2009
Half Year Results

Incorporating the requirements of Appendix 4D

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

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

This half year consolidated report is to be read in conjunction with the annual financial report 2008.

National Australia Bank

nab Clydesdale Bank Yorkshire Bank bnz Great Western Bank MLC

Results for announcement to the market

Report for the six months ended 31 March 2009

				31 March 2009 $m
Revenue from ordinary activities [1]	up	15.1% *	to	9,607
Profit after tax from ordinary activities attributable to members of the Company	down	0.9% *	to	2,664
Net profit attributable to members of the Company	down	0.9% *	to	2,664

* *On previous corresponding period (six months ended 31 March 2008).*

[1] *Reported as the sum of the following items from the Group's consolidated income statement: Net interest income, Premium and life related revenue, Fee income and Total other income. On a cash earnings basis revenue increased by 11.5%.*

Dividends	Amount per share cents	Franked amount per share %
Interim dividend	73	100
Record date for determining entitlements to the interim dividend		11 June 2009

Highlights [2]

Group cash earnings	down	9.4%	Cash earnings from ongoing operations of $2,027 million for the March 2009 half decreased by $202 million or 9.4% on the March 2008 half. Underlying profit increased by $703 million or 17.4%. This reflects good revenue growth from the Australian banking business and a strong performance by nabCapital Global Markets. A disciplined approach to cost management has been maintained but cash earnings have been reduced by a higher bad and doubtful debts charge from a weakening in the credit environment.
Cash return on equity (ROE)	down to	12.7%	Cash ROE decreased by 410 basis points.
Diluted cash earnings per share	down to	107.4 cents	Diluted cash earnings per share decreased by 21.7%.
Banking cost to income ratio	down	360 bps	The Group's banking cost to income ratio declined by 360 basis points for the half to 43.4% and represents continued progress in improving business processes, reducing costs and increasing productivity and efficiency.
Tier 1 capital ratio	up	141 bps	The Tier 1 capital ratio has increased to 8.31%. It remains above the Group's target.
Full time equivalent employees	down	271	Full time equivalent employees decreased to 39,150 reflecting the effects of ongoing improvement in business processes, partly offset by continued investment in frontline staff to support business growth.

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

A Glossary of Terms is included in Section 7.

A reference in this Appendix 4D to the 'Group' is a reference to the Company and its controlled entities. All currency amounts are expressed in Australian dollars unless otherwise stated. References in this document to the March 2009 half year are references to the six months ended 31 March 2009. Other six month periods are referred to in a corresponding manner. National Australia Bank Limited's half year consolidated financial report and directors report, prepared in accordance with the *Corporations Act* 2001 (Cth), is located in Section 5.

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National Australia Bank

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National Australia Bank Limited
ABN 12 004 044 937

800 Bourke Street
Docklands Victoria 3008
AUSTRALIA

www.nabgroup.com

ASX Announcement

Tuesday, 28 April 2009

NAB reports 9.4% fall in cash earnings

Key Points[1]

- Cash earnings fell by 9.4% to $2.0 billion reflecting tough market conditions, which further deteriorated during the half year to March 2009. The fall in cash earnings was largely due to increased charges for bad and doubtful debts and higher funding costs. Statutory profit decreased marginally to $2.7 billion.
- Group revenue increased by 11.5% to $8.5 billion, primarily because of the strong performance of Australia Banking and the Global Markets division of nabCapital. Australia Banking revenue benefited from increased market share in business banking and effective margin management. Revenue was weaker in the United Kingdom, due to significantly higher unrecovered funding costs, and in MLC due to weak investment markets. New Zealand Region revenue improved by 5.2%.
- Group cost growth was 2.7% on a like-for-like basis[2], excluding foreign exchange movements. (Unadjusted up 4.8% on the previous March half year.)
- Consistent with the challenging operating conditions, asset quality continued to decline with the six monthly charge for bad and doubtful debts increasing from $0.7 billion to $1.8 billion.
- Conservative funding and liquidity positions were retained. The group funding task for the full year is more than 86% complete and liquid asset holdings remain well above regulatory requirements.
- The Tier 1 capital ratio remains strong at 8.31%. The Group continues to target a strong capital position as one of its main priorities. In line with this objective, the half year dividend reinvestment plan will be partially underwritten to raise $500 million in additional capital and we remain open to opportunities to raise hybrid Tier 1 capital.
- Interim dividend has been reduced by 24.7% or 24 cents to 73 cents, fully franked.
- NAB continues to support the communities it serves. In Australia this included a leading microfinance program to support people excluded from mainstream banking, the Schools First program, nab's Indigenous Reconciliation Plan, and the response to the Victorian bushfires. In international operations, key charitable partners include Help the Hospice and the National Trust in the United Kingdom, the BNZ Save the Kiwi Trust and Preventing Violence in the Home in New Zealand, Earthwatch in nabCapital and in the US Great Western Bank supports local community affordable housing projects.

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[1] March 2009 half year compared with March 2008 half year unless otherwise stated.

[2] Excludes expenses for Great Western Bank. Completion of the purchase of Great Western Bank took place in June 2008 and therefore Great Western Bank expenses were not part of the comparative March 2008 half year.

Overview

“The fall in cash earnings reflects the tough economic conditions that continued to deteriorate as the half year progressed. We continued to grow revenue while carefully managing costs, but this was offset by increased bad and doubtful debts and higher funding costs,” NAB Group Chief Executive Officer Cameron Clyne said.

“Collective provision coverage has been increased and includes an additional $86 million that has been added to the economic cycle reserve to take this amount to $300 million. The original amount of $214 million was applied in March 2008 in response to the uncertain global economic environment.

“Actions were taken to address the deterioration in asset quality. These included ongoing detailed portfolio reviews, assigning additional resources to work with customers experiencing difficulties, an intensified focus on early identification of problem loans, as well as increased resources in the collections area.

“Growth in average lending of 10.3%, despite slower system lending growth in all the markets in which we operate, shows we have continued to support our customers.

“In managing our business for the economic downturn we recognised customers, employees, shareholders and the community all needed to be considered. This has been a challenging task as their interests are often divergent.

“Our approach has been to be upfront and open with the reasons for our decisions and focus on what we can control, namely the strategic objectives I outlined last month of keeping the bank stable and secure, controlling costs and investing in leadership, reputation and culture.

Capital and Funding

“To create the basis for improved total shareholder return, maximise opportunities for our employees and support our customers, we continued to look after the foundations of the business. The first priority was to maintain a strong capital and funding position, although this comes with a short term cost to earnings and to dividend. While conditions remain challenging, we will continue to focus on capital as a priority.

Cost Control

“Good cost control is now a consistent feature of our business with Group expenses up by 2.7% on a like-for-like basis, excluding foreign exchange movements.

Investment in our people; focusing on Australian franchise

“We have continued to invest in all our businesses with a particular focus on the opportunities in our key Australian franchise, where investment spend was more than $143 million for the half year. The new business structure[3] and executive team is focused on bringing the Group through the current challenging trading conditions in a strong position to benefit once the operating environment improves,” Mr Clyne said.

Business Commentary

Australia

Cash earnings before IoRE[4] were up 1.9% to $1.6 billion. The Australian region grew total revenue by 9.6% with both business and retail banking recording double digit revenue growth although this was partially offset by lower wealth management revenue due to weak investment markets.

Costs were carefully managed. The Efficiency, Quality & Service program is now in its fourth year and cumulative savings are now nearly $700 million. The charge for bad and doubtful debts increased from $301 million to $633 million.

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[3] The new business structure commenced on March 12, details are available on www.nabgroup.com. Financial reporting on the basis of the new business structure will commence for the 2010 financial year.

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

Investment spend included $128 million dedicated to improved infrastructure, such as the new deposit platform for the direct banking channel UBank and efficiency and sustainable revenue improvement programs such as card swipe identity in branches and improved internet banking systems. The balance of investment spend was in compliance areas.

Banking

Australia Banking cash earnings increased by 7.5% to $1.5 billion compared with the March 2008 half year. Business & Private Banking and Retail Banking both contributed. Business & Private Banking was up 7.1% to $1.0 billion and Retail Banking was up 8.6% to $0.5 billion.

Revenue was 13.9% higher at $4.4 billion while expenses increased by 4.4% to $1.7 billion.

Continued cost control resulted in the cost to income ratio falling from 42.6% in March 2008 to 39.0% in March 2009. Average lending volumes increased by 9.5% to $270 billion and retail deposits rose by 17.3% to $123 billion.

In the Business Bank, investment spend included the recruitment of 80 additional business bankers, while in Retail Banking eight new branches were opened during the half, a new store format nabKiosk was launched and 18 branches were refurbished.

MLC

Substantially weaker investment markets were the main factor in the 28.2% decline in cash earnings to $158 million before IoRE. Net income fell by 16.6% to $539 million. MLC has maintained a strong focus on operating expenses, which were 2.1% lower at $330 million.

Cash earnings before IoRE for MLC Investments declined by 45.6% to $68 million. Net income of MLC Investments decreased by 21.4% to $335 million due to lower management fees as a result of the 22% fall in funds under management and lower revenue from advice due to weak market conditions.

MLC Insurance experienced strong sales, with annual inforce premiums up 10.8%, but cash earnings before IoRE declined by 5.3% principally due to the prior period mark-to-market gains on assets backing the Insurance portfolio which reversed in the current half. Net income was down 7.3% to $204 million.

Investment spend was focused on the MLC MasterKey product range which is now available online, with more than 45% of applications currently received electronically, improving the speed and consistency of customer service.

United Kingdom

Average lending volumes increased by 9.5% and retail deposits rose by 14.9%, demonstrating solid underlying business momentum and the strength of both the Clydesdale and Yorkshire brands. Investment spend was maintained during the half and included a new business customer internet bank channel for both Clydesdale and Yorkshire customers.

Revenue fell by 8.0% to £563 million. Costs were carefully managed and declined by 9.2% to £325 million, marking the seventh consecutive half year of flat or falling costs. The charge for bad and doubtful debts increased from £60 million to £168 million.

Cash earnings were down 64% to £50 million, reflecting lower income as a result of unrecovered higher funding costs and higher charges to provide for bad and doubtful debts, partially offset by good cost control. Underlying profit[5] was down 6.3% to £238 million, a creditable performance compared to peers in particularly difficult market conditions.

New Zealand

Cash earnings were down 4.6% to NZ$228 million reflecting higher charges to provide for bad and doubtful debts and higher funding costs.

Revenue rose by 5.2% to NZ$755 million, while costs fell by 1.5% to NZ$338 million. This was the eighth consecutive half year of flat or falling costs.

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[5] Underling profit is net operating income less operating expenses. This is before the charge for bad and doubtful debts and income tax expense.

The launch of the Group best practice iFS business model, BNZ Partners, delivered strong growth in business opportunities over the half. Average lending volumes increased by 14.3% and retail deposits rose by 6.3%. The charge for bad and doubtful debts increased from NZ$30 million to NZ$96 million.

The NZ Region continued to focus on three strategic themes of simplification, developing and maintaining a constructive culture, and new revenue initiatives.

nabCapital[6]

Cash earnings declined by 7.5% due to increased charges for bad and doubtful debts.

Revenue was 30.2% higher at $1.5 billion, due mainly to an outstanding performance by the Global Markets division and assisted by repricing of lending to reflect risk in a deteriorating environment. Costs increased by 10.0%. (Costs excluding foreign exchange movements, the consolidation of conduits, and some structured property funds rose by 4.6%.) The charge for bad and doubtful debts increased from $265 million to $628 million.

The performance of the Global Markets division reflected strong sales from higher client demand and transaction flow, improved margins and increased trading activity.

Great Western Bank[7]

Great Western Bank recorded cash earnings of US$27 million in the half year to March compared to US$18 million for the four months under NAB's ownership in the September 2008 half year.

Revenue increased from US$56 million to US$86 million while operating expenses rose from US$27 million to US$41 million. The charge for bad and doubtful debts increased from US$1 million to US$5 million.

Key developments during the half included the rollout of seven agri and SME centres with a team of 15 experienced bankers and the acquisition of the 20 branch distribution network in Colorado.

Balance Sheet Commentary

Capital

At 31 March 2009 the Group's Tier 1 capital ratio was 8.31%.

The increase in the Tier 1 ratio from 7.35% at 30 September 2008 is primarily due to the equity placement in November 2008.

The Group continues to target a strong capital position as one of its main priorities. The partial underwriting of the dividend reinvestment plan to raise an additional $500 million of Tier 1 capital supports this objective.

Supporting customers' need for finance and the worsening outlook for bad and doubtful debts both have potential to reduce our Tier 1 ratio over time. While conditions remain difficult to predict, continuing to seek opportunities to maintain and selectively build capital will remain a priority.

Later in the cycle when conditions become more predictable, it will be likely that the Group's Tier 1 can trend down to lower levels.

[6] As announced on 12 March 2009, nabCapital has been restructured and is known as Wholesale Banking, which incorporates product areas such as Global Markets, Treasury Services, Asset Servicing (formerly Custody) and Specialised Finance. Corporate Lending will be merged with the regional business banks. Non-customer franchise related assets (for example ABS CDOs) will be segregated and managed down in an orderly manner. These changes will be reflected in the financial reporting for the 2010 financial year.

[7] Please note that for comparative purposes Great Western Bank was acquired in June 2008 and therefore only owned by NAB for four months of the September 2008 half year.

Bad and Doubtful Debts Provisions

Collective provisions[8] increased by $1.2 billion to $3.6 billion compared with March 2008. The ratio of collective provisions to risk-weighted assets excluding housing increased from 0.89% to 1.38%.

The main influences were downgrades in customer credit ratings across all businesses and precautionary management overlays related to the economic cycle, and to conduit assets and derivatives transactions to reflect the uncertainty created by the rapidly deteriorating economic conditions and any consequent default.

Specific Provision balances have increased by $0.8 billion to $1.3 billion since March 2008. Total provisions balances as at 31 March 2009 increased to $4.9 billion.

Funding and liquidity

The Group raised $16.5 billion in term wholesale funding in the March half year, representing more than 86% of its 2009 full-year requirement of $19 billion. The majority of this has been raised utilising the Australian Government Guarantee. The weighted average term to maturity of the funds raised is 3.71 years.

The Group continues to maintain a conservative liquidity position with total liquid assets of $67.5 billion as at 31 March. Additional liquidity is also available through internal securitisation of loan portfolios across the Group, which can be used to access central bank funding as required.

For further information:

Media
George Wright
M: +61 (0) 419 556 616

Investor Relations

Nehemiah Richardson
M: +61 (0) 427 513 233

Wendy Carter
M: +61 (0) 488 318 952

Lyndal Kennedy
M: +61 (0) 400 983 038

Karen Cush
M: +61 (0) 404 881 517

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

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Section 2

Highlights

Group Performance

Cameron Clyne

Strategic Highlights & Business Developments

On 12 March 2009, the Group announced a new strategic agenda and organisational structure. The primary focus of the strategy is to improve Total Shareholder Return (TSR). Key priorities underpinning this agenda are:

- Maintaining a sound position on capital and funding.
- Continued careful management of costs and convergence of operations around best practice.
- Investment in the Group's people, culture and reputation.
- Focusing on the strong Australian customer franchise whilst maintaining value and options for longer term growth internationally, and restructuring nabCapital.

The new, flatter organisational structure (illustrated on page 32) will enable greater transparency of the Group's key businesses and priorities. It brings together a diverse, experienced management team and increases the focus on customer and relationship banking. While this structure was effective from 12 March 2009, the Group will commence reporting under the revised structure from 1 October 2009.

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

- **Keeping the bank safe.**
  - The Group's capital and balance sheet continued to be conservatively managed. Three billion dollars in Tier 1 capital was successfully raised in November 2008.
  - The Group's Tier 1 capital ratio of 8.31% is consistent with its desire to maintain a strong capital base during the current market dislocation. The interim dividend has been reduced by 25% in order to preserve capital in the near term.
  - On a year-to-date basis the Group has raised $16.5 billion of term wholesale funding, representing more than 86% of its full year funding requirement. The majority of this funding has been raised utilising the Australian Government Guarantee. The weighted average term to maturity of the funds raised is 3.71 years.
  - The Group held $67.5 billion of liquid assets at 31 March 2009, a similar level to that held at 30 September 2008. The liquidity position is significantly in excess of regulatory requirements. In addition, a strong deposit performance and solid progress on term funding has increased the Group's Stable Funding Index (SFI) to 76% at 31 March 2009, up from 72% at 30 September 2008.
- **Tight management of costs.**
  - The Group remains focused on cost management and increasing efficiencies across each of its businesses. Strong cost momentum has been maintained, with cost growth remaining within inflation when the expenses of Great Western Bank are excluded as there are no costs in the comparative period.
  - The efficiency, quality and service agenda has been accelerated given market conditions. Costs associated with this agenda are incremental to the underlying cost performance of the businesses. These will be reported separately, with associated benefits, as they arise and will not be reported as part of operating expenses.
  - The Next Generation platform activities have progressed and a service company is being established to share practices, processes and standards across the Group and achieve economies of scale and scope.
- **Investing in leadership and culture.**
  - The Group has established a Senior Leaders Program to further enhance the development of its enterprise leaders and capabilities. The Group also continued to invest in nabAcademy.
  - Investment in industry issues, such as fee for advice products, has continued. Community programs, such as micro finance loans and Schools First, have continued to be developed, and new programs including the Group's Reconciliation Action Plan with Indigenous Australians, introduced.
  - The new organisational structure will focus on a common purpose, and promote stronger motivation and alignment of employees focus.

Financial Highlights

The Group has generated cash earnings of $2,027 million for the March 2009 half year, a decrease of 9.4% over the March 2008 half year. Underlying business performance remains sound, with underlying profit up 17.4% to $4,744 million.

Revenue increased 11.5% when compared to the March 2008 half year (up 11.0% excluding exchange rate variances). Group revenue growth was strong despite rapidly emerging weakness across the relevant economies. Australia Banking and nabCapital Global Markets Division were particular areas of strength. Australia Banking achieved robust business lending growth and effective margin management. nabCapital Global Markets Division benefited from market volatility with increased cross-sell to business customers, improved margins and a strong trading performance. This has been partially offset by lower revenues in the UK Region, where significantly higher funding costs could not be fully passed on to customers, and in MLC through the impact of declining investment markets on funds under management.

While system lending growth has slowed in all markets, the Group has achieved satisfactory growth in lending volumes, with average lending volumes growing by 10.3% since March 2008 to $389.3 billion. Average retail deposit growth has been solid in a competitive market, up 18.7%.

Operating expenses have increased 4.8% (up 4.0% excluding foreign exchange) from March 2008. Excluding Great Western Bank (GWB), for which there were no expenses in the March 2008 half year, expenses are up $110 million or 3.1% (2.7% excluding foreign exchange). All regions have again demonstrated their capability in sustainable underlying cost management. The Group estimates that cost growth for the full year will remain within inflation.

Deterioration in economic conditions has led to a decline in asset quality across all businesses, as would be expected in the current environment:

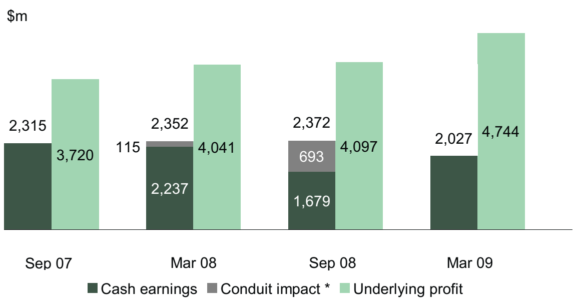
- Gross impaired assets to Gross loans and acceptances has weakened 40 basis points from 0.49% at 30 September 2008 to 0.89% at 31 March 2009.
- The Group charge to provide for bad and doubtful debts for the March 2009 half year was $1,811 million. The specific provision charge was $1,205 million, of which almost a third relates to a small number of corporate impairments. The remainder of the specific charge is mainly from a number of small provisions, mostly within the corporate and business portfolios. The collective provision charge was $606 million, reflecting a decline in customer credit ratings across all businesses. Included within this amount is $86 million, which has been added to the Group's economic cycle reserve to further strengthen the Group's balance sheet against the continuing deterioration in global economies. The Group's collective provision to credit risk-weighted assets (ex. housing) coverage ratio is now 1.38%. The Group has continued to closely monitor it's lending portfolio and is satisfied that provisioning levels reflect the quality of the assets held.

Shareholder Returns

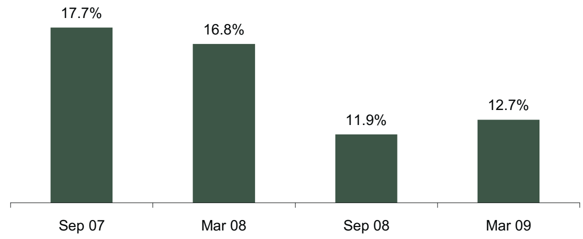
The Group's return on equity has declined by 410 basis points to 12.7% for the half year when compared to the March 2008 half year, reflecting lower earnings and the higher levels of capital held. The interim dividend for the year is 73 cents per share, down 24 cents on the March 2008 interim dividend. This represents a dividend payout ratio of 67.4% for the half year on a cash earnings basis. The dividend payment is 100% franked, and will be paid on 9 July 2009. Shares will be quoted ex-dividend on 4 June 2009.

Key Performance Measures (1)

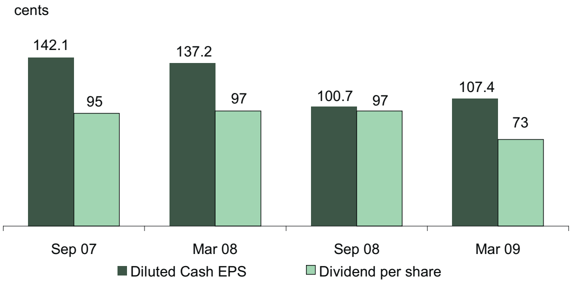
Cash Earnings and Underlying Profit



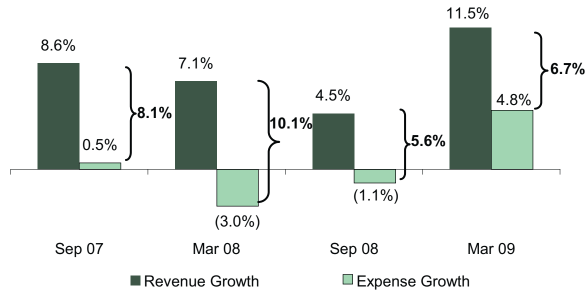
Cash Return on Equity (ROE)



Diluted Cash EPS and Dividend per Share



Half Yearly Revenue - Expense Differential (2)



Group Performance Indicators (1)

	Half Year to		
	Mar 09	**Sep 08**	**Mar 08**
Key Indicators			
Cash earnings per share (cents)			
- basic	**108.3**	101.1	137.6
- diluted	**107.4**	100.7	137.2
Cash return on equity (ROE)	**12.7%**	11.9%	16.8%
Profitability, performance and efficiency measures			
Dividend per share (cents)	**73**	97	97
Dividend payout ratio	**67.4%**	95.9%	70.5%
Cash earnings on average assets	**0.57%**	0.54%	0.75%
Cash earnings per average FTE ($'000)	**103**	84	114
Banking cost to income ratio	**43.4%**	46.7%	47.0%
Net interest margin:			
- Australia Banking	**2.53%**	2.49%	2.36%
- UK Region	**2.14%**	2.59%	2.66%
- NZ Region	**2.23%**	2.35%	2.49%
Capital			**Pro forma**
Tier 1 ratio	**8.31%**	7.35%	6.90%
Total capital ratio	**12.19%**	10.93%	10.27%
Risk weighted assets (4) ($bn)	**352.4**	343.5	336.4
Volumes ($bn)			
Gross loans and acceptances (3) (4)	**443.7**	438.3	414.0
Average interest earning assets	**570.0**	518.1	495.0
Total average assets	**716.9**	617.8	598.8
Asset quality			
Gross impaired assets to gross loans and acceptances	**0.89%**	0.49%	0.36%
Collective provision to credit risk-weighted assets (ex. housing)	**1.38%**	1.07%	0.89%
Specific provision to gross impaired assets	**33.5%**	30.0%	35.8%
Other			
Funds under management and administration (5) ($bn)	**74.2**	86.2	93.0
Annual inforce premiums ($m)	**910.2**	859.3	821.7
Full Time Equivalent Employees (no.)	**39,150**	39,729	39,421

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

Group Results

	Half Year to				
	Mar 09 $m	Sep 08 $m	Mar 08 $m	Mar 09 v Sep 08 %	Mar 09 v Mar 08 %
Net interest income	**5,884**	5,839	5,303	0.8	11.0
Other operating income	**2,091**	1,325	1,690	57.8	23.7
MLC net operating income	**539**	611	646	(11.8)	(16.6)
Net operating income	**8,514**	7,775	7,639	9.5	11.5
Operating expenses	**(3,770)**	(3,678)	(3,598)	(2.5)	(4.8)
Underlying profit	**4,744**	4,097	4,041	15.8	17.4
Charge to provide for bad and doubtful debts	**(1,811)**	(1,763)	(726)	(2.7)	large
Cash earnings before tax, IoRE and distributions	**2,933**	2,334	3,315	25.7	(11.5)
Income tax expense	**(725)**	(497)	(911)	(45.9)	20.4
Cash earnings before IoRE and distributions	**2,208**	1,837	2,404	20.2	(8.2)
Net profit - minority interest	**(11)**	2	(1)	large	large
IoRE	**(26)**	(5)	(9)	large	large
Distributions	**(144)**	(155)	(157)	7.1	8.3
Cash earnings [1] - ongoing operations	**2,027**	1,679	2,237	20.7	(9.4)
Disposed operations	**-**	1	2	large	large
Cash earnings [1]	**2,027**	1,680	2,239	20.7	(9.5)
Non-cash earnings items	**637**	169	448	large	42.2
Net profit attributable to members of the company	**2,664**	1,849	2,687	44.1	(0.9)

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

Group Balance Sheet Key Items

	As at				
	31 Mar 09 $m	30 Sep 08 $m	31 Mar 08 $m	Mar 09 v Sep 08 %	Mar 09 v Mar 08 %
Assets					
Cash and liquid assets	**18,287**	18,209	12,256	0.4	49.2
Due from other banks	**30,663**	46,996	39,163	(34.8)	(21.7)
Marketable debt securities	**53,188**	39,463	40,025	34.8	32.9
Loans and advances at fair value	**28,961**	25,732	22,126	12.5	30.9
Other assets at fair value	**2,890**	4,868	5,178	(40.6)	(44.2)
Other financial assets at fair value	**31,851**	30,600	27,304	4.1	16.7
Loans and advances including acceptances	**407,785**	406,456	386,575	0.3	5.5
Investments relating to life insurance business	**44,057**	52,896	57,346	(16.7)	(23.2)
Other assets	**90,170**	62,179	49,344	45.0	82.7
Total assets	**676,001**	656,799	612,013	2.9	10.5
Liabilities					
Due to other banks	**45,879**	52,423	50,557	(12.5)	(9.3)
Deposits at fair value	**12,895**	14,485	16,123	(11.0)	(20.0)
Other liabilities at fair value	**10,069**	9,099	7,385	10.7	36.3
Other financial liabilities at fair value	**22,964**	23,584	23,508	(2.6)	(2.3)
Deposits and other borrowings	**327,759**	327,466	286,223	0.1	14.5
Liability on acceptances	**17,959**	16,075	21,489	11.7	(16.4)
Bonds, notes and subordinated debt	**108,020**	98,239	92,402	10.0	16.9
Other liabilities	**117,019**	106,166	107,029	10.2	9.3
Total liabilities	**639,600**	623,953	581,208	2.5	10.0

Regional Performance

Regional Results

	Half Year to				
	Mar 09 $m	Sep 08 $m	Mar 08 $m	Mar 09 v Sep 08 %	Mar 09 v Mar 08 %
Australia Banking	**1,470**	1,561	1,367	(5.8)	7.5
MLC	**158**	188	220	(16.0)	(28.2)
Other (incl. Asia)	**(13)**	(6)	(2)	large	large
Australia Region	**1,615**	1,743	1,585	(7.3)	1.9
UK Region	**112**	231	311	(51.5)	(64.0)
NZ Region	**189**	197	207	(4.1)	(8.7)
nabCapital	**345**	(417)	373	large	(7.5)
Central Functions	**(64)**	85	(73)	large	12.3
IoRE	**(26)**	(5)	(9)	large	large
Distributions	**(144)**	(155)	(157)	7.1	8.3
Cash earnings - ongoing operations	**2,027**	1,679	2,237	20.7	(9.4)
Disposed operations	**-**	1	2	large	large
Cash earnings	**2,027**	1,680	2,239	20.7	(9.5)
Non-cash earnings items	**637**	169	448	large	42.2
Net profit attributable to members of the company	**2,664**	1,849	2,687	44.1	(0.9)

Regional Performance Indicators

	Half Year to				
	Mar 09	Sep 08	Mar 08	Mar 09 v Sep 08	Mar 09 v Mar 08
Australia Banking					
Cash earnings ($m)	**1,470**	1,561	1,367	(5.8%)	7.5%
Cash earnings on average assets	**0.99%**	1.14%	1.08%	(15 bps)	(9 bps)
Net interest margin	**2.53%**	2.49%	2.36%	4 bps	17 bps
Net operating income ($m)	**4,436**	4,206	3,894	5.5%	13.9%
Cost to income ratio	**39.0%**	40.6%	42.6%	160 bps	360 bps
MLC					
Cash earnings before IoRE ($m)	**158**	188	220	(16.0%)	(28.2%)
Investment cost to average FUM	**65 bps**	58 bps	52 bps	(7 bps)	(13 bps)
Insurance cost to average inforce premium	**21%**	20%	21%	(100 bps)	-
UK Region (£)					
Cash earnings (£m)	**50**	110	139	(54.5%)	(64.0%)
Cash earnings on average assets	**0.24%**	0.59%	0.79%	(35 bps)	(55 bps)
Net interest margin	**2.14%**	2.59%	2.66%	(45 bps)	(52 bps)
Net operating income (£m)	**563**	623	612	(9.6%)	(8.0%)
Cost to income ratio	**57.7%**	57.6%	58.3%	(10 bps)	60 bps
NZ Region (NZD)					
Cash earnings ($NZm)	**228**	243	239	(6.2%)	(4.6%)
Cash earnings on average assets	**0.91%**	1.02%	1.08%	(11 bps)	(17 bps)
Net interest margin	**2.23%**	2.35%	2.49%	(12 bps)	(26 bps)
Net operating income ($NZm)	**755**	736	718	2.6%	5.2%
Cost to income ratio	**44.7%**	47.3%	47.8%	260 bps	310 bps
nabCapital					
Cash earnings ($m)	**345**	(417)	373	large	(7.5%)
Net operating income ($m)	**1,487**	984	1,142	51.1%	30.2%
Cost to income ratio	**30.4%**	41.3%	36.0%	1090 bps	560 bps

Section 3

Review of Operating Environment, Group Operations and Results

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Review of Group Operating Environment

The business environment has clearly deteriorated sharply since last September as a loss of confidence in some US financial institutions spread across global financial markets and then into aggregate economic activity. As a result, the global economy has fallen into the worst recession since the 1930s, with output expected to decline in 2009 for the first time since the Second World War. The loss in output from deep recessions in North America, Western Europe and Japan outweighs continued, albeit much slower, growth in China and India.

The unusually synchronised nature of the downturn has exacerbated the situation, as it makes it impossible for any economy or region to export its way out of domestic weakness. Vulnerabilities have been exposed in both of the main models of recent economic growth. Both the highly leveraged economies, reliant on domestic demand for their growth, as well as such export driven economies as Japan and Germany have entered recession. The main sources of global growth now lie in large emerging markets like Brazil, China and India with big internal markets and some ability to shield activity from the worst of the downturn. Even then, growth is slowing sharply in these economies.

The outcome of this severe and widespread downturn in activity is that geographic diversification has not offered international businesses much ability to side-step tougher trading conditions in particular markets. Consequently, the Group has faced more difficult operating conditions in each of its main market areas with recessions across New Zealand, the UK and the US, while the Australian economy seems likely to enter recession as well.

Fortunately, Australia and New Zealand began this difficult period far better placed to implement stimulatory economic policies than many other economies. Interest rates in both economies were high prior to the downturn, allowing the authorities to give a considerable stimulus to activity by lowering them. Moreover, because the banking sectors are sounder than in most other economies, these reductions in official cash rates have flowed into lower retail rates, cutting household debt servicing ratios, adding to disposable income and supporting housing demand.

Similarly, the budget and debt positions of governments in both Australia and New Zealand were very good by international standards, allowing them to use counter-cyclical fiscal policy to support demand. Finally, the declines in the Australian and New Zealand dollars are supporting incomes and economic activity, particularly in the export sectors where commodity prices have fallen sharply. This combination of much lower interest rates, shifting budget balances and currency depreciation is already cushioning activity as the downturn continues, and it will contribute to eventual economic recovery.

A similar economic situation and policy response is evident in the UK. Interest rates have been cut to a record low, quantitative easing has been adopted to supplement near-zero official rates, fiscal policy is being used to stabilise demand, and Sterling depreciation will help exporters and import-replacing industries. These official rate reductions have already resulted in a large decline in retail mortgage rates, helping household sector incomes. Government spending measures and tax cuts are also supporting activity, with retail sales faring better than expected.

Nevertheless, the business environment is unlikely to improve significantly in the near term as global economic activity is unlikely to recover quickly from the current recession. Firstly, it will take time to rebuild confidence in the financial systems of some big economies. Secondly, the normal processes of economic contraction seen in all recessions have now started around the world and it takes time for these spirals of job loss, lower incomes, weaker spending and falling output to flatten out. Thirdly, although several governments have announced important steps to support and stimulate activity in their economies, there is still concern that more needs to be done to boost demand, particularly by those economies that pursued “export driven” economic models.

Finally, the structural changes will need to be implemented to overcome the weaknesses in the demand and export-driven growth models that underpinned global growth prior to the recession and these changes will promote sustained economic growth. However, these are likely to lead to slower growth across the leveraged demand-driven economies which will rely less on spending, asset prices and credit to drive growth in the new economic environment. These factors will combine to produce a lack-lustre upturn in global growth through 2010, with no V-shaped recovery from the trough expected in late 2009.

Although greater uncertainty and reduced business “visibility” is one of the main features of the current environment, it does seem likely that the changed economic environment could have a lasting impact on many important business drivers. Credit growth seems likely to be much more restrained. Even after the period of de-leveraging is over, the pattern of growth across key markets is likely to be much less credit intensive. Funding patterns will also change, as households rely more heavily on savings out of income rather than capital gains to meet wealth targets, which should support growth in retail funding. 2007 marked the end of a period of exceptional economic growth with particularly low bad debt ratios. Asset quality usually suffers in recessions and the steep decline in collateral values in several markets will also have an impact on loss given default rates. Even after growth resumes, economic conditions are unlikely to be as favourable as they were prior to 2007 and that will have implications for credit quality. System loan pricing that allows for a fuller acknowledgement of these risks also seems likely to persist with no reversion to the unduly thin margins seen before the onset of the financial crisis.

Review of Group Operations and Results

Mark Joiner

Group Results

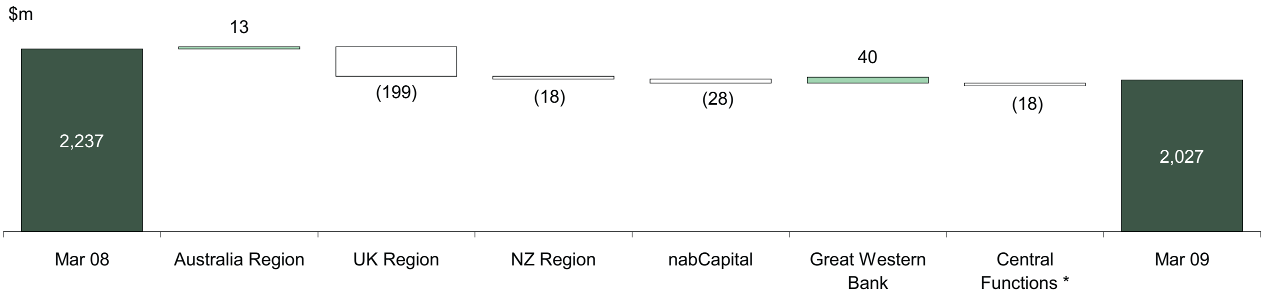
In a challenging operating environment the Group's cash earnings decreased by 9.4% (8.9% excluding the impact of foreign exchange) over the March 2008 half year.

The Group achieved solid underlying profit growth of 17.4% when compared to the March 2008 half year. This is the result of growth in business and corporate lending, prudent use of capital, strong revenue growth in nabCapital Global Markets, careful margin management, and the achievement of further operational efficiencies. Net operating income increased by 11.5% (up 11.0% excluding foreign exchange) over the March 2008 half year result. Operating expenses increased by 4.8% (up 4.0% excluding foreign exchange) in comparison with the March 2008 half year. Excluding Great Western Bank (GWB), for which there were no expenses in the March 2008 half year, expenses are up $110 million or 3.1% (2.7% excluding foreign exchange) as the Group continued to invest in its franchises. This has had a positive impact on the banking cost to income ratio, which was 43.4% for the half year to March 2009, 360 basis points lower than the comparative period.

