements.*

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

Average liabilities and interest expense

	Half Year ended Mar 16			Half Year ended Sep 15			Half Year ended Mar 15		
	Average balance	Interest	Average rate	Average balance	Interest	Average rate	Average balance	Interest	Average rate
	$m	$m	%	$m	$m	%	$m	$m	%
Average interest bearing liabilities									
Due to other banks									
Australia	25,795	248	1.9	28,030	267	1.9	27,379	306	2.2
New Zealand	1,555	7	0.9	1,467	7	1.0	1,169	7	1.2
Other International	25,337	71	0.6	19,716	48	0.5	18,956	41	0.4
Total due to other banks	52,687	326	1.2	49,213	322	1.3	47,504	354	1.5
On-demand and short-term deposits									
Australia	156,754	1,392	1.8	154,023	1,471	1.9	143,953	1,632	2.3
New Zealand	17,671	147	1.7	16,688	200	2.4	16,051	211	2.6
Other International	14,346	16	0.2	9,258	6	0.1	8,288	3	0.1
Total on-demand and short-term deposits	188,771	1,555	1.6	179,969	1,677	1.9	168,292	1,846	2.2
Certificates of deposit									
Australia	33,526	383	2.3	33,345	391	2.3	34,358	464	2.7
New Zealand	2,221	32	2.9	2,087	36	3.4	2,106	39	3.7
Other International	13,520	33	0.5	16,504	27	0.3	24,923	35	0.3
Total certificates of deposit	49,267	448	1.8	51,936	454	1.7	61,387	538	1.8
Term deposits									
Australia	112,578	1,652	2.9	109,808	1,709	3.1	111,026	1,948	3.5
New Zealand	23,633	449	3.8	22,780	464	4.1	24,126	504	4.2
Other International	14,276	95	1.3	15,905	99	1.2	16,156	104	1.3
Total term deposits	150,487	2,196	2.9	148,493	2,272	3.1	151,308	2,556	3.4
Other borrowings									
Australia	26,258	125	1.0	24,656	100	0.8	12,802	65	1.0
New Zealand	2,797	8	0.6	3,593	8	0.4	2,731	5	0.4
Other International	17,205	60	0.7	18,735	41	0.4	25,866	40	0.3
Total other borrowings	46,260	193	0.8	46,984	149	0.6	41,399	110	0.5
Bonds, notes and subordinated debt									
Australia	115,952	1,869	3.2	112,731	1,931	3.4	107,895	2,131	4.0
New Zealand	14,384	341	4.7	13,696	389	5.7	13,583	416	6.1
Other International	10,875	117	2.2	9,320	87	1.9	9,925	92	1.9
Total bonds, notes and subordinated debt	141,211	2,327	3.3	135,747	2,407	3.5	131,403	2,639	4.0
Other interest bearing liabilities									
Australia	3,359	224	n/a	4,434	212	n/a	3,507	286	n/a
New Zealand	1	-	n/a	12	-	n/a	8	-	n/a
Other International	2,983	39	n/a	3,961	37	n/a	2,557	26	n/a
Total other interest bearing liabilities	6,343	263	n/a	8,407	249	n/a	6,072	312	n/a
Total average interest bearing liabilities and interest expense by:									
Australia	474,222	5,893	2.5	467,027	6,081	2.6	440,920	6,832	3.1
New Zealand	62,262	984	3.2	60,323	1,104	3.7	59,774	1,182	4.0
Other International	98,542	431	0.9	93,399	345	0.7	106,671	341	0.6
Total average interest bearing liabilities and interest expense	635,026	7,308	2.3	620,749	7,530	2.4	607,365	8,355	2.8

(1) *Information is presented on a continuing operations basis including prior period restatements.*

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

Average liabilities and equity

	Half year ended		
	Mar 16	Sep 15	Mar 15
	$m	$m	$m
Average non-interest bearing liabilities			
Deposits not bearing interest			
Australia	**34,438**	31,721	28,510
New Zealand	**3,550**	2,777	2,641
Other International	**4**	10	11
Total deposits not bearing interest	**37,992**	34,508	31,162
Life insurance policy liabilities			
Australia	**77,195**	76,953	74,800
Total life insurance liabilities	**77,195**	76,953	74,800
Other liabilities [1]	**81,186**	105,264	103,331
Total average non-interest bearing liabilities	**196,373**	216,725	209,293
Total average liabilities	**831,399**	837,474	816,658
Average equity			
Contributed equity	**33,225**	30,367	24,280
Reserves	**1,190**	446	(504)
Retained profits	**14,364**	16,323	18,171
Parent entity interest	**48,779**	47,136	41,947
Non controlling interest in controlled entities	**24**	11	24
Total average equity	**48,803**	47,147	41,971
Total average liabilities and equity	**880,202**	884,621	858,629

(1) *Includes netting of centrally cleared derivative liabilities and their associated collateral amounts.*

(1) *Information is presented on a continuing operations basis including prior period restatements.*

4. Capital Adequacy - Basel III [(1)]

The APRA Basel III capital standards have been in effect since 1 January 2013. Under APRA's Prudential Standards, Wealth Management activities are de-consolidated from the Group for the purposes of calculating capital adequacy and excluded from the risk based capital adequacy framework. Under Basel III the investment in Wealth Management entities is deducted from CET1 capital. Additionally, any profits from these activities included in the Group's results are excluded from CET1 capital to the extent that they have not been remitted to NAB. The principal Wealth 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		
	31 Mar 16	**30 Sep 15**	**31 Mar 15**
Reconciliation to shareholders' funds	**$m**	**$m**	**$m**
Contributed equity	**32,666**	34,651	29,031
Reserves	**358**	(362)	(656)
Retained profits	**17,033**	21,205	20,867
Non controlling interest in controlled entities	**25**	19	626
Total equity per consolidated balance sheet	**50,082**	55,513	49,868
Equity-accounted Additional Tier 1 capital before application of Basel III transitional arrangements	**(3,317)**	(3,317)	(3,317)
Non controlling interest in controlled entities	**(25)**	(19)	(377)
Treasury shares	**1,322**	1,686	1,911
General reserve for credit losses	**(130)**	(64)	-
Deconsolidation of Wealth Management equity	**(142)**	(230)	(233)
Common Equity Tier 1 Capital before regulatory adjustments	**47,790**	53,569	47,852
Banking goodwill and other intangibles	**(549)**	(550)	(1,482)
Wealth Management goodwill and other intangibles	**(3,993)**	(4,030)	(4,034)
Investment in non-consolidated controlled entities (net of intangible component)	**(1,676)**	(1,651)	(1,926)
DTA in excess of DTL	**(1,282)**	(2,049)	(1,891)
Capitalised expenses	**(385)**	(310)	(257)
Capitalised software (excluding Wealth Management)	**(2,076)**	(2,558)	(2,294)
Defined benefit pension scheme surplus	**(18)**	(131)	(195)
Change in own creditworthiness	**(115)**	98	203
Cash flow hedge reserve	**(106)**	(112)	(56)
Equity exposures	**(648)**	(737)	(598)
Expected loss in excess of eligible provisions	**-**	-	(90)
Other [(1)]	**(1,906)**	(602)	(338)
Common Equity Tier 1 Capital	**35,036**	40,937	34,894
Transitional Additional Tier 1 Capital instruments	**3,634**	4,240	4,240
Basel III eligible Additional Tier 1 Capital instruments	**4,574**	4,574	4,574
Eligible Additional Tier 1 Capital for non controlling interest	**-**	-	44
Regulatory adjustments to Additional Tier 1 Capital	**(709)**	(8)	-
Additional Tier 1 Capital	**7,499**	8,806	8,858
Tier 1 Capital	**42,535**	49,743	43,752
Collective provision for doubtful debts - Standardised approach	**75**	566	551
IRB approach surplus provisions on non-defaulted exposures	**112**	85	-
Transitional Tier 2 Capital instruments	**3,373**	3,935	3,935
Basel III eligible Tier 2 Capital instruments	**2,206**	2,302	2,160
Eligible Tier 2 Capital for non controlling interest	**453**	-	59
Regulatory adjustments to Tier 2 Capital	**(875)**	(81)	(102)
Tier 2 Capital	**5,344**	6,807	6,603
Total Capital	**47,879**	56,550	50,355
Risk-weighted assets			
Credit risk	**303,458**	344,326	340,227
Market risk	**7,250**	5,793	5,821
Operational risk	**40,000**	40,000	40,000
Interest rate risk in the banking book [(2)]	**10,725**	9,639	7,190
Total risk-weighted assets	**361,433**	399,758	393,238
Risk-based regulatory capital ratios			
Common Equity Tier 1	**9.69%**	10.24%	8.87%
Tier 1	**11.77%**	12.44%	11.13%
Total Capital	**13.25%**	14.15%	12.81%