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

	Half Year to				
	Mar 09 $m	**Sep 08 $m**	**Mar 08 $m**	**Mar 09 v Sep 08 %**	**Mar 09 v Mar 08 %**
Net interest income	**5,884**	5,839	5,303	0.8	11.0
Other operating income	**2,091**	1,325	1,690	57.8	23.7
MLC net operating income	**539**	611	646	(11.8)	(16.6)
Net operating income	**8,514**	7,775	7,639	9.5	11.5
Operating expenses	**(3,770)**	(3,678)	(3,598)	(2.5)	(4.8)
Underlying profit	**4,744**	4,097	4,041	15.8	17.4
Charge to provide for bad and doubtful debts	**(1,811)**	(1,763)	(726)	(2.7)	large
Cash earnings before tax, IoRE and distributions	**2,933**	2,334	3,315	25.7	(11.5)
Income tax expense	**(725)**	(497)	(911)	(45.9)	20.4
Cash earnings before IoRE and distributions	**2,208**	1,837	2,404	20.2	(8.2)
Net profit - minority interest	**(11)**	2	(1)	large	large
IoRE	**(26)**	(5)	(9)	large	large
Distributions	**(144)**	(155)	(157)	7.1	8.3
Cash earnings - ongoing operations	**2,027**	1,679	2,237	20.7	(9.4)
Disposed operations	**-**	1	2	large	large
Cash earnings	**2,027**	1,680	2,239	20.7	(9.5)
Non-cash earnings items (after tax):					
Distributions	**144**	155	157	(7.1)	(8.3)
Treasury shares	**88**	145	230	(39.3)	(61.7)
Fair value and hedge ineffectiveness	**476**	(144)	55	large	large
IoRE discount rate variation	**24**	20	5	20.0	large
Efficiency, quality and service initiatives	**(42)**	-	-	large	large
GWB Integration Costs	**(7)**	(7)	-	-	large
Provision for litigation settlement	**(46)**	-	-	large	large
Gain on Visa Initial Public Offering	**-**	-	225	-	large
Charge to provide for bad and doubtful debts					
- economic cycle adjustment	**-**	-	(150)	large	large
Provision for new business initiatives	**-**	-	(74)	large	large
Net profit attributable to members of the company	**2,664**	1,849	2,687	44.1	(0.9)

Cash earnings - ongoing operations



* *Central Functions includes distributions.*

Group Results
Financial Analysis

March 2009 v March 2008

Net interest income increased by $581 million or 11.0% when compared to the March 2008 half. This includes a decrease of $187 million from interest-spread differentials between international and Australian interest rates. As the Group economically hedges exposure to this risk, there is a corresponding favourable impact within other operating income attributable to lower hedge costs.

The underlying increase of $768 million or 15.5% reflects business lending and deposit volume growth in all regions, particularly Australia Banking, and ongoing repricing of the lending portfolios in Australia Banking, nabCapital and the UK Region to align pricing to current risk settings. nabCapital also made a strong contribution from Global Markets activity. This was offset by higher liquidity costs as the Group continued to hold additional liquidity, higher funding costs across all regions, particularly in the UK Region, and costs associated with Government Guarantee schemes in Australia, the United Kingdom and New Zealand.

Other operating income increased by $401 million or 23.7%. Excluding the effect of economically hedging the short term funding portfolio, offset within net interest income, other operating income was up $214 million or 10.4%. An exceptional performance from nabCapital's Global Markets division was partly offset by a higher counterparty credit risk charge on derivatives, a management overlay relating to conduit assets, and declining fee income across the Group from lower transaction volumes.

MLC net operating income decreased by $107 million or 16.6%. MLC continued to be affected by the downturn in the global investment market with a decrease in funds under management leading to lower management fees in the Investments business. Growth in annual inforce premiums in the Insurance business was offset by lower earnings on assets backing reserves.

Operating expenses increased by $172 million or 4.8%. Excluding Great Western Bank, expenses were up 3.1%. All regions have continued to deliver a strong cost outcome in their normal business activities.

The Group's **banking cost to income ratio** improved by 360 basis points to 43.4%, reflecting the Group's ability to grow revenue in the current environment, whilst continuing to maintain cost discipline.

The **charge to provide for bad and doubtful debts** increased by $1,085 million. This increase was driven by increased specific provisions for a number of corporate customers, and deterioration in economic conditions in all regions leading to a decline in customer credit ratings across the portfolio. An additional collective provision charge was raised to bring the economic cycle reserve to $300 million to further strengthen the Group's balance sheet.

March 2009 v September 2008

Net interest income increased by $45 million or 0.8% over the September 2008 half from repricing of the lending portfolio in Australia Banking and the UK Region, and continued momentum from business lending. This was offset by increased competition on deposit margins and higher funding costs.

Other operating income increased by $766 million or 57.8%. A strong trading and sales performance from Global Markets in nabCapital and favourable positioning by Australia Banking and nabCapital has been partially offset by reduced fee income from lower transaction volumes in all regions.

MLC net operating income decreased by $72 million or 11.8%, reflecting the impact on income of the recent market downturn on funds under management.

Operating expenses increased by $92 million or 2.5%. Salary costs increased to support business growth and project spend, and performance based compensation was higher in nabCapital from improved business performance within Global Markets. Other expenses have increased from amortisation of capitalised software and costs associated with the completion of efficiency and productivity activities in the prior half.

The Group's **banking cost to income ratio** improved by 330 basis points against the September 2008 half to 43.4%.

Excluding the impact of ABS CDOs in the September 2008 half, the **charge to provide for bad and doubtful debts** increased by $878 million as a result of specific provisions on a number of high profile corporate impairments, as well as the ongoing effects of the deterioration in economic conditions.

Impact of foreign exchange rates movements

Cash earnings decreased by $200 million or 8.9% on the March 2008 half and increased by $338 million or 20.1% on the September 2008 half, excluding the impact of foreign exchange rate movements of ($10) million and $10 million on the respective periods.

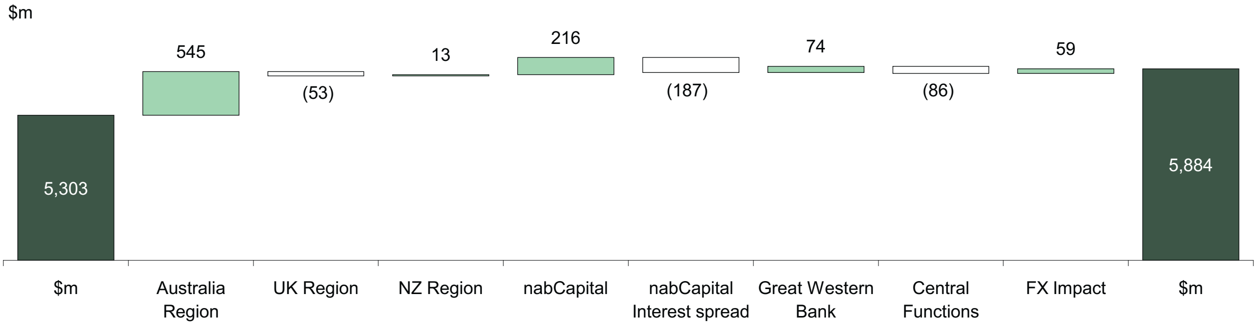
Favourable/ (unfavourable) March 09	Half year since Sep 08 $m	Mar 09 v Sep 08 Ex FX %	Half year since Mar 08 $m	Mar 09 v Mar 08 Ex FX %
Net interest income	163	(2.0)	59	9.8
Other operating income	16	56.6	(25)	25.2
MLC net operating income	-	(11.8)	-	(16.6)
Net operating income	179	7.2	34	11.0
Operating expenses	(102)	0.3	(29)	(4.0)
Charge to provide for bad and doubtful debts	(42)	(0.3)	(2)	large
Income tax expense	(6)	(44.7)	5	19.9
Other	(19)	2.5	(18)	(2.4)
Cash earnings	10	20.1	(10)	(8.9)

Net Interest Income

	Half Year to				
	Mar 09 $m	Sep 08 $m	Mar 08 $m	Mar 09 v Sep 08	Mar 09 v Mar 08
Net interest income ($m)	**5,884**	5,839	5,303	0.8%	11.0%
Average interest earning assets ($bn)	**570.0**	518.1	495.0	10.0%	15.2%
Net interest margin (%)	**2.07**	2.25	2.14	(18 bps)	(7 bps)

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

Net Interest Income - Contribution to Net Increase [1]



(1) *At constant exchange rates.*

March 2009 v March 2008

Net interest income increased by $768 million or 15.5% ($709 million or 14.3% excluding foreign exchange) excluding the effect of nabCapital economically hedging the short-term funding portfolio fully offset in other operating income. The underlying increase on the March 2008 half was due to:

- Repricing of the lending portfolios in Australia Banking, nabCapital and the UK Region, driven by strategic initiatives and the alignment of pricing to the current risk settings.
- Growth in business lending and term deposit volumes across all regions, particularly Australia.
- Global Markets activity, as a result of holding higher levels of liquidity.

The increase was partially offset by:

- Higher funding costs of $439 million across all regions, particularly in the UK Region where the 90 day rolling average three month LIBOR to base spread was 211 basis points. This increased spread resulted in higher funding costs partially recovered. The effect of higher funding costs will continue as the funding portfolio turns over and is replaced with instruments issued at higher than historical spreads over benchmark interest rates should current market conditions continue.
- A decrease in deposit margins due to competitive pressures in all regions.
- Higher liquidity costs of $118 million as the Group continued to hold additional liquidity as part of its conservative settings.
- Costs associated with Government Guarantee schemes in the United Kingdom of $27 million, New Zealand of $6 million and fees attributable to funding issued under the Australian Government guarantee of $29 million.

Average interest earning assets increased by 15.2% through growth in lending in all regions, an increase in liquid assets to support the Group's conservative approach to managing liquidity, and the acquisition of Great Western Bank.

The Group's *net interest margin* declined by 7 basis points due to higher funding and liquidity costs and competitive pressure on deposit margins, offset by favourable repricing of the lending portfolio.

March 2009 v September 2008

Net interest income increased by $45 million or 0.8% (decreased by $118 million or 2.0% excluding foreign exchange) against September 2008, driven by repricing initiatives and continued momentum from business lending, offset by higher funding and liquidity costs and increased competition on deposit margins.

The Group's *net interest margin* declined by 18 basis points due to higher funding costs of $337 million, liquidity costs of $77 million and competitive pressure on deposit margins, offset by favourable repricing of the lending portfolio.

Average Interest Earning Assets

	Half Year to				
	Mar 09 $m	Sep 08 $m	Mar 08 $m	Mar 09 v Sep 08 %	Mar 09 v Mar 08 %
Due from other banks	**47,577**	35,065	31,817	35.7	49.5
Marketable debt securities	**61,582**	50,615	52,349	21.7	17.6
Loans and advances - housing	**200,556**	194,563	188,747	3.1	6.3
Loans and advances - non-housing	**188,707**	175,726	164,056	7.4	15.0
Acceptances	**54,771**	52,764	50,964	3.8	7.5
Other interest earning assets	**16,786**	9,333	7,017	79.9	large
Group average interest earning assets	**569,979**	518,066	494,950	10.0	15.2

March 2009 v March 2008

Average interest earning assets increased by $75.0 billion or 15.2% on the March 2008 half year, reflecting:

- Growth in lending across the regions through a continued focus on key customer segments. There has been a slowing in growth as economic conditions become more difficult in key markets.
- An increase of $16.2 billion in liquidity holdings, reflecting the Group's conservative approach to managing liquidity in volatile global financial markets.
- The acquisition of Great Western Bank during the September 2008 half year. Great Western Bank contributed $5.3 billion (mostly non-housing lending and marketable debt securities) to the growth in Group assets.

Non-housing lending increased by $24.7 billion or 15.0% reflecting:

- An increase of $8.3 billion or 15.5% in Australia Banking as it maintained its leading market share in business lending through industry specialisation and the iFS (integrated Financial Solutions) model.
- An increase of $5.5 billion or 13.0% in the UK Region (12.7% excluding the impact of foreign exchange), which reflects a strategy of controlled growth in the business sector through iFS relationship banking. This has been achieved within a very difficult operating environment.
- An increase of $3.8 billion or 7.4% in nabCapital (4.1% excluding the impact of foreign exchange), reflecting origination activity in the lending businesses.
- An increase of $3.3 billion or 20.4% in the NZ Region (25.6% excluding the impact of foreign exchange), reflecting growth in agriculture and business lending.
- The acquisition of Great Western Bank during the September half year. Great Western Bank contributed $3.7 billion to the growth in non-housing lending (agriculture and business lending) for the Group.

Housing lending increased by $11.8 billion or 6.3%, reflecting growth in variable rate lending across the regions. Australian Banking increased lending by $9.0 billion or 6.3%. UK Region increased lending by $1.2 billion or 4.9% (4.5% excluding the impact of foreign exchange). NZ Region increased lending by $0.2 billion or 1.1% (5.4% excluding the impact of foreign exchange).

Growth in *Due from other banks*, *Marketable debt securities* and *Other interest earning assets* reflects the holding of additional levels of assets to support the increase in Group liquidity holdings.

Acceptances increased by $3.8 billion or 7.5% as business customers continue to favour this product.

March 2009 v September 2008

Average interest earning assets increased by $51.9 billion or 10.0% on the September 2008 half year. This includes an increase of $14.2 billion in additional liquidity holdings.

Non-housing lending increased by $13.0 billion or 7.4%, which reflects Australia Banking's strong position in business lending and the continued success of the iFS network in the UK Region, albeit within a very difficult operating environment. Continued growth within agriculture and business banking in the NZ Region also contributed to the increase.

Housing lending increased by $6.0 billion or 3.1%, primarily in Australia Banking and the UK Region. Growth has occurred within variable rate lending, as customers prefer these products in a declining interest rate environment.

Growth in *Due from other banks, Marketable debt securities* and *Other interest earning assets* is mainly due to the holding of additional levels of assets to support the increase in Group liquidity holdings.

Average Interest Bearing Liabilities

	Half Year to				
	Mar 09 $m	Sep 08 $m	Mar 08 $m	Mar 09 v Sep 08 %	Mar 09 v Mar 08 %
Term deposits and certificates of deposit [1]	**187,699**	160,973	133,973	16.6	40.1
On-demand and savings (short-term) deposits [1]	**126,978**	112,896	115,148	12.5	10.3
Due to other banks and official institutions	**63,530**	45,495	52,933	39.6	20.0
Short-term borrowings	**34,167**	36,707	34,875	(6.9)	(2.0)
Long-term borrowings	**117,030**	98,996	88,746	18.2	31.9
Liability on acceptances	**16,138**	19,004	26,518	(15.1)	(39.1)
Other interest-bearing liabilities	**1,923**	2,096	1,596	(8.3)	20.5
Total average interest bearing liabilities	**547,465**	476,167	453,789	15.0	20.6

(1) *Retail deposits are included in Term deposits and certificates of deposit and On-demand and savings (short-term) deposits.*

March 2009 v March 2008

Average interest bearing liabilities increased by $93.7 billion or 20.6% on the March 2008 half. This growth was driven by increased short-term liabilities to fund liquidity holdings and long-term borrowings to fund business growth. The acquisition of Great Western Bank during the September 2008 half year contributed $4.6 billion (mostly term deposits and on-demand and savings deposits) to the growth in Group liabilities.

Retail deposits increased by $31.0 billion or 18.7% (18.4% excluding the impact of foreign exchange), reflecting growth in term deposits in Australia Banking and the UK Region and the acquisition of Great Western Bank. Great Western Bank contributed $5.0 billion to the growth in retail deposits.

Term deposits and certificates of deposit increased by $53.7 billion or 40.1%, reflecting:

- An increase of $21.7 billion or 31.5% (28.6% excluding the impact of foreign exchange) in nabCapital resulting from an increase in certificates of deposit to fund the Group's increased holding of liquid assets in response to the financial market disruption. There were corresponding increases in marketable debt securities and due from other banks.
- An increase of $16.2 billion or 39.6% in Australia Banking, reflecting a strategic focus to increase retail deposits and customers investing in cash products in preference to alternative investments such as equities.
- An increase of $11.4 billion in the UK Region, reflecting the Region's strategy to increase retail deposits to strengthen the balance sheet structure and to fund liquidity holdings.

On-demand and savings (short-term) deposits increased by $11.8 billion or 10.3%, reflecting an increase of $7.4 billion or 11.1% in Australia Banking. Growth has been achieved in master custody deposits and business demand deposits.

Long-term borrowings increased by $28.3 billion or 31.9% mainly due to an increase of $24.7 billion or 35.0% in Australia Banking. Growth is the result of the continued issuance of debt under the global medium-term note program to fund asset growth, strengthen the balance sheet structure and lengthen the term of the Group's funding.

Due to other banks and official institutions increased by $10.6 billion or 20.0%. Most of this growth stems from nabCapital and is primarily due to an increase in deposits from other banks. These deposits are used to fund growth in liquid assets (marketable debt securities and due from other banks).

Liability on acceptances decreased by $10.4 billion or 39.1%, reflecting a change in funding from acceptances (shorter term funding) to longer term funding within Australian Banking.

March 2009 v September 2008

Average interest bearing liabilities increased by $71.3 billion or 15.0% on the September 2008 half year. This was primarily due to increased short-term liabilities to fund liquidity holdings and long-term borrowings to fund business growth.

Retail deposits increased by $18.8 billion or 10.5% (6.6% excluding the impact of foreign exchange) reflecting growth within term deposit products in Australian Banking and UK Region.

Term deposits and certificates of deposit increased by $26.7 billion or 16.6%, predominantly in Australia Banking, the UK Region and nabCapital, as a consequence of the Group prudently holding increased levels of liquid assets and to support lending growth. The increase is also due to growth in term deposits, reflecting a strategic initiative to increase deposits and customer preferences to invest in cash products.

On-demand and savings (short-term) deposits increased by $14.1 billion or 12.5%, reflecting increases in master custody deposits and business demand deposits in Australia Bank.

Long-term borrowings increased by $18.0 billion or 18.2%, reflecting the continued issuance of debt under the global medium term note program to fund asset growth, strengthen the balance sheet and lengthen the term of the Group's funding.

Due to other banks and official institutions increased by $18.0 billion or 39.6%, primarily to fund growth in liquid assets such as marketable debt securities and due from other banks.

Liability on acceptances decreased by $2.9 billion or 15.1%, reflecting a change in funding from acceptances (shorter-term funding) to longer term funding within Australia Banking.

Net Interest Margin

	Half Year to				
	Mar 09 %	Sep 08 %	Mar 08 %	Mar 09 v Sep 08	Mar 09 v Mar 08
Australia Banking	**2.53**	2.49	2.36	4 bps	17 bps
UK Region	**2.14**	2.59	2.66	(45 bps)	(52 bps)
NZ Region	**2.23**	2.35	2.49	(12 bps)	(26 bps)
Group net interest margin - ongoing	**2.07**	2.25	2.14	(18 bps)	(7 bps)

March 2009 v March 2008

The Group's net interest margin declined by 7 basis points on the March 2008 half. The net interest margin was affected by disruption in financial markets resulting in increased borrowing costs and an increase in the volume of liquid assets held. The interest spread differentials between international and Australian interest rates has also contributed to the decline. In addition, competitive pressures across the regions continue to have an impact on deposit margins. This was partially offset by repricing initiatives.

Key net interest margin movements on the March 2008 half were:

- A 17 basis point increase in Australia Banking, predominantly through repricing of the lending portfolio as a result of the alignment of price to the current risk settings and strategic initiatives. This was partly offset by lower deposit margins as a result of increased competition and higher funding costs.
- A 52 basis point decrease in the UK Region, primarily as a result of the increased costs of wholesale funding from the widening spread between the 1 month - 3 month LIBOR. Increased holding of liquid assets and competition for deposit volumes has also contributed to the decrease in deposit margins. This was partially offset by strategic repricing on the lending portfolio.
- A 26 basis point decrease in the NZ Region, mainly due to declining deposit margins resulting from market competition, the increased cost of wholesale funding and steps taken to strengthen the balance sheet. The decline was partially offset by favourable margin movements on fixed rate lending.

March 2009 v September 2008

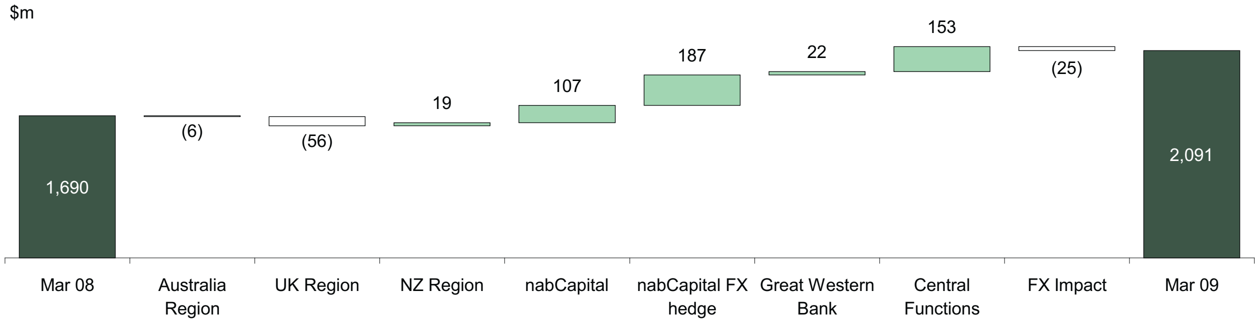
The Group's net interest margin declined by 18 basis points since September 2008. Key net interest margin movements were:

- A 4 basis point increase in Australia Banking, predominantly through favourable repricing of the lending portfolio. This was offset by unfavourable deposit margins from increased competition, higher funding costs, the inability to pass on rate reductions for certain products and strong growth in low margin term deposits.
- A 45 basis point decrease in the UK Region, as a result of the increased costs of wholesale funding and additional liquid assets, and increased competition for deposit volumes. This decline was partially offset by strategic repricing initiatives.
- A 12 basis point decrease in the NZ Region, mainly due to declining deposit margins and increased reliance on wholesale funds, as lending volume growth surpassed deposit volume growth. This was partially offset by favourable margin movements on fixed rate lending.

Other Operating Income

	Half Year to Mar 09 $m	Sep 08 $m	Mar 08 $m	Mar 09 v Sep 08 %	Mar 09 v Mar 08 %
Fees and commissions	**1,426**	1,549	1,583	(7.9)	(9.9)
Trading income	**682**	(212)	64	large	large
Other	**(17)**	(12)	43	(41.7)	large
Other operating income	**2,091**	1,325	1,690	57.8	23.7

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



(1) *At constant exchange rates.*

March 2009 v March 2008

Other operating income increased by $401 million or 23.7% ($426 million or 25.2% excluding foreign exchange) on the March 2008 half.

Trading income increased by $431 million, excluding the impact of the spread on derivatives used to hedge foreign denominated short-term funding (offset in net interest income). The increase was primarily attributable to:

- A strong sales performance in the Global Markets division of nabCapital as continuingly volatile markets have led clients to seek risk management products.
- Trading gains in Global Markets delivered through favourable positioning as interest rates decreased and ongoing foreign exchange volatility.
- Capital and revenue hedges of $56 million, primarily through hedging a deferred settlement in relation to the Great Western Bancorporation acquisition and New Zealand revenue.

This was partially offset by:

- Adverse fair value movements (inclusive of amortisation of upfront premiums) of $131 million attributable to SCDO risk mitigation trades.
- An increase in the credit valuation adjustment on the derivative portfolio as a result of counterparty defaults, a decline in counterparty credit, and higher derivative balances due to higher client volume and market volatility.
- A management overlay of $160 million has been taken in respect of conduit related assets and derivative transactions to reflect the uncertainty created by the rapidly deteriorating economic conditions and any consequent default.

Fees and commissions decreased by $157 million or 9.9%. This was due to:

- The impact of the adverse economic conditions on lending growth levels (particularly in the UK Region).
- Initiation of fee reduction campaigns, particularly in retail banking.
- A decline in banking fees as a result of declining customer activity.
- Declining custody fees in Australia Banking due to adverse market conditions.
- A reduction in treasury income in Australia Banking.

This was partially offset by an increase in customer fees from the operations of Great Western Bank.

Other income decreased by $60 million due to adverse movements in the nabCapital portfolio and was offset by an number of smaller increases.

March 2009 v September 2008

Other operating income increased by $766 million or 57.8% ($750 million or 56.6% excluding foreign exchange) on the September 2008 half.

Trading income increased by $658 million excluding the impact of the spread on derivatives used to hedge foreign denominated short-term funding (offset in net interest income). The increase was primarily due to a strong sales performance in the Global Markets division of nabCapital and trading gains delivered through favourable positioning.

This was partially offset by an increase in the credit valuation adjustment and a credit losses due to counterparty defaults as well as a management overlay of $160 million.

Fees and commissions decreased by $123 million or 7.9%. This was attributable to the effect of adverse economic conditions on lending growth levels, and a decline in retail banking fees. Declining custody fees and a reduction in treasury income in Australia Banking also contributed.

MLC Net Operating Income

	Half Year to				
	Mar 09 $m	**Sep 08 $m**	**Mar 08 $m**	**Mar 09 v Sep 08 %**	**Mar 09 v Mar 08 %**
Investments net operating income	**335**	385	426	(13.0)	(21.4)
Insurance net operating income	**204**	226	220	(9.7)	(7.3)
MLC net operating income	**539**	611	646	(11.8)	(16.6)

March 2009 v March 2008

Investments net operating income decreased by $91 million or 21.4% over March 2008. Average funds under management in the Investments business continued to decline as a result of the current market conditions, which led to lower management fees, partially offset by lower commission and investment related costs.

In a competitive market, Insurance net operating income decreased by $16 million or 7.3%. Higher gross income from growth in average inforce premiums has been offset by higher volume related expenses and lower earnings on assets backing the insurance portfolio.

March 2009 v September 2008

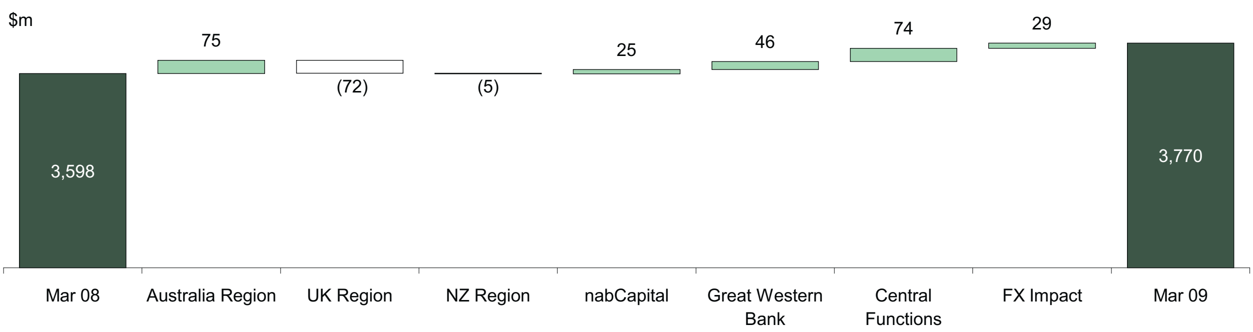
Against the September 2008 half, Investments net operating income decreased by $50 million or 13.0% due to a decrease in average funds under management in the Investments business as a result of the current market conditions.

Insurance net operating income decreased by $22 million or 9.7%. Higher gross income from growth in average inforce premiums was offset by higher volume related expenses and lower earnings on assets backing the insurance portfolio.

Operating Expenses

	Half Year to				
	Mar 09 $m	**Sep 08 $m**	**Mar 08 $m**	**Mar 09 v Sep 08 %**	**Mar 09 v Mar 08 %**
Personnel expenses	**1,974**	1,905	1,930	(3.6)	(2.3)
Occupancy related expenses	**319**	301	271	(6.0)	(17.7)
General expenses	**1,147**	1,128	1,060	(1.7)	(8.2)
MLC operating expenses	**330**	344	337	4.1	2.1
Total operating expenses	**3,770**	3,678	3,598	(2.5)	(4.8)

Operating Expenses - Contribution to Net Increase [1]



(1) *At constant exchange rates.*

March 2009 v March 2008

Operating expenses increased by $172 million or 4.8% ($143 million or 4.0% excluding foreign exchange). Excluding Great Western Bank, which is not included within the March 2008 half, expenses increased by $110 million or 3.1% (2.7% excluding foreign exchange). The Group continues to focus on its efficiency, quality and service initiatives, whilst supporting sustainable business growth. To further embed efficiencies within the business the Group has accelerated certain initiatives. These are excluded from operating expenses and are discussed further on page 19.

The Group's *banking cost to income ratio* decreased by 360 basis points to 43.4%.

Personnel expenses increased by $44 million or 2.3%, largely driven by a $66 million increase in salaries and wages as a result of salary rate increases and growth in the number of FTEs. This was partly offset by lower performance based compensation reflecting proportionate reductions in earnings across the businesses.

Occupancy related expenses increased by $48 million or 17.7% due to refurbishment and relocation of branches to prominent locations as focus was maintained on the strong Australian customer franchise, together with higher corporate office costs as a result of annual rental reviews.

General expenses increased by $87 million or 8.2%. Excluding Great Western Bank, expenses increased by $65 million or 6.1%. Investment continued in support functions such as communications, computer equipment and processing charges, contributing $56 million to the increase, as did costs associated with new community initiatives. This was partly offset by tighter management of discretionary expenses such as advertising and marketing, travel and other outside services.

MLC operating expenses have decreased by $7 million or 2.1% from successful completion of activities within the Customer Experience and Effectiveness (CCE) program.

March 2009 v September 2008

Operating expenses increased by $92 million or 2.5% (decreased by $10 million or 0.3% excluding foreign exchange) on the September 2008 half.

The Group's *banking cost to income ratio* decreased by 330 basis points to 43.4%.

Personnel expenses increased by $69 million or 3.6%. Salaries and wages increased by $43 million, mainly from salary rate increases and associated costs. Performance based compensation increased by $62 million due to higher provisions in the current half in line with an increase in profitability.

Occupancy related expenses have increased by $18 million or 6.0% mainly due to refurbishment and relocation of the retail network.

General expenses increased by $19 million or 1.7%. The increase is due to amortisation and depreciation expenditure on internally developed software as investment projects were completed, and a number of smaller items.

MLC operating expenses decreased by $14 million or 4.1% as a result of successful completion of activities in their CCE program.

Taxation

	Half Year to				
	Mar 09 $m	Sep 08 $m	Mar 08 $m	Mar 09 v Sep 08 %	Mar 09 v Mar 08 %
Income tax expense	725	497	911	(45.9)	20.4

March 2009 v March 2008

Income tax expense was $186 million or 20.4% lower than the March 2008 half due to lower cash earnings before tax and non recurring tax benefits recorded in the March 2009 half. The main tax benefits were $19 million of tax benefit from concessionally taxed income from the offshore banking unit and $32 million of tax benefits generated by the release of provisions from the prior year following favourable tax rulings.

The effective income tax rate for the March 2009 half of 24.7% fell from 27.5% for the March 2008 half as a result of these non-recurring tax benefits.

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

March 2009 v September 2008

Income tax expense was $228 million or 45.9% higher than the September 2008 half, due to higher cash earnings before tax in the current half and the recognition of previously unrecognised tax losses in the previous half. As a result, the effective income tax rate increased from 21.3% for the September 2008 half year to 24.7% for the March 2009 half year.

Non-cash Earnings Items

Efficiency, Quality & Service Initiatives

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

The expenditure recorded is actual expense incurred through the course of the half with no provision for future expenditure. During the March 2009 half, the following expenditure has been recorded centrally:

		Net Expected Benefits [1]	
	Mar 09 Expense $m	Year to Sep 09 $m	Year to Sep 10 $m
Australia Banking	36	18	21
MLC	3	2	4
UK Region	18	19	20
nabCapital	3	5	12
Cash earnings	60	44	57

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

Key initiatives through the period have been:
- Australia Banking: Within Retail Banking, $20 million has been invested in streamlining processes and enhancing efficiencies within the network. The main initiatives have centred around improving efficiencies within lending services and the centralisation of non-customer facing roles. The remainder of the initiatives are designed to increase efficiencies within support functions and enable IT to leverage strategic partner relationships to meet objectives in relation to cost, service quality and speed of delivery.
- MLC: During the half MLC undertook a strategic review of resources in light of the financial market downturn, which to date has resulted in 45 FTEs being released from the business.
- UK Region: Reflecting the weak climate in the UK, the region has expensed $18 million to improve efficiency. The region has consolidated the management of districts within its geography and realigned customers between iFS and the Retail network to align the service model with customer needs. In addition, the region has simplified its wealth management operations and entered into a strategic alliance with AXA in order to provide enhanced products and services to its retail customer base. This will enable the region to provide a more comprehensive suite of products to retail customers. Other initiatives have reduced back office and support costs through process improvement.
- nabCapital: Initiatives have focused on reshaping the business to reflect the current economic climate through managing down the non-franchise corporate lending and securitisation in the UK and US.

Fair Value and Hedge Ineffectiveness

Fair value and hedge ineffectiveness of $677 million ($476 million after tax) has increased by $588 million ($421 million after tax) from the March 2008 half. The increase from prior periods has been driven by volatile global financial markets as follows:
- Hedge ineffectiveness of $519 million is predominantly from the widening of basis spreads between BBSW and foreign interest rate indices. Spreads have widened through the March 2009 half, which has generated significantly higher levels of ineffectiveness in the hedging of longer term funding transactions within treasury.
- Volatility of $101 million within nabCapital attributable to the economic hedging of the short term funding portfolio. This portfolio does not meet the requirements to apply hedge accounting. As such, volatility is generated through recording the derivatives economically hedging the portfolio at fair value with movements in fair value recorded within income and the underlying short term funding at amortised cost, with no offset within income. Higher levels of interest rate and foreign exchange volatility have generated higher levels of income than prior periods.
- Income of $57 million on assets designated at fair value. The Group applies this option most widely within the NZ and UK Regions where portfolios of tailored business loans are recorded at fair value within income to offset fair value changes of derivatives economically hedging the portfolios. Higher levels of volatility are attributable to the impact that significant widening of credit spreads and reduction in interest rates have had on derivatives designated at fair value.

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

Treasury Shares

For statutory reporting purposes, the Group is required to eliminate the impact upon net profit of the Group's life insurance businesses holding investments in National Australia Bank Limited shares within its Investments relating to life insurance businesses. In the March 2009 half year there was an adjustment of $97 million ($88 million after tax) attributable to the movement in unrealised losses on treasury share investments held within life insurance businesses. This movement is consistent with the decline in equity markets through the period.

Provision for Litigation Settlement

The Group has established a provision of $65 million with respect to long-standing legal proceedings where court orders are imminent.

Summary Balance Sheet

	As at				
	31 Mar 09 $m	30 Sep 08 $m	31 Mar 08 $m	Mar 09 v Sep 08	Mar 09 v Mar 08
Assets					
Cash and liquid assets	**18,287**	18,209	12,256	0.4	49.2
Due from other banks	**30,663**	46,996	39,163	(34.8)	(21.7)
Trading securities	**25,919**	20,767	22,450	24.8	15.5
Investments - available for sale	**8,807**	1,542	1,128	large	large
Investments - held to maturity	**18,462**	17,154	16,447	7.6	12.3
Investments relating to life insurance business	**44,057**	52,896	57,346	(16.7)	(23.2)
Loans and advances at fair value	**28,961**	25,732	22,126	12.5	30.9
Other assets at fair value	**2,890**	4,868	5,178	(40.6)	(44.2)
Other financial assets at fair value	**31,851**	30,600	27,304	4.1	16.7
Loans and advances including acceptances	**407,785**	406,456	386,575	0.3	5.5
Goodwill and other intangible assets	**6,478**	6,335	5,410	2.3	19.7
Other assets	**83,692**	55,844	43,934	49.9	90.5
Total assets	**676,001**	656,799	612,013	2.9	10.5
Liabilities					
Due to other banks	**45,879**	52,423	50,557	(12.5)	(9.3)
Deposits at fair value	**12,895**	14,485	16,123	(11.0)	(20.0)
Other liabilities at fair value	**10,069**	9,099	7,385	10.7	36.3
Other financial liabilities at fair value	**22,964**	23,584	23,508	(2.6)	(2.3)
Deposits and other borrowings	**327,759**	327,466	286,223	0.1	14.5
Liability on acceptances	**17,959**	16,075	21,489	11.7	(16.4)
Life policy liabilities	**38,351**	46,150	49,580	(16.9)	(22.6)
Bonds, notes and subordinated debt	**108,020**	98,239	92,402	10.0	16.9
Other liabilities	**78,668**	60,016	57,449	31.1	36.9
Total liabilities	**639,600**	623,953	581,208	2.5	10.0
Net assets	**36,401**	32,846	30,805	10.8	18.2
Equity					
Equity (parent entity interest)	**36,403**	32,790	30,778	11.0	18.3
Minority interest in controlled entities	**(2)**	56	27	large	large
Total equity	**36,401**	32,846	30,805	10.8	18.2

Total assets at 31 March 2009 increased by $64.0 billion or 10.5% from 31 March 2008, and by $19.2 billion or 2.9% from 30 September 2008. Excluding the impact of exchange rate movements, total assets increased by 10.7% from March 2008 and by 4.0% from September 2008.