(1) *Includes the deduction for the remaining conduct indemnity, net of conduct provisions raised as at 31 March 2016.*

(2) *Due to an IRRBB model enhancement reflected in the 30 September 2015 result, the equivalent March 2015 result would now be $11,581 million.*

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

4. Capital Adequacy - Basel III (continued) [(1)]

	Risk-Weighted Assets as at			Exposures as at		
	31 Mar 16 $m	30 Sep 15 $m	31 Mar 15 $m	31 Mar 16 $m	30 Sep 15 $m	31 Mar 15 $m
Credit risk [(1)]						
IRB approach						
Corporate (including SME) [(2)]	**126,757**	128,382	122,190	**261,531**	261,339	248,954
Sovereign	**1,684**	1,679	1,762	**71,351**	71,477	75,753
Bank	**11,381**	12,291	12,711	**75,690**	81,055	79,920
Residential Mortgage	**62,504**	60,783	60,987	**347,493**	340,777	334,743
Qualifying revolving retail	**3,897**	3,782	3,773	**11,557**	11,272	11,169
Retail SME	**6,188**	6,470	6,667	**16,238**	16,227	16,323
Other retail	**3,631**	3,429	3,590	**4,522**	4,432	4,829
Total IRB approach	**216,042**	216,816	211,680	**788,382**	786,579	771,691
Specialised lending (SL)	**59,498**	58,376	53,415	**67,701**	66,039	62,721
Standardised approach						
Australian and foreign governments	**-**	55	205	**-**	14,499	17,605
Bank	**-**	189	222	**-**	1,157	2,490
Residential mortgage	**2,804**	20,877	19,603	**4,954**	53,430	47,919
Corporate	**4,172**	20,896	26,671	**58,996**	80,962	68,386
Other	**558**	3,404	3,349	**1,173**	3,999	3,934
Total standardised approach	**7,534**	45,421	50,050	**65,123**	154,047	140,334
Other						
Securitisation	**3,351**	2,515	2,701	**21,198**	18,277	18,341
Credit value adjustment	**12,257**	13,940	13,383	**-**	-	-
Central counterparty default fund contribution guarantee	**393**	557	343	**-**	-	-
Other [(3)]	**4,383**	6,701	8,655	**6,163**	10,497	11,364
Total other	**20,384**	23,713	25,082	**27,361**	28,774	29,705
Total credit risk	**303,458**	344,326	340,227	**948,567**	1,035,439	1,004,451
Market risk	**7,250**	5,793	5,821			
Operational risk	**40,000**	40,000	40,000			
Interest rate risk in the banking book [(4)]	**10,725**	9,639	7,190			
Total risk-weighted assets & exposures	**361,433**	399,758	393,238			

(1) *Risk-Weighted Assets (RWA) which are calculated in accordance with APRA's requirements under the Basel Accord, are required to incorporate a scaling factor of 1.06 to assets that are not subject to specific risk weights.*
(2) *Corporate (including SME) consists of corporations, partnerships or proprietorships not elsewhere classified and includes non-banking entities held by banks.*
(3) *'Other' includes non-lending asset exposures.*
(4) *Due to an IRRBB model enhancement reflected in the 30 September 2015 result, the equivalent March 2015 result would now be $11,581 million.*