The increase in total assets from March 2008 was driven by growth in loans and advances (including acceptances and loans at fair value) across all regions, particularly in business lending and to a lesser extent in housing lending. There was also growth in trading and hedging derivatives (included in other assets). Growth in trading derivatives was largely attributable to significant market volatility including fluctuating currency and interest rates and increased client demand. Growth in hedging derivatives was largely attributable to volatility in foreign exchange rates generating large movements in the fair value of cross currency transactions hedging foreign denominated funding. The fair value on these derivatives has been offset by the foreign currency translation on the underlying funding they are being used to hedge. There are corresponding increases in trading and hedging derivatives liabilities (included within other liabilities). Short-term asset holdings have increased from March 2008, as the Group continues to hold a higher level of liquidity in response to volatile global financial markets.

Total liabilities at 31 March 2009 increased by $58.4 billion or 10.0% from 31 March 2008 and by $15.6 billion or 2.5% from 30 September 2008. Excluding the impact of exchange rate movements, total liabilities increased by 10.4% from March 2008 and by 3.8% from September 2008.

The increase in liabilities was driven by growth in deposits and other borrowings, bonds, notes and subordinated debt, trading and hedging derivatives (included in other liabilities). The growth in liabilities reflects strong growth in deposits and an increase in funding required to support lending growth and to fund higher holdings of liquidity.

Total equity as at 31 March 2009 increased by $5.6 billion from 31 March 2008 and by $3.6 billion from 30 September 2008.

The growth from March 2008 was predominately through the issue of shares, including the $3.0 billion institutional placement in November 2008, the dividend reinvestment plan and the share purchase plan. The negative amount reported for minority interest in controlled entities reflects interests of third parties in conduit entities consolidated by the Group.

Lending

	As at				
	31 Mar 09 $m	30 Sep 08 $m	31 Mar 08 $m	Mar 09 v Sep 08 %	Mar 09 v Mar 08 %
Housing					
Australia Region	**153,958**	151,615	146,286	1.5	5.2
UK Region	**24,750**	26,711	25,177	(7.3)	(1.7)
NZ Region	**20,740**	20,365	20,647	1.8	0.5
nabCapital	**611**	779	985	(21.6)	(38.0)
Central Functions	**318**	279	-	14.0	large
Total housing	**200,377**	199,749	193,095	0.3	3.8
Non-housing					
Australia Region	**121,253**	115,958	107,650	4.6	12.6
UK Region	**45,189**	48,000	44,552	(5.9)	1.4
NZ Region	**20,254**	19,321	16,941	4.8	19.6
nabCapital	**52,927**	52,172	51,802	1.4	2.2
Central Functions	**3,716**	3,103	8	19.8	large
Total non-housing	**243,339**	238,554	220,953	2.0	10.1
Gross loans and advances including acceptances (1)	**443,716**	438,303	414,048	1.2	7.2
Represented by:					
Loans at fair value	**28,961**	25,732	22,126	12.5	30.9
Loans at amortised cost	**359,399**	359,190	340,822	0.1	5.5
Acceptances	**55,356**	53,381	51,100	3.7	8.3
Gross loans and advances including acceptances	**443,716**	438,303	414,048	1.2	7.2

(1) *Including loans at fair value.*

Lending (gross loans and advances including acceptances) increased by $29.7 billion or 7.2% from March 2008 and by $5.4 billion or 1.2% from September 2008. Excluding the impact of exchange rate movements, lending increased by 8.0% from March 2008 and by 2.5% from September 2008. Growth was achieved in challenging markets, with system growth slowing through deteriorating conditions in key markets.

Non-housing lending:

- In the Australia Region, non-housing lending increased by 12.6% from March 2008 and by 4.6% from September 2008. This was primarily due to the continued strength of relationship banking within the Business Bank.
- In the UK Region, non-housing lending increased by 1.4% from March 2008 and declined by 5.9% from September 2008 (excluding foreign exchange impacts, the UK Region increased by 5.8% from March 2008 and by 1.8% from September 2008). Excluding foreign exchange impacts, the increase in lending reflects a strategy of controlled growth in the business sector through iFS relationship banking.
- In nabCapital, non-housing lending increased by 2.2% (unchanged excluding foreign exchange impacts) from March 2008 and by 1.4% (1.6% excluding foreign exchange impacts) from September 2008, reflecting a cautious approach to lending activity.
- In the NZ Region, non-housing lending increased by 19.6% from March 2008 and by 4.8% from September 2008. Excluding foreign exchange impacts, lending increased by 25.0% from March 2008 and by 6.1% from September 2008. The increase reflects growth in agriculture and business lending.

Housing lending:

- In the Australia Region, housing lending increased by 5.2% from March 2008 and by 1.5% from September 2008. The increase reflects growth in variable rate products, which have benefited from a declining interest rate environment.
- In the UK Region, housing lending declined by 1.7% from March 2008 and declined by 7.3% from September 2008. Excluding foreign exchange impacts, housing lending increased by 2.6% from March 2008 and by 0.2% from September 2008, reflecting growth in variable rate products.
- In the NZ Region, housing lending increased by 0.5% from March 2008 and by 1.8% from September 2008. Excluding foreign exchange impacts, housing lending increased by 5.0% from March 2008 and by 3.1% from September 2008.

Acceptances increased by $4.3 billion or 8.3% from March 2008 and by $2.0 billion or 3.7% from September 2008. Bill acceptances remain a favoured product by business customers.

Fair value of assets and liabilities

The Group recognises a number of classes of assets and liabilities at fair value. Fair value is defined as the amount for which an asset could be exchanged or a liability settled, between willing parties in an arm's length transaction. Where the classification of a financial asset or liability requires it to be stated at fair value, wherever possible, the fair value is determined by reference to the quoted bid or offer price in the most advantageous active market to which the Group has immediate access. An adjustment for credit risk is also incorporated into the fair value, as appropriate.

Fair value for a net open position that is a financial liability quoted in an active market is the current offer price, and, for a financial asset, the bid price, multiplied by the number of units of the instrument held or issued. Where no such active market exists for the particular asset or liability, the Group uses a valuation technique to arrive at the fair value, including the use of transaction prices obtained in recent arm's length transactions, discounted cash flow analysis, option pricing models and valuation techniques based on market conditions and risks existing at balance date. In doing so, fair value is estimated using a valuation technique that makes maximum use of observable market inputs and places minimal reliance upon entity-specific inputs. The majority of the Group's fair value inputs are observable from the market, with less than 0.1% being internally derived from Group-specific inputs as at 31 March 2009.

Marketable Debt Securities

Marketable debt securities comprises *trading securities*, *available for sale investments* and *held to maturity investments*. *Trading securities* increased by $3.5 billion from March 2008 and by $5.2 billion from September 2008. *Investments - available for sale* have increased by $7.7 billion from March 2008 and by $7.3 billion from September 2008 and *Investments - held to maturity* have increased by $2.0 billion from March 2008 and by $1.3 billion from September 2008. Growth in marketable debt securities reflects the holding of additional levels of assets to support the increase in Group liquidity.

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

At 31 March 2009, the Group consolidates $16.5 billion of conduit assets, $14.1 billion classified as Investments - held to maturity and $2.4 billion with Loans and advances.

Investments Relating to Life Insurance Business and Life Policy Liabilities

Investments relating to life insurance business declined by $13.3 billion or 23.2% from March 2008 and by $8.8 billion or 16.7% from September 2008. This decline was offset by corresponding declines in life policy liabilities and external unitholders' liability. Life policy liabilities declined by $11.2 billion or 22.6% from March 2008 and by $7.8 billion or 16.9% from September 2008. External unitholders' liability (included in other liabilities) declined by $1.9 billion or 24.7% from March 2008 and by $1.6 billion or 21.9% from September 2008.

The decline in both the assets and liabilities relating to the life insurance business is attributable to declining global equity and property markets and the unfavourable impact this has had on returns made on policyholder contributions and movement in net funds under management.

Goodwill and Other Intangible Assets

Goodwill and other intangible assets increased by $1,068 million or 19.7% from March 2008 and by $143 million or 2.3% from September 2008. The increase in goodwill from March 2008 reflects the acquisition of Great Western Bancorporation during the September 2008 half year. Other intangible assets have increased as a result of the Group's continued investment in software to support its strategic objectives:

- Australia Region continues to work on the Next Generation Banking IT Platform (NGP) initiative which involves the replacement of the core banking systems. Oracle has been selected as the partner for the first phase which involves the delivery of the platform for UBank. The initiative will further enable a consistent platform for enhanced efficiency and incorporate self-service capabilities and superior customer service.
- The Debit Card Transformation project in the UK Region is moving towards the migration to a 16 digit card framework. This project will boost revenues in this channel whilst at the same time increase the number of points of sale for customers worldwide. In addition, the Business Lending programme continues, with agreement on the technical design and commencement of the development of new software.
- nabCapital continues to focus on efficiency programs, primarily in the Markets business to facilitate faster speed to market for new products, and further improve risk management capabilities. Investment in infrastructure projects includes refreshing core desktop and communication appliances, in addition to consolidating nabCapital's legacy data and information environments. This will enhance the quality, global consistency and robustness of both data assets and reporting/disclosure capability.

The movement in capitalised software is as follows:

	Half year ended		
	Mar 09 $m	**Sep 08 $m**	**Mar 08 $m**
Balance at beginning of period	**963**	909	867
Additions	**155**	177	177
Disposals and write-offs	**-**	(6)	-
Amortisation	**(124)**	(119)	(118)
Impairment losses recognised	**-**	(4)	-
Foreign currency translation adjustments	**(27)**	6	(17)
Capitalised application software	**967**	963	909

Deposits and Other Borrowings

	As at				
	31 Mar 09 $m	**30 Sep 08 $m**	**31 Mar 08 $m**	**Mar 09 v Sep 08 %**	**Mar 09 v Mar 08 %**
Australia Region	**149,029**	129,719	120,290	14.9	23.9
UK Region	**51,883**	43,679	40,460	18.8	28.2
NZ Region	**25,790**	26,310	27,172	(2.0)	(5.1)
nabCapital	**109,101**	138,183	114,424	(21.0)	(4.7)
Central Functions	**4,851**	4,060	-	19.5	large
Deposits and other borrowings [(1)]	340,654	341,951	302,346	(0.4)	12.7
Represented by:					
Deposits at fair value	**12,895**	14,485	16,123	(11.0)	(20.0)
Deposits and other borrowings	**327,759**	327,466	286,223	0.1	14.5
Deposits and other borrowings	340,654	341,951	302,346	(0.4)	12.7

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

Total deposits and other borrowings increased by $38.3 billion or 12.7% from March 2008 and declined by $1.3 billion or 0.4% from September 2008.

- In the Australia Region, deposits and other borrowings increased by 23.9% from March 2008 and by 14.9% from September 2008. This was primarily due to growth in term deposits, reflecting a strategic focus.
- In the UK Region, deposits and other borrowings increased by 28.2% (33.8% excluding foreign exchange impacts) from March 2008 and by 18.8% (28.4% excluding foreign exchange impacts) from September 2008. Growth has been mainly achieved in term deposits, reflecting the Region's strategy to increase deposits and the competitive pricing of products.
- In the NZ Region, deposits and other borrowings declined by 5.1% (0.9% excluding foreign exchange impacts) from March 2008 and by 2.0% (1.0% excluding foreign exchange impacts) from September 2008. The decline in deposits and other borrowings was due to a reduction in short-term borrowings and term deposits, partly offset by an increase in on-demand and savings deposits. As the New Zealand market has become less liquid as a funding source, the region has shifted to more internal Group funding. The decline in term deposits reflects intense competition for deposits. The increase in on-demand deposits reflects the low interest rate environment and customers requiring access to funds at short notice.
- nabCapital deposits and other borrowings declined by 4.7% (4.4% excluding foreign exchange impacts) from March 2008 and by 21.0% (22.1% excluding foreign exchange impacts) from September 2008, reflecting a decline in certificates of deposit and short term borrowings.

Bonds, notes and subordinated debt

Bonds, notes and subordinated debt increased by $15.6 billion or 16.9% from March 2008 and by $9.8 billion or 10.0% from September 2008. The increase in debt was due to the need to fund asset growth, further strengthen the balance sheet and lengthen the term of the Group's funding.

Further detail and discussion on the Group's funding mix and management of its funding base, are included within the Capital and Funding discussion on pages 27-29.

Asset Quality

The continuing deterioration in global economic conditions and ongoing volatility in financial markets over the last six months, have led to further softening in asset quality.

In Australia Banking, the decline in asset quality has been in line with slowing economic growth. Although business conditions and confidence have fallen, the unsecured consumer portfolio has demonstrated resilience in the current market and write-off rates remained stable.

The UK Region has experienced challenging trading conditions with the economy in recession, the nationalisation of local banks and rising defaults. The decision four years ago to move the loan portfolio away from unsecured personal lending has led to this portfolio segment continuing to fall as a proportion of the loan book. The mortgage book continues to remain resilient, with the UK Region experiencing less than half the average rate of industry 90+ days past due loans. The UK Region continues to maintain a lending portfolio that is well secured[(1)] and diversified.

In New Zealand, the slowing demand for credit and worsening recessionary conditions, have led to a weakening of key asset quality indicators, particularly in the business sector. Retail asset quality remains sound.

nabCapital has been subject to a small number of high profile exposures that have experienced financial difficulties during the half. However, the business continues to maintain a largely investment grade portfolio.

The asset quality of Great Western Bank continues to perform favourably in comparison with the problems faced by major United States financial institutions.

The Group has provided an additional economic overlay of $86 million increasing the economic cycle adjustment to $300 million, which has bolstered the Collective Provision coverage ratio to 1.38%. Collective Provisions now stand at $3,545 million.

The asset quality of nabCapital's securitisation portfolio is discussed further on page 105.

(1) *Well secured in the asset quality section is based upon security categories in internal ratings systems.*

Comprehensive Portfolio Reviews

Comprehensive reviews of the lending portfolios have been undertaken since September 2008, with various action plans in place to manage identified risks and further mitigate downside.

Key initiatives include:

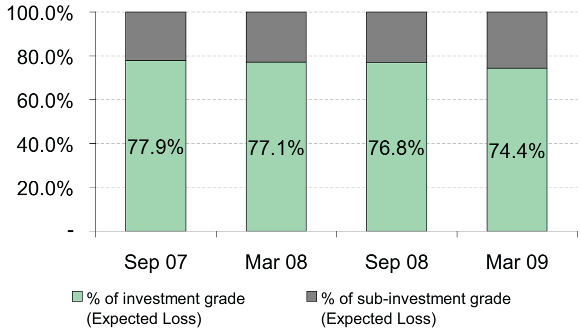
- Ongoing detailed portfolio reviews targeting areas of stress, with particular focus on the commercial property portfolio that continues to be well secured and diversified across both businesses and asset classes.
- Increased allocation of resources for the close management of problem accounts.
- More intense focus on the early identification of problem retail loans and greater collections resourcing.
- Re-setting of portfolio limits, with emphasis on troubled sectors.

The reviews have concluded that the portfolio is demonstrating resilience despite difficult trading conditions.

Trends in the ratings of non-retail exposures

On the basis of the Expected Loss (EL) methodology[(2)], the volume of non-retail investment grade equivalent (AAA to BBB-) exposures for the Group as at March 2009 fell to 74.4%, compared to 77.1% at March 2008. The decline in investment grade is in line with deteriorating economic conditions and is a reflection of customer rating downgrades across the portfolio and a softening in security values.

Non-Retail Lending Customer Risk Distribution (Group)



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

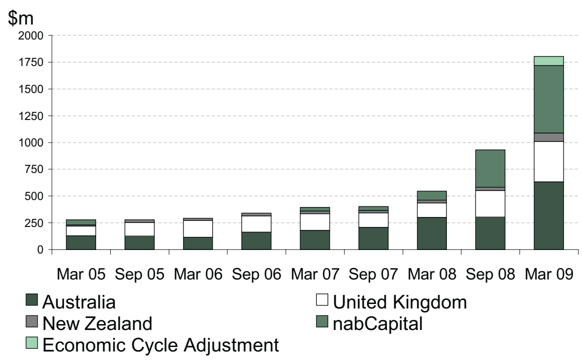
Bad and Doubtful Debt Charge

The bad and doubtful debt charge for the half year to March 2009 was $1,811 million, an increase of $1,266 million or 232% (excluding ABS CDOs), when compared to the half year ending March 2008.

This increase was primarily due to:

- Almost one third of the specific provision charge of $1,205 million relates to a small number of corporate impairments with the remaining consisting of smaller provisions spread across the corporate and business portfolios.
- Weakening economic conditions resulting in the downwards re-rating of customers which led to an increase in collective provision charge across all regions.
- An additional economic cycle adjustment of $86 million which has been booked as a collective provision against the uncertain global economic environment. The total reserve now stands at $300 million.

Total Bad and Doubtful Debt Charge - ex ABS CDOs



The annualised ratio of bad and doubtful debt charges (excluding ABS CDOs) to gross loans and acceptances for the half year to March 2009 increased by 57 basis points to 0.82% when compared to the prior comparative period of March 2008.

Specific Provisions

The specific provision balance of $1,316 million is an increase of $789 million when compared to March 2008 and is $671 million higher than September 2008.

The specific provision coverage ratio has increased to 33.5%.

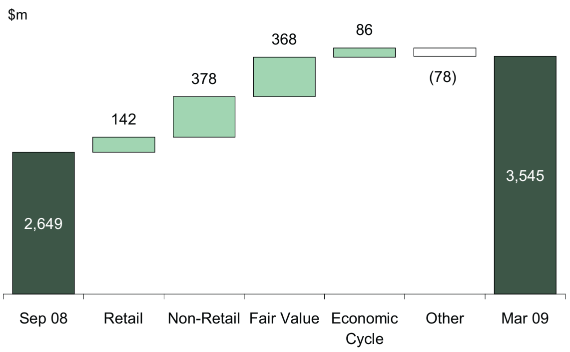
Specific Provisions to Gross Impaired Assets

As at							
Sep 05 %	Mar 06 %	Sep 06 %	Mar 07 %	Sep 07 %	Mar 08 %	Sep 08 %	Mar 09 %
34.9	29.9	20.4	25.4	28.1	35.8	30.0	**33.5**

Collective Provisions

Total collective provisions (including the credit risk adjustment on assets at fair value) increased by $896 million during the half to March 2009. A downgrade in customer credit ratings across all businesses, combined with an increase in various management overlays described further below, have been the main cause of this increase.

Collective Provision Attribution Analysis



Retail

An increase of $142 million during the half to March 2009 represents a decline in the quality of housing and credit card loans. In addition, this increase includes a management overlay raised to cover loans, entered into mainly between 2004 and 2006, where claims may not be met by the lender's mortgage insurance providers.

Non-Retail

A downgrading of customer credit ratings across all sectors, combined with an increase in management overlays, has resulted in an increase of $378 million in the non-retail collective provisions during the half to March 2009.

Fair Value Loans and Trading Derivatives

The increase of $368 million in fair value collective provisions during the half to March 2009 is due in part, to the credit risk adjustment on trading derivatives within nabCapital as a consequence of increased counterparty exposure on trades due to market movements, together with a downgrading of customer credit ratings. In addition, this increase includes a management overlay of $160 million in respect of conduit related assets and derivative transactions to reflect the uncertainty created by the rapidly deteriorating economic conditions and any consequent default.

Provisions against the Group's conduit asset portfolio are established based upon the Group's internal credit risk ratings, combined with a management overlay including the $160 million in respect of conduit related assets and derivative transactions. The external auditors have considered the Group's provisioning methodology for the conduit assets and consider it appropriate in the context of the half year report for 31 March 2009.

In April 2009 APRA outlined its expectations on the appropriate provisioning methodology for the conduit asset portfolio, for regulatory capital purposes. APRA has indicated that it considers an appropriate provisioning methodology for regulatory capital purposes should take into account additional factors to internal credit risk ratings: including market values; scenario-based losses; and default and loss experience on similar instruments, published by ratings agencies. The Group is currently working with APRA regarding application of the appropriate provisioning methodology to be applied to it for regulatory capital purposes.

Economic Cycle Adjustment

In March 2008, the Group applied an economic cycle adjustment of $214 million against the uncertain global economic environment. This management overlay was a prudent measure in the face of softening economic conditions and ongoing volatility in financial markets. This economic cycle adjustment has been increased by $86 million to $300 million in light of the continuing uncertain global economic environment.

Other Movements

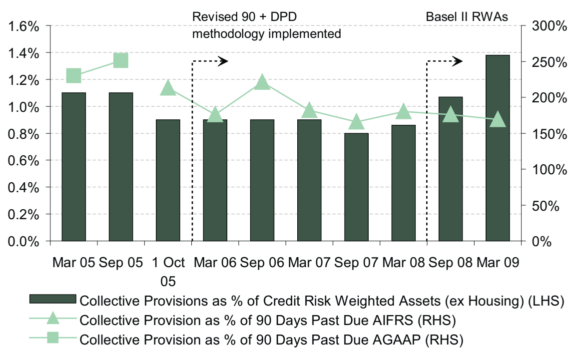
This includes the impact of foreign exchange translation due to the weakening of the Pound Sterling relative to the Australian Dollar since September 2008.

Provisioning Coverage

Over the last half, the Group's total provisions increased to $4,861 million, a $2,026 million increase when compared to March 2008 and $1,567 million increase from September 2008.

The Group's collective provision to credit risk weighted assets (excl. housing) ratio has increased from 1.07% at September 2008 to 1.38% at March 2009.

Collective Provisions to Credit Risk Weighted Assets (excl. Housing)



In accordance with APRA guidelines, $402 million has been set aside from Tier 1 capital, representing 50% of the difference between eligible provisions under AIFRS and expected loss under Basel II.

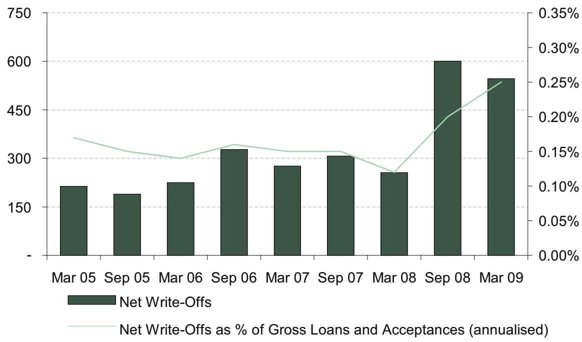
Net Write-Offs

The proportion of annualised net write-offs to gross loans and acceptances increased by 13 basis points to 0.25% against the prior comparative period. The increase has occurred in Australia Banking and the UK Region, principally in the business market.

The gross 12 month rolling write-off rate for retail loans has increased slightly since March 2008, up 2 basis points to 0.29%, while mortgage write-offs remain negligible.

The total provisions to net write-offs ratio is 443% as at March 2009, up from 383% in September 2008.

Group Half Yearly Net Write-Offs - ex ABS CDOs



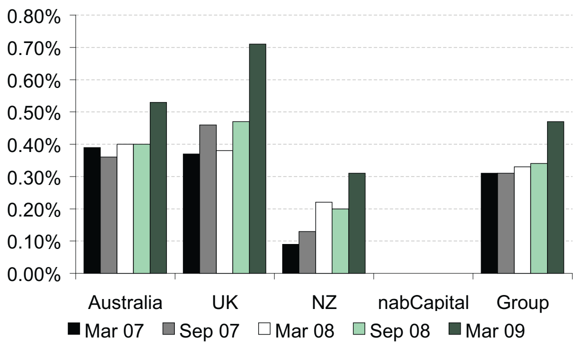
Non-Impaired Assets 90+ Days Past Due

The Group ratio of non-impaired 90+ days past due loans (90+ DPD) to gross loans and acceptances increased by 14 basis points to 0.47% from March 2008, with unsecured retail relatively stable since September 2008.

In Australia Banking, the ratio of 90+ DPD to gross loans and acceptances increased by 12 basis points from March 2008 to 0.53%, spread evenly across mortgage and business segments.

Both the UK and NZ regions have experienced large increases due to the recessionary trading environment. The UK in particular saw an increase in the commercial and residential property sectors, although the level of mortgages 90+ days past due remains less than half the UK industry average.

90+ DPD as % of Gross Loans and Acceptances



Impaired Assets

The ratio of gross impaired assets to gross loans and acceptances has increased by 53 basis points to 0.89% when compared to March 2008 (0.49% at September 2008). Impaired assets increased by $2,453 million from March 2008 and by $1,778 million from September 2008.

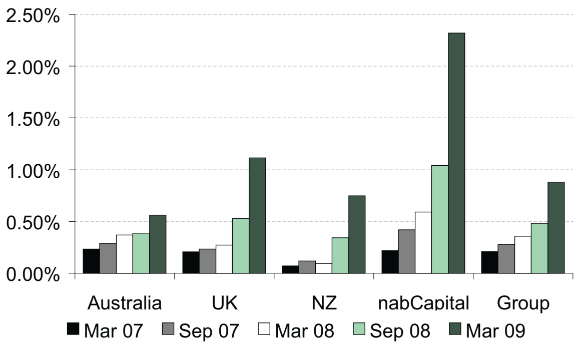
The rise in this ratio for Australia Banking to 0.56% has occurred mainly in business lending, with a broad variety of industries affected as a result of the economic downturn. The impaired mortgage rate for Australia Banking has remained flat at 0.18% of gross loans and acceptances during the year since March 2008.

In the UK Region, gross impaired assets as a proportion of gross loans and acceptances has increased by 58 basis points to 1.11% since September 2008, although relative to its local peer banks the region continues to perform well. The impaired mortgage rate for UK Region continues to remain low at 0.08% of gross loans and acceptances.

Impaired assets as a proportion of gross loans and acceptances in the NZ Region has grown from March 2008 by 65 basis points to 0.75%. The majority of this increase has been confined to business lending within the property and agriculture sectors, while the impaired mortgage rate has also increased, up 18 basis points from a very low base in March 2008 to 0.22% of gross loans and acceptances.

The deterioration in credit conditions has also affected nabCapital with a small number of high profile impairments being experienced in a broad variety of industries located in Australia and the UK. Consequently, the ratio of impaired assets to gross loans and acceptances has increased from 0.59% at March 2008 to 2.32%.

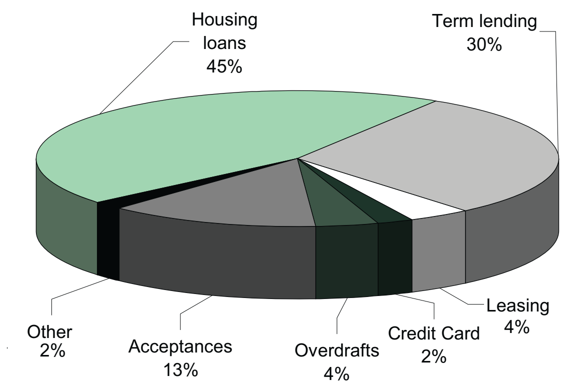
Gross Impaired Assets as % of Gross Loans and Acceptances - ex ABS CDOs



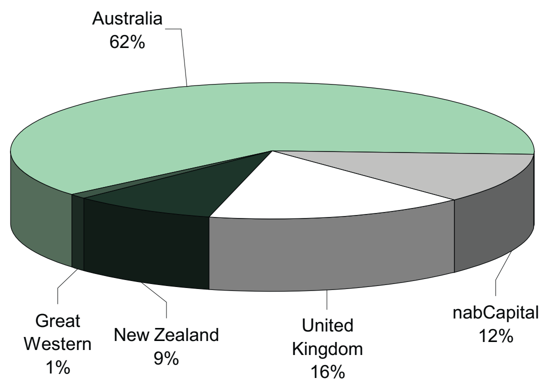
Portfolio Composition

The Group's lending portfolio remains substantially unchanged when compared to March 2008. It is well diversified by both product and geography.

Group Gross Loans and Acceptances by Product



Group Gross Loans and Acceptances by Region



National Australia Bank

Cash Earnings per Share

	Half Year to				
	Mar 09 cents	Sep 08 cents	Mar 08 cents	Mar 09 v Sep 08 %	Mar 09 v Mar 08 %
Cash Earnings per Share					
Basic	**108.3**	101.1	137.6	7.1	(21.3)
Diluted	**107.4**	100.7	137.2	6.7	(21.7)

March 2009 v March 2008

Basic cash earnings per share decreased by 29.3 cents or 21.3% and diluted cash earnings per share decreased by 29.8 cents or 21.7% on the March 2008 half. This reflects the decrease in cash earnings as well as an increase in the weighted number of ordinary shares.

March 2009 v September 2008

Basic cash earnings per share increased by 7.2 cents or 7.1% and diluted cash earnings per share increased by 6.7 cents or 6.7% on the September 2008 half. This reflects the increase in cash earnings partially offset by an increase in the weighted number of ordinary shares.

Capital Management and Funding

Balance Sheet Management Overview

A widespread contraction in global economic output and rapid deterioration of some key asset sectors over the past six months has presented a range of management challenges. The strength of the Group balance sheet in respect of capital, funding and liquidity has seen the Group well placed to manage through these difficult market conditions. The Group enjoys the benefit of a stable political and regulatory environment in each of the geographies in which it operates.

Capital Management

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

In the current environment, the Group continues to target a strong capital position as one of its main priorities. While economic conditions remain difficult to predict, this means continuing to seek opportunities to maintain and build capital. When conditions become more stable it is likely that Tier 1 will be allowed to trend down.

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

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

Consistent with this strategy, and recognising the uncertain outlook, the Group is pursuing a number of initiatives to support the Group's capital base:

- A 25% reduction in 2009 interim dividend, as previously announced;
- Raising an additional $500 million of core capital by partially underwriting the shortfall in natural DRP participation on the interim dividend. This is equivalent to 14 basis points of Tier 1 capital and will benefit the capital position in the second half;
- Initiatives to embed Basel II into the business continue. A Tier 1 benefit of 28 basis points was realised in the half and further opportunities are anticipated; and
- Continue to seek opportunities to issue Hybrid capital (capacity $1.7 billion at 31 March 2009), whilst recognising that markets remain highly challenging.

Capital ratios

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

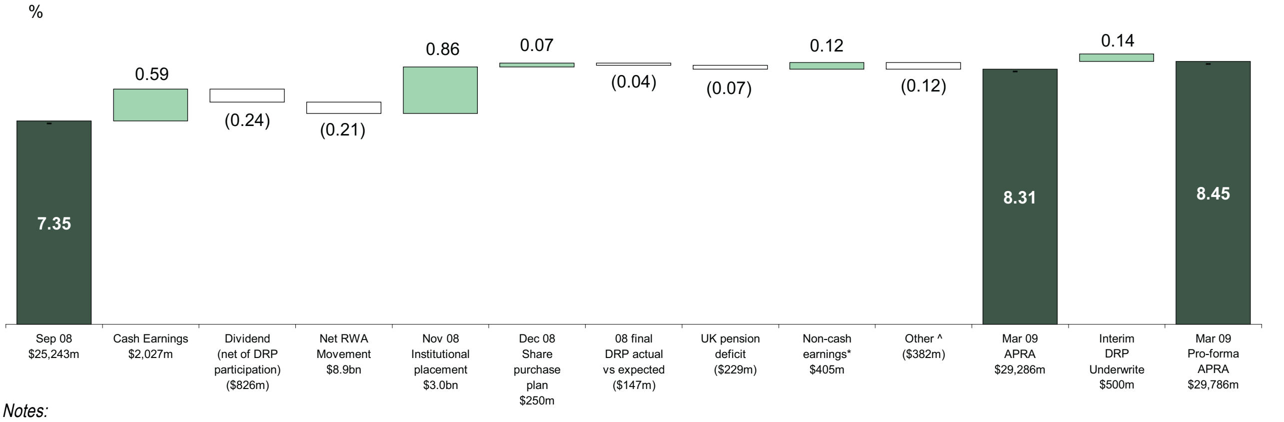
		As at				
Basel II (2)	Target Ratio (1) %	31 Mar 09 %	30 Sep 08 %	Pro forma 31 Mar 08 %	Mar 09 v Sep 08	Mar 09 v Mar 08
Core Tier 1 ratio (3)		**6.59**	5.60	5.28	99 bps	131 bps
Tier 1 ratio (2)	above 7.00%	**8.31**	7.35	6.90	96 bps	141 bps
Total capital ratio		**12.19**	10.93	10.27	126 bps	192 bps

(1) *In the September 2008 half, the Group revised its target range from 6.00%-6.75% to above 7.00% for Tier 1.*
(2) *With the implementation of Basel II, the Group no longer reports the Adjusted Common Equity (ACE) ratio.*
(3) *Core Tier 1 ratio equals Total Tier 1 Capital less Tier 1 Hybrids.*

Basel II	As at 31 Mar 09 $m	30 Sep 08 $m	Pro forma 31 Mar 08 $m	Mar 09 v Sep 08%	Mar 09 v Mar 08%
Risk-weighted assets - credit risk	**321,616**	310,131	307,606	3.7	4.6
Risk-weighted assets - market risk	**5,121**	5,088	4,712	0.6	8.7
Risk-weighted assets - operational risk	**24,336**	23,649	24,080	2.9	1.1
Risk-weighted assets - interest rate risk in the banking book [1]	**1,300**	4,643	-	(72.0)	large
Total risk-weighted assets	**352,373**	343,511	336,398	2.6	4.7

[1] *Risk-weighted assets for interest rate risk in the banking book are required by APRA to be included in the 30 September 2008 position.*

Movement in Tier 1 Ratio



Notes:

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

^ *Other relates primarily to foreign currency translation reserve (-5 basis points), general reserve (-4 basis points), Wealth Management related deductions (4 basis points), deferred tax (net of eligible deferred tax liability) (-7 basis points).*

Capital Movements during the period

The Group's Tier 1 ratio of 8.31% at 31 March 2009 is consistent with the objective of maintaining a strong capital position.

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

- Earnings less dividend net of DRP participation;
- Equity raising through an institutional placement and Share Purchase Plan participation;
- Growth in Credit RWAs due to lending growth and effects of the change in credit quality, partially offset by a reduction in Interest Rate Risk in the Banking Book (IRRBB) and Basel II Portfolio Optimisation;
- Non-cash earnings arising primarily from Fair Value and Hedge Ineffectiveness; and
- Capital was reduced by the deficit in the Group's defined benefit pension scheme in the UK and adverse movements in capital deductions.

Tier 1 Capital Initiatives

To support Tier 1 capital, the Group completed a capital raising through an institutional placement ($3.0 billion) in November 2008 and Share Purchase Plan (approximately $250 million) in December 2008. This generated 93 basis points Tier 1 capital which is included in the Group's 31 March 2009 position. The capital raised was partially offset by the actual DRP participation which was lower than the estimate reflected in the September 2008 capital ratios.

Dividend and Dividend Reinvestment Plan (DRP)

As previously announced (Strategy Update, 12 March 2009) the Group has reduced its 2009 interim dividend to 73 cents per share, thereby retaining additional Tier 1 capital of approximately $0.3 billion or 8 basis points at 31 March 2009.

The rebased dividend payment reflects the challenging operating environment and the Group's focus on balance sheet strength.

For the interim dividend, the Group will offer a discount on the DRP with no participation limit. These settings are consistent with the 2008 final dividend DRP. The interim dividend accrual has been reduced by an amount equal to 41% of the interim dividend to reflect assumed DRP participation.

The Group has entered into an agreement to partially underwrite the shortfall in natural DRP participation on the interim dividend to an amount of $500 million. This will incrementally support the Group's capital position and organic growth opportunities.

UK Defined Pension Schemes

The Group's UK operations operate a defined benefit pension scheme. APRA's prudential standards require the Group to deduct the value of any net surplus in the pension schemes from Tier 1 capital. During the March half, the scheme returned to deficit. No capital deduction is required as the deficit is recognised within accounting equity but there is a deduction required for the deferred tax asset attributable to this deficit. The deficit negatively affects Tier 1 capital by $229 million (7 basis points). The pension position is impacted by three key factors:

- Deterioration in the value of the investment portfolio;
- A decrease in the discount rate used to calculate the liability; and
- Partially offset by a decrease in the long term inflation assumption.

Pillar 3 disclosures

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

Funding

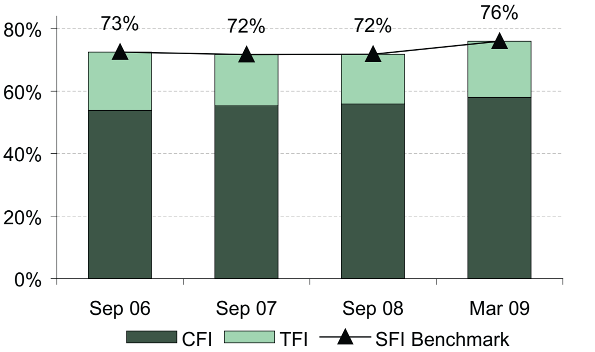
Global wholesale term funding markets remained challenging over the first half and elevated credit spreads persisted. The introduction of government guarantees for wholesale funding around the globe did however underpin a return of investor demand which resulted in opportunities for the Group to access term markets in volume. The Group's estimated full year 2009 term funding requirement of $19 billion is more than 86% complete as at 31 March 2009.