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

5. Earnings Per Share

	Half Year to					
	Mar 16		Sep 15		Mar 15	
Earnings per Share	**Basic**	**Diluted**	**Basic**	**Diluted**	**Basic**	**Diluted**
Earnings ($m)						
Net (loss) / profit attributable to owners of NAB	**(1,742)**	**(1,742)**	2,898	2,898	3,440	3,440
Distributions on other equity instruments	**(64)**	**(64)**	(66)	(66)	(109)	(109)
Potential dilutive adjustments (after tax)						
Interest expense on convertible notes	**-**	**29**	-	29	-	1
Interest expense on convertible preference shares	**-**	**65**	-	65	-	70
Adjusted earnings	**(1,806)**	**(1,712)**	2,832	2,926	3,331	3,402
Net (loss) / profit attributable to owners of NAB from discontinued operations	**(5,049)**	**(5,049)**	(855)	(855)	209	209
Adjusted earnings from continuing operations	**3,243**	**3,337**	3,687	3,781	3,122	3,193
Weighted average ordinary shares (no. '000)						
Weighted average ordinary shares (net of treasury shares)	**2,575,501**	**2,575,501**	2,504,939	2,504,939	2,373,322	2,373,322
Potential dilutive weighted average ordinary shares						
Performance options and performance rights	**-**	**4,349**	-	3,607	-	4,060
Partly paid ordinary shares	**-**	**35**	-	45	-	48
Employee share plans	**-**	**11,801**	-	3,450	-	3,437
Convertible notes	**-**	**50,031**	-	44,896	-	1,742
Convertible preference shares	**-**	**120,399**	-	108,041	-	84,750
Total weighted average ordinary shares	**2,575,501**	**2,762,116**	2,504,939	2,664,978	2,373,322	2,467,359
Earnings per share (cents) attributable to owners of NAB	**(70.1)**	**(62.0)**	113.1	109.8	140.4	137.9
Earnings per share from continuing operations (cents)	**125.9**	**120.8**	147.2	141.9	131.5	129.4

	Half Year to					
	Mar 16		Sep 15		Mar 15	
Cash Earnings per Share	**Basic**	**Diluted**	**Basic**	**Diluted**	**Basic**	**Diluted**
Earnings ($m)						
Cash earnings [(1)]	**3,310**	**3,310**	3,263	3,263	3,107	3,107
Distributions on other equity instruments	**-**	**-**	-	-	-	-
Potential dilutive adjustments (after tax)						
Interest expense on convertible notes	**-**	**29**	-	29	-	1
Interest expense on convertible preference shares	**-**	**65**	-	65	-	70
Adjusted cash earnings	**3,310**	**3,404**	3,263	3,357	3,107	3,178
Weighted average ordinary shares (no. '000)						
Weighted average ordinary shares	**2,633,700**	**2,633,700**	2,566,460	2,566,460	2,430,514	2,430,514
Potential dilutive weighted average ordinary shares						
Performance options and performance rights	**-**	**4,349**	-	3,607	-	4,060
Partly paid ordinary shares	**-**	**35**	-	45	-	48
Employee share plans	**-**	**11,801**	-	3,450	-	3,437
Convertible notes	**-**	**50,031**	-	44,896	-	1,742
Convertible preference shares	**-**	**120,399**	-	108,041	-	84,750
Total weighted average ordinary shares	**2,633,700**	**2,820,315**	2,566,460	2,726,499	2,430,514	2,524,551
Earnings per share (cents) attributable to owners of NAB	**125.7**	**120.7**	127.1	123.1	127.8	125.9

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

6. Net Tangible Assets [1]

	As at		
	31 Mar 16	30 Sep 15	31 Mar 15
Net tangible assets per ordinary share ($) [1]	15.09	14.53	13.29