Demand for non-government guaranteed issuance remained low, although it showed signs of improvement towards the end of the half.

Throughout this period, the Group has focused on maintaining balance sheet strength whilst supporting relationship lending.

Funding Indices. The Group employs a set of internal measures to gauge the strength of its balance sheet funding. Amongst these measures is the Stable Funding Index (SFI), which comprises a Term Funding Index (TFI) plus a Customer Funding Index (CFI). TFI is defined as Term Wholesale Funding with a remaining maturity greater than 12 months, divided by Core Assets. CFI is a measure of customer deposits divided by Core Assets. The securitisation of balance sheet assets affects these funding indices by reducing Core Assets. With most of the $19 billion term funding requirement for financial year 2009 achieved, the SFI improved from 72% to 76% over the half year period to March 2009.

Group Funding Indices (CFI, TFI and SFI)



Term Wholesale Funding. In total, the Group has raised $16.5 billion of term wholesale funding during the half to March 2009, only $0.4 billion of which was raised in non-guaranteed format. NAB Ltd has raised $13.2 billon of term funding, Clydesdale $2.9 billon and BNZ $0.4 billon.

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

The Group continues to focus on issuing longer dated debt to minimise re-financing risk. The weighted average maturity of term wholesale funds raised in the first half of 2009 was approximately 3.71 years based on contractual maturity, compared to 3.94 years in the prior financial year. The average cost of senior term funds raised by NAB Ltd during the half to March 2009 was approximately 172 basis points over BBSW (including the government guarantee fee), compared to 80 basis points in financial year 2008.

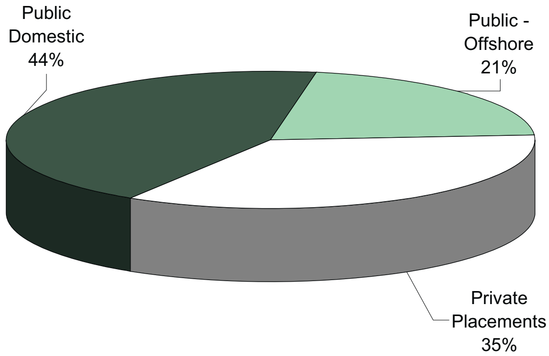
NAB Ltd has provided term funding to Clydesdale Bank PLC and Bank of New Zealand Ltd during the period.

Short-term Wholesale Funding. Short-term wholesale funding markets remained open to the Group, with some periods of illiquidity in offshore markets early in the half. The Nab Ltd 'AA' rating has seen the Group well positioned to access short-term funding markets and gather deposits. The Group's focus has been on maintaining the duration of the short-term book in an effort to augment the term wholesale funding program.

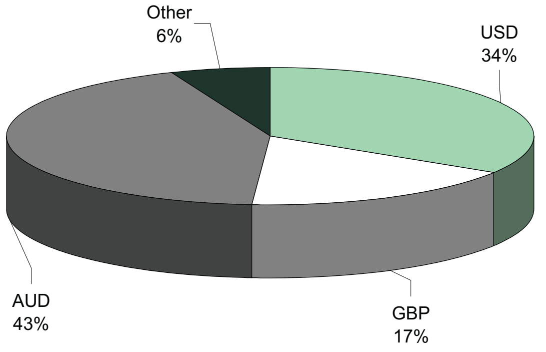
Liquid Asset Portfolio. The Group maintains liquid asset portfolios in the various countries in which it operates. In addition to those required by local regulators, the Group holds further securities to support its liquidity position. Total liquid assets as at 31 March 2009 remained strong at $67.5 billion, similar to September 2008 levels, and well above regulatory requirements.

As a source of contingent liquidity to further support the Group's liquid asset holdings, internal securitisation pools have been developed. These securities qualify as eligible collateral for repurchase agreements with the central banks in the jurisdictions in which the Group operates. The current available pool size is $19 billion globally.

Half Year March 2009 Wholesale Funding by Deal Type ($16.5bn)



Half Year March 2009 Wholesale Funding by Currency ($16.5bn)



The Group's current long-term debt ratings are: NAB Ltd AA/Aa1/AA (S&P/Moody's/Fitch); BNZ Ltd AA/Aa2/AA; Clydesdale Bank PLC AA-/Aa3/AA-; and National Wealth Management Holdings Ltd AA- (S&P).

Rating agencies periodically review the various banking sectors in which the Group operates in light of the challenges faced by banks globally. Recently there have been rating actions on a number of UK financial institutions by Moody's and a review of Clydesdale Bank is also expected.

Full Time Equivalent Employees

	As at				
	31 Mar 09	30 Sep 08	31 Mar 08	Mar 09 v Sep 08%	Mar 09 v Mar 08%
Australia Banking	**18,305**	18,440	18,930	(0.7)	(3.3)
MLC	**3,661**	3,869	3,870	(5.4)	(5.4)
Other (incl. Asia)	**283**	258	192	9.7	47.4
Australia Region	**22,249**	22,567	22,992	(1.4)	(3.2)
UK Region	**8,510**	8,758	8,966	(2.8)	(5.1)
NZ Region	**4,253**	4,293	4,349	(0.9)	(2.2)
nabCapital	**2,642**	2,600	2,416	1.6	9.4
Central Functions excluding Great Western Bank	**680**	695	698	(2.2)	(2.6)
Great Western Bank	**816**	816	-	-	large
Total full time equivalent employees (FTEs)	**39,150**	39,729	39,421	(1.5)	(0.7)
Average half year FTEs	**39,578**	39,783	39,090	(0.5)	1.2

March 2009 v March 2008

FTEs have decreased by 271 from March 2008:

- Australia Banking decreased by 625 FTEs as a result of ongoing business initiatives and convergence activities to gain a more efficient structure. This was partly offset by an increase in business bankers in Business & Private Banking.
- MLC decreased by 209 FTEs. This was mainly from a reduction in project employees. In addition, there has been a reduction of 45 FTEs as a result of restructuring activities announced in January 2009. These decreases were partly offset by increased financial planners.
- The UK Region decreased 456 FTEs as a result of efficiency and quality initiatives within the iFS business and natural attrition. The strategic alliance with AXA to provide an enhanced financial advisory service and a wider choice of investment and protection products for their UK retail banking customers resulted in the transfer of 129 sales staff to AXA during February 2009.
- NZ Region decreased by 96 FTEs mainly from ongoing business simplification activities. This was partially offset by the new roles created as part of the rollout of the new BNZ Partners business model.

This has been partly offset by an increase of 226 FTEs in nabCapital, mainly from growth in technology as a result of ongoing investment mainly in Global Markets and the inclusion of 816 FTEs in Great Western Bank, which was acquired in June 2008.

March 2009 v September 2008

FTEs have decreased by 579 from September 2008:

- Australia Banking decreased by 135 FTEs from ongoing business initiatives and convergence activities, partly offset by an increase in business bankers.
- MLC decreased by 208 FTEs. This was mainly from a reduction in project employees and a reduction of 45 FTEs as a result of restructuring activities. These decreases were partly offset by increased financial planners.
- The UK Region decreased 248 FTEs as a result of efficiency and quality initiatives within the iFS business. The strategic alliance with AXA resulted in the transfer of 129 sales staff to AXA.
- NZ Region decreased by 40 FTEs. Decreases from ongoing business simplification activities were partially offset by the new roles created as in the new BNZ Partners business model.

This was partly offset by an increase of 42 FTEs in nabCapital mainly from growth in technology to support Global Markets related projects.

Other Matters

Corporate Responsibility

The Group continues to deliver on its corporate responsibility strategy across each of its regions.

Led by the Australian business, the entire Group responded to the Victorian Bushfire Crisis with grants and donations of around $3 million. This immediate financial assistance to those in need was supported by volunteering activities, with over 600 volunteer days completed throughout the crisis period.

Each of the Group's businesses continue to invest in their community initiatives.

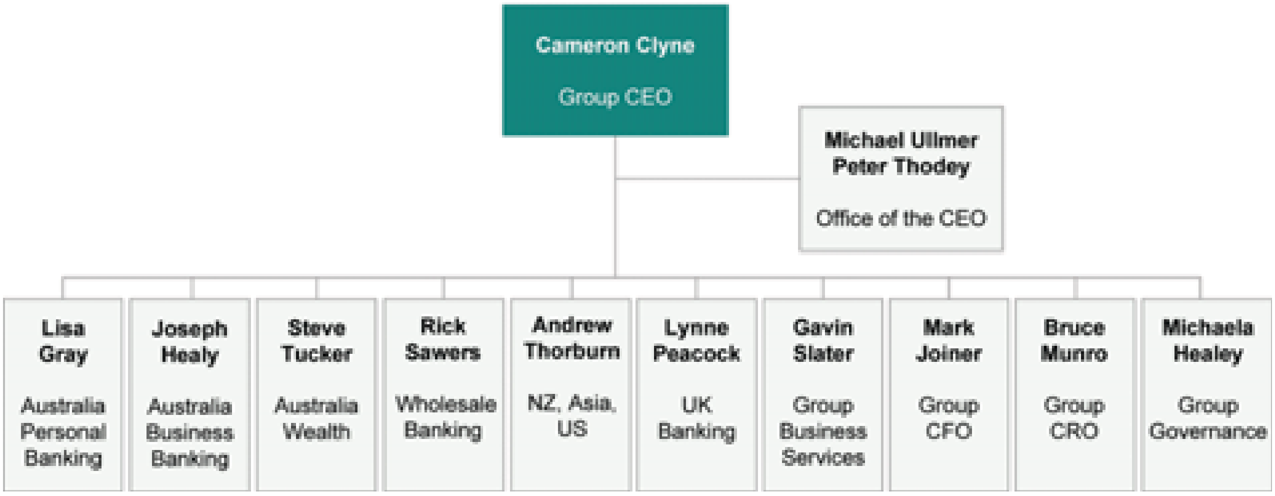
The Group wide commitment to education commenced with the launch of Schools First in Australia, BNZ continues its association with Preventing Violence in the Home, and the UK continues to support Help the Hospice. In addition, the Group has outlined core banking issues that it will address moving forward, including transparency in fees and interest rate decisions, as well as providing access to financial services for the disadvantaged, and committed an additional $100 million to its suite of microfinance programs in October 2008.

The Group continues its momentum towards its Carbon Neutral 2010 target. Construction commenced on a $6.4 million onsite gas fired tri-generation plant at the main Victorian data centre. This investment is expected to reduce emissions at the Group's most energy intensive location by 20% saving around 20,000 tCO2-e pa.

Section 4

Review of Regional Operations and Results

Business Structure



On 12 March 2009, as illustrated above, the Group announced a new organisational structure. This structure brings together an executive team with diverse and extensive experience, and increases focus on customer and relationship banking. The Group will report under the new structure from 1 October 2009.

The Group operates under a regional accountability model, the main objective of which is to maximise local decision-making.

The regional businesses are responsible for value creation within a framework established by the Group of return on equity and cash earnings targets, a funding envelope and risk appetite, as well as customer satisfaction and employee engagement scores to ensure value is created in a sustainable way. The Group sets high level targets for the Regional CEO's, giving them the accountability and authority to run their businesses. They are close to their markets, their customer needs and the competitive landscape they operate in.

Corporate Centre focuses on:

- Value creation and target setting.
- Performance monitoring and capital management.
- Human Capital.
- Mergers and acquisitions.

The Corporate Centre is responsible for the allocation of capital and taking a portfolio perspective to optimising shareholder returns.

The Corporate Centre undertakes rigorous value based analysis of the Group's existing business portfolio in the same way as it assesses new opportunities.

Finance, Risk Management and Funding are the joint accountability of the Corporate Centre and the Regions.

The Corporate Centre is accountable for high level policy framework, oversight and supporting Board governance. The Regions are accountable for implementation of the detailed policies, and business specific finance and risk management functions.

Internal Audit is an independent function, accountable directly to the relevant Board Audit Committee.

This section provides a review of each of our regional businesses from an internal management perspective. Financial information is provided on an operational basis (rather than a statutory basis) to reflect a management view of businesses and regional structures.

Content is prepared using external market data and internal management information useful for investors. The implications for the following analyses include:

- all performance data and analysis is based upon cash earnings from ongoing operations.
- our MLC business reflects 100% shareholder attributable cash earnings results. Our financial report (Section 5) reflects both policyholder and shareholder interests. Refer to Section 6 for a reconciliation between cash earnings and statutory profit after tax.

Divisional Perfomance Summary

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

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

Divisional Perfomance Summary

Half year ended 30 September 2008	Australia Region Banking $m	Australia Region MLC $m	Australia Region Other $m	UK Region $m	NZ Region $m	nabCapital $m	Central Functions (1) CC&GF $m	Central Functions (1) NB&D $m	Central Functions (1) GWB $m	Eliminations $m	Cash Earnings - Ongoing $m	Disposed Operations (2) $m	Group Cash Earnings $m
Net interest income	3,271	-	22	940	442	1,204	(84)	(3)	47	-	5,839	(1)	5,838
Other operating income	935	-	10	373	156	(220)	74	5	16	(24)	1,325	-	1,325
MLC net operating income	-	611	-	-	-	-	-	-	-	-	611	-	611
Net operating income	4,206	611	32	1,313	598	984	(10)	2	63	(24)	7,775	(1)	7,774
Operating expenses	(1,707)	(344)	(39)	(756)	(282)	(406)	(102)	(36)	(30)	24	(3,678)	3	(3,675)
Underlying profit	2,499	267	(7)	557	316	578	(112)	(34)	33	-	4,097	2	4,099
Charge to provide for doubtful debts	(302)	-	(3)	(246)	(30)	(1,181)	-	-	(1)	-	(1,763)	-	(1,763)
Cash earnings before tax	2,197	267	(10)	311	286	(603)	(112)	(34)	32	-	2,334	2	2,336
Income tax expense	(636)	(79)	4	(80)	(89)	184	171	39	(11)	-	(497)	(1)	(498)
Cash earnings before distributions and IoRE	1,561	188	(6)	231	197	(419)	59	5	21	-	1,837	1	1,838
Net profit - minority interest	-	-	-	-	-	2	-	-	-	-	2	-	2
IoRE	-	(5)	-	-	-	-	-	-	-	-	(5)	-	(5)
Distributions	-	-	-	-	-	-	-	-	-	(155)	(155)	-	(155)
Cash earnings	1,561	183	(6)	231	197	(417)	59	5	21	(155)	1,679	1	1,680

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

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

Divisional Perfomance Summary

Half year ended 31 March 2008	Australia Region Banking $m	Australia Region MLC $m	Australia Region Other $m	UK Region $m	NZ Region $m	nabCapital $m	Central Functions (1) CC&GF $m	Central Functions (1) NB&D	Central Functions (1) GWB	Eliminations $m	Cash Earnings - Ongoing $m	Disposed Operations (2) $m	Group Cash Earnings $m
Net interest income	2,917	-	19	970	466	948	(18)	1	-	-	5,303	(10)	5,293
Other operating income	977	-	(1)	400	155	194	15	5	-	(55)	1,690	45	1,735
MLC net operating income	-	646	-	-	-	-	-	-	-	-	646	-	646
Net operating income	3,894	646	18	1,370	621	1,142	(3)	6	-	(55)	7,639	35	7,674
Operating expenses	(1,659)	(337)	(22)	(801)	(297)	(411)	(96)	(30)	-	55	(3,598)	(33)	(3,631)
Underlying profit	2,235	309	(4)	569	324	731	(99)	(24)	-	-	4,041	2	4,043
Charge to provide for doubtful debts	(301)	-	1	(135)	(26)	(265)	-	-	-	-	(726)	-	(726)
Cash earnings before tax	1,934	309	(3)	434	298	466	(99)	(24)	-	-	3,315	2	3,317
Income tax expense	(567)	(89)	1	(123)	(91)	(93)	45	6	-	-	(911)	-	(911)
Cash earnings before distributions and IoRE	1,367	220	(2)	311	207	373	(54)	(18)	-	-	2,404	2	2,406
Net profit - minority interest	-	-	-	-	-	-	-	(1)	-	-	(1)	-	(1)
IoRE	-	(9)	-	-	-	-	-	-	-	-	(9)	-	(9)
Distributions	-	-	-	-	-	-	-	-	-	(157)	(157)	-	(157)
Cash earnings	1,367	211	(2)	311	207	373	(54)	(19)	-	(157)	2,237	2	2,239

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

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

Australia Region

Cameron Clyne

The Australia Region consists of Australia Banking (incorporating Retail Banking and Business & Private Banking) and Wealth Management businesses in Australia ("MLC") as well as Business and Retail banking operations in Asia.

As announced on 12 March 2009, the Australia Region will be restructured with the creation of Australia Business Banking, Australia Personal Banking and Australia Wealth. The current Retail Banking franchise will become Australia Personal Banking, incorporating UBank. Australia Business Banking will emerge from the integration of Business and Private Australia and the Corporate Lending franchise that currently resides in nabCapital. MLC will be the foundation of the Australia Wealth business and will include nab Private Banking currently within Business and Private Banking and the inclusion of nabInvest.

Strategic Highlights and Business Developments

The Australia Region has delivered a solid performance over the last half, despite the increasingly challenging economic environment and at the same time has undertaken initiatives to strengthen its position into the future.

During the past six months, the Region has focused on three priorities:

Tightly managing key business settings. The balance sheet has been carefully managed, along with strategic repricing of the asset and deposit books, to ensure NAB is well positioned to mitigate the impact of higher funding and liquidity costs. As asset quality has deteriorated in the economic downturn, NAB has continued tight management of impaired and delinquent assets.

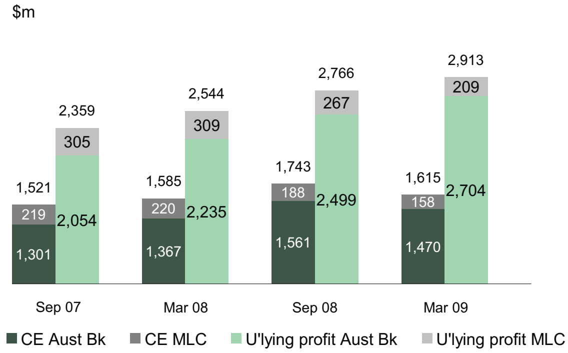
Developing franchises. NAB's on-going focus on operational efficiency and effectiveness has enabled it to maintain investment in the franchise.

In Business & Private Banking the continued investment in the Integrated Financial Services (iFS) model strengthened customer connections and reinforced the traditional relationship management model. Whilst the business lending environment has significantly slowed in recent times, Business & Private Banking continues to be committed to supporting its customers through a focus on long-term relationships and advice. This includes growing the business through both the distribution footprint and banker capability, and investing in the specialisation and private wealth businesses.

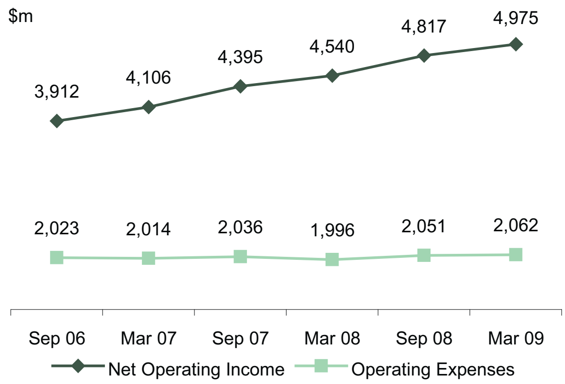
Retail Banking is continually striving to provide better service to customers via multiple distribution channels and brands. The development of new distribution offerings (nabKiosks, nabStores and combined NAB MLC advice centres) and the upgrading of phone and online channels, combined with the implementation of innovative technologies such as SMS mobile banking services, has enabled the business to expand its offering to customers. UBank, the new, innovative direct offering, was launched in October 2008, and has already been successful in raising significant volumes of 'new to bank' customer deposits.

MLC has continued to take the lead in building trust in the financial advice industry.

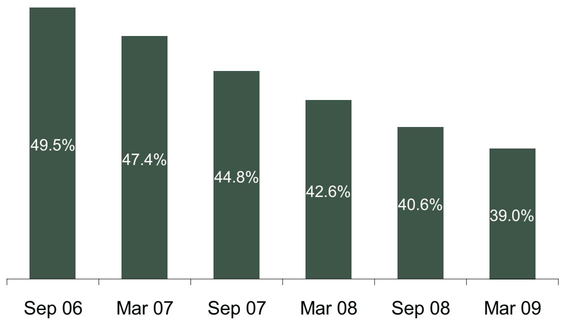
Australia Region Cash Earnings before IoRE(1) and Underlying Profit(2)



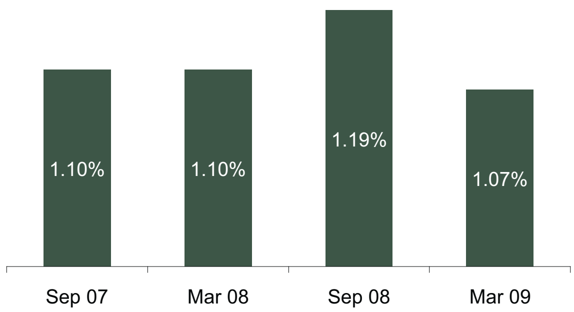
Australia Region Revenue and Expense Trends



Australia Banking Cost to Income ratio



Australia Banking Cash Earnings on Average Interest Earning Assets



(1) *Australia Region Cash Earnings total includes Other (incl. Asia)*
(2) *Australia Region Underlying Profit excludes Other (incl. Asia)*

Progressing the Efficiency, Quality & Service (EQS) program and investing in Next Generation Banking platforms. The EQS program, which is designed to increase operational efficiency and continue to enhance the customer experience, is now into its fourth year. Cumulative savings of almost $700 million have been achieved since the program commenced in 2005. Through the adoption of rigorous process management disciplines and engaging employees to drive continuous improvement, NAB has shortened turnaround times, improved quality and freed up front-line employees to spend more time supporting customers.

The Next Generation program will replace legacy systems, drive increased convergence and provide greater flexibility to the underlying operating environment. Key program milestones were met with the UBank platform on track for delivery at the end of June and the planning work for the next phase is well underway.

Operating Environment

The financial services sector, both in Australia and around the world, has changed significantly over the past 12 months. A number of external factors have altered the market landscape in Australia including the disruption to the global capital markets, rising wholesale credit costs, significant reduction in global equity markets and falling consumer and business confidence. The world has also seen a decline in demand, falling GDP in most countries, and volatility in equity and other markets.

The disruption in the economy has resulted in higher funding costs, which are expected to increase as a greater proportion of long-term funding matures and is replaced at higher rates.

The slowing economy has had various effects across the Regional businesses. While all businesses have been affected by the volatility in wholesale funding markets, the MLC business was affected relatively early in the financial year by the continuing correction in world equity markets. The deterioration in asset quality, which began to accelerate in the second quarter, had an impact on Business & Private Banking. Asset quality in the mortgage business was also influenced by the deteriorating economic environment. In contrast, the unsecured portfolio was resilient over the period. However, the early stages of rising unemployment has led to some deterioration in asset quality. This is expected to be more pronounced should unemployment levels rise further over subsequent periods.

Customer, Employee and Community

NAB continues its commitment to fostering meaningful and diverse partnerships in the community. The past six months have seen some significant developments, of particular note, the launch of NAB's Reconciliation Action Plan for Indigenous Australia. Announced by Prime Minister Kevin Rudd on 1 December 2008, the Reconciliation Action Plan outlines NAB's commitment to ensure access to valuable, long lasting and meaningful employment opportunities, improved access to financial products and services and to building a greater organisational understanding of Indigenous Australians, their culture and aspirations.

NAB continues its commitment to ensuring Australians have access to fair and affordable banking services through the provision of micro credit programs. NAB committed an additional $100 million in lending to these programs and continues to experience solid growth.

Schools First was launched in October 2008 and has hosted information workshops around Australia to explain the program to schools and community groups. Schools First was created to encourage and reward best practice in school-community partnerships that demonstrate improved outcomes for students. Award funding of $5 million will be distributed to winning schools annually.

Moving into its fourth year, the NAB AFL Auskick program continues to help forge strong NAB connections at the grassroots level. NAB representatives continue to be involved with their local community via their NAB AFL Auskick centres, and this year will be in contact with their centres on a more frequent basis thanks to the introduction of the 'NAB AFL Auskicker of the Year'.

In 2009, NAB worked with the Alannah & Madeline Foundation to double the amount of schools participating in the 'Better Buddies anti-bullying framework' from 150 to 300. NAB also worked with The Australian Ballet to deliver a program called Dance the Dream whereby elite level dancers are touring regional Australia to visit ballet classes.

NAB's staff volunteering program continues to generate positive feedback from community groups and staff alike, a particular highlight being the response to the Victorian Bushfire crisis and opportunities for staff to help with fundraising. NAB also provided substantial support to communities and customers affected by the tragic bushfires in Victoria and by the floods in NSW and Queensland. NAB also introduced a new hardship policy for customers affected by the bushfires including $10,000 grant for a destroyed home and $5,000 for partially destroyed home with approximately $2 million paid to date.

In November 2008, NAB launched The Academy, a key vehicle of its culture transformation focused on building the capability of its people. The Academy is NAB's new approach business school and provides learning access to all staff via Academy On-line. A new flagship learning centre at Docklands is scheduled to open in May 2009.

NAB's revitalised professional development focuses on customer relationships, credit and risk management, talent and leadership development (including mentoring and coaching), quality and efficiency and compliance.

NAB continues to focus on its flexibility and diversity agenda, with a number of key initiatives gaining momentum, including NAB being recognised for the third year in a row as an Employer of Choice for Women by The Equal Opportunity for Women in the Workplace Agency (EOWA). This citation is an external, independent acknowledgement of the policies and programs supporting employees at NAB with such things as parental leave, childcare, flexible work arrangements, mentoring and networking groups. In February 2009, negotiations commenced with the Finance Sector Union for a medium-term Enterprise Agreement and these negotiations are progressing well.

Australia Region

	Half Year to				
	Mar 09 $m	Sep 08 $m	Mar 08 $m	Mar 09 v Sep 08 %	Mar 09 v Mar 08 %
Banking revenue	4,436	4,206	3,894	5.5	13.9
MLC net revenue	539	611	646	(11.8)	(16.6)
Net operating income	4,975	4,817	4,540	3.3	9.6
Operating expenses	(2,062)	(2,051)	(1,996)	(0.5)	(3.3)
Underlying profit	2,913	2,766	2,544	5.3	14.5
Charge to provide for bad and doubtful debts	(633)	(302)	(301)	large	large
Other (incl. Asia)	(13)	(6)	(2)	large	large
Cash earnings before tax and IoRE	2,267	2,458	2,241	(7.8)	1.2
Income tax expense	(652)	(715)	(656)	8.8	0.6
Cash earnings before IoRE	1,615	1,743	1,585	(7.3)	1.9
IoRE	(26)	(5)	(9)	large	large
Cash earnings	1,589	1,738	1,576	(8.6)	0.8
Represented by:					
Australia Banking	1,470	1,561	1,367	(5.8)	7.5
Business & Private Banking	1,015	1,080	948	(6.0)	7.1
Retail Banking	455	481	419	(5.4)	8.6
MLC	158	188	220	(16.0)	(28.2)
Investments	68	88	125	(22.7)	(45.6)
Insurance	90	100	95	(10.0)	(5.3)
Other (incl. Asia)	(13)	(6)	(2)	large	large
Cash earnings before IoRE	1,615	1,743	1,585	(7.3)	1.9

Performance Measures					
Cash earnings before IoRE per average FTE ($'000s)	144	152	140		
FTEs (spot)	22,249	22,567	22,992		

Australia Region
Financial Highlights

March 2009 v March 2008

The Australia Region delivered cash earnings growth (before IoRE) of 1.9% and underlying profit growth of 14.5% over the March 2008 half year.

Revenue growth was strong and achieved in a very challenging environment. The performance of the Australia Banking business was mainly due to continued momentum in business lending and prudent margin management. MLC has operated in extreme investment market weakness during the period, which has had a negative impact on fees from funds under management (FUM).

Expense growth was contained, with increased investment in the distribution channel partially offset by ongoing EQS initiatives delivering sustainable savings.

Bad and doubtful debt charges increased significantly reflecting the tightening in the credit environment and a slowdown in economic growth. Although asset quality continues to be tightly managed by the business, the charge includes increases across the portfolio.

Significant work continues in the Australia Region to ensure risk associated with the lending book is actively managed and priced accordingly.

March 2009 v September 2008

The Australia Region cash earnings (before IoRE) declined by 7.3% while underlying profit grew by 5.3% over the September 2008 half.

MLC operated in extreme investment market volatility during the period, which has negatively affected FUM and fees in the Investments business.

Expense growth remained low due to further embedding of the EQS program despite continued investment in the franchises. In the difficult environment, discretionary costs were tightly managed by all businesses.

Bad and doubtful debts increased due to continued deterioration in the economic environment.

Other Items

Investment Spend

Investment cash spend during the March half was $143 million. This spend does not include investments directly funded by business units such as Private and Institutional Wealth strategy and ongoing investment in developing The Academy.

The investment portfolio is comprised of three categories: infrastructure, compliance/operational risk and efficiency and sustainable revenue generating projects. Since October 2005, total investment spend in the Region has been in excess of $1.6 billion inclusive of our Next Generation banking platform expenditure.

Infrastructure

Cash spend during the March half was $55 million, representing 38% of the portfolio. In the context of the Next Generation program, the Region has completed detailed planning of the banking program and developed a strategy to replace the core banking systems. In the March 2009 half, the majority of the expenditure was on developing a new deposit platform for UBank. NAB has selected Oracle as its partner for the first phase of this strategy. This programme is well advanced, with build of the on-line deposits capability scheduled to finish in the second half of 2009.

Compliance / Operational Risk

Cash spend during the March half was $15 million, representing 11% of the portfolio. Activity included initiatives such as compliance with the Anti Money Laundering and Counter Terrorist Financing requirements and continuing the implementation of the Basel II solution.

Efficiency and sustainable revenue

Cash spend during the March half was $73 million, representing 51% of the portfolio. This reflects the continued focus on efficiency programs such as enabling identification recognition within a NAB branch via card swipe rather than a signature to ensure a smoother experience for the customer. Investment spend has also concentrated on improving internet banking systems for small through to corporate business customers, and on migrating customers onto the platform, enabling easy access to NAB products and services.

Cross Sell

The Regional cross-sell agenda continues to progress within chosen segments. These include Insurance, Investments and Superannuation sales through Bank channels, banking products and services through MLC Financial advisers, and generation of nabCapital revenue through Business & Private Banking customers.

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Australia Banking (nab)

Business and Private Banking

Business & Private Banking provides a range of commercial banking products and services to small and medium sized businesses, corporate customers below the ASX200, business customers in specialised industries covering Agribusiness, Property, Healthcare, Education and Government, and private banking customers. As Australia's leading business bank, Business & Private Banking meets customers' needs through an extensive and growing distribution network - 'More Bankers in More Places'.

In the March 2009 half, Business & Private Banking grew revenues by 15.1% to $2,729 million, underlying profit by 20.1% to $1,808 million and cash earnings by 7.1% to $1,015 million when compared to the March 2008 half.

The philosophy underlying the Business & Private Banking strategy is an unwavering commitment to traditional relationship banking and a disciplined approach to growing the business, with a focus on pricing for risk, credit quality and cross sell. The NAB's commitment to relationship banking is recognised by customers who continue to rank NAB as the number one business bank in customer satisfaction amongst the major banks, a position that was strengthened during the half (East & Partners).

A key differentiator in Business & Private Banking and central to NAB's commitment to relationship banking, is the iFS model, which is now operating across the national distribution network and continues to evolve in its development.

Business & Private Banking continued its strong cost focus throughout the March 2009 half, with tightly controlled expense growth in core business operations. This was accompanied by targeted investment in products and specific business opportunities, resulting in operating expenses growing by 6.5%. This included increased investment in the private wealth business, and the expansion of the business bank distribution footprint with the ongoing hiring of 150-200 additional bankers. This also involved the opening of additional Business Banking Centres in targeted locations with strong growth potential.

Bad and doubtful debts increased during the half to $371 million in line with expectations, reflecting weaker business conditions.

In working closely with customers, Business & Private Banking continued to focus on pricing for risk. This included repricing existing facilities to reflect the prevailing environment, and at the same time, continuing to drive cross-sell of less capital intensive services such as transactional banking and a disciplined usage of capital.

Given the economic environment, Business & Private Banking continues its close scrutiny of asset quality. Significant steps were taken to strengthen the number of experienced bankers working with customers who are either in distress or likely to face distress. The portfolio management team and the appointment of experienced bankers with strong risk management credentials into risk and senior business roles has led to an increased level of risk management effectiveness. Staff training in risk management also continued to be a priority with extensive use of case studies.

Retail Banking

Retail Banking focused on key growth segments and connecting with customers through a range of high quality channels and brands. Continued investment in the development of products and processes simplified banking for customers and employees alike. Retail Banking remains committed to empowering local bankers to meet customers' needs and providing customers with fair value, while ensuring the business delivers sustainable cash earnings growth. Cash earnings were up 8.6% on March 2008, driven mainly by strong revenue growth partially offset by higher bad and doubtful debts.

Retail Banking's mortgage strategy focused on maintaining appropriate returns, although during the half year, volumes grew below system. Over this period, a strong strategic commitment was made to the third party broker distribution market and as a result, the Broker business was repositioned. Through this transition, Broker volumes grew below the market. While the proprietary business also grew below system, its relative performance (versus system) improved as it benefited from investment in sales capabilities and the ongoing enhancement of the branch network. Mortgage revenue for the half benefited from both higher volumes and some improvement in margins, which helped drive Retail Banking's revenue growth of 12.1% on March 2008.

Retail Banking remained committed to providing customers with innovative and competitive deposit products. While deposit volumes benefited from financial market uncertainty and a flight to quality, revenue in this product was affected by tightening wholesale funding markets which placed pressure on deposit margins as competitors have become more active in this market. NAB continued to be a significant presence in the personal deposit market. As a result deposit revenue declined as income from higher volumes were more than offset by lower deposit margins.

Retail Banking continued to invest in its multiple distribution channels and brands, including brokers, online, ATMs, the branch network and UBank, NAB's new online brand. During the half, eight new branches were opened, including the first NAB MLC Advice Centre and a new store format nabKiosk was launched. A further 18 branches were refurbished, maintaining the investment in the network of 772 branches. UBank was also launched in October 2008 bringing new customers to NAB. This continued investment contributed to an expense increase of 2.1% on the March half. However, Retail Banking's strong efficiency and quality program ensured that expenses were tightly managed with flat growth on the September 2008 half.

Underlying bad and doubtful debts increased due to the deteriorating economic environment. The increase was significantly affected by a single collective provision charge associated with loans entered into mainly between 2004-2006, which had LMI cover where the claims may not be paid. Continued investment in collections capability and strong originations criteria ensure that bad and doubtful debts and asset quality are managed tightly through this difficult time in the economic cycle.

Australia Banking

	Half Year to Mar 09 $m	Sep 08 $m	Mar 08 $m	Mar 09 v Sep 08 %	Mar 09 v Mar 08 %
Net interest income	**3,468**	3,271	2,917	6.0	18.9
Other operating income	**968**	935	977	3.5	(0.9)
Net operating income	**4,436**	4,206	3,894	5.5	13.9
Operating expenses	**(1,732)**	(1,707)	(1,659)	(1.5)	(4.4)
Underlying profit	**2,704**	2,499	2,235	8.2	21.0
Charge to provide for bad and doubtful debts	**(633)**	(302)	(301)	large	large
Cash earnings before tax	**2,071**	2,197	1,934	(5.7)	7.1
Income tax expense	**(601)**	(636)	(567)	5.5	(6.0)
Cash earnings	**1,470**	1,561	1,367	(5.8)	7.5
Average Volumes ($bn)					
Gross loans and acceptances	**269.9**	259.3	246.4	4.1	9.5
Interest earning assets	**274.4**	263.0	247.7	4.3	10.8
Total assets	**296.7**	272.0	253.5	9.1	17.0
Retail deposits	**123.0**	109.7	104.9	12.1	17.3
Performance Measures					
Cash earnings on average assets	**0.99%**	1.14%	1.08%	(15 bps)	(9 bps)
Net interest margin	**2.53%**	2.49%	2.36%	4 bps	17 bps
Cost to income ratio	**39.0%**	40.6%	42.6%	160 bps	360 bps
Cash earnings per average FTE ($'000s)	**160**	166	146		
FTEs (spot)	**18,305**	18,440	18,930		

Distribution	As at Mar 09	Sep 08	Mar 08
Number of retail stores	**772**	769	781
Number of ATMs	**1,641**	1,583	1,599
Number of internet banking customers (no. million) [(1)]	**1.297**	1.451	1.370
Number of business banking centres	**172**	176	180

(1) *The methodology used to calculate the number of internet banking customers has changed for the March 2009 half. On the revised methodology the comparative figures are 1.234 million at September 2008 and 1.169 million at March 2008.*

Market Share	As at Feb 09	Sep 08	Mar 08
Business lending	**19.7%**	19.2%	18.9%
Housing lending	**13.0%**	13.1%	13.2%
Other personal lending	**15.2%**	14.7%	14.5%
Retail deposits	**15.1%**	14.3%	14.4%

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

Business & Private Banking	Half Year to Mar 09 $m	Sep 08 $m	Mar 08 $m	Mar 09 v Sep 08 %	Mar 09 v Mar 08 %
Net operating income	**2,729**	2,595	2,371	5.2	15.1
Operating expenses	**(921)**	(896)	(865)	(2.8)	(6.5)
Underlying profit	**1,808**	1,699	1,506	6.4	20.1
Charge to provide for bad and doubtful debts	**(371)**	(168)	(165)	large	large
Cash earnings before tax	**1,437**	1,531	1,341	(6.1)	7.2
Income tax expense	**(422)**	(451)	(393)	6.4	(7.4)
Cash earnings	**1,015**	1,080	948	(6.0)	7.1
Retail Banking					
Net operating income	**1,707**	1,611	1,523	6.0	12.1
Operating expenses	**(811)**	(811)	(794)	-	(2.1)
Underlying profit	**896**	800	729	12.0	22.9
Charge to provide for bad and doubtful debts	**(262)**	(134)	(136)	(95.5)	(92.6)
Cash earnings before tax	**634**	666	593	(4.8)	6.9
Income tax expense	**(179)**	(185)	(174)	3.2	(2.9)
Cash earnings	**455**	481	419	(5.4)	8.6

Australia Banking
Financial Analysis

March 2009 v March 2008

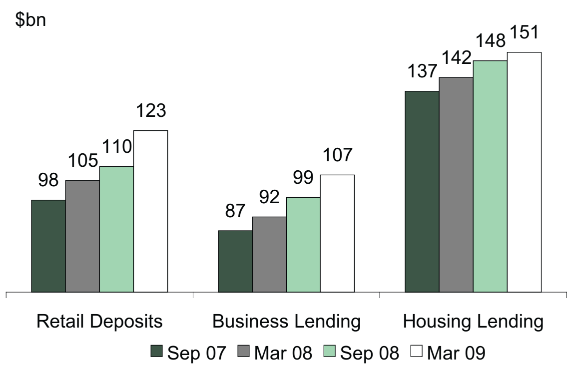
Cash earnings increased by $103 million or 7.5% compared to the March 2008 half, reflecting a robust underlying profit performance (21% growth) offset by growth in bad and doubtful debts charges in an increasingly difficult economic environment. **Return on average assets** declined by 9 basis points, reflecting the increased bad and doubtful debts charge.

Net interest income increased by $551 million or 18.9% over the March 2008 half. Volume growth and product margin management have partially mitigated the impact of market instability on funding costs and changes to the portfolio mix in the deposit book. Continued momentum was seen in business lending volumes against a slowing system and deposit volumes responded well to strategic campaigns.

Average interest earning assets grew by $27 billion or 10.8%, driven by above system business lending growth. Housing lending growth slowed as the overall housing market responded to a more cautious consumer outlook particularly in the residential investor market. Housing lending growth was also impacted by the underperformance in the broker business.

Average retail deposits increased by $18 billion or 17.3% and market share increased to 15.1% as we benefited from strategic deposit campaigns and a flight to quality.

Australia Banking Average Volumes



The increase in **net interest margin** for the half year was achieved through business lending momentum, together with active repricing for risk to mitigate the impact of increasing funding costs. This was partially offset by lower margins on deposits resulting from more aggressive competition in the deposit market as wholesale funding activity tightened.

Other operating income decreased by $9 million or 0.9%. The overall decline in consumer activity and confidence resulted in reduced customer fee income. Treasury income was also adversely affected by swap fees on term funding deals as a result of the movement in interest rates.

Operating expenses increased by $73 million or 4.4%. Underlying expenses remain tightly managed through the delivery of the EQS agenda. This has enabled the investment in the business to expand the distribution network, build capability via NabAcademy and further develop the Private and Institutional Wealth strategy.

The charge to provide for bad and doubtful debts increased by $332 million as a result of continued deterioration in the economic environment and a single collective provision charge in Retail Banking.

March 2009 v September 2008

Cash earnings decreased by $91 million or 5.8% over the September 2008 half, whilst underlying profit grew by 8.2%. **Return on average assets** declined by 15 basis points mainly due to the increase in the bad and doubtful debt charge for the half.

Net interest income increased by $197 million or 6.0%, supported by volume growth and product margin management. Net interest income growth is slowing relative to March 2008 growth of 18.9% driven by a further increase in the cost of wholesale funding, declining system growth for all lending categories and continued tightness in business deposit margins.

Average interest earning assets grew by $11 billion or 4.3% primarily due to business lending growth.

Average retail deposits grew by $13 billion or 12.1%, underpinned by the response to strategic deposit campaigns and a flight to quality.

The increase in **net interest margin** for the half year was achieved through business lending momentum, together with active repricing for risk to mitigate the impact of increasing funding costs. This was partially offset by lower margins on deposits resulting from more aggressive competition in the deposit market as wholesale funding activity tightened.

Other operating income increased by $33 million or 3.5%. This was largely a result of a good performance in business banking due to customer appetite for derivative products given the volatile environment.

Operating expenses increased by $25 million or 1.5%, due to increased investment in the distribution network, partially offset by lower personnel costs driven by lower FTEs.

The charge to provide for bad and doubtful debts increased by $331 million on the September half. Asset quality continues to be closely monitored with the charge increasing as a result of deteriorating economic conditions.

Other Items

Asset Quality

	As at		
	Mar 09	**Sep 08**	**Mar 08**
Gross impaired assets ($m)	**1,545**	1,036	937
Gross impaired assets to gross loans and acceptances	**0.56%**	0.39%	0.37%
90+ DPD assets ($m)	**1,464**	1,079	1,026
90+ DPD to gross loans and acceptances	**0.53%**	0.41%	0.41%
Gross impaired assets and 90+ DPD to gross loans and acceptances	**1.10%**	0.79%	0.78%
Total provision to gross loans and acceptances	**0.60%**	0.45%	0.50%
Net write-offs to gross loans and acceptances	**0.15%**	0.18%	0.11%
Bad and doubtful debt charge to credit risk weighted assets	**0.86%**	0.44%	0.29%

The Australian credit and economic environment significantly deteriorated over the half to 31 March 2009, as the effects of the broader global credit crisis flowed into the domestic economy. Reflecting this deterioration, Australia Banking's key asset quality metrics have softened. NAB's strategies remain focused on rigorous management of the quality of the lending portfolios throughout the increasingly difficult environment.

Credit growth slowed over the last half and is set to remain low, despite the monetary and fiscal policy settings that are targeted at stimulating the domestic economy. Conditions and confidence across the business community have fallen considerably, highlighting the difficult operating environment for businesses.

The Bank experienced a further increase in customer defaults and impairments over the last six months. Increases have been observed across all eastern states, but continue to be most pronounced in New South Wales. Reflecting the difficult trading conditions, the increase in default and impairment rates have been largely in business lending.

The bad and doubtful debt expense increased significantly over the half, reflecting the current slowing of economic growth. Key factors that contributed to the increase have been the impairment of a small number of significant business relationships and a single collective provision charge associated with loans entered into mainly between 2004 and 2006 which had LMI cover where the claims may not be paid by the LMI provider. Loan loss provisioning coverage remains sound.

NAB's commercial property portfolio continues to be well secured and is well diversified across both regions and asset classes. This portfolio has received significant management attention and, as a result, has to date experienced low levels of impairment.

Despite the worsening macro-economic environment, the credit quality of the portfolio remains sound, with an observed deterioration in Probability of Default for business lending being offset by an improvement in Loss Given Default (reflecting levels of security). The unsecured consumer portfolio has demonstrated resilience in a deteriorating environment, with delinquency and write-off rates remaining stable.

Over the period NAB continued to invest in risk management through improving systems and processes, and conducting targeted reviews. Reflecting the deteriorating environment, additional investment will be made in collections, loan monitoring and management teams across both Business & Private Banking and Retail Banking.

Management remains vigilant in monitoring changes in the economic and credit environment and continues to review and adjust its business and risk management strategies as appropriate.

Funding and Liquidity

Funding and liquidity costs have increased steadily in the March 2009 half, continuing the trend observed since July 2007. The main drivers of this increase can be attributed to the cash/bills spread and the cost of term funding issued to support the Region's balance sheet growth.

Cash/bills spread is the difference between the market rate for cash and the 90 day Bank Bill rate, this is the rate at which banks generally borrow and lend money to each other and therefore it is this rate which is part of our short term funding cost. During the half, the cash bills spread was volatile particularly in the December 2008 quarter, where Bank Bill funding costs increased substantially following collapse of Lehman Brothers. During that period, cash bills spreads reached a high of 97 basis points over the cash rate. While the cash bills spread has reduced in recent months, it is still high relative to levels preceding the global financial crisis.

As a result of the volatility during the half, the average cash bills spread for the March 2009 half was 61 basis points compared to 41 basis points for the September 2008 half. This represents a cost of $193 million for the March 2009 half, compared to $105 million in the September 2008 half.

Since September 2008, $13.2 billion of term funding has been issued to support the Region's balance sheet growth. The cost of these deals has grown significantly, as market prices reflect the increased cost of credit and liquidity. Also, a significant proportion of the funding is sourced from offshore markets which is directly impacted by the global financial crisis (US, Europe).

The incremental increase in half on half funding costs is expected to continue into the foreseeable future as the previous low cost term funding deals mature and are replaced at a higher cost than the historical average.

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MLC

MLC has delivered cash earnings before IoRE of $158 million, a $62 million or 28% decline over the prior comparative period whilst operating in an environment of extremely volatile investment markets.

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

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

MLC has a diversified, quality, advice business model including aligned advice businesses (Garvan Financial Planning, MLC Financial Planning, Apogee Financial Planning and Godfrey Pembroke) and the bank advice channel, NAB Financial Planning. MLC also continues to maintain and grow it's relationships with external financial advisers.

MLC remains focussed on:

Continuing to take the lead on the important issue of building trust in the financial advice industry. The volatile market conditions have increased the focus on transparency and trust in the advice profession and the sustainability of some business models. MLC Advice Solutions continues to attract quality advisers and new businesses with its robust customer centric business model. Reflecting the strength of this model, MLC & Garvan Financial Planning received the CoreData Major Dealer Group of the Year award for the second year running.

Leading the bank owned financial advice transition. NAB Financial Planning is the only Bank advice business to operate under a pure fee for service model for investments. NAB Financial Planning continues to be well positioned in the Retail, Business and NAB Private Wealth divisions, with strong sales despite challenging market conditions. NAB Financial Planning referrals have experienced 13% growth over the period to March 2009 and adviser numbers have increased by 9 during the half.

Consistently delivering strong returns through MLC's market leading multi-manager investment approach. MLC's funds are operating as expected in this turbulent market environment and are performing well. No MLC funds have been frozen for redemptions, reflecting sound product design and liquidity management.

MLC's investment approach has been tested over multiple major market corrections in the past 23 years and continues to perform well relative to peers in the current investment environment. MLC's flagship fund, Horizon 4 outperforms its peers 77% of the time over rolling 5 year periods.

Maintaining a leading position in all sectors of the superannuation system. More than 84% of MLC customers' funds are invested in superannuation, with MLC being the second largest provider of superannuation in Australia.

MLC continues to focus on participating in the more profitable segments of the market, avoiding the industry's move towards lower margin, 'badged' platforms. This has resulted in achieving the right balance between market share and margin management.

MLC's self managed super offer within the MasterKey Custom platform has experienced outstanding growth in flows over the last three years. The quality of this offer means MLC is well placed to continue to attract new customers in this growth segment of the superannuation market.

MLC has made significant investments in its flagship product for small to medium sized employers, MLC MasterKey Business Super. This includes improved choice and flexibility of insurance for members.

MLC's businesses continue to attract new clients including a strong pipeline of new business in Plum Financial Services and JANA.

Maintaining leading market share in the personal insurance market. MLC continues to focus on writing high quality and sustainable new business. MLC's strong sales momentum has continued with insurance sales up 30.5% on prior comparative period across all major life products.

The Insurance business has been restructured to create an end-to-end focus from manufacturing to customer service, recognising the importance of the customer experience at both underwriting and claims time.

Efficiently managing the businesses resulting in real absolute operating expense savings for the last 3 years, through MLC's customer experience and effectiveness program (CEE). Absolute costs have declined 4% from September 2008 and 2% since March 2008.

MLC's investment spend has continued to drive efficiencies with MLC's personal MasterKey product range now available online with straight through processing. More than 45% of MasterKey applications are now received online, ensuring a fast and consistent experience for advisers and their clients. Online applications for MLC's Insurance products were launched in October 2008.

Continuing to invest in the MLC brand and enhance the customer experience. MLC has continued to support its customer champion position throughout the market crisis with the launch of a new advertising campaign and a dedicated Market Watch website to help customers better understand the current environment.

With the creation of MLC & NAB Wealth in March 2009, the wealth business will be focused on delivering a quality wealth and banking proposition to NAB's large share of high net worth relationships through NAB Private Wealth, as well as growing revenue by broadening the Group's asset management capability through nabInvest.

MLC

	Half Year to				
	Mar 09 $m	Sep 08 $m	Mar 08 $m	Mar 09 v Sep 08 %	Mar 09 v Mar 08 %
Gross income	987	1,089	1,106	(9.4)	(10.8)
Volume related expenses	(448)	(478)	(460)	6.3	2.6
Net income	539	611	646	(11.8)	(16.6)
Operating expenses	(330)	(344)	(337)	4.1	2.1
Cash earnings before tax	209	267	309	(21.7)	(32.4)
Income tax expense	(51)	(79)	(89)	35.4	42.7
Cash earnings before IoRE	158	188	220	(16.0)	(28.2)
IoRE (1)	(26)	(5)	(9)	large	large
Cash earnings	132	183	211	(27.9)	(37.4)
Represented by:					
Investments cash earnings before IoRE	68	88	125	(22.7)	(45.6)
Insurance cash earnings before IoRE	90	100	95	(10.0)	(5.3)
Cash earnings before IoRE	158	188	220	(16.0)	(28.2)
Performance Measures					
Operating expenses to net income (%)	61%	56%	52%		
Cash earnings before IoRE per average FTE ($'000s)	83	97	116		
FTEs (spot)	3,661	3,869	3,870		
Financial advisers - bank channels	573	564	525		
Financial advisers - aligned channels	810	837	844		

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

	Half year to								
	Mar 09			Sep 08			Mar 08		
IoRE by Asset Class	Actual Earnings $m	Weighted Asset Balance $m	Earning Rate %	Actual Earnings $m	Weighted Asset Balance $m	Earning Rate %	Actual Earnings $m	Weighted Asset Balance $m	Earning Rate %
Equity	(40)	134	(29.7%)	(26)	170	(15.1%)	(28)	176	(16.3%)
Fixed interest	1	104	1.3%	6	139	4.0%	5	146	3.4%
Cash and others	40	1,319	3.0%	43	1,175	3.7%	36	1,054	3.4%
Debt	(19)	666	(2.9%)	(29)	689	(4.2%)	(24)	604	(4.0%)
Income tax	(8)			1			2		
IoRE	(26)			(5)			(9)		

MLC
Financial Highlights

March 2009 v March 2008

MLC's cash earnings before IoRE of $158 million were $62 million lower or a 28% decline compared to March 2008.

FUM (excluding Trustee and Cash Management) declined $20.1 billion, a 22% decrease over the March 2008 half year, driven by negative investment earnings. Additionally, the uncertain investment market outlook affected net flows, which were negative $1.1 billion in the period.

MLC maintained net investment margins, despite increased competition and the difficult operating environment, by not competing in the lower margin 'badged' platform segment.

Insurance sales were strong in the March 2009 half across both Personal and Group lines.

MLC maintained its focus on strong expense management in the difficult operating environment, continuing to deliver absolute operating expense savings. These expense savings have been achieved through the delivery of efficiency initiatives whilst maintaining focus on the customer experience and reinvesting in the business.

March 2009 v September 2008

MLC's cash earnings before IoRE decreased by $30 million or 16% when compared with September 2008.

The continuing global investment market weakness resulted in a further decline in FUM (excluding Trustee and Cash Management) of $13.5 billion, and negative net flows of $647 million.

Insurance sales momentum continued to be strong across all sales channels. These have been partially offset by lower investment returns on assets backing the Insurance portfolio.

Absolute controllable expense savings were achieved through embedded efficiency initiatives and seasonality.

MLC's FTEs have reduced by 208 in the half mainly due to natural attrition and MLC's recently announced restructure. Most of the FTEs exited the business in the latter months of the March 2009 half and have not had a material effect on the financials during the half.

MLC - Investments

	Half Year to Mar 09 $m	Sep 08 $m	Mar 08 $m	Mar 09 v Sep 08 %	Mar 09 v Mar 08 %
Gross income	**497**	590	631	(15.8)	(21.2)
Volume related expenses	**(162)**	(205)	(205)	21.0	21.0
Net income	**335**	385	426	(13.0)	(21.4)
Operating expenses	**(239)**	(259)	(252)	7.7	5.2
Cash earnings before tax	**96**	126	174	(23.8)	(44.8)
Income tax expense	**(28)**	(38)	(49)	26.3	42.9
Cash earnings before IoRE	**68**	88	125	(22.7)	(45.6)
Performance Measures [1]					
Funds under management (spot) ($m)	**70,106**	83,621	90,212	(16.2)	(22.3)
Funds under management (average) ($m)	**73,365**	89,160	96,707	(17.7)	(24.1)
Net funds flow ($m)	**(647)**	(493)	2,562	31.2	large
Investment cost to average FUM (bps)	**65**	58	52		

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

Movement in Funds under Management and administration ($m)	As at Mar 08	Inflows	Outflows	Investment earnings	Other [2]	As at Mar 09
Master Funds (Platforms)	**61,618**	9,963	(8,948)	(13,497)	(1,739)	**47,397**
Other Retail	**4,027**	(12)	(569)	(267)	966	**4,145**
Total Retails Funds (Excl. Cash)	**65,645**	9,951	(9,517)	(13,764)	(773)	**51,542**
Wholesale	**24,567**	2,145	(3,719)	(4,429)	-	**18,564**
Total MLC ex Trustee and Cash Management	**90,212**	**12,096**	**(13,236)**	**(18,193)**	**(773)**	**70,106**
Cash Management [3]	4,585	13,940	(14,471)	288	(3,879)	463
Trustee [4]	8,129	2,393	(4,256)	-	-	6,266

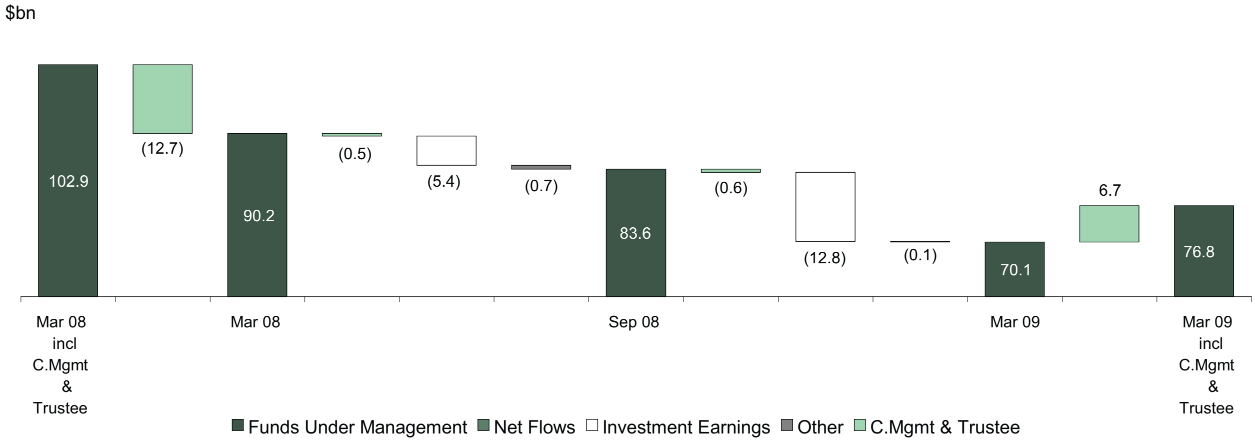
Movement in Funds under Management and Administration ($m)	As at Sep 08	Inflows	Outflows	Investment earnings	Other [2]	As at Mar 09
Master Funds (Platforms)	**56,992**	3,957	(3,888)	(9,284)	(380)	**47,397**
Other Retail	**4,454**	19	(420)	(174)	266	**4,145**
Total Retails Funds (Excl. Cash)	**61,446**	3,976	(4,308)	(9,458)	(114)	**51,542**
Wholesale	**22,175**	1,138	(1,453)	(3,296)	-	**18,564**
Total MLC ex Trustee and Cash Management	**83,621**	**5,114**	**(5,761)**	**(12,754)**	**(114)**	**70,106**
Cash Management [3]	4,493	5,575	(5,761)	89	(3,933)	463
Trustee [4]	6,485	627	(846)	-	-	6,266

(2) *Other includes trust distributions.*
(3) *MLC's at call Common Fund A1 has been terminated as at February 2009 with members given the opportunity to invest in nab's cash management trust.*
(4) *In March 2008 Trustees FUT included $2 billion of short term funds under trust.*

	Rank	Market Share Dec 08	Jun 08	Dec 07	Rank	Share of New Business [4] Dec 08	Jun 08	Dec 07
Retail (excl. Cash)	**3**	**11.6%**	11.9%	12.0%	**3**	**10.8%**	10.2%	9.8%
Total Retail Superannuation	**2**	**16.0%**	16.4%	16.5%	**3**	**12.4%**	12.0%	12.0%
Total Wholesale	**1**	**7.8%**	7.7%	7.5%	**12**	**2.9%**	4.6%	4.1%

Source: Plan for life Australian Retail & Wholesale Investments Market share & Dynamics Report - December 2008.
(4) *Share of new business is based on annual gross inflows.*

Funds Under Management



Funds Under Management

The Trustee Services business funds under trust (FUT) have been excluded from the FUM table as it is a low margin business and it's flows can be lumpy in nature. This has in the past distorted the underlying wealth FUM drivers. In addition, the inclusion of FUT has had the effect of distoring MLC's relative net investments margins when comparing to our peers. The cash management fund has also been excluded from the FUM table as it has now been transferred to the Retail Bank and this allows for a more meaningful period to period comparison.

	As at		
FUM by Asset Class	**Mar 09**	**Sep 08**	**Mar 08**
International equities	**32%**	30%	32%
Australian equities	**29%**	29%	29%
Australian fixed interest	**16%**	14%	13%
Australian cash	**8%**	13%	11%
International fixed interest	**8%**	8%	8%
International direct property	**3%**	2%	2%
International listed property	**2%**	2%	2%
Australian listed property	**2%**	2%	3%

MLC - Investments

Financial Analysis

March 2009 v March 2008

Cash earnings before IoRE decreased by $57 million or 45.6% over the March 2008 period. The continued poor equity markets have significantly impacted net flows, mostly through wholesale inflows.

Despite the adverse market conditions and ongoing intense market competition MLC has maintained its net investment margins at 91 basis points (excluding trustees) due to MLC not participating in the lower margin 'badged' platform segment.

Gross income decreased by $134 million or 21.2%. This was due to:

- Lower spot FUM (excluding Trustee and Cash Management) of $20.1 billion or 22.3%. This reduction of FUM is due to the ongoing investment market downturn, which has resulted in negative investment earnings of $18.2 billion and therefore lower management fees revenue.
- Lower sales volumes as a result of the uncertain investment market outlook have resulted in lower advice income in the nab financial planning channel.
- MLC's Annuities portfolio has experienced increased earnings on prior comparative period reflecting the movements in mark to market values of the portfolio.

Volume related expenses include commission payments, investment costs and other related costs. These costs have declined $43 million or 21.0% as expected in line with the decline in FUM and gross revenues.

Operating expenses decreased by $13 million or 5.2%, due to declining business volumes driving lower operating expenses and the embedded benefits from MLC's efficiency programs.

MLC's productivity and efficiency improvements have continued to achieve results, with MLC combining several call centres to further improve the customer experience.

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

March 2009 v September 2008

Cash earnings before IoRE decreased by $20 million or 22.7% when compared to September 2008. Net funds flows for the period were negative $647 million. Monthly average FUM decreased by 17.7%.

Gross Income decreased by $93 million or 15.8%. The continuing equity market decline has resulted in lower average FUM and therefore lower management fees.

As a result of the improved credit markets MLC's Annuities portfolio has experienced increased earnings over the prior comparative period.

Volume related expenses have declined $43 million or 21.0%. After allowing for the market impact on the Annuities portfolio, volume related expenses have moved in line with average FUM.

Operating expenses decreased by $20 million or 7.7% as a result of seasonality in the second half 2008 relating to end of financial year activities. In addition, the consolidation of MLC's call centres has resulted in further cost efficiency whilst improving the customer experience.

MLC - Insurance

	Half Year to Mar 09 $m	Sep 08 $m	Mar 08 $m	Mar 09 v Sep 08 %	Mar 09 v Mar 08 %
Gross income	**490**	499	475	(1.8)	3.2
Volume related expenses	**(286)**	(273)	(255)	(4.8)	(12.2)
Net income	**204**	226	220	(9.7)	(7.3)
Operating expenses	**(91)**	(85)	(85)	(7.1)	(7.1)
Cash earnings before tax	**113**	141	135	(19.9)	(16.3)
Income tax expense	**(23)**	(41)	(40)	43.9	42.5
Cash earnings before IoRE	**90**	100	95	(10.0)	(5.3)
Planned and Experience Analysis					
Planned Margins	**76**	91	80	(16.5)	(5.0)
Experience Profit / (loss)	**14**	9	15	55.6	(6.7)
Cash earnings before IoRE	**90**	100	95	(10.0)	(5.3)
Performance Measures					
Annual inforce premiums (spot) ($m)	**910.2**	859.3	821.7	5.9	10.8
Annual inforce premiums (average) ($m)	**884.8**	840.5	808.7	5.3	9.4
New business premiums ($m)	**120.3**	109.6	92.2	9.8	30.5
Insurance cost to average inforce premium (%)	**21%**	20%	21%		

Annual Inforce Premiums ($m)	As at Mar 08	Sales	Lapses	As at Mar 09	Mar 08 v Mar 09 %
Retail	653.5	174.6	(111.2)	**716.9**	9.7
Group Risk	168.2	55.3	(30.2)	**193.3**	14.9
Total	821.7	229.9	(141.4)	**910.2**	10.8

Annual Inforce Premiums ($m)	As at Sep 08	Sales	Lapses	As at Mar 09	Sep 08 v Mar 09 %
Retail	682.0	90.0	(55.1)	**716.9**	5.1
Group Risk	177.3	30.3	(14.3)	**193.3**	9.0
Total	859.3	120.3	(69.4)	**910.2**	5.9

	Rank	Market Share Dec 08	Jun 08	Dec 07	Rank	Share of New Business Dec 08	Jun 08	Dec 07
Retail risk premiums	**1**	**14.5%**	14.7%	14.9%	**2**	**14.9%**	14.6%	15.8%
Group risk	**7**	**8.2%**	9.2%	8.8%	**6**	**7.3%**	10.5%	12.5%

Source: DEXX&R Life Analysis - December 2008.

MLC - Insurance
Financial Analysis

March 2009 v March 2008

Cash earnings before IoRE decreased by $5 million or 5.3% over the March 2008 half year. MLC has experienced strong sales in the March 2009 half across its flagship Personal Protection Portfolio, Debt and Group products.

MLC continues to focus on level premium products providing customers with affordable long term insurance offerings. MLC has experienced 131% growth in level premium sales which provides better value to customers over the longer term.

Gross income increased by $15 million or 3.2%. Growth in annual inforce premiums of 10.8% was partly offset by $8 million lower earnings on the assets backing the Insurance portfolio, reflecting the impact of interest rate movements on government bond yields. In addition, the prior period included a favourable one off impact to the Group premium reserves of $19 million.

Volume related expenses increased by $31 million or 12.2% in line with the increase in average premiums inforce. Lapse experience for the period was stable reflecting the strength of MLC's product offerings and the guaranteed upgrade philosophy that benefits all customers across both Personal and Group portfolios.

MLC's net claims experience is broadly in line with long term actuarial assumptions although a deterioration on recent years which has been favourable compared to long term assumptions.

Operating expenses increased by $6 million or 7.1%, reflecting the increased activity in the Insurance business.

Planned Margins and Experience Profit. Planned claims assumptions on total permanent disablement and group portfolios were increased in the period. This has led to a reduction in planned margins of 5% compared to the prior comparative period. Experience profit has been positive reflecting favourable lapse experience, which is partially offset by lower earnings on assets backing the Insurance portfolio.

March 2009 v September 2008

Cash earnings before IoRE decreased by $10 million or 10.0% since September 2008. The strong sales momentum experienced in the final quarters of 2008 have continued throughout the half. Level premium sales growth of 43% has been experienced in the period.

Gross income decreased $9 million or 1.8% since September 2008. MLC has experienced a $20 million decrease on earnings on the assets backing the Insurance portfolio in the half. This decrease reflects the impact of interest rate movements on government bond yields and reverses prior period strong investment earnings.

Volume related expenses increased by $13 million or 4.8% which is in line with annual inforce premium growth. MLC's lapse experience has improved slightly in the half, whilst net claims experience has deteriorated during the period, although in line with long term actuarial assumptions.

Operating expenses increased by $6 million or 7.1%. This increase in expenses reflects the increase in activity and investment in the business to create an end-to-end focus from manufacturing to customer service, recognising the importance of the customer experience at both underwriting and claims time.

UK Region

Lynne Peacock

The UK Region operates under the long established Yorkshire and Clydesdale Bank brands, delivering traditional banking products to business and personal customers. It is one of the few banks whose shareholders' interests have not been diluted by rescue funding. As signalled in the recently announced strategy update, the UK region results will include the appropriate corporate relationship business from nabCapital UK from March 2010.

Strategic Highlights and Business Developments

As difficult trading conditions continue, the Region's **priority has been to support its customers, maintain a strong balance sheet and ensure security of funding and liquidity**. Whilst this necessitated higher funding and liquidity costs with the inevitable adverse effect on profit, it has enabled the bank to face the future with confidence and continue to meet the needs of its customers.

The Region has demonstrated a **creditable performance in difficult market conditions**, maintaining strong underlying business momentum with robust cost control and a strong funding and liquidity position. As with all UK banks, the Region is experiencing unprecedented costs of funding and holding liquidity, as well as rising bad and doubtful debts as a result of the deteriorating economic conditions.

Underlying profit of £238 million was earned in the period (down 6.3% on the prior corresponding period). High deposit growth relative to the industry average in the half has improved the already strong funding and liquidity position. Retail deposits now account for 59% of Clydesdale Bank's funding (up from 55% a year ago). Deposit growth in the half was almost five times the industry average (as measured by the British Banking Association in February 2009).

During a period in which the UK banking sector was widely criticised for not lending, the Region demonstrated **strong support for its customers with new lending of £1.9 billion in the half**.

Liquidity holdings were £7.6 billion, significantly higher than those prior to the onset of market dislocation.

The Stable Funding Index (SFI) improved significantly over the half, increasing from 85.2% at September 2008 to 97.2% at March 2009. The strengthening index reflects the continuing growth in customer deposits and longer term wholesale funding, and demonstrates the strength of the UK brands.

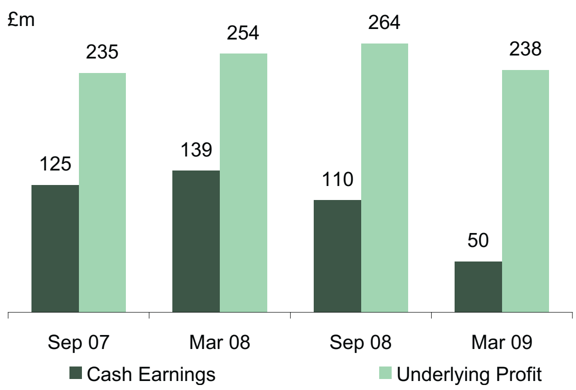
Operating expenses have been firmly controlled and as a result costs have decreased by £33 million (9.2%) against the March 2008 half with the Region now recording its seventh consecutive half of flat or falling costs. This has helped mitigate the exceptional costs directly relating to market turbulence.

The total provision to gross loans and acceptances ratio increased from 1.07% at September 2008 to 1.27% at March 2009 in response to rapidly deteriorating economic conditions. As a whole, the portfolio remains well-secured and diversified, both geographically and by lending type, and bad and doubtful debt levels remain below UK averages.

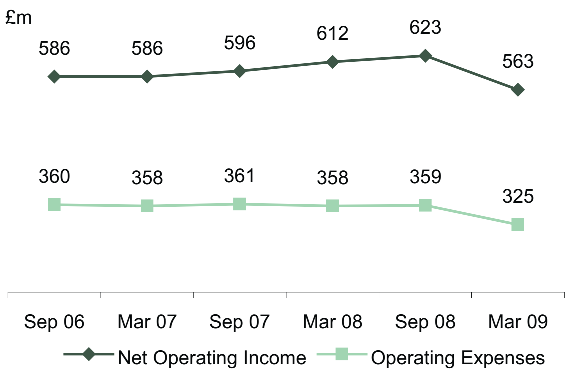
During the last half **£700 million of additional capital** was invested in the Region from Group to further increase the already strong capital base.

In February 2009 a restructure of the Wealth Management business was undertaken and the Region entered a strategic alliance with AXA Life Limited which has assumed responsibility for the sale of life and protection policies with the management of the MLC fund to follow in the second half.

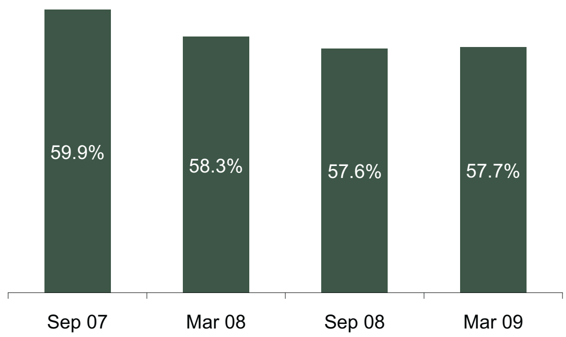
UK Region Cash Earnings and Underlying Profit



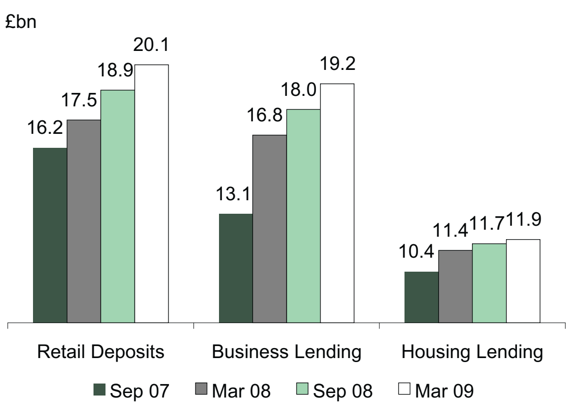
UK Region Income and Expense Trends



UK Region Cost to Income Ratio



UK Volumes - Half Year Averages



Operating Environment

The UK economy has deteriorated significantly over the past six months, with the decline in activity now expected to be both severe and potentially protracted. Combined with the continuance of the market turbulence that commenced in the second half of 2007, the operating environment for UK banks has been extremely challenging. Trading conditions for the sector are expected to remain difficult for the remainder of 2009 and into 2010.

The latest Confederation of British Industry (CBI) GDP forecast for 2009 is now a decline of 3.3% compared with its November forecast of a decline of 1.7%. The quarterly profile shows six consecutive falls in output, with the UK economy contracting throughout this year. A muted recovery in output growth is expected over the course of 2010 as the various stimulus measures take effect and credit flows are repaired.

At the same time, UK unemployment reached 2 million (Office of National Statistics) and the unemployment rate was 6.5% in the three months to January 2009. This is the highest recorded level in 12 years.

Lower fuel prices coupled with the VAT cut have seen Consumer Price Index inflation fall from its peak of 5.2% at September 2008 to 2.5% in the first quarter of 2009. The CBI predicts further reductions over the next two quarters, with a reversal when the temporary reduction in VAT is lifted in the last quarter of the year. Forecasts, however, are well within the Government 2% target.

Responding to deteriorating economic conditions, the Government has used both fiscal and monetary policy to stimulate activity. Supporting this broader economic objective, there have been a number of measures to help stabilise the financial system, ease the structural issues affecting key funding and liquidity markets, and increase the flow of new lending. Whilst these measures are positive, they will take some time to generate higher demand and output.