[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.*

7. Asset Funding [1]

	As at				
Core assets	**31 Mar 16 $m**	**30 Sep 15 $m**	**31 Mar 15 $m**	**31 Mar 16 v 30 Sep 15 %**	**31 Mar 16 v 31 Mar 15 %**
Gross loans and advances	494,396	477,271	462,279	3.6	6.9
Loans at fair value	22,373	25,182	25,539	(11.2)	(12.4)
Other financial assets at fair value	408	590	781	(30.8)	(47.8)
Due from customers on acceptances	15,544	19,428	21,639	(20.0)	(28.2)
Other debt instruments at amortised cost	610	618	1,151	(1.3)	(47.0)
Total core assets	533,331	523,089	511,389	2.0	4.3
Customer deposits					
On-demand and short-term deposits	186,306	175,817	174,747	6.0	6.6
Term deposits	147,297	145,856	146,712	1.0	0.4
Deposits not bearing interest	38,640	36,842	32,953	4.9	17.3
Customer deposits at fair value	4,440	3,516	3,991	26.3	11.3
Total customer deposits	376,683	362,031	358,403	4.0	5.1
Wholesale funding					
Bonds, notes and subordinated debt	125,199	122,400	116,603	2.3	7.4
Other debt issues	6,143	6,292	6,129	(2.4)	0.2
Preference shares and other contributed equity	3,317	3,317	3,317	-	-
Certificates of deposit	47,533	38,488	56,739	23.5	(16.2)
Securities sold under repurchase agreements	11,189	8,917	10,645	25.5	5.1
Due to other banks - Securities sold under repurchase agreements	21,299	24,275	22,994	(12.3)	(7.4)
Due to other banks	26,522	29,280	22,956	(9.4)	15.5
Other borrowings	17,694	26,163	23,522	(32.4)	(24.8)
Other financial liabilities at fair value	23,719	26,388	26,539	(10.1)	(10.6)
Total wholesale funding	282,615	285,520	289,444	(1.0)	(2.4)
Total funding liabilities	659,298	647,551	647,847	1.8	1.8
Total equity excluding preference shares and other contributed equity	46,765	44,953	38,728	4.0	20.8
Life insurance liabilities [1]	91,227	90,831	93,407	0.4	(2.3)
Other liabilities	71,440	89,579	93,410	(20.2)	(23.5)
Total liabilities and equity	868,730	872,914	873,392	(0.5)	(0.5)
Wholesale funding by maturity					
Short-term funding	97,122	100,848	110,630	(3.7)	(12.2)
Securities sold under repurchase agreements	32,488	33,192	33,639	(2.1)	(3.4)
Term funding:					
less than 1 year residual maturity	41,536	37,893	30,355	9.6	36.8
greater than 1 year residual maturity	111,469	113,587	114,820	(1.9)	(2.9)
Total wholesale funding by maturity	282,615	285,520	289,444	(1.0)	(2.4)

[1] *Comprises life policy liabilities and external unitholders' liability.*

[1] *Information is presented on a continuing operations basis including prior period restatements.*

8. Number of Ordinary Shares

	Half Year to		
	Mar 16 No. '000	Sep 15 No. '000	Mar 15 No. '000
Ordinary shares, fully paid			
Balance at beginning of period	**2,625,764**	2,421,112	2,365,791
Shares issued:			
Rights issue	**-**	193,912	-
Dividend reinvestment plan	**10,793**	9,518	25,539
DRP underwritten allotments	**-**	-	24,603
Bonus share plan	**996**	949	1,146
Employee share plans	**7,074**	226	3,314
Performance options and performance rights	**306**	44	717
Paying up of partly paid shares	**10**	3	2
	2,644,943	2,625,764	2,421,112
Ordinary shares, partly paid to 25 cents			
Balance at beginning of period	**64**	67	69
Paying up of partly paid shares	**(10)**	(3)	(2)
	54	64	67
Total number of ordinary shares on issue at end of period (including treasury shares)	**2,644,997**	2,625,828	2,421,179
Less: Treasury shares	**(59,568)**	(62,955)	(58,231)
Total number of ordinary shares on issue at end of period (excluding treasury shares)	**2,585,429**	2,562,873	2,362,948

9. Exchange Rates

	Income Statement - average Half Year to			Balance Sheet - spot As at		
One Australian dollar equals	**Mar 16**	**Sep 15**	**Mar 15**	**31 Mar 16**	**30 Sep 15**	**31 Mar 15**
British Pounds	**0.4895**	0.4881	0.5298	**0.5335**	0.4623	0.5167
Euros	**0.6561**	0.6783	0.6915	**0.6763**	0.6242	0.7077
United States Dollars	**0.7212**	0.7520	0.8214	**0.7653**	0.7010	0.7638
New Zealand Dollars	**1.0845**	1.0890	1.0702	**1.1095**	1.1001	1.0203