The Bank of England has progressively reduced interest rates, leaving the UK base rate at the historically low level of 0.5%. This has helped reduce the monthly interest costs for borrowers on variable interest rates, improving the affordability of debt. Reduced utilities and fuel prices together with more affordable debt have provided some counterbalance to the underlying economic trends.

However, unprecedented dislocation in the UK Financial markets has significantly affected both the cost of holding liquidity and the cost of replacing or raising new funding. The UK market average daily spread between base rate and three month LIBOR in the period was 114 basis points (90 day rolling average three month LIBOR to base spread was 211 basis points). This compares to an average of circa 18 basis points from April 1997 to March 2008. This increased the Region's costs of funding and of holding liquidity and had a significant impact on net interest income and profitability.

In common with all the other deposit takers in the UK, Clydesdale Bank is a member of the Financial Services Compensation Scheme (FSCS). The cost of guaranteeing Bradford & Bingley's deposits after it was taken into public ownership in late September triggered an FSCS 'Special Levy'. The costs associated with this Special Levy have been absorbed at the Group level.

The Office of Fair Trading (OFT) investigation into the operation of the personal current account market in the UK was published on 16 July 2008 and highlighted perceived issues of transparency and switching. Discussions on the way forward continue between the industry and the OFT.

The unarranged overdraft charges legal test case in the United Kingdom continues. The Court has ruled that none of the Bank's unarranged overdraft charges amount to penalties at common law. In relation to accounts held by consumers, the Court of Appeal has ruled that such charges can be assessed for fairness under the Unfair Terms in Consumer Contracts Regulations (UK) 1999. The United Kingdom banks participating in the test case, which include Clydesdale Bank PLC, have been given leave to appeal to the House of Lords and that appeal is being progressed. There has not been any ruling on whether the charges are in fact unfair; that aspect is proceeding and the UK Office of Fair Trading has chosen Clydesdale Bank PLC as one of three banks to advance that matter with. The three banks are chosen because they represent a fair cross-section of the industry and not because their terms are regarded as any less fair than any of the others.

In the meantime, the UK Financial Services Authority has extended the waiver (under the terms of which banks do not have to process claims for a return of charges where no financial hardship is involved) until July 2009 and the stays of individual cases in the Courts remain in place.

In relation to business accounts, the Court has ruled that none of the banks' contracts contain penalties at common law and such accounts are therefore not affected.

Customer, Employee and Community

During the period the Region's strong brands helped to further strengthen relationships with customers, with the result that retention rates improved. This, coupled with increased acquisition of new customers, led to an increase in the number of overall customers of 1.6% year on year, reversing a long period of customer attrition.

Customer satisfaction relative to peers has improved during a period when some banks are facing real reputational difficulties. The UK brands are now in second place in both the business and personal segments within the UK peer group measured.

At the Your Mortgage Awards, Clydesdale Bank was awarded Best Mortgage Lender in Scotland for the fifth consecutive year and Yorkshire was Best Regional Lender for the tenth time.

During these tough times, the Region has focussed on supporting the communities in which it operates by launching a range of initiatives with the intention of supporting business and personal customers with financial problems. These include special mortgages, a customer support centre and, through the local business model, the provision of business seminars and customer care units. The Region is committed to taking all possible steps to enable customers with financial difficulties to keep their homes.

The Financial Services Authority's (FSA) 'Treating Customers Fairly' principles for the UK are now embedded throughout the business.

In January 2009 Clydesdale Bank unveiled the designs of a new family of banknotes which will be issued later in the year in celebration of the best of Scotland's heritage, people and culture. They have been introduced to coincide with the Scotland 2009 Homecoming celebrations. It will be the very first time that a new 'depth image' hologram security feature will be used on a UK banknote. Clydesdale Bank is the largest note issuer in Scotland.

Through the award winning payroll giving scheme, 17% of employees now give to charities through this means. From February 2008, the Region has been working with Help the Hospices, an organisation which supports over 200 charities that care for terminally ill patients and has raised over £450,000 for this cause as at 31st March 2009.

The Region's Investors in People accreditation was reaffirmed in November 2008, recognising the framework for improving organisational performance through the development of its people.

Initiatives supporting the goal of being carbon neutral by September 2010 continue, with extensive recycling, environmental procurement policies, reduced travel and energy saving campaigns.

UK Region

Results presented in local currency. See page 58 for results in $AUDm

	Half Year to				
	Mar 09 £m	Sep 08 £m	Mar 08 £m	Mar 09 v Sep 08 %	Mar 09 v Mar 08 %
Net interest income	409	446	433	(8.3)	(5.5)
Other operating income	154	177	179	(13.0)	(14.0)
Net operating income	563	623	612	(9.6)	(8.0)
Operating expenses	(325)	(359)	(358)	9.5	9.2
Underlying profit	238	264	254	(9.8)	(6.3)
Charge to provide for bad and doubtful debts	(168)	(115)	(60)	(46.1)	large
Cash earnings before tax	70	149	194	(53.0)	(63.9)
Income tax expense	(20)	(39)	(55)	48.7	63.6
Cash earnings	50	110	139	(54.5)	(64.0)
Average Volumes (£bn)					
Gross loans and acceptances	33.5	32.2	30.6	4.0	9.5
Interest earning assets	38.4	34.5	32.6	11.3	17.8
Total assets	42.2	37.1	35.1	13.7	20.2
Retail deposits	20.1	18.9	17.5	6.3	14.9
Performance Measures					
Cash earnings on average assets	0.24%	0.59%	0.79%	(35 bps)	(55 bps)
Net interest margin	2.14%	2.59%	2.66%	(45 bps)	(52 bps)
Cost to income ratio	57.7%	57.6%	58.3%	(10 bps)	60 bps
Cash earnings per average FTE (£'000s)	12	25	31		
FTEs (spot)	8,510	8,758	8,966		

UK Region

Financial Analysis (in local currency)

March 2009 v March 2008

Cash earnings at £50 million decreased by 64.0% over March 2008, reflecting lower income and higher charges to provide for bad and doubtful debts, partially offset by lower expenses. Over the same period, underlying profits totalled £238 million, a decrease of 6.3%.

Average gross loans and acceptances increased by £2.9 billion, or 9.5%. Within this business lending grew by 14.3%, mortgage growth was 4.4% and exposure to credit card and personal lending continued to fall as planned, with average balances declining by 6.3% over the year.

During the half £1.9 billion of new loans were advanced to customers, of which £1.2 billion was business lending and £0.6 billion was mortgage advances through the retail and direct channels.

Average retail deposits grew by 14.9% (£2.6 billion) which is almost five times the industry average growth rate in a highly competitive market. The flight to quality by the Region's new customers demonstrates the strength of both the Clydesdale and Yorkshire brands. iFS average deposit growth was 15.2% and Retail network balance growth was 14.5%.

Net interest income decreased by 5.5%, reflecting the continued high costs of funding, liquidity and basis risk. These impacts were partially offset by strong volume growth and robust underlying new lending margins, re-pricing and a net gain of £14 million on the buy back of Lanark Master Trust notes. Net interest income, excluding the costs of market disruption, at £519 million increased by 14.1% over the prior corresponding period.

The **net interest margin** decreased by 52 basis points and was primarily driven by market dislocation costs including increased liquidity costs (of which a proportion of volume related cost has been taken centrally), basis risk and increased funding costs.

Excluding the cost of market dislocation the net interest margin decreased by 6 basis points and was primarily driven by relationship repricing to reflect risk while supporting customers, offset by lower deposit margins.

Other operating income decreased by 14.0% driven by lower investment fees as a result of stock market weakness, lower payment protection insurance revenues and lower operating lease income following the disposal of this business in December 2007 (offset in expenses).

Operating expenses decreased by £33 million (9.2%) on the prior corresponding period. Additional depreciation from investment spend in prior periods and general wage inflation was offset by back office efficiency savings, further process improvements and lower other staff expenses. The disposal of the operating lease book in December 2007 resulted in a £4 million reduction in expenses in the current half (offset in other income).

The **cost to income ratio** at 57.7% showed a favourable 60 basis point movement over the prior corresponding period despite lower income levels, reflecting strong cost control.

The **charge to provide for bad and doubtful debts** reflects the significant deterioration in the UK environment over the last six months, particularly in the business sector. This has resulted in an increased coverage ratio and increase in the charge of £108 million.

The **tax** charge in the prior corresponding period was favourably affected by retrospective credits for research and development spend.

March 2009 v September 2008

Cash earnings decreased by 54.5% on the September 2008 half. This decrease reflects increased funding costs and higher charges to provide for bad and doubtful debts partially offset by lower expenses. Underlying profits of £238 million represent a decrease of 9.8% on the second half of 2008.

Average gross loans and acceptances increased by 4.0% (£1.3 billion) on the September 2008 half. Gross new business advances were £1.9 billion, which were offset by lower lending to sectors with a less attractive risk profile. Mortgage lending experienced volume growth of 1.7%. Card and personal lending balances declined by 4.9%.

Average retail deposits grew by 6.3% (£1.2 billion). This was primarily driven by the continued momentum in the Financial Solutions Centres and a robust performance in the Retail network.

Net interest income decreased by 8.3%, with the increased costs arising from the market dislocation being partially offset by portfolio growth and widening lending product margins. Excluding the costs of market dislocation, interest income at £519 million increased by 8.6% on the prior period.

The **net interest margin** decreased 45 basis points primarily as a result of market dislocation costs. Excluding the impacts of market dislocation the net interest margin fell by 4 basis points reflecting more judicious pricing.

Other operating income declined by 13.0%, driven by lower investments fees and payment protection insurance revenues.

Operating expenses fell by £34 million (9.5%) on the prior half, reflecting increased efficiencies and lower other staff expenses, partially offset by general wage inflation.

The **cost to income ratio** increased by 10 basis points, reflecting the increased cost of funding and liquidity.

The **charge to provide for bad and doubtful debts** increased by £53 million over the September 2008 half. This was driven by conservatively providing for bad debts in deteriorating economic conditions, and was amplified by the low historical base. The total provision to gross loans and acceptances ratio increased from 1.07% to 1.27%.

The **tax** charge in the prior corresponding period was favourably affected by retrospective credits for research and development spend, and the release of provisions no longer required.

Other Items

Asset Quality

	As at		
	Mar 09	**Sep 08**	**Mar 08**
Gross impaired assets (£m)	**374**	175	87
Gross impaired assets to gross loans and acceptances	**1.11%**	0.53%	0.27%
90+ DPD assets (£m)	**239**	154	123
90+ DPD to gross loans and acceptances	**0.71%**	0.46%	0.38%
Gross impaired assets and 90+ DPD to gross loans and acceptances	**1.82%**	0.99%	0.65%
Total provision to gross loans and acceptances	**1.27%**	1.07%	0.97%
Net write-offs to gross loans and acceptances	**0.67%**	0.40%	0.29%
Bad and doubtful debt charge to credit risk weighted assets	**1.14%**	0.65%	0.40%

Due to the deteriorating UK economic conditions asset quality measures have softened during the period. However, the impact on the Region's performance has been mitigated by the relationship-based model and significant proactive management actions.

As a whole, the portfolio remains well-secured and diversified, both geographically and by lending type. Where a gross impaired asset has been identified a provision has been raised to recognise the level of impairment after taking account of the security held on the asset.

The deterioration in asset quality is largely as a result of the business banking book reflecting the rapid weakening of the economy and trading environment.

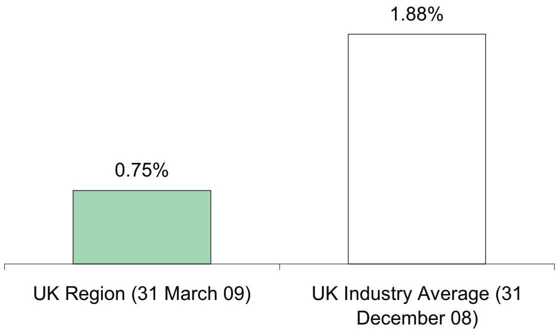
The increase of the March 2009 gross impaired asset balances over the September 2008 balances reflects the current economic and market conditions, primarily in the business banking book, and is also in part due to the low historical base and the lending growth experienced by the Region in recent years.

The ratio of 90 days past due balances (90+DPD) to gross loans and acceptances increased from 0.46% to 0.71%. The increase was mitigated by the improved management of balances in this category, including an enhanced contact programme with customers.

The residential mortgages portfolio has proved very resilient, with 90 days past due arrears 0.75% of mortgage balances. The average Loan to Value ratio (LTV) of the mortgage book is 63% on an un-indexed basis. As a result, loss levels remain very low as a proportion of the overall portfolio. The mortgage book does not include any low doc (self certified) or sub prime lending.

As the Region continues to manage its customers through this difficult period, it has sought to minimise repossessions. Reflecting this approach and the underlying asset quality of the portfolio, the number of residential properties repossessed in the half was 38 and, at the end of the period, a stock of 85 properties was held.

Proportion of Mortgages in arrears by 90+ DPD



As a result of the strategy adopted four years ago, the unsecured element of the portfolio continues to fall as a percentage of the book and stands at 6%. The level of 90 days past due in arrears has remained relatively stable in the period.

Lending on commercial property represents 24% of gross loans and acceptances (42% of the business book). Of this, approximately £6 billion is investment lending, with development lending totalling £2 billion. Within this, there is a good spread of exposures and low exposure to higher risk inner city apartments and office property. No one loan represents more than 1.3% of the commercial property portfolio or 0.5% of the total business lending portfolio. The portfolio is broadly spread around the UK and is not concentrated in any one geographical region.

The coverage ratio of total provisions to gross loans and acceptances was significantly strengthened over the half from 1.07% in September 2008 to 1.27% in March 2009. This reflects additional provisioning, primarily for business lending, recognising the impact on this segment due to the current environment.

A number of management initiatives have been undertaken recently in response to the operating environment. These include reviewing stressed sectors, ongoing commercial property reviews, increasing resourcing in Specialised Business Services and Collections and establishing a Portfolio Assurance Team within iFS to work closely with customers and bankers to anticipate potential problems. These initiatives along with ongoing management oversight have delivered strong relative asset quality measures. Asset quality will continue to be carefully managed by controlling exposures to riskier sectors.

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

Capital and Funding Position

Clydesdale Bank PLC diversity of funding	As at Mar 09	Mar 08
Retail deposits	59%	55%
External short term	14%	9%
Subordinated debt	3%	3%
Structured finance	3%	8%
Securitisation	7%	9%
Parent company	6%	10%
Medium term notes	8%	6%
CB PLC Funding	100%	100%

The UK's position as a member of a strong and geographically diversified Group continues to be an asset in these turbulent times. The long-term credit ratings of Clydesdale Bank were maintained through the period (AA- by Standard & Poors, Aa3 by Moodys and AA- by Fitch), and continue to be valuable in the attraction and retention of funds.

Clydesdale Bank improved capital ratios during the period and, at 31 March 2009, the core Tier 1 ratio was 7.9% (total Tier 1 ratio 8.3%). In December 2008, additional capital £700 million was injected into Clydesdale Bank PLC by National Australia Bank.

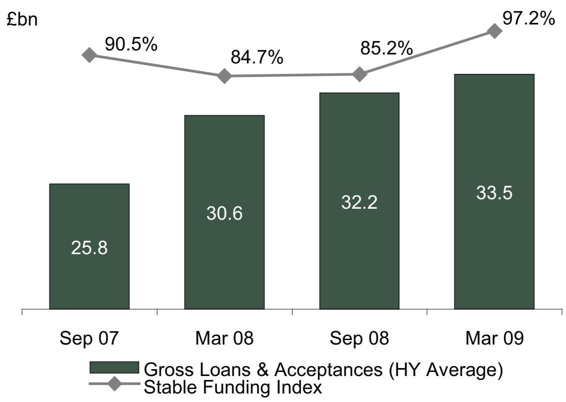
Clydesdale Bank held a portfolio of liquid assets totalling £7.6 billion as at 31 March 2009. This portfolio includes UK government gilts, Bank of England Reserve Account, lending to other banks and Bank of England treasury bills. Clydesdale Bank's diverse funding mix of short and long-term wholesale funding, parent company funding and securitisation has enabled this strong liquidity position.

After receiving approval to join the UK Government's Credit Guarantee Scheme, Clydesdale Bank took advantage of this funding source by pricing and issuing £1,250 million of three year Government backed bonds under the scheme. This enhanced an already strong medium-term funding position.

In October 2008, Clydesdale Bank completed its first Covered Bond issuance under its €9 billion programme. The Covered bonds are collateralised on retail mortgages. On 27 January 2009, Clydesdale Bank issued it second series of Covered Bonds under this programme. Both issuances to date, which totalled £2.75 billion, have received a AAA rating from all three rating agencies.

The UK Region continues to recognise the importance of retail deposits and has launched a number of new products as a means of ensuring that strong deposit growth continues. The growth in this book continues and will ensure that the UK remains well positioned to grow, without increasing the refinancing risks typically associated with wholesale funding.

UK Stable Funding Index



In March 2009 Clydesdale Bank bought back £20 million of Sterling notes and €93.5 million denominated notes issued by Lanark Master Trust (Clydesdale Bank's own securitisation vehicle) on the open market realising a net £14 million gain, taking advantage of price opportunities on residential mortgage backed securities. Whilst the securitisation market is currently effectively closed, Lanark remains an important element of the medium to long term funding strategy in the UK.

Investment Spend

During the period the UK Region continued to invest in the business with cash spend for the half at £39 million (£11 million operating expense) across regulatory and compliance, simplification and revenue generating categories. This investment was similar to the cash spend of £40 million in the March 2008 half (£14 million operating expense) and was made while costs continued to be contained.

Following the successful completion of the pilot, the Region's new Business Internet Banking Channel was successfully launched to Clydesdale Bank customers in December 2008. February 2009 saw another significant milestone in the program with the launch of the channel to Yorkshire Bank customers.

The Business Lending program is on schedule to commence a pilot of a new end-to-end Business Lending system for iFS and retail channels by end May 2009.

The Regulatory & Compliance Programme successfully implemented a suite of changes in December 2008 including an electronic Credit Rating Score upgrade. This month also saw the final implementation of a suite of changes to ensure continued compliance with the Consumer Credit Act.

The Debit Card Transformation project has been fully mobilised to migrate Debit Cards to the industry standard of a 16 digit Primary Account Number (PAN). This project will also deliver, in conjunction with MasterCard, a new Debit MasterCard, which, when deployed late 2009, will significantly enhance the customer proposition.

Distribution

The network of Financial Solutions Centres (FSCs) and retail branches has remained stable over the six months to September 2008, with 77 FSCs and 342 branches.

During the last half, the Region agreed a strategic alliance with AXA Life. This exclusive alliance is designed to provide an enhanced financial advisory service and a wider choice of investment and protection products for UK retail banking customers. The alliance was formed as a result of a major review of the Region's financial planning operation. The 129-strong team of financial planners, based in Clydesdale and Yorkshire Banks' retail branches, transferred to AXA on 16 February and will provide advice on AXA's investment and protection products.

Reflecting current market conditions, iFS has focused on close management of its portfolio - working in partnership with members to manage market-driven risks and pricing to reflect the increased cost of funds. From a new business perspective, the priority has been support for existing members and high-quality trading business prospects. Deposit growth has continued strongly both in domestic retail deposits and offshore deposits.

With the national network of iFS Financial Solutions Centres now established, the focus has moved to utilising these resources as effectively as possible. Detailed reviews of Private Banking, Asset Finance and Invoice Finance have been completed and improvements implemented to ensure that these specialist lines of business enhance core lending activities and deliver additional value through deepening relationships with members.

In a challenging trading environment the Retail business generated strong deposit growth and remained active in the mortgage market. A continuing focus on cost control and process improvement has delivered further efficiencies. Strong growth in deposit business from new-to-bank customers saw the improving trend in customer numbers continue.

UK Region

Results presented in Australian dollars. See page 54 for results in local currency

	Half Year to				
	Mar 09 $m	**Sep 08 $m**	**Mar 08 $m**	**Mar 09 v Sep 08 %**	**Mar 09 v Mar 08 %**
Net interest income	**919**	940	970	(2.2)	(5.3)
Other operating income	**345**	373	400	(7.5)	(13.8)
Net operating income	**1,264**	1,313	1,370	(3.7)	(7.7)
Operating expenses	**(731)**	(756)	(801)	3.3	8.7
Underlying profit	**533**	557	569	(4.3)	(6.3)
Charge to provide for bad and doubtful debts	**(377)**	(246)	(135)	(53.3)	large
Cash earnings before tax	**156**	311	434	(49.8)	(64.1)
Income tax expense	**(44)**	(80)	(123)	45.0	64.2
Cash earnings	**112**	231	311	(51.5)	(64.0)

Impact of foreign exchange rate movements

Favourable/ (unfavourable) March 09	**Half year since Sep 08 $m**	**Mar 09 v Sep 08 Ex FX %**	**Half year since Mar 08 $m**	**Mar 09 v Mar 08 Ex FX %**
Net interest income	**56**	(8.3)	**2**	(5.5)
Other operating income	**21**	(13.0)	**1**	(14.0)
Operating expenses	**(45)**	9.5	**(2)**	9.2
Charge to provide for bad and doubtful debts	**(23)**	(46.1)	**(1)**	large
Income tax expense	**(3)**	48.7	**-**	63.6
Cash earnings	**6**	(54.5)	**-**	(64.0)

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NZ Region

Andrew Thorburn

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

Strategic Highlights and Business Developments

New Zealand is experiencing a very challenging period, with the twin impacts of a domestic recession coupled with the disrupted global credit environment. **The focus of management has therefore primarily been on maintaining balance sheet strength.** Activities to strengthen the balance sheet include capital management, maintaining very conservative liquidity levels, diversification and lengthening the term of the funding profile, and asset re-pricing to reflect higher costs of funding and underlying risks.

The influence of the external environment, including additional costs for the New Zealand Government guarantees on wholesale funding and retail deposits and increases in overall bank funding costs, has had an adverse impact on cash earnings. However, the decline in cash earnings is largely driven by increases in bad debt charges from the low base experienced in recent periods. **The business continues to perform strongly with underlying profit up 11.2% over the March 2008 half and 7.5% over the September 2008 half.**

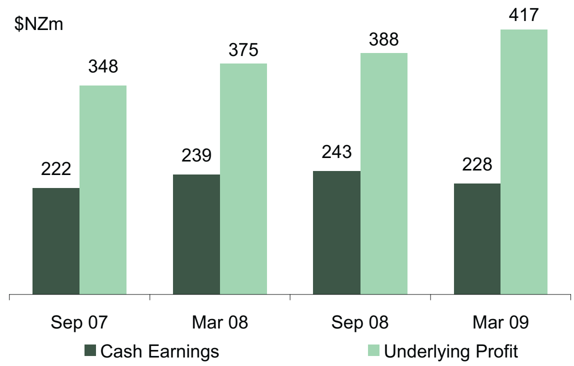
The NZ Region continues to remain focussed on **three strategic themes of simplification, culture and new revenue**. These strategic themes provide strong foundations for the organisation to navigate through the current turbulent global economic conditions.

Simplification efforts have continued to reduce the complexity in processes, systems, structures and products, using the well engrained disciplines of continuous improvement (Kaizen). **This is the eighth consecutive half of flat costs** for the NZ Region**.** During the current half the NZ Region's back office organisational design was reviewed and is now moving to a **'centres of excellence'** model. For support activities, this involves bringing together common expertise in order to deliver consistent and efficient products and services for customers and reduce the complexity of some structures and processes.

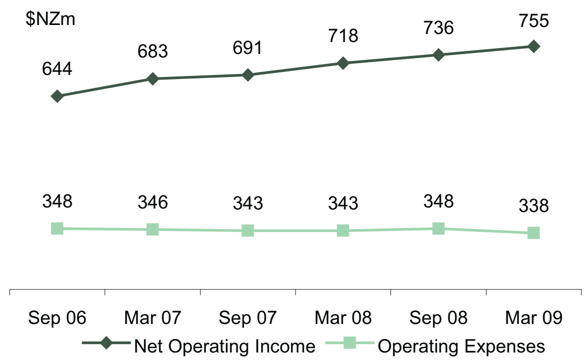
The NZ Region's Culture programme is focussed on developing and maintaining a constructive culture. Put simply, this about **getting the best outcome for everyone involved**: the customer, the business, the team and each individual. During these difficult financial times the emphasis placed on culture has benefits for customers and communities, as all employees are empowered to go the extra mile to help them be "better off".

The primary focus of the NZ Region's new revenue initiatives has been **BNZ Partners which was launched on 1 October 2008.** This roll-out of the Group best practice iFS business model has already delivered strong growth in business opportunities over the half. The NZ Region also continues to provide innovative products, services and improved retail distribution, combined with an ongoing development and leveraging of strategic partnerships.

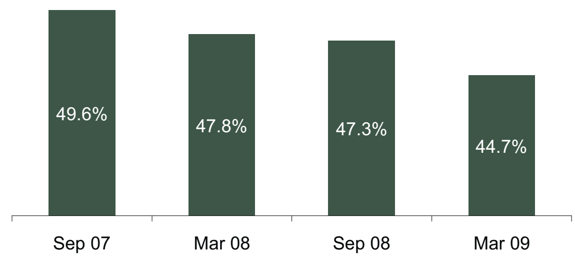
NZ Region Cash Earnings and Underlying Profit



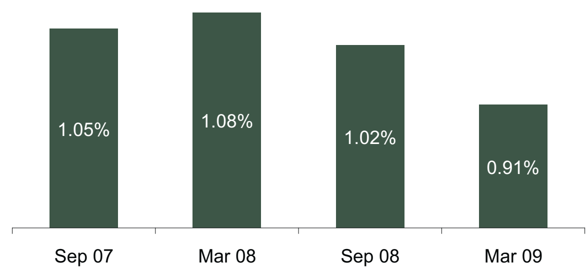
NZ Region Revenue and Expense Trends



NZ Region Cost to Income Ratio



NZ Cash Earnings on Average Assets



Operating Environment

The New Zealand banking market remains very competitive, with five major banking brands and a reduced number of niche players competing to provide financial services. The number of niche players in New Zealand has diminished substantially, as a large number of unregulated finance companies collapsed in the wake of the global market disruption.

The New Zealand economy remains in recession, with unemployment levels increasing and commodity prices falling from historic highs. Tourism has slowed and business and consumer confidence are at unprecedented lows. The Reserve Bank of New Zealand (RBNZ) has responded with a rapid easing of monetary policy, which saw the Official Cash Rate (OCR) reduced by 450 basis points to 3.00% over the half. This is the lowest the OCR has been since its inception in March 1999. In addition, the New Zealand government has implemented a programme of tax cuts and infrastructure spending in a bid to boost the economy.

Credit spreads paid by banks on wholesale funding remain high, due to ongoing uncertainty within global credit markets. In October 2008, the New Zealand Government introduced a guarantee scheme for retail depositors of financial institutions in an effort to provide assurance to retail investors. BNZ has opted into this scheme which includes payment of a fee to the New Zealand Government. In November 2008 the Government also introduced a wholesale funding guarantee, which BNZ successfully utilised in February 2009 to issue a five year government guaranteed domestic bond. In addition, BNZ has securitised $6.5 billion of housing loans, with the purpose of obtaining additional liquidity from the RBNZ.

The current environment has contributed to slowing demand for lending on new housing, with house prices and sales volumes continuing to decline from the highs seen in recent years. Agriculture and business lending volumes have remained solid over the current half, although growth rates have eased from previous years as adverse impacts (for example, lower dairy payouts) on farming sector revenues begin to take effect. Competition in the banking sector for customer deposits remains high due to the increased costs of wholesale funding.

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

Customer, Employee and Community

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

On 1 October 2008, the BNZ rebrand was launched to provide three distinct identities for each of the core businesses in New Zealand. The 'BNZ' and 'BNZ Partners' brands represent the activities of the NZ Region while 'BNZ Capital' is part of nab Capital's New Zealand operations.

'BNZ Partners' brings together the NZ Region's successful Agribusiness, Business and Private Banking functions. This provides a platform to better service the wide-ranging needs of its customers in these segments, thereby continuing to enhance successful business relationships for long-term sustainable growth.

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

BNZ employees continue to be fully committed to helping BNZ customers and communities be "better off". Since October, the NZ Region has boosted resources to help customers. Outbound calls offering assistance to customers through the customer care line have increased while banking advisors are spending more time with customers talking about their banking needs. A financial literacy programme is also under development for the benefit of customers and the wider community. Reflecting this commitment, BNZ's overall customer satisfaction score increased from 62% in March 2008 to 71% in the December quarter.

As part its cultural strategy, the NZ Region continues to empower employees at all levels of the organisation and promote a constructive culture. Results of the most recent Organisational Culture Inventory / Employee Opinion Survey have showed a clear increase in bankwide engagement by staff across the NZ Region.

The NZ Region has continued building on its strong culture of community involvement and staff commitment to corporate responsibility. BNZ runs a volunteer leave programme and is a step ahead of peer banks in providing two days volunteer leave every year to all staff. Since September 2007, employees have given over 2,730 days to support their local schools, community groups, charitable causes and the environment.

BNZ has also continued to be a major sponsor of Preventing Violence in the Home (PVH), a highly respected charitable trust helping to provide solutions to a problem which is all too common in the community and of great concern for many of us. Each year the bank helps sponsor a high-profile event to raise funds for this worthwhile charity.

In relation to the environment, BNZ is dedicated to ensuring the survival of New Zealand's national icon and namesake - the Kiwi, through its involvement in BNZ Save the Kiwi Trust (STK Trust). This is a commitment between the BNZ and the Department of Conservation which builds on support provided by the bank since 1991. Our employees continue to raise funds for STK Trust via a range of activities and use their volunteer leave to support both kiwi recovery and general conservation and reforestation efforts.

NZ Region

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

	Half Year to				
	Mar 09 NZ$m	**Sep 08 NZ$m**	**Mar 08 NZ$m**	**Mar 09 v Sep 08 %**	**Mar 09 v Mar 08 %**
Net interest income	**553**	544	539	1.7	2.6
Other operating income	**202**	192	179	5.2	12.8
Net operating income	**755**	736	718	2.6	5.2
Operating expenses	**(338)**	(348)	(343)	2.9	1.5
Underlying profit	**417**	388	375	7.5	11.2
Charge to provide for bad and doubtful debts	**(96)**	(37)	(30)	large	large
Cash earnings before tax	**321**	351	345	(8.5)	(7.0)
Income tax expense	**(93)**	(108)	(106)	13.9	12.3
Cash earnings	**228**	243	239	(6.2)	(4.6)
Average Volumes (NZ$bn)					
Gross loans and acceptances	**48.1**	45.2	42.1	6.4	14.3
Interest earning assets	**49.8**	46.5	43.2	7.1	15.3
Total assets	**50.5**	47.5	44.3	6.3	14.0
Retail deposits	**23.6**	23.3	22.2	1.3	6.3
Performance Measures					
Cash earnings on average assets	**0.91%**	1.02%	1.08%	(11 bps)	(17 bps)
Net interest margin	**2.23%**	2.35%	2.49%	(12 bps)	(26 bps)
Cost to income ratio	**44.7%**	47.3%	47.8%	260 bps	310 bps
Cash earnings per average FTE (NZ$'000s)	**107**	112	108		
FTEs (spot)	**4,253**	4,293	4,349		

NZ Region

Financial Analysis (in local currency)

March 2009 v March 2008

Underlying profit growth at 11.2% was strong, driven by increases in other operating income and a continuation of robust cost disciplines, partially offset by slowing net interest income.

Cash earnings for the half declined by 4.6% to $228 million reflecting increased bad and doubtful debt charges and management responses to strengthen the balance sheet and liquidity management in the current economic climate.

Net interest income grew by 2.6%, reflecting increased lending volume and repricing activities. This was partially offset by increased funding costs, competitive pressures, particularly for customer deposits, and the impact of the Government's retail deposit guarantee scheme fee. The increase in funding costs was due to diversification and lengthening of the term of the funding profile and holding increased liquidity.

Average lending volumes increased by 14.3% and retail deposits increased by 6.3%. Business and agriculture lending has experienced strong growth, although slowing from the historic highs of prior periods. Growth rates in consumer lending, particularly housing lending, have slowed from the highs seen in recent years due to a rapidly cooling property market in a recessionary environment. The competition for retail deposits has meant volume growth has remained constrained but continues to be a key focus as wholesale funding costs increase.

Net interest margin declined by 26 basis points to 2.23%. The March 2009 half was adversely affected by the turmoil in international credit markets, which has continued to intensify competition for customer deposits. The net interest margin was negatively affected by the increased cost of wholesale funding on the back of significantly higher offshore credit margins, additional costs under the Government's retail deposit guarantee scheme, and steps taken to strengthen the balance sheet. This was partially offset by asset repricing initiatives and timing of early repayment cost (ERC) recoveries as customers reset their fixed mortgage rates in a declining interest rate environment. ERC had a favourable +10 basis point impact on the net interest margin for the current half. Interest costs associated with this and the banks inability to fully recover economic losses arising from ERC will impact future net interest income.

Other operating income increased by 12.8%. This growth was mainly attributable to increased customer flows around hedging foreign exchange and interest rate exposures. Underlying customer fee volumes remained relatively flat due to the focus on ensuring the customer value proposition remains attractive through active promotion of simplified products and fee structures.

Operating expenses declined by $5 million to $338 million through sustainable cost management efficiency gains. These stemmed from continuous improvement disciplines that helped offset annual salary increases and re-investment in people, processes and systems. NZ Region has continued to invest in the Group-wide best practice 'iFS' model, while maintaining an upward trend for customer satisfaction and staff engagement levels.

The **cost to income ratio** improved from 47.8% to 44.7% during the year primarily due to growth in income, while expenses have remained flat.

The **charge to provide for bad and doubtful debts** increased by $66 million against the March 2008 half in line with changes in the credit cycle. With economic conditions slowing, the NZ Region experienced an increase in 90+DPD and impaired assets over the period. The ratio of gross impaired assets to gross loans and acceptances rose by 65 basis points to 0.75%. The level of net write-offs to gross loans and acceptances remained low, increasing by 6 basis points to 0.13%.

March 2009 v September 2008

Underlying profit growth at 7.5% was strong, driven by increases in other operating income and a continuation of strong cost disciplines, partially offset by slowing net interest income.

Cash earnings decreased by 6.2% to $228 million when compared to the September 2008 half, reflecting increased bad and doubtful debt charges and management efforts to strengthen the balance sheet.

Net interest income increased by 1.7%, reflecting lending related volume and repricing initiatives offset by increased funding costs, competitive pressure on deposit pricing and Government guarantee fees.

Average lending volumes increased by 6.4%, reflecting business and agriculture lending growth and slowing housing growth of 2.1% as the property market cooled in the recessionary environment. The ongoing competition for customer funding has led to retail deposit growth slowing to 1.3% over the half.

Net interest margin decreased by 12 basis points to 2.23%, reflecting ongoing demand for competitively priced customer deposits, increased funding costs and the impact of the Government's retail deposit guarantee scheme.

Other operating income increased by 5.2%, largely due to increased customer flows around hedging foreign exchange and interest rate exposures. Underlying customer fees remain flat.

Operating expenses declined by 2.9% compared to the September 2008 half through sustainable cost management efficiency gains. These stemmed from continuous improvement disciplines that helped offset annual salary increases and re-investment in people, processes and systems.

The **cost to income ratio** improved by 260 basis points to 44.7% due to income growth while expenses declined.

The **charge to provide for bad and doubtful debts** increased by $59 million. The NZ Region has experienced an increase in 90+ DPD and impaired assets. The level of net write-offs to gross loans and advances increased by 4 basis points to 0.13% versus the September half.

Other Items

Asset Quality

In line with the current economic environment, some leading asset indicators have weakened during the half. The deterioration in these lead indicators has not resulted in a significant increase in net write-offs, reflecting the strength of the Bank's front line business credit analysis and independent credit risk management function. The NZ Region's historically conservative approach to lending has ensured that it is well placed in the current environment relative to peers.

Relative to the September half, the level of impaired assets and 90+DPD assets to gross loans and acceptances have increased by 41 basis points and 11 basis points respectively.

The NZ Region has conducted several deep dive reviews and stress tests across its portfolio and remains comfortable with the overall credit quality of assets.

Unsecured consumer lending accounts for a relatively minor proportion of the Banks lending portfolio at 3%. In relation to the housing portfolio, the NZ Region's average LVR is approximately 55%. Asset quality measures remain under close management review to ensure that the actions in place remain appropriate in the current environment.

	As at		
	Mar 09	**Sep 08**	**Mar 08**
Gross impaired assets (NZ$m)	**372**	160	42
Gross impaired assets to gross loans and acceptances	**0.75%**	0.34%	0.10%
90+ DPD assets (NZ$m)	**152**	94	94
90+ DPD to gross loans and acceptances	**0.31%**	0.20%	0.22%
Gross impaired assets and 90+ DPD to gross loans and acceptances	**1.06%**	0.54%	0.32%
Total provision to gross loans and acceptances	**0.68%**	0.57%	0.52%
Net write-offs to gross loans and acceptances	**0.13%**	0.09%	0.07%
Bad and doubtful debt charge to credit risk weighted assets	**0.74%**	0.29%	0.16%

Balance Sheet Management

A key focus of management this half has been on maintaining and improving balance sheet strength with liquidity and funding being the key priorities.