10. ASX Appendix 4D

11. Divisional Performance Summary Excluding Foreign Currency Movements

Half year ended 31 March 2016 at 31 March 2015 FX rates	**Australian Banking[(1)] $m**	**NZ Banking $m**	**NAB Wealth $m**	**Corporate Functions & Other[(2)] $m**	**Distributions & Eliminations $m**	**Group Cash Earnings $m**
Net interest income	5,686	759	-	148	-	**6,593**
Other operating income	1,273	223	806	8	(19)	**2,291**
IoRE	-	-	6	-	-	**6**
Net operating income	6,959	982	812	156	(19)	**8,890**
Operating expenses	(2,884)	(388)	(465)	(96)	19	**(3,814)**
Underlying profit	4,075	594	347	60	-	**5,076**
(Charge to provide for) / write back of bad and doubtful debts	(340)	(78)	-	42	-	**(376)**
Cash earnings / (deficit) before tax and distributions	3,735	516	347	102	-	**4,700**
Income tax (expense) / benefit	(1,057)	(138)	(99)	(48)	-	**(1,342)**
Cash earnings / (deficit) before distributions	2,678	378	248	54	-	**3,358**
Distributions	-	-	-	-	(60)	**(60)**
Cash earnings / (deficit)	**2,678**	**378**	**248**	**54**	**(60)**	**3,298**

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

(2) Corporate Functions & Other includes eliminations. Refer to page 54 for the definition of Corporate Functions.

Half year ended 31 March 2016 at 30 September 2015 FX rates	**Australian Banking[(1)] $m**	**NZ Banking $m**	**NAB Wealth $m**	**Corporate Functions & Other[(2)] $m**	**Distributions & Eliminations $m**	**Group Cash Earnings $m**
Net interest income	5,698	746	-	150	-	**6,594**
Other operating income	1,296	219	806	9	(19)	**2,311**
IoRE	-	-	6	-	-	**6**
Net operating income	6,994	965	812	159	(19)	**8,911**
Operating expenses	(2,902)	(381)	(465)	(97)	19	**(3,826)**
Underlying profit	4,092	584	347	62	-	**5,085**
(Charge to provide for) / write back of bad and doubtful debts	(341)	(77)	-	43	-	**(375)**
Cash earnings / (deficit) before tax and distributions	3,751	507	347	105	-	**4,710**
Income tax (expense) / benefit	(1,059)	(136)	(99)	(48)	-	**(1,342)**
Cash earnings / (deficit) before distributions	2,692	371	248	57	-	**3,368**
Distributions	-	-	-	-	(63)	**(63)**
Cash earnings / (deficit)	**2,692**	**371**	**248**	**57**	**(63)**	**3,305**

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

(2) Corporate Functions & Other includes eliminations. Refer to page 54 for the definition of Corporate Functions.