Liquidity initiatives include maintaining very conservative levels of liquid assets including securitising a $6.5 billion of residential mortgage backed securities.

The focus on funding has been the diversification (domestic, international) and lengthening of the term funding profile.

Capital has also been actively managed with physical capital held well above Reserve Bank of New Zealand prescribed minimum levels.

Assets also continue to be re-priced to reflect higher funding costs and underlying risks associated with a declining economy.

The New Zealand Stable Funding Index (SFI)* remained above its 70% target during the current half year, being 75% at the end of March 2009. The Customer Funding Index (CFI)* remained above the 50% target at 51%.

* *Data based on BNZ legal entity*

Market Share

	As at		
	Mar 09	**Sep 08**	**Mar 08**
Housing [(1)]	**15.5%**	15.8%	15.9%
Cards [(1)]	**27.1%**	27.0%	27.8%
Agribusiness [(1)]	**18.2%**	17.9%	18.2%
Retail deposits [(1)] [(2)]	**16.1%**	17.1%	17.4%

(1) *Source RBNZ - February 2009.*

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

Distribution

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

	As at		
	Mar 09	**Sep 08**	**Mar 08**
Number of retail branches	**180**	179	179
Number of ATMs	**431**	428	417
Number of internet banking customers (no. '000s)	**432**	410	380

NZ Region

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

	Half Year to				
	Mar 09 $m	Sep 08 $m	Mar 08 $m	Mar 09 v Sep 08 %	Mar 09 v Mar 08 %
Net interest income	459	442	466	3.8	(1.5)
Other operating income	167	156	155	7.1	7.7
Net operating income	626	598	621	4.7	0.8
Operating expenses	(280)	(282)	(297)	0.7	5.7
Underlying profit	346	316	324	9.5	6.8
Charge to provide for bad and doubtful debts	(80)	(30)	(26)	large	large
Cash earnings before tax	266	286	298	(7.0)	(10.7)
Income tax expense	(77)	(89)	(91)	13.5	15.4
Cash earnings	189	197	207	(4.1)	(8.7)

Impact of foreign exchange rate movements

Favourable/ (unfavourable) March 09	Half year since Sep 08 $m	Mar 09 v Sep 08 Ex FX %	Half year since Mar 08 $m	Mar 09 v Mar 08 Ex FX %
Net interest income	10	1.7	(20)	2.6
Other operating income	3	5.2	(7)	12.8
Operating expenses	(6)	2.9	12	1.5
Charge to provide for bad and doubtful debts	(2)	large	3	large
Income tax expense	(1)	13.9	4	12.3
Cash earnings	4	(6.2)	(8)	(4.6)

nabCapital

Rick Sawers

As announced on 12 March 2009, nabCapital will be restructured with Markets, Treasury Services, Asset Servicing (formerly National Custodian Services) and Specialised Finance businesses to be grouped as a separate global business, Wholesale Banking (effective 1 October 2009). Corporate Lending will be merged with the relevant regional business banks. Non-franchise related assets (e.g. ABS CDOs) will be segregated into a separate business unit and managed down in an orderly manner. For the purposes of this analysis, the structure of nabCapital remains unchanged from the prior period.

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

Strategic Highlights and Business Developments

nabCapital returned to profit in the March 2009 half year, with strong revenue and underlying profit growth across most product areas, highlighting the fundamental strength and durability of the business amid extremely difficult market conditions. Underlying profit was up 41.6% on the prior comparative period and up 79.1% on September 2008.

This was largely achieved by focusing on the following initiatives:

Long-term investment in Global Markets. The rebuilding of this business over the last few years included significant investment in the development of key personnel, strengthening of client relationships, development of a more robust risk and control infrastructure and improvements to the technology and the operating environment. This rebuild and investment positioned the business to operate successfully in the current highly volatile environment.

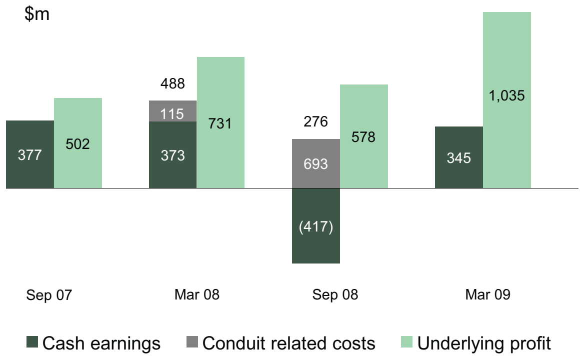
Cementing lead banker relationships. Institutional Banking continued to focus on supporting its key clients through challenging market conditions and maximising cross-sell activity by actively leveraging the broader NAB franchise. Margins and transactional return on equity have increased, reflecting the appropriate actions for pricing risk in a deteriorating environment.

Redeployment of resources and capital to enhance shareholder return. The business is managing down relationship lending, leveraged lending and securitisation activities in the UK and US and has also capped leveraged loan activity in Australia. The capital from these areas is being redirected to higher yielding product areas in which the business is looking to invest.

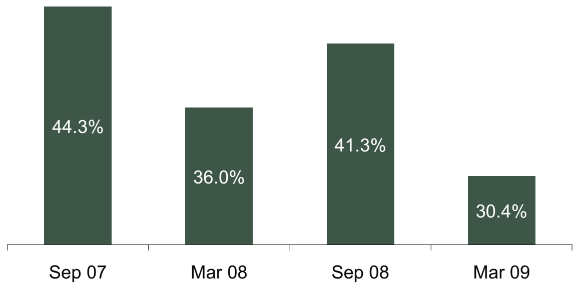
While the underlying business remained strong, cash earnings were affected by the need for increased provisioning against a small number of high profile corporate impairments, leverage exposures in the UK, higher collective provisions as a result of sustained deterioration in global credit conditions and a management overlay. These have resulted in cash earnings being below the prior comparative period.

As noted above, management has elected to reserve $160 million as a management overlay in respect of the conduit assets and derivative transactions to reflect the uncertainty created by the rapidly deteriorating economic conditions any consequent default.

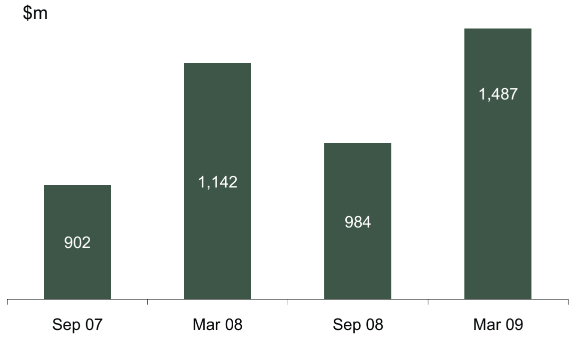
nabCapital Cash Earnings and Underlying Profit



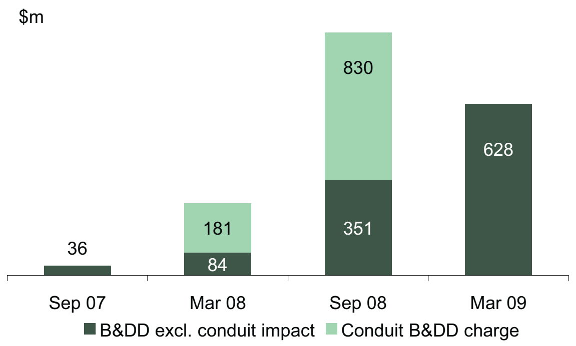
nabCapital Cost to Income Ratio



nabCapital Revenue



nabCapital Charge to Provide for Bad and Doubtful Debts



Operating Environment

The financial crisis has expanded beyond the existing challenges facing global capital markets to a marked deterioration in global economic conditions. This has already resulted in fundamental changes to the global financial system and has increased the role of wholesale banking as disintermediation is largely unavailable. This situation has placed nabCapital in an enviable position as a AA rated bank.

At the same time, the impact of the global credit crisis on the broader global economy has resulted in massive injections of central bank/government liquidity and rapid softening of monetary policy, creating significant interest rate and foreign exchange volatility across all of Australia's major trading partners.

nabCapital has been well placed to deal with this profound shift in the operating environment. Global Markets has benefited from a strong client focus, resulting in increased demand and transactional activity. High volatility and lower liquidity has also delivered improved product margins and strong risk and trading results.

Market indicators are showing a fall in demand for debt by corporate customers as companies deleverage ahead of softening economic conditions by raising additional capital and/or reducing capital and operating expenditure. Notwithstanding this potential reduction in demand, the pipeline of funding requests in nabCapital remains strong as a result of clients' needs to secure funding in uncertain times. Moreover, a reversion to safe havens like banks as a source of funds in a highly risky global environment, combined with the reduced availability of credit, has led to a reversal of fortune for debt funding where the very low and unattractive prices of recent years has reverted to a situation where price reflects a better balance of risk and return.

Customer, Employee and Community

Over the last half year, nabCapital continued to deliver the right solutions for customers in an uncertain environment. For example, it topped industry rankings for foreign exchange forecasts for the five major currency pairs over one month, three months and twelve months. It was also ranked first in the Asia Risk Australasian Derivatives Survey for AUD and USD interest rate swaps and options respectively.

nabCapital was awarded the 2008 Syndicated Loan of the Year for its role in arranging a transaction for Primary Health Care, while the UK Structured Asset Finance team recently won both the European Transaction of the Year award and Jane's Transport Rail Deal of the Year for a £262 million rolling stock operating lease for 'Transport for London'.

On the people front, nabCapital introduced a global mentoring program and refreshed its talent development program aimed at ensuring the business's strategic objectives are achieved through a highly skilled and engaged workforce. It also commenced the global roll-out of a series of risk behaviour workshops to foster among its people a principles-based approach to decision-making. This approach builds on the behavioural attributes of the "Blueprint" model that underpins nabCapital's cultural transformation agenda.

nabCapital's alliance with Monash University's Asia Pacific Centre for Science and Wealth Creation is into its third year, with the business sponsoring the nabCapital Science in Business Awards designed to promote the commercialisation of scientific research. The partnership allows nabCapital to contribute to sustainable economic development, while supporting the communities in which it operates.

Through a host of fundraising and volunteering initiatives, nabCapital played a critical role in the Bank's collective response to the relief effort following the bushfires that affected parts of rural Victoria. nabCapital employees continue to coordinate a range of activities to ensure that relief funds will keep flowing to the affected communities over a sustained period.

nabCapital

Results presented at actual exchange rates

	Half Year to				
	Mar 09 $m	**Sep 08 $m**	**Mar 08 $m**	**Mar 09 v Sep 08 %**	**Mar 09 v Mar 08 %**
Net operating income	**1,487**	984	1,142	51.1	30.2
Operating expenses	**(452)**	(406)	(411)	(11.3)	(10.0)
Underlying profit	**1,035**	578	731	79.1	41.6
Charge to provide for bad and doubtful debts	**(628)**	(1,181)	(265)	46.8	large
Cash earnings before tax	**407**	(603)	466	large	(12.7)
Income tax (expense)/benefit	**(48)**	184	(93)	large	48.4
Cash earnings before minority interest	**359**	(419)	373	large	(3.8)
Net profit - minority interest	**(14)**	2	-	large	large
Cash earnings	**345**	(417)	373	large	(7.5)
Average Volumes ($bn)					
Gross loans and acceptances	**56.1**	53.6	51.7	4.7	8.5
Interest earning assets - external	**172.4**	149.5	154.6	15.3	11.5
Interest earning assets - internal	**47.2**	44.5	36.1	6.1	30.7
Interest earning assets - total	**219.6**	194.0	190.7	13.2	15.2
Capital ($bn)					
Risk weighted assets (spot)	**98.6**	97.7	n/a	0.9	n/a
Performance Measures					
Cost to income ratio	**30.4%**	41.3%	36.0%	1,090 bps	560 bps
FTEs (spot)	**2,642**	2,600	2,416		

nabCapital
Financial Analysis

March 2009 v March 2008

Cash earnings decreased by 7.5% on the March 2008 half year to $345 million, mainly due to higher bad and doubtful debts charges and the management overlay relating to the conduit assets and derivative transactions, which were partially offset by an outstanding performance by Global Markets.

Net operating income increased by 30.2% or $345 million, driven by an exceptional Global Markets performance, which reflected strong sales from increased client demand and transaction flow, improved margins and increased risk and trading activity. This was partially offset by higher credit valuation adjustments, consistent with worsening global credit conditions.

While volume growth has slowed in the Lending business (at constant foreign exchange rates), margins and transactional return on equity have increased, reflecting new pricing dynamics and levels of risk in a deteriorating environment.

The Structuring and Investments (S&I) business was adversely affected by the $160 million management overlay relating to the conduit assets and derivative transactions (refer Asset Quality section for further details), and the costs associated with the risk mitigation trades.

Operating expenses increased by $41 million or 10.0%. This increase included the impact of foreign exchange rate movements and first time consolidation of conduits and certain structured property funds. Adjusting for these factors, the underlying cost increase was $19 million or 4.7%. This increase was due to higher personnel costs to support revenue growth and higher software costs from significant investment in front to back infrastructure.

The **cost to income ratio** improved by 560 basis points to 30.4%, reflecting strong income growth, without a corresponding increase in the cost base.

The **charge to provide for bad and doubtful debts** increased by $363 million due to a small number of high profile corporate collapses in 2009, leverage exposures in the UK, and an ongoing deterioration in asset quality flowing through to higher specific and collective provisions.

The **effective tax rate** for nabCapital decreased from 20.0% in the March 2008 half year to 11.8% in the March 2009 half year, primarily resulting from losses generated in the US in the current half year that are taxed at a higher rate than other regions. Excluding these losses in the US, the effective tax rate was 18.5%.

Average interest earning assets increased by $29 billion (15.2%) (excluding foreign exchange, by $22 billion or 11.4%), primarily reflecting additional Global Markets assets held by nabCapital, to support liquidity management for the Group ($13 billion). Internal interest earning assets (excluding foreign exchange) increased by $9 billion, reflecting the additional short-term funding requirements of other NAB businesses.

March 2009 v September 2008

Cash earnings increased by $762 million on the September 2008 half year, mainly as a result of increased revenues generated from Global Markets, and the high provisioning levels associated with the ABS CDOs in the September 2008 half year.

Net operating income increased by $503 million or 51.1% on the September 2008 half year. This was largely a result of an outstanding Global Markets performance, partially offset by the management overlay relating to the conduit assets and derivative transactions (refer Asset Quality section for further details).

Operating expenses increased by $46 million or 11.3% on the September 2008 half year. This increase included the impact of foreign exchange rate movements and first time consolidation of conduits and certain structured property funds. Adjusting for these factors the underlying cost increase was $30 million or 7.8%. This increase was due to a normalised incentive accrual following the significantly lower accrual for the September 2008 half year due to the decline in the profitability of the business.

The **cost to income ratio** decreased by 1,090 basis points to 30.4% at March 2009, mainly due to strong income growth.

The **charge to provide for bad and doubtful debts** decreased by $553 million in the March 2009 half year, mainly driven by the higher level of provisioning in the prior half associated with ABS CDOs. Excluding the ABS CDOs, the underlying increase was $277 million or 78.9%. Provisions in the March 2009 half year mainly related to an increase in specific provisions on a small number of high profile corporate exposures, leverage exposures in the UK, and downgrades across the portfolio.

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

Average interest earning assets increased by $26 billion or 13.2% when compared to September 2008 (excluding foreign exchange, an increase of $13 billion or 6.6%). This primarily reflects additional Global Markets assets to support increased Group liquidity.

Risk Weighted Assets increased by $1 billion (0.9%) when compared to September 2008. The growth in RWAs is mainly due to the higher counterparty credit exposure on derivative transactions, where the mark to market exposure has increased as a result of the volatile interest rate and foreign exchange environment. Ongoing credit deterioration has also attracted higher RWAs. These increases were offset by a number of optimisation initiatives, including maximising collateral and netting opportunities, and reducing undrawn limits.

Other Items

Asset Quality

Given the dramatically slowing global economic environment, and the IMF expecting that "global activity will contract in 2009 for the first time since World War II", the nabCapital lending portfolio continues to behave as expected in each of its key markets. Underlying business is deteriorating for a number of customers in the commercial property, financial institution and leveraged finance sectors across Australia and the UK. nabCapital continues to be focused on early identification of industry and counterparty stress and is actively managing its exposures in order to mitigate the risk of loss. For example, nabCapital has actively reduced its commercial property exposures globally and is managing down leveraged lending and relationship banking in the UK. It has also capped leverage loan exposures in Australia.

Both the number and value of troubled exposures have increased during the half year and nabCapital has recorded increased provisions against a small number of high-profile corporate and UK leveraged exposures. The overall deteriorating economic conditions have also resulted in a downward migration of assigned ratings and an increase in collective provisioning, consistent with this stage of a recessionary environment.

In line with other parts of the Group, nabCapital has taken a series of actions designed to mitigate the risk of loss, including increasing the number and depth of industry and sector reviews, and further bolstering resources in the risk management teams.

As at 31 March 2009, nabCapital's securitisation portfolio is $17.0 billion. For more detailed analysis on conduits refer to the Financial Report in Section 6.

At September 2008, nabCapital executed hedges for the purpose of managing the credit risk in its $1.8 billion of SCDOs. As a result of the severe effects of the ongoing global financial crisis, the underlying credit quality of the SCDOs continues to deteriorate with significant negative migration in the portfolio, although there has only been one credit event (affecting only one of the six SCDOs) in the March 2009 half year. The portfolio continues to be categorised as investment grade, internally, as well as externally by one or more rating agencies [(1)]. The business continues to actively manage this portfolio, and will consider additional hedging from time to time, to maintain investment grade classification (as defined by Group internal processes).

Notwithstanding the fact that our overall exposure to conduit related assets continues to perform as expected, during the period a reserve of $160 million has been taken as a management overlay to reflect the uncertainty created by the rapidly deteriorating economic conditions and any subsequent default.

(1) *Note the rating agencies' approach to these types of structured instruments changed during the March 2009 half year.*

Impaired Assets - Loans and Advances

The level of gross impaired assets has increased by $690 million from the September 2008 position to $1,242 million at March 2009, reflecting the deteriorating market conditions. The rise in impaired assets was largely due to a small number of high profile corporate impairments, and UK leveraged exposures. This contributed to increases in the ratio of gross impaired assets to gross loans and acceptances, and specific provision to gross impaired assets.

	As at		
Asset Quality (2)	**Mar 09**	**Sep 08**	**Mar 08**
Gross impaired assets ($m)	**1,242**	552	312
Gross impaired assets to gross loans and acceptances	**2.32%**	1.04%	0.59%
Specific provision to gross impaired assets	**49.9%**	44.0%	43.9%
Net write-offs to gross loans and acceptances	**0.21%**	0.09%	-

(2) *nabCapital has further impaired assets relating to its conduit exposures not classified as Loans and Advances but classified as Held to Maturity assets (HTM) totalling $360 million (specific provision of $153 million).*

Impact of foreign exchange rates movements

Favourable/ (unfavourable) March 09	Half year since Sep 08 $m	Mar 09 v Sep 08 Ex FX %	Half year since Mar 08 $m	Mar 09 v Mar 08 Ex FX %
Net interest income	**75**	(21.2)	**47**	3.1
Other operating income	**(15)**	large	**(25)**	large
Operating expenses	**(26)**	(4.9)	**(16)**	(6.1)
Charge to provide for bad and doubtful debts	**(15)**	48.1	**(2)**	large
Income tax expense	**(1)**	large	**3**	45.2
Cash earnings before minority interest	**18**	large	**7**	(5.6)

Investment Spend

nabCapital's investment cash spend during the March 2009 half year was $64 million. This was $28 million (79%) above the March 2008 half year and $2 million (4%) below the September 2008 half year.

Investment in efficiency/revenue generating projects increased by $15 million (77%) against the March 2008 half year and by $3 million (11%) versus the September 2008 half year. This reflected the continuous focus on efficiency programs, primarily in the Markets business to facilitate faster speed to market for new products, and further improvement in risk management capabilities.

Investment in infrastructure projects increased by $3 million (29%) against the March 2008 half year, but was $9 million (42%) below the September 2008 half year. Areas of focus in the March 2009 half year included refreshing core desktop and communication applications, as well as consolidating nabCapital's legacy data and information environments. The uplift, which commenced in the September 2008 half year, reflected a continued focus on enhancing the quality, global consistency and robustness of both data assets and reporting/disclosure capabilities.

Cash spend on Compliance related projects was largely in line with both the March and September 2008 halves.

Central Functions

The Group's 'Central Functions' business segment includes functions that support all the regional businesses and comprises Group Funding and Corporate Centre activities. Group Funding acts as the central vehicle for movements of capital and structural funding to support the Group's operations, together with capital and balance sheet management. Corporate Centre activities include the strategic development of the portfolio of businesses, financial and risk governance, and developing and retaining talent.

	Half Year to				
	Mar 09 $m	Sep 08 $m	Mar 08 $m	Mar 09 v Sep 08 %	Mar 09 v Mar 08 %
Net operating income	179	55	3	large	large
Operating expenses	(247)	(168)	(126)	(47.0)	(96.0)
Underlying profit	(68)	(113)	(123)	39.8	44.7
Charge to provide for bad and doubtful debts	(93)	(1)	-	large	large
Cash earnings before tax	(161)	(114)	(123)	(41.2)	(30.9)
Income tax / benefit	94	199	51	(52.8)	84.3
Cash earnings before distributions and minority interest	(67)	85	(72)	large	(6.9)
Net profit - minority interest	3	-	(1)	large	large
Cash earnings / (deficit)	(64)	85	(73)	large	12.3
Represented by:					
Group Funding	76	51	-	49.0	large
Corporate Centre	(149)	8	(54)	large	large
New Business & Development	(31)	5	(19)	large	63.2
Great Western Bank	40	21	-	90.5	large
Cash earnings / (deficit)	(64)	85	(73)	large	12.3

March 2009 v March 2008

The **Cash earnings** deficit was $9 million less than March 2008. Contributing to the deficit was a $60 million (after tax) charge to provide for bad and doubtful debts and $43 million of increased liquidity costs. This was offset by income on revenue hedges on foreign currency, profit on the retirement of debt instruments and gains on hedging a contingent foreign currency payment.

Net operating income increased by $176 million. This was due to a $72 million increase in income on revenue hedges on foreign currency, $30 million profit on retirement of debt instruments, a $21 million gain on hedging a contingent foreign currency payment and $15 million in gains on hedges on capital instruments. This was offset by increased costs of liquidity of $42 million and costs recognised centrally in relation to the FSCS of $27 million.

Operating expenses increased by $121 million. Excluding GWB, expenses were $59 million higher as the Group continued to invest in convergence activities, leadership development and community programs. The Group has also continued to develop its service company as part of ongoing convergence activities.

Charge to provide for bad and doubtful debts increased by $93 million, mainly due to an $86 million (pre tax) collective charge to strengthen the Group balance sheet against the current economic volatility.

Income tax benefit increased by $43 million as a result of the higher cash earnings deficit including the tax impact of the bad and doubtful debt charge, and a favourable tax ruling from the ATO in the March 2008 half.

March 2009 v September 2008

Cash earnings fell by $149 million against the September 2008 half, driven by increased liquidity costs of $41 million and a charge to provide for bad and doubtful debts of $60 million (after tax) to strengthen the Group balance sheet.

Net operating income increased by $124 million. This was mainly due to $48 million of higher income on revenue hedges on foreign currency, $30 million on the retirement of debt instruments, $26 million reduction in expenses on derivatives hedging. This was offset by increased costs of liquidity of $41 million and costs recognised centrally in relation to the FSCS.

Operating expenses increased by $79 million mainly due to the inclusion of GWB and higher investment in community and convergence activities. Additionally, September 2008 benefited from a $13 million write back of PAYG tax penalties.

Charge to provide for bad and doubtful debts has increased by $92 million mainly due to an $86 million provision (pre tax) raised to strengthen the Group balance sheet.

Income tax benefit has decreased by $105 million driven by a number of one-off tax credits recognised in the second half of 2008.

Great Western Bank

Great Western Bank (GWB) provides a full range of traditional banking services, together with wealth management and insurance products, through a footprint of 104 branches across six states predominantly, in the mid-west of the United States.

Strategic Highlights and Business Developments

GWB was acquired on 3 June 2008 and its reporting and governance frameworks are now effectively integrated into the Group.

On 11 March 2009 GWB entered into an agreement to purchase the Colorado banking franchise of First Community Bank for a net premium of approximately US$20 million. Upon final regulatory approval, it is expected that the transaction will be completed by mid June 2009.

The acquisition provides a solid franchise from which to expand into Colorado, one of the key markets identified upon acquisition of GWB by the Group for the expansion of the Agribusiness (Agri) and Small Medium Enterprise (SME) banking model. GWB will acquire 20 branches in and around the Denver metropolitan area, together with approximately US$444 million of high quality loans and US$477 million of deposits, and US$25 million of associated fixed assets. GWB will assume 160 employees as part of the transaction.

The franchise will be quickly integrated into the GWB operating model and will assume the Great Western Bank brand.

The organic rollout of Agri and SME centres, a key strategic pillar in the acquisition by the Group, has developed momentum, with seven centres opened to date and a team of 15 experienced professionals in place. The business model focuses on relationship based agri and business banking.

Cash earnings for the six months to 31 March 2009 were US$27 million. The maintenance of both a relatively consistent net interest margin of 3.78% and a solid cost to income ratio of 47.7% supported cash earnings, against a backdrop of higher provisioning due to deteriorating asset quality. The total charge to provide for bad and doubtful debts for the six months to 31 March 2009 was US$5 million against US$0.6 million for the four months to 30 September 2008.

Average interest earning assets have grown by 6.1% to US$3.5 billion. GWB has continued to maintain over 100% of funding from customer deposits, with deposits growing by 3.1% to US$3.3 billion. The excess of deposits over loans is primarily invested in US Government backed or support agency securities.

GWB continues to perform very favourably against peer banks, with a consistently higher return on assets of 1.46% supported by a very strong capital position (US Tier 1 capital ratio of 10.5%). The average pre-tax return on assets for all commercial banks regulated by the Federal Deposit Insurance Commission (FDIC) for the December 2008 quarter was negative 1.07%, compared with GWB at positive 1.76%. (USGAAP).

The impact of the recession and the subsequent increase in bank failures in the US has depleted the reserves of the FDIC. On 27 February 2009 the FDIC announced an interim rule supporting a special levy of FDIC insurance premium that all insured banks will be required to pay. This fee will be calculated on 30 June 2009 with reference to the deposit base at that time, and will be payable on 30 September 2009. The proposed one-off fee of 20 basis points of qualifying deposits is likely to reflect a charge in the June 2009 quarter of approximately US$6 million for GWB. The proposed fee may be amended in the final ruling that is yet to be confirmed by the FDIC.

Operating Environment

The worsening recession in the United States has pushed national unemployment to 8.5%, with unemployment over 10% in some states such as California and Michigan. While the economic downturn within the GWB footprint is less dramatic than the national average, the effects have become significantly more pronounced over the past six months.

The numerous stimulus packages, both within the banking and automotive industries and more generally across the economy, are yet to yield any significant sign of improvement in the economy. As a result, many analysts are expecting the recession in the United States to continue until the end of 2009 at least.

While it is important to be cautious with regard to protecting the existing GWB franchise, the severe economic climate has created opportunities for strong and well capitalized organisations such as GWB to purchase failed or distressed franchises with the support and backing of regulators. GWB will continue to review any such opportunities that fall clearly within the strategic objectives of the company.

Customer, Employee and Community

The extensive upheaval across the United States is clearly affecting the communities within which GWB operates. In spite of this, GWB has maintained a commitment to supporting these communities, customers and employees. GWB has continued its active charitable activities not limited to donations, but also through the giving of time and effort of employees to worthy causes and investments within the community. The latest term deposit offering by GWB includes charitable contributions to the local community when customers open new term deposits.

Extensive training and development opportunities continue to be provided to all staff, particularly focusing on relevant issues such as fraud detection and prevention, and credit quality.

Great Western Bank

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

	Half Year to				
	Mar 09 US$m	Sep 08 US$m	Mar 08 US$m	Mar 09 v Sep 08 %	Mar 09 v Mar 08 %
Net interest income	66	42	-	57.1	n/a
Other operating income	20	14	-	42.9	n/a
Net operating income	86	56	-	53.6	n/a
Operating expenses	(41)	(27)	-	(51.9)	n/a
Underlying profit	45	29	-	55.2	n/a
Charge to provide for bad and doubtful debts	(5)	(1)	-	large	n/a
Cash earnings before tax	40	28	-	42.9	n/a
Income tax expense	(13)	(10)	-	(30.0)	n/a
Cash earnings	27	18	-	50.0	n/a
Average Volumes (US$bn)					
Gross loans and acceptances	2.7	2.6	-	3.8	n/a
Interest earning assets	3.5	3.3	-	6.1	n/a
Total assets	3.7	3.6	-	2.8	n/a
Retail deposits	3.3	3.2	-	3.1	n/a
Performance Measures					
Cash earnings on average assets	1.46%	1.61%	-	(15 bps)	n/a
Net interest margin	3.78%	3.87%	-	(9 bps)	n/a
Cost to income ratio	47.7%	48.2%	-	50 bps	n/a
Cash earnings per average FTE (US$'000s)	66	71	-		
FTEs (spot)	816	816	-		

Other Items

Asset Quality

	As at		
Asset Quality	**Mar 09**	**Sep 08**	**Mar 08**
Gross impaired assets (US$m)	35	24	-
Gross impaired assets to gross loans and acceptances	1.27%	0.89%	-
Total provision to gross loans and acceptances	1.12%	1.18%	-
Net write-offs to gross loans and acceptances	0.29%	0.04%	-

Consistent with the global economic environment, asset quality, while relatively strong, has still been placed under significant pressure in the half to 31 March 2009. While the asset portfolio does not contain any sub-prime lending, gross impaired assets have increased by US$11 million since 30 September 2008. These were primarily concentrated in commercial real estate. Consistent with the economic environment, net write-offs increased by 25 basis points in the half to 31 March 2009, when compared to the 4 months to 30 September 2008.

GWB has continued to actively manage the credit quality of the portfolio with a significant refocus on better quality credits. The loan portfolio has further diversified with growth over the March 2009 half, primarily in Agri and commercial lending, with a contraction in real estate and consumer lending. A purchase price accounting adjustment has reduced provisions in the March 2009 half. This adjustment has not been applied to the prior periods, however the affect on the September 2008 half would have decreased total provision to gross loans and acceptances to 0.99%. Allowing for this purchase price adjustment the total provision to gross loans and acceptances increased by 13 basis points. GWB continues to closely monitor asset quality, with continual credit reviews and detailed analysis of all exposures. Specific resourcing is allocated to identify early, potential problem assets. Credit managers are now embedded across much of the business.

Results presented in Australian dollars. See above for results in local currency

	Half Year to				
	Mar 09 $m	Sep 08 $m	Mar 08 $m	Mar 09 v Sep 08 %	Mar 09 v Mar 08 %
Net interest income	99	47	-	large	n/a
Other operating income	30	16	-	87.5	n/a
Net operating income	129	63	-	large	n/a
Operating expenses	(62)	(30)	-	large	n/a
Underlying profit	67	33	-	large	n/a
Charge to provide for bad and doubtful debts	(7)	(1)	-	large	n/a
Cash earnings before tax	60	32	-	87.5	n/a
Income tax expense	(20)	(11)	-	(81.8)	n/a
Cash earnings	40	21	-	90.5	n/a

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Section 5

Financial Report

Report of the Directors

The directors of National Australia Bank Limited (the 'Company') present their report, together with the financial statements of the Group, being the Company and its controlled entities, for the half year ended 31 March 2009.

The directors of the Company have a significant responsibility with respect to the integrity of the external reporting. This involves reviewing and monitoring, with the assistance of the Audit Committees and management, the processes, controls and procedures which are in place to maintain the integrity of the Group's financial statements. Further details of the role of the Board of Directors and its Committees can be found in the Corporate Governance section of the Group's 2008 Annual Financial Report or on the Group's website www.nabgroup.com.

Directors

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

Michael A Chaney
Chairman since September 2005 and Director since December 2004

Cameron A Clyne
Director since January 2009. Managing Director and Group Chief Executive Officer from January 2009

Patricia A Cross
Director since December 2005

Daniel T Gilbert
Director since September 2004

Mark Joiner
Director since March 2009

Paul J Rizzo
Director since September 2004

Jillian S Segal
Director since September 2004

John G Thorn
Director since October 2003

Geoffrey A Tomlinson
Director since March 2000

Michael J Ullmer
Director since October 2004

John Waller
Director since February 2009

Sir Malcolm Williamson
Director since May 2004

Ahmed Fahour
Director from October 2004 to February 2009

Thomas (Kerry) McDonald
Director from December 2005 to November 2008

John M Stewart
Director from August 2003 to December 2008. Managing Director and Group Chief Executive Officer from February 2004 to December 2008

Rounding of Amounts

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

Review of Operations and Group Results

Net profit attributable to members of the Company for the half year ended 31 March 2009 of $2,664 million decreased $23 million or 0.9% compared to the prior comparative period.

Net interest income increased $606 million or 11.5% due to lending and deposit growth and repricing for current risk settings. Net life insurance income increased $613 million as negative investment returns experienced as a result of the the downturn in global equity markets was offset by the movement in the external unitholders' liability. Total other income increased $702 million or 29.2%. Trading income benefited from customers seeking risk mitigation strategies and increased financial markets volatility whilst Fees and commissions were down due to lower customer transaction volumes and Investment management fees declined in line with the lower funds under management.

Operating expenses increased $210 million or 5.7%. Benefits associated with the productivity and efficiency programs were offset by the acceleration of the Group's Efficiency Quality and Service program and a provision for the settlement of a legal matter. The bad and doubtful debt charge increased as a result of specific provisions for a small number of corporate loans, higher collective provisions from adverse movements in customer ratings and a $86 million addition to the economic cycle reserve. In addition, a $160 million provision has been taken in respect of conduit assets and derivatives to further strengthen the Group's balance sheet to withstand current economic volatility.

Total assets increased $63,988 million or 10.5%. This is mainly from growth in business lending, growth in derivatives as a result of increased demand for risk management solutions and foreign exchange and interest rate volatility and increased liquidity holdings as a buffer against financial market dislocation. Total liabilities increased $58,392 million or 10.0% due to deposit growth and additional funding required to meet lending growth and fund higher levels of liquidity.

The Board has received assurance from the Group Chief Executive Officer and the Group Executive Finance Director/CFO that the Company's half year financial report for the period ended 31 March 2009 is founded on sound systems of risk management and internal control, and that the systems are operating effectively in all material respects in relation to the financial reporting risks.

Management has also reported that the Company's risk management and internal control systems have been designed and implemented to manage the Company's material business risks, and those risks are being managed effectively.