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Section 7

Glossary of Terms

Glossary of Terms

Terms	Description
12-months expected credit losses (ECL)	The portion of lifetime expected credit losses that represent the expected credit losses that result from default events on a financial instrument that are possible within the 12 months after the reporting date.
AASB	Australian Accounting Standards Board.
APRA	Australian Prudential Regulation Authority.
APS	Prudential Standards issued by APRA applicable to Authorised Deposit-taking Institutions.
Assets 90+ days past due	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.
ASX	Australian Securities Exchange Limited.
AT1 Notes	Additional Tier 1 capital notes issued by CYBG.
Average assets	Represents the average of assets over the period adjusted for disposed operations. Disposed operations include any operations that will not form part of the continuing Group. These include operations sold and those which have been announced to the market that have yet to reach completion.
Average interest earning assets	The average balance of assets held by the Group that generate interest income.
Banking	Banking operations include the Group's: - Retail and Non-Retail deposits, lending and other banking services in Australian Banking, NZ Banking and NAB Wealth - Wholesale operations comprising Global Capital Markets and Treasury, Specialised Finance and Financial Institutions business within Australian Banking, and - NAB UK CRE 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.
BNZ	Bank of New Zealand.
Business lending	Lending to non-retail customers including overdrafts, asset and lease financing, term lending, bill acceptances, foreign currency loans, international and trade finance, securitisation and specialised finance.
Cash earnings	Refer to page 2, Section 1 - Profit Reconciliation for information about, and the definition of cash earnings.
Cash earnings on risk-weighted assets	Calculated as cash earnings (annualised) divided by average risk-weighted assets. Average risk-weighted assets are calculated as the average of the current and previous two quarters' risk-weighted assets.
Cash earnings per share - basic	Calculated as cash earnings adjusted for distributions on other equity instruments, divided by the weighted average number of ordinary shares adjusted to include treasury shares held by the Group's life insurance business.
Cash earnings per share - diluted	Calculated as cash earnings adjusted for distributions on other equity instruments and interest expense on dilutive potential ordinary shares. This adjusted cash earnings is divided by the weighted average number of ordinary shares, adjusted to include treasury shares held by the Group's life insurance business and dilutive potential ordinary shares.
Cash return on equity (ROE)	Calculated as cash earnings (annualised) divided by average shareholders' equity, excluding non controlling interests and other equity instruments and adjusted for treasury shares.
CYBG	CYBG PLC.
CYBG Group	CYBG PLC and its controlled entities.
Common Equity Tier 1 (CET1) capital	Common Equity Tier 1 (CET1) capital is recognised as the highest quality component of capital. It is subordinated to all other elements of funding, absorbs losses as and when they occur, has full flexibility of dividend payments and has no maturity date. It is predominately comprised of common shares; retained earnings; undistributed current year earnings; as well as other elements as defined under APS111 - Capital Adequacy: Measurement of Capital.
Common Equity Tier 1 ratio	Common Equity Tier 1 as defined by APRA divided by risk-weighted assets.
Continuing operations	Continuing operations are the components of the Group which are not discontinued operations.
Core assets	Represents gross loans and advances including acceptances, financial assets at fair value, and other debt instruments at amortised cost (classified in comparative periods as investments held to maturity).
Core Funding Ratio (CFR)	The Core Funding Ratio (CFR) is the total retail funding plus wholesale funding maturing over one year as a percentage of total loans and advances included in BNZ's most recent disclosure statement. The CFR is a minimum quantitative ratio for liquidity risk imposed on a number of locally-incorporated banks by RBNZ, including BNZ.
Customer deposits	Interest bearing, non-interest bearing and term deposits (including retail and corporate deposits).
Customer Funding Index (CFI)	Customer deposits (excluding certain short dated institutional deposits used to fund liquid assets) divided by core assets.
Customer risk management	Activities to assist customers to manage their financial risks (predominantly foreign exchange and interest rate risks).
Discontinued operations	Discontinued operations are a component of the Group that either has been disposed of, or is classified as held for sale, and represents a separate major line of business or geographical area of operations, which is part of a single co-ordinated plan for disposal.
Distributions	Payments to holders of other equity instrument issues such as National Income Securities, Trust Preferred Securities, Trust Preferred Securities II and National Capital Instruments.
Dividend payout ratio	Dividends paid on ordinary shares divided by cash earnings per share.
Earnings per share	Basic and diluted earnings per share calculated in accordance with the requirements of AASB 133 'Earnings per Share'.
Effective tax rate	Income tax expense divided by profit before income tax expense.
Fair value	The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at measurement date.
Fair value and hedge ineffectiveness	Represents volatility attributable to the Group's application of the fair value option, ineffectiveness from designated accounting and economic hedge relationships and economic hedges of significant approved funding activities where hedge accounting has not been applied.
Full-time equivalent employees (FTEs)	Includes all full-time staff, part-time, temporary, 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.
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

Terms	Description
	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.
GST	Australian Goods and Services Tax (GST) is a value added tax of 10% on most goods and services sales.
Group	NAB and its controlled entities.
Great Western Bank (GWB)	Great Western Bancorp, Inc.
Housing lending	Mortgages secured by residential properties as collateral.
IFRS	International Financial Reporting Standards.
Impaired assets	Consist of: - Retail loans (excluding unsecured portfolio managed facilities) which are contractually past due 90 days with security insufficient to cover principal and arrears of interest revenue - Non-retail loans which are contractually past due and there is sufficient doubt about the ultimate collectability of principal and interest, and - Impaired off-balance sheet credit exposures where current circumstances indicate that losses may be incurred. Unsecured portfolio managed facilities are also classified as impaired assets when they become 180 days past due (if not written off).
Insurance	Includes the provision of personal and group insurance by NAB Wealth.
Investment earnings on Retained Earnings (IoRE)	Investment earnings (gross of tax) on shareholders' retained earnings, comprising investment earnings on surplus assets which are held in the statutory funds to meet capital adequacy requirements under the Life Insurance Act 1995 (Cth).
IRB approach	The internal ratings based (IRB) approach refers to the processes employed by the Group to estimate credit risk. This is achieved through the use of internally developed models to assess the potential credit losses using the outputs from the probability of default, loss given default and exposure at default models.
'Jaws'	The difference between the percentage growth in revenue on the preceding period and the percentage growth in the expenses on the preceding period, calculated on a cash earnings basis.
Life insurance economic assumption variation	The net impact on statutory profit of the change in value of life insurance policy liabilities (net of reinsurance) and investments relating to life insurance business due to changes in economic assumptions (inflation and the risk free discount rate).
Lifetime expected credit losses (ECL)	The expected credit losses that result from all possible default events over the expected life of a financial instrument.
Liquidity Coverage Ratio (LCR)	LCR measures the amount of high quality liquid assets held that can be converted to cash easily and immediately in private markets, to total net cash flows required to meet the Group's liquidity needs for a 30 day calendar liquidity stress scenario.
Marketable debt securities	Comprises trading securities, debt instruments at fair value through other comprehensive income and other debt instruments at amortised cost (classified in comparative periods as investments - available for sale and investments - held to maturity respectively).
NAB	National Australia Bank Limited ABN 12 004 044 937.
NAB UK Commercial Real Estate (NAB UK CRE)	NAB UK CRE was created on 5 October 2012 following the transfer of certain commercial real estate loan assets from Clydesdale Bank to NAB. These loan assets are managed by the NAB London Branch.
NAB risk management	Management of interest rate risk in the banking book, wholesale funding and liquidity requirements and trading market risk to support the Group’s franchises.
Net interest margin (NIM)	Net interest income as a percentage of average interest earning assets.
Net profit attributable to non controlling interest	Reflects the allocation of profit to non controlling interests in the Group.
Net profit attributable to owners of NAB	Represents the Group’s statutory profit / (loss) after tax and reflects the amount of net profit / (loss) that is attributable to owners.
Other banking products	Personal lending, credit cards (consumer and commercial), investment securities and margin lending.
PRA	United Kingdom Prudential Regulation Authority.
RBA	Reserve Bank of Australia.
RBNZ	Reserve Bank of New Zealand.
Risk-weighted assets (RWA)	A quantitative measure of the Group’s risk, required by the APRA risk-based capital adequacy framework, covering credit risk for on- and off-balance sheet exposures, market risk, operational risk and interest rate risk in the banking book.
Securitisation	Structured finance technique which involves pooling, packaging cash-flows and converting financial assets into securities that can be sold to investors.
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 it's 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 Common Equity Tier 1 (CET1) capital and instruments issued by the Group that meet the criteria for inclusion as Addition Tier 1 capital set out in APS111 - Capital Adequacy: Measurement of Capital.
Tier 2 Notes	Tier 2 capital notes issued by CYBG.
Total capital ratio	Total capital ratio is the sum of Tier 1 capital and Tier 2 capital, as defined by APRA, divided by risk-weighted assets.
Treasury shares	Shares in the NAB held by the Group’s life insurance business and in trust by a controlled entity of the Group to meet the requirements of employee incentive schemes. The unrealised mark-to-market movements arising from changes in the share price, dividend income and realised profit and losses arising from the sale of shares held by the Group’s life insurance business are eliminated for statutory reporting purposes.
Weighted average number of ordinary shares	Calculated in accordance with the requirements of AASB 133 'Earnings per Share'.