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 a resolution of the directors:

Michael A Chaney
Chairman

Cameron Clyne
Group Chief Executive Officer

28 April 2009

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

Tel: +61 3 9288 8000
Fax: +61 3 8650 7777
www.ey.com/au

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

In relation to our review of the half year financial report of National Australia Bank Limited for the half-year ended 31 March 2009, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

Ernst & Young

AJ (Tony) Johnson
Partner
28 April 2009

Consolidated Income Statement

		Half Year to		
	Note	Mar 09 $m	Sep 08 $m	Mar 08 $m
Interest income		**17,659**	20,744	18,641
Interest expense		**(11,775)**	(14,924)	(13,363)
Net interest income		**5,884**	5,820	5,278
Premium and related revenue		**405**	400	380
Investment revenue		**(8,316)**	(4,010)	(6,152)
Fee income		**211**	249	281
Claims expense		**(243)**	(253)	(239)
Change in policy liabilities		**7,462**	3,245	5,133
Policy acquisition and maintenance expense		**(371)**	(410)	(407)
Investment management expense		**(19)**	(18)	(16)
Movement in external unitholders' liability		**1,309**	582	845
Net life insurance income	14	**438**	(215)	(175)
Gains less losses on financial instruments at fair value	3	**1,318**	(465)	347
Other operating income	3	**1,789**	1,909	2,058
Total other income		**3,107**	1,444	2,405
Personnel expenses	4	**(2,165)**	(2,060)	(2,082)
Occupancy-related expenses	4	**(269)**	(257)	(235)
General expenses	4	**(1,442)**	(1,297)	(1,349)
Total operating expenses		**(3,876)**	(3,614)	(3,666)
Charge to provide for doubtful debts	9	**(1,811)**	(1,763)	(940)
Profit before income tax expense		**3,742**	1,672	2,902
Income tax (expense)/benefit	5	**(1,067)**	175	(214)
Net profit		**2,675**	1,847	2,688
Net (profit)/loss attributable to minority interest		**(11)**	2	(1)
Net profit attributable to members of the Company		**2,664**	1,849	2,687

	cents	cents	cents
Basic earnings per share (cents)	**138.3**	104.6	158.9
Diluted earnings per share (cents)	**136.1**	103.8	158.1

Consolidated Balance Sheet

	Note	As at 31 Mar 09 $m	30 Sep 08 $m	31 Mar 08 $m
Assets				
Cash and liquid assets		**18,287**	18,209	12,256
Due from other banks		**30,663**	46,996	39,163
Trading derivatives		**55,403**	35,788	25,540
Trading securities		**25,919**	20,767	22,450
Investments - available for sale		**8,807**	1,542	1,128
Investments - held to maturity		**18,462**	17,154	16,447
Investments relating to life insurance business	14	**44,057**	52,896	57,346
Other financial assets at fair value		**31,851**	30,600	27,304
Hedging derivatives		**6,670**	2,126	2,307
Loans and advances	8	**352,429**	353,075	335,475
Due from customers on acceptances	8	**55,356**	53,381	51,100
Current tax assets		**326**	-	-
Property, plant and equipment		**1,822**	1,661	1,875
Goodwill and other intangible assets		**6,478**	6,335	5,410
Deferred tax assets		**3,163**	2,851	1,462
Other assets		**16,308**	13,418	12,750
Total assets		**676,001**	656,799	612,013
Liabilities				
Due to other banks		**45,879**	52,423	50,557
Trading derivatives		**52,769**	32,263	24,746
Other financial liabilities at fair value		**22,964**	23,584	23,508
Hedging derivatives		**3,414**	1,172	530
Deposits and other borrowings	11	**327,759**	327,466	286,223
Liability on acceptances		**17,959**	16,075	21,489
Life policy liabilities	14	**38,351**	46,150	49,580
Current tax liabilities		**-**	25	85
Provisions		**1,072**	1,359	1,123
Bonds, notes and subordinated debt		**108,020**	98,239	92,402
Other debt issues		**1,729**	1,622	1,559
Defined benefit pension scheme liabilities		**314**	-	-
External unitholders' liability	14	**5,781**	7,406	7,673
Deferred tax liabilities		**774**	702	790
Other liabilities		**12,815**	15,467	20,943
Total liabilities		**639,600**	623,953	581,208
Net assets		**36,401**	32,846	30,805
Equity				
Contributed equity	12	**18,440**	14,731	12,643
Reserves	12	**59**	549	641
Retained profits	12	**17,904**	17,510	17,494
Total equity (parent entity interest)		**36,403**	32,790	30,778
Minority interest in controlled entities		**(2)**	56	27
Total equity		**36,401**	32,846	30,805

Consolidated Recognised Income and Expense Statement

		Half Year to		
	Note	Mar 09 $m	Sep 08 $m	Mar 08 $m
Actuarial gains/(losses) from defined benefit pension plans	12	(837)	(143)	147
Cash flow hedges				
Gains/(losses) taken to equity	12	(455)	(578)	133
Gains/(losses) transferred to income statement	12	-	(112)	18
Exchange differences on translation of foreign operations	12	(177)	227	(407)
Income tax on items taken directly to or transferred directly from equity		375	266	(99)
Other		16	5	31
Net income recognised directly in equity		(1,078)	(335)	(177)
Net profit		2,675	1,847	2,688
Total net income recognised		1,597	1,512	2,511
Attributable to:				
Members of the parent		1,586	1,514	2,510
Minority interest		11	(2)	1
Total net income recognised		1,597	1,512	2,511

Consolidated Cash Flow Statement

	Note	Half Year to Mar 09 $m	Sep 08 $m	Mar 08 $m
Cash flows from operating activities				
Interest received		**18,095**	21,091	18,179
Interest paid		**(12,832)**	(14,139)	(12,753)
Dividends received		**3**	4	3
Life insurance				
Premiums and other revenue received		**3,774**	3,969	6,136
Investment revenue received		**766**	2,055	856
Policy and other payments		**(3,745)**	(3,785)	(4,163)
Fees and commissions paid		**(195)**	(171)	(231)
Net trading revenue received		**3,124**	3,862	259
Other operating income received		**1,817**	2,056	2,518
Cash payments to employees and suppliers				
Personnel expenses paid		**(2,148)**	(1,899)	(2,124)
Other operating expenses paid		**(2,354)**	(1,170)	(1,512)
Goods and services tax paid		**(22)**	(47)	(3)
Cash payments for income taxes		**(993)**	(1,336)	(1,220)
Cash flows from operating activities before changes in operating assets and liabilities		**5,290**	10,490	5,945
Changes in operating assets and liabilities arising from cash flow movements				
Net placement of deposits with and withdrawal of deposits from supervisory central banks that are not part of cash equivalents		**(3)**	35	24
Net payments for and receipts from transactions in acceptances		**(99)**	(7,694)	(10,750)
Net funds advanced to and receipts from customers for loans and advances		**(5,091)**	(13,029)	(22,729)
Net acceptance from and repayment of deposits and other borrowings		**473**	32,974	26,145
Net movement in life insurance business investments		**(771)**	(1,404)	(1,714)
Net movement in other life insurance assets and liabilities		**(456)**	-	8
Net receipts from and payments for transactions in treasury bills and other eligible bills held for trading and not part of cash equivalents		**(2,285)**	51	82
Net payments for and receipts from transactions in trading securities		**(2,061)**	1,770	(1,050)
Net payments for and receipts from trading derivatives		**(2,688)**	(7,100)	(1,175)
Net funds advanced to and receipts from other financial assets at fair value		**(5,780)**	(4,192)	(3,116)
Net receipts from other financial liabilities at fair value		**2,207**	961	1,637
Net decrease/(increase) in other assets		**201**	(4,774)	(1,726)
Net increase in other liabilities		**8,053**	8,794	740
Net cash (used in)/provided by operating activities	**13(a)**	**(3,010)**	16,882	(7,679)
Cash flows from investing activities				
Movement in investments - available for sale				
Purchases		**(14,410)**	(17,754)	(2,285)
Proceeds from disposal		**426**	82	3
Proceeds on maturity		**7,063**	15,369	2,730
Movement in investments - held to maturity				
Purchases		**(13,182)**	(16,154)	(13,711)
Proceeds on disposal and on maturity		**13,096**	13,074	15,144
Purchase of controlled entities, net of cash acquired	**13(d)**	**-**	(665)	(307)
Purchase of property, plant, equipment and software		**(560)**	(465)	(400)
Proceeds from sale of property, plant, equipment and software, net of costs		**62**	54	520
Net cash (used in)/provided by investing activities		**(7,505)**	(6,459)	1,694
Cash flows from financing activities				
Repayments of bonds, notes and subordinated debt		**(17,449)**	(12,919)	(7,449)
Proceeds from issue of bonds, notes and subordinated debt, net of costs		**16,609**	14,486	19,113
Proceeds from issue of ordinary shares, net of costs		**3,192**	-	20
Proceeds from issue of BNZ income securities, net of costs		**-**	-	380
Proceeds from other debt issues, net of costs		**-**	593	597
Dividends and distributions paid (excluding Dividend Reinvestment Plan)		**(1,285)**	(158)	(1,544)
Net cash provided by financing activities		**1,067**	2,002	11,117
Net (decrease)/increase in cash and cash equivalents		**(9,448)**	12,425	5,132
Cash and cash equivalents at beginning of period		**12,789**	1,223	(4,330)
Effects of exchange rate changes on balance of cash held in foreign currencies		**(37)**	(859)	421
Cash and cash equivalents at end of period	**13(b)**	**3,304**	12,789	1,223

1. Principal Accounting Policies

This report is a general purpose financial report for the interim half year reporting period ended 31 March 2009 which has been prepared in accordance with the ASX listing rules, the *Corporations Act* 2001 (Cth) and AASB 134 "Interim Financial Reporting."

This interim financial report does not contain all disclosures of the type normally found within a full 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. As a result, this report should be read in conjunction with the annual financial report for the year ended 30 September 2008.

This interim financial report complies with current Australian Accounting Standards, which consist of Australian equivalents to International Financial Reporting Standards (AIFRS) as they relate to interim financial reports.

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

- AASB Interpretation 13 "Customer Loyalty Programmes" has been applied from 1 October 2008. It clarifies the accounting for certain types of customer loyalty programmes, requiring entities to defer recognition of interchange revenue linked to reward programs. Revenue is recognised when reward points have been redeemed or when the obligation has been assumed by a third party. On adoption, the Group has recognised a liability of $71 million and a deferred tax asset of $22 million for this liability resulting in a net reduction in opening retained earnings of $49 million.
- AASB 2008-10 "Amendments to Australian Accounting Standards - Reclassification of Financial Assets" is applicable retrospectively from 1 July 2008. In limited circumstances, it allows certain financial assets to be reclassified. On initial application, and since then, the Group has not reclassified any such financial instruments as permitted by the standard.

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

- AASB Interpretation 14 "AASB 119 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction" provides guidance on the amount of surplus that can be recognised as an asset by an employer sponsor of a defined benefit scheme.
- AASB Interpretation 16 "Hedges of a Net Investment in a Foreign Operation" provides guidance on several issues in accounting for a hedge on a net investment in a foreign operation in an entity's consolidated financial statements.

The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and the disclosed amount of contingent liabilities. Assumptions made at each balance sheet date are based on best estimates at that date. Although the Group has internal control systems in place to ensure that such estimates are reliably measured, actual amounts may differ from those estimated. It is not anticipated that such differences would be material.

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

Change in presentation of income statement and balance sheet

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

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

Currency of presentation

All amounts are expressed in Australian dollars unless otherwise stated.

2. Segment Information

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

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

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

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

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

Major Customers

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

Operating and Business Segments

	Operating Segments						
	Australia Region $m	UK Region $m	NZ Region $m	nabCapital $m	Central Functions $m	Eliminations/ Distributions $m	Total $m
Half year ended 31 March 2009							
Cash earnings	1,589	112	189	345	(64)	(144)	**2,027**
Net interest income	3,487	919	459	1,024	(5)	-	**5,884**
Total MLC and other operating income	1,509	345	167	463	184	(38)	**2,630**
Total assets	353,083	90,776	42,190	237,662	40,483	(88,193)	**676,001**
Half year ended 30 September 2008							
Cash earnings	1,738	231	197	(417)	85	(155)	**1,679**
Net interest income	3,293	940	442	1,204	(40)	-	**5,839**
Total MLC and other operating income	1,556	373	156	(220)	95	(24)	**1,936**
Total assets	344,607	93,691	41,441	242,279	36,404	(101,623)	**656,799**
Half year ended 31 March 2008							
Cash earnings	1,576	311	207	373	(73)	(157)	**2,237**
Net interest income	2,936	970	466	948	(17)	-	**5,303**
Total MLC and other operating income	1,622	400	155	194	20	(55)	**2,336**
Total assets	331,698	82,948	39,819	222,470	29,685	(94,607)	**612,013**

	Half Year to		
	Mar 09 $m	Sep 08 $m	Mar 08 $m
Group cash earnings - ongoing [(1)]	**2,027**	1,679	2,237
Disposed operations	**-**	1	2
Non cash earnings items (after tax):			
Distributions	**144**	155	157
Treasury shares	**88**	145	230
Fair value and hedge ineffectiveness	**476**	(144)	55
IoRE discount rate variation	**24**	20	5
Efficiency, quality and service initiatives	**(42)**	-	-
GWB integration costs	**(7)**	(7)	-
Provision for litigation settlement	**(46)**	-	-
Gain on Visa IPO	**-**	-	225
Charge to provide for bad and doubtful debts - economic cycle adjustment	**-**	-	(150)
Provision for new business initiatives	**-**	-	(74)
Net profit attributable to members of the company	**2,664**	1,849	2,687

(1) *Includes eliminations and distributions.*

	Half Year to		
	Mar 09 $m	Sep 08 $m	Mar 08 $m
Net interest income for operating and business segments	**5,884**	5,839	5,303
MLC net adjustment	**-**	(18)	(15)
Disposed operations	**-**	(1)	(10)
Net interest income	**5,884**	5,820	5,278

	Half Year to		
	Mar 09 $m	Sep 08 $m	Mar 08 $m
MLC and other operating income for operating and business segments [(1)]	**2,630**	1,936	2,336
Disposed operations	**-**	-	45
MLC net adjustment	**107**	(696)	(766)
Treasury shares	**97**	168	277
Fair value and hedge ineffectiveness	**677**	(208)	89
IoRE discount rate variation	**34**	29	7
Gain on Visa IPO	**-**	-	242
MLC and other operating income	**3,545**	1,229	2,230

(1) *Includes eliminations and distributions.*

3. Income

	Half Year to		
	Mar 09 $m	Sep 08 $m	Mar 08 $m
Gains less losses on financial instruments at fair value			
Trading securities	**138**	(68)	(275)
Trading derivatives			
Trading purposes	**677**	(108)	362
Risk management purposes [(1) (2)]	**(762)**	(342)	(182)
Assets, liabilities and derivatives designated in hedge relationships [(3)]	**519**	(153)	(44)
Assets and liabilities designated at fair value [(2)]	**920**	287	315
Gain on Visa IPO	**-**	-	242
Impairment of investments - available for sale	**(42)**	(45)	(48)
Other	**(132)**	(36)	(23)
	1,318	(465)	347
Other operating income			
Dividend revenue	**3**	4	3
Profit on sale of investments - available for sale	**10**	38	-
Profit on sale of property, plant and equipment and other assets	**-**	8	17
Banking fees	**498**	460	458
Money transfer fees	**339**	342	334
Fees and commissions	**759**	838	897
Investment management fees	**160**	210	224
Fleet management fees	**7**	8	9
Rentals received on leased vehicle assets	**17**	23	80
Revaluation losses on investment properties	**-**	(32)	-
Other income	**(4)**	10	36
	1,789	1,909	2,058

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

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

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

4. Operating Expenses

	Half Year to		
	Mar 09 $m	Sep 08 $m	Mar 08 $m
Personnel expenses			
Salaries and related on-costs	1,535	1,480	1,423
Superannuation costs - defined contribution plans	101	102	97
Superannuation costs - defined benefit plans	3	(8)	1
Performance-based compensation			
Cash	199	150	217
Equity-based compensation	113	89	117
Other expenses	214	247	227
	2,165	2,060	2,082
Occupancy-related expenses			
Operating lease rental expense	183	177	152
Other expenses	86	80	83
	269	257	235
General expenses			
Fees and commission expense	128	68	63
Depreciation and amortisation of property, plant and equipment	148	139	134
Amortisation of intangible assets	127	124	121
Depreciation on leased vehicle assets	4	2	9
Operating lease rental expense	16	17	24
Advertising and marketing	115	119	122
Charge to provide for operational risk event losses	91	27	17
Communications, postage and stationery	172	170	153
Computer equipment and software	167	165	139
Data communication and processing charges	82	59	58
Transport expenses	37	34	38
Professional fees	138	127	133
Travel	40	56	49
Loss on disposal of property, plant and equipment and other assets	-	1	-
Impairment losses recognised	-	2	30
Other expenses	177	187	259
	1,442	1,297	1,349
Total	3,876	3,614	3,666

5. Income Tax Expense

	Half Year to		
	Mar 09 $m	Sep 08 $m	Mar 08 $m
Profit before income tax expense	3,742	1,672	2,902
Deduct (profit)/loss before income tax expense attributable to the life insurance statutory funds and their controlled trusts [(1)]	(345)	380	447
Total profit excluding that attributable to the statutory funds of the life insurance business, before income tax expense	3,397	2,052	3,349
Prima facie income tax at 30%	1,019	615	1,005
Add/(deduct): Tax effect of amounts not deductible/(assessable)			
Dividend income adjustments	-	-	(1)
Assessable foreign income	3	1	1
Depreciation on buildings not deductible	-	-	1
Over provision in prior years	(32)	(38)	(8)
Foreign tax rate differences	1	(10)	(9)
Restatement of deferred tax balances for changes in UK and NZ tax rates	(5)	(3)	2
Foreign branch income not assessable	(42)	(30)	(32)
Treasury shares adjustment	(20)	(28)	(36)
Gain on Visa shares reduced by previously unrecognised tax losses	-	-	(56)
Previously unrecognised tax losses	-	(93)	-
Offshore banking unit income	(19)	-	-
Other	(60)	(28)	(25)
Total income tax expense on profit excluding that attributable to the statutory funds of the life insurance business	845	386	842
Income tax expense/(benefit) attributable to the statutory funds of the life insurance business [(1)]	222	(561)	(628)
Total income tax expense	1,067	(175)	214
Effective tax rate, excluding statutory funds attributable to the life insurance business	24.9%	18.8%	25.1%

(1) *Refer to Note 14 for further information regarding the impact of negative investment markets during the March 2009 half year.*

6. Dividends and Distributions

Dividends on ordinary shares	Amount per share cents	Franked amount per share %	Conduit foreign income per share %	Total amount $m
Interim dividend declared in respect of the six months ended 31 March 2009	73	100	Nil	**1,401**

The record date for determining entitlements to the 2009 interim dividend is 11 June 2009.
The interim dividend has been declared by the directors of the Company and is payable on 9 July 2009.

	Amount per share cents	Franked amount per share %	Conduit foreign income per share %	Total amount $m
Final dividend paid in respect of the year ended 30 September 2008	97	100	Nil	**1,669**
Interim dividend paid in respect of the six months ended 31 March 2008	97	100	Nil	**1,584**
Total dividends paid or payable in respect of the year ended 30 September 2008	194			**3,253**

Dividends on preference shares	31 Mar 09 Amount per security cents [1]	31 Mar 09 Total amount $m	30 Sep 08 Amount per security cents [1]	30 Sep 08 Total amount $m	31 Mar 08 Amount per security cents [1]	31 Mar 08 Total amount $m
BNZ income securities - Dividends for the six months ended	**2.89**	**13**	2.89	13	-	-

[1] *$A equivalent*

Distributions on other equity instruments	31 Mar 09 Amount per security $	31 Mar 09 Total amount $m	30 Sep 08 Amount per security $	30 Sep 08 Total amount $m	31 Mar 08 Amount per security $	31 Mar 08 Total amount $m
National Income Securities - Distributions for the six months ended	3.65	**73**	4.50	90	4.20	84
Trust Preferred Securities - Distributions for the six months ended	62.50	**25**	60.00	24	62.50	25
Trust Preferred Securities II - Distributions for the six months ended	41.25	**33**	28.75	23	31.25	25
National Capital Instruments - Distributions for the six months ended	1,625.00	**13**	2,250.00	18	2,875.00	23
Total distributions		**144**		155		157

Dividend and distribution plans

The dividend is paid in cash or part of a dividend plan. Cash dividends are paid by way of:

(a) cash or cash equivalents; and
(b) direct credit.

Dividend plans in operation are:

(a) Dividend Reinvestment Plan;
(b) Bonus Share Plan (closed to new participants); and
(c) United Kingdom Dividend Plan (this enables a UK domiciled shareholder to receive either a dividend in British Pounds Sterling or shares via the Dividend Reinvestment Plan).

The last date for receipt of election notices for the dividend plans is 11 June 2009, 5pm (Melbourne time).

7. Net Tangible Assets

	As at 31 Mar 09	As at 30 Sep 08	As at 31 Mar 08
Net tangible assets per ordinary share ($)	**13.14**	12.66	12.66

8. Loans and Advances including Acceptances

	As at		
	31 Mar 09 $m	**30 Sep 08 $m**	**31 Mar 08 $m**
Overdrafts	**17,344**	18,863	17,175
Credit card outstandings	**7,380**	7,575	7,261
Asset & lease financing	**17,837**	18,498	17,651
Housing loans	**200,377**	199,749	193,095
Other term lending	**134,646**	131,282	120,281
Other	**9,309**	8,261	7,028
Fair value adjustment	**1,467**	694	457
Gross loans and advances	**388,360**	384,922	362,948
Acceptances	**55,356**	53,381	51,100
Gross loans and advances including acceptances	**443,716**	438,303	414,048
Represented by:			
Loans at fair value [1]	**28,961**	25,732	22,126
Loans at amortised cost	**359,399**	359,190	340,822
Acceptances	**55,356**	53,381	51,100
Gross loans and advances including acceptances	**443,716**	438,303	414,048
Unearned income and deferred net fee income	**(2,823)**	(3,152)	(2,766)
Provision for doubtful debts	**(4,147)**	(2,963)	(2,581)
Net loans and advances including acceptances	**436,746**	432,188	408,701
Securitised loans [2]	**7,718**	9,217	9,256

(1) *On the balance sheet this amount is included within 'Other financial assets at fair value'. These amounts are included in the product and geographical analysis below.*

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

By product and geographic location	**Australia $m**	**Europe $m**	**New Zealand $m**	**United States $m**	**Asia $m**	**Total Group $m**
As at 31 March 2009						
Overdrafts	6,714	8,514	2,105	6	5	**17,344**
Credit card outstandings	5,204	1,097	1,073	6	-	**7,380**
Asset & lease financing	13,620	4,181	29	-	7	**17,837**
Housing loans	153,560	24,750	20,740	318	1,009	**200,377**
Other term lending	64,893	41,443	20,503	5,788	2,019	**134,646**
Other	4,741	2,023	139	2,406	-	**9,309**
Fair value adjustment	55	1,045	367	-	-	**1,467**
Gross loans and advances	248,787	83,053	44,956	8,524	3,040	**388,360**
Acceptances	55,350	6	-	-	-	**55,356**
Gross loans and advances including acceptances	304,137	83,059	44,956	8,524	3,040	**443,716**
Represented by:						
Loans at fair value	2,734	10,468	15,759	-	-	**28,961**
Loans at amortised cost	246,053	72,585	29,197	8,524	3,040	**359,399**
Acceptances	55,350	6	-	-	-	**55,356**
Gross loans and advances including acceptances	304,137	83,059	44,956	8,524	3,040	**443,716**

By product and geographic location	Australia $m	Europe $m	New Zealand $m	United States $m	Asia $m	Total Group $m
As at 30 September 2008						
Overdrafts	7,001	9,701	2,148	9	4	**18,863**
Credit card outstandings	5,249	1,223	1,097	6	-	**7,575**
Asset & lease financing	13,433	5,034	25	-	6	**18,498**
Housing loans	151,527	26,711	20,364	279	868	**199,749**
Other term lending	61,965	42,716	19,731	5,367	1,503	**131,282**
Other	4,465	1,545	153	2,098	-	**8,261**
Fair value adjustment	148	341	205	-	-	**694**
Gross loans and advances	243,788	87,271	43,723	7,759	2,381	**384,922**
Acceptances	53,375	6	-	-	-	**53,381**
Gross loans and advances including acceptances	297,163	87,277	43,723	7,759	2,381	**438,303**
Represented by:						
Loans at fair value	1,928	8,489	15,315	-	-	**25,732**
Loans at amortised cost	241,860	78,782	28,408	7,759	2,381	**359,190**
Acceptances	53,375	6	-	-	-	**53,381**
Gross loans and advances including acceptances	297,163	87,277	43,723	7,759	2,381	**438,303**

By product and geographic location	Australia $m	Europe $m	New Zealand $m	United States $m	Asia $m	Total Group $m
As at 31 March 2008						
Overdrafts	6,443	8,845	1,884	-	3	**17,175**
Credit card outstandings	5,170	1,176	915	-	-	**7,261**
Asset & lease financing	12,990	4,630	28	-	3	**17,651**
Housing loans	146,588	25,177	20,647	-	683	**193,095**
Other term lending	59,251	38,261	18,786	2,652	1,331	**120,281**
Other	3,759	1,530	113	1,626	-	**7,028**
Fair value adjustment	37	356	64	-	-	**457**
Gross loans and advances	234,238	79,975	42,437	4,278	2,020	**362,948**
Acceptances	51,090	10	-	-	-	**51,100**
Gross loans and advances including acceptances	285,328	79,985	42,437	4,278	2,020	**414,048**
Represented by:						
Loans at fair value	794	7,529	13,803	-	-	**22,126**
Loans at amortised cost	233,444	72,446	28,634	4,278	2,020	**340,822**
Acceptances	51,090	10	-	-	-	**51,100**
Gross loans and advances including acceptances	285,328	79,985	42,437	4,278	2,020	**414,048**

	Increase / (Decrease) from 30 Sep 08					
Movement from 30 September 2008 excluding foreign exchange	**Australia %**	**Europe %**	**New Zealand %**	**United States %**	**Asia %**	**Total Group %**
Overdrafts	(4.1)	(5.1)	(0.8)	(45.5)	-	**(4.2)**
Credit card outstandings	(0.8)	(3.0)	(0.9)	(14.3)	-	**(1.2)**
Asset & lease financing	1.4	(10.2)	16.0	-	-	**(1.6)**
Housing loans	1.3	0.2	3.1	(2.5)	(0.5)	**1.4**
Other term lending	4.7	4.9	5.2	(7.6)	15.0	**4.4**
Other	4.0	76.0	43.6	(1.9)	-	**18.4**
Total gross loans and advances	2.1	2.9	4.1	(6.0)	9.3	**2.3**

	Increase / (Decrease) from 31 Mar 08					
Movement from 31 March 2008 excluding foreign exchange	**Australia %**	**Europe %**	**New Zealand %**	**United States %**	**Asia %**	**Total Group %**
Overdrafts	4.2	0.4	16.8	large	25.0	**3.7**
Credit card outstandings	0.7	(2.7)	22.6	large	-	**2.9**
Asset & lease financing	4.8	(5.8)	7.4	-	75.0	**2.2**
Housing loans	4.8	2.6	5.0	large	10.5	**4.7**
Other term lending	9.5	13.0	14.1	63.3	13.5	**12.9**
Other	26.3	69.8	large	10.7	-	**36.1**
Total gross loans and advances	6.2	8.4	10.8	49.1	12.6	**7.9**

9. Doubtful Debts

	As at		
	31 Mar 09 $m	30 Sep 08 $m	31 Mar 08 $m
Specific provision for doubtful debts	**1,277**	645	527
Collective provision for doubtful debts	**2,870**	2,318	2,054
Total provision for doubtful debts	**4,147**	2,963	2,581
Deduct: Specific provision for off-balance sheet credit-related commitments	**-**	-	(1)
Net provision for doubtful debts	**4,147**	2,963	2,580
Net provision for doubtful debts including assets at fair value			
Net provision for doubtful debts	**4,147**	2,963	2,580
Provisions held on assets at fair value (1) (2)	**714**	331	255
Net provision for doubtful debts and provisions held on assets at fair value	**4,861**	3,294	2,835

(1) *Included within the carrying value of loans recorded at fair value and trading derivatives.*

(2) *The provisions held on assets at fair value at March 2009 include $39 million of specific credit risk adjustments on assets at fair value.*

Movement in provisions for doubtful debts

	Half Year to Mar 09			Half Year to Sep 08		
	Specific $m	Collective $m	Total $m	Specific $m	Collective $m	Total $m
Opening balance	**645**	**2,318**	**2,963**	527	2,054	2,581
Acquisition of controlled entities (1)	**(2)**	**-**	**(2)**	5	36	41
Transfer to/(from) specific/collective provision	**1,205**	**(1,205)**	**-**	722	(722)	-
Bad debts recovered	**90**	**-**	**90**	127	-	127
Bad debts written off	**(637)**	**-**	**(637)**	(731)	-	(731)
Charge to income statement (2)	**-**	**1,811**	**1,811**	-	933	933
Foreign currency translation and other adjustments	**(24)**	**(54)**	**(78)**	(5)	17	12
Total provision for doubtful debts	**1,277**	**2,870**	**4,147**	645	2,318	2,963

(1) *The March 2009 movement represents an adjustment to the acquisition accounting of Great Western Bancorporation.*

(2) *Excludes $830 million of impairment charges on conduit assets classified as Investments - held to maturity for the half year to September 2008.*

	Half Year to Mar 08		
	Specific $m	Collective $m	Total $m
Opening balance	307	1,800	2,107
Transfer to/(from) specific/collective provision	480	(480)	-
Bad debts recovered	65	-	65
Bad debts written off	(321)	-	(321)
Charge to income statement (1)	-	759	759
Foreign currency translation and other adjustments	(4)	(25)	(29)
Total provision for doubtful debts	527	2,054	2,581

(1) *Excludes $181 million of impairment charges on conduit assets classified as Investments - held to maturity for the half year to March 2008.*

	Half Year to		
Total charge for doubtful debts by geographic location	Mar 09 $m	Sep 08 $m	Mar 08 $m
Australia	**1,117**	508	576
Europe	**598**	379	156
New Zealand	**82**	34	26
United States	**4**	9	-
Asia	**10**	3	1
Total charge to provide for doubtful debts - recognised in provision	**1,811**	933	759
Total charge on investments - held to maturity	**-**	830	181
Total charge to provide for doubtful debts - recognised in income statement	**1,811**	1,763	940

10. Asset Quality

Summary of impaired assets	As at 31 Mar 09 $m	30 Sep 08 $m	31 Mar 08 $m
Gross impaired assets [1] [2]	**3,927**	2,149	1,474
Less: Specific provisions - impaired assets	**(1,277)**	(645)	(527)
Net impaired assets	**2,650**	1,504	947

Movement in gross impaired assets	Australia $m	Europe $m	New Zealand $m	United States $m	Asia $m	Total Group $m
Balance at 30 September 2007	820	189	42	43	-	**1,094**
New	624	181	29	-	-	**834**
Written off	(65)	(27)	(17)	-	-	**(109)**
Returned to performing or repaid	(236)	(55)	(18)	(22)	-	**(331)**
Foreign currency translation adjustments	-	(13)	-	(1)	-	**(14)**
Balance at 31 March 2008	1,143	275	36	20	-	**1,474**
New	802	574	176	16	2	**1,570**
Impaired assets of entities acquired	-	-	-	18	-	**18**
Written off	(306)	(173)	(30)	(1)	-	**(510)**
Returned to performing or repaid	(291)	(86)	(40)	(11)	-	**(428)**
Foreign currency translation adjustments	-	23	(1)	3	-	**25**
Balance at 30 September 2008	1,348	613	141	45	2	**2,149**
New	1,368	1,028	246	123	-	**2,765**
Written off	(106)	(184)	(31)	(4)	-	**(325)**
Returned to performing or repaid	(294)	(137)	(42)	(96)	-	**(569)**
Foreign currency translation adjustments	-	(99)	(1)	7	-	**(93)**
Gross impaired assets at 31 March 2009	2,316	1,221	313	75	2	**3,927**

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

(2) *Impaired assets do not include conduit assets classified as Investments - held to maturity in the balance sheet. There were $360 million of impaired conduit assets within this category at 31 March 2009 (30 September 2008 $323 million, 31 March 2008 nil). The movement is attributable to changes in foreign exchange.*

Gross impaired assets to gross loans & acceptances - by geographic location	As at 31 Mar 09 %	30 Sep 08 %	31 Mar 08 %
Australia	**0.76**	0.45	0.40
Europe	**1.47**	0.70	0.34
New Zealand	**0.70**	0.32	0.08
United States	**0.88**	0.58	0.47
Asia	**0.07**	0.08	-
Total gross impaired assets to gross loans & acceptances	**0.89**	0.49	0.36

Group coverage ratios	31 Mar 09	30 Sep 08	31 Mar 08
Net impaired assets to total equity (1)	**7.3**	4.6	3.1
Specific provision to gross impaired assets (2)	**33.5**	30.0	35.8
Collective provision to credit risk-weighted assets (ex. housing) (3) (4)	**1.38**	1.07	0.89
90 days past due plus gross impaired assets to gross loans and acceptances	**1.36**	0.83	0.69
Net write-offs to gross loans and acceptances (annualised)	**0.25**	0.20	0.12
Total provision as a percentage of net write-offs (5)	**443**	383	554
Total provision to gross loans and acceptances (5)	**1.10**	0.75	0.68

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

(2) *March 2009 includes $39 million of specific credit risk adjustments on assets held at fair value.*

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

(4) *Under a pro forma Basel II basis at March 2008.*

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

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

Summary of non-impaired loans 90 days past due	As at 31 Mar 09 $m	30 Sep 08 $m	31 Mar 08 $m
Total non-impaired assets past due 90 days or more with adequate security	**1,839**	1,259	1,092
Non-impaired assets portfolio facilities past due 90 to 180 days	**254**	247	285
Total 90 day past due loans	**2,093**	1,506	1,377
Total 90 day past due loans to gross loans and acceptances (%)	**0.47**	0.34	0.33

Non-impaired loans 90 days past due - by geographic location	As at 31 Mar 09 $m	30 Sep 08 $m	31 Mar 08 $m
Australia	**1,464**	1,079	1,026
Europe	**498**	346	268
New Zealand	**126**	79	82
United States	**1**	1	-
Asia	**4**	1	1
Total 90 day past due loans	**2,093**	1,506	1,377

11. Deposits and Other Borrowings

	As at 31 Mar 09 $m	30 Sep 08 $m	31 Mar 08 $m
Deposits not bearing interest	**13,067**	12,457	11,169
On-demand and short-term deposits	**129,669**	116,391	112,035
Certificates of deposit	**65,781**	76,968	48,929
Term deposits	**108,474**	100,065	87,045
Total deposits	**316,991**	305,881	259,178
Securities sold under agreements to repurchase	**2,286**	2,286	5,512
Borrowings	**21,153**	33,867	37,744
Fair value adjustment	**224**	(83)	(88)
Total deposits and other borrowings	**340,654**	341,951	302,346
Represented by:			
Total deposits at fair value [1]	**12,895**	14,485	16,123
Total deposits and other borrowings at cost	**327,759**	327,466	286,223
Total deposits and other borrowings	**340,654**	341,951	302,346

(1) *On the balance sheet this amount is included within 'Other financial liabilities at fair value'. These amounts are included in the product and geographical analysis below.*

By product & geographic location	**Australia $m**	**Europe $m**	**New Zealand $m**	**United States $m**	**Asia $m**	**Total Group $m**
As at 31 March 2009						
Deposits not bearing interest	9,638	1,886	572	968	3	**13,067**
On-demand and short-term deposits	84,625	31,219	9,393	4,228	204	**129,669**
Certificates of deposit	26,757	28,456	3,180	7,388	-	**65,781**
Term deposits	63,998	19,459	13,081	5,013	6,923	**108,474**
Total deposits	185,018	81,020	26,226	17,597	7,130	**316,991**
Securities sold under agreements to repurchase	956	-	-	1,330	-	**2,286**
Borrowings	8,679	-	6,264	6,210	-	**21,153**
Fair value adjustment	-	217	7	-	-	**224**
Total deposits and other borrowings	194,653	81,237	32,497	25,137	7,130	**340,654**
Represented by:						
Total deposits at fair value	-	1,680	11,215	-	-	**12,895**
Total deposits and other borrowings at cost	194,653	79,557	21,282	25,137	7,130	**327,759**
Total deposits and other borrowings	194,653	81,237	32,497	25,137	7,130	**340,654**

By product & geographic location	**Australia $m**	**Europe $m**	**New Zealand $m**	**United States $m**	**Asia $m**	**Total Group $m**
As at 30 September 2008						
Deposits not bearing interest	9,129	1,966	550	811	1	**12,457**
On-demand and short-term deposits	73,299	31,745	7,639	3,581	127	**116,391**
Certificates of deposit	43,985	23,104	3,211	6,668	-	**76,968**
Term deposits	56,260	18,916	15,234	2,775	6,880	**100,065**
Total deposits	182,673	75,731	26,634	13,835	7,008	**305,881**
Securities sold under agreements to repurchase	2,223	-	-	63	-	**2,286**
Borrowings	13,937	578	6,829	12,523	-	**33,867**
Fair value adjustment	-	(16)	(67)	-	-	**(83)**
Total deposits and other borrowings	198,833	76,293	33,396	26,421	7,008	**341,951**
Represented by:						
Total deposits at fair value	-	2,433	12,052	-	-	**14,485**
Total deposits and other borrowings at cost	198,833	73,860	21,344	26,421	7,008	**327,466**
Total deposits and other borrowings	198,833	76,293	33,396	26,421	7,008	**341,951**

By product & geographic location	Australia $m	Europe $m	New Zealand $m	United States $m	Asia $m	Total Group $m
As at 31 March 2008						
Deposits not bearing interest	9,028	1,187	622	328	4	**11,169**
On-demand and short-term deposits	71,897	30,636	7,833	1,553	116	**112,035**
Certificates of deposit	31,640	13,065	3,764	460	-	**48,929**
Term deposits	47,098	17,957	15,417	688	5,885	**87,045**
Total deposits	159,663	62,845	27,636	3,029	6,005	**259,178**
Securities sold under agreements to repurchase	3,100	510	-	1,902	-	**5,512**
Borrowings	21,321	504	7,548	8,371	-	**37,744**
Fair value adjustment	-	(35)	(53)	-	-	**(88)**
Total deposits and other borrowings	184,084	63,824	35,131	13,302	6,005	**302,346**
Represented by:						
Total deposits at fair value	-	2,406	13,717	-	-	**16,123**
Total deposits and other borrowings at cost	184,084	61,418	21,414	13,302	6,005	**286,223**
Total deposits and other borrowings	184,084	63,824	35,131	13,302	6,005	**302,346**

	Increase / (Decrease) from 30 Sep 08					
Movement from 30 September 2008 excluding foreign exchange	**Australia %**	**Europe %**	**New Zealand %**	**United States %**	**Asia %**	**Total Group %**
Deposits not bearing interest	5.6	3.7	5.3	2.2	large	**5.1**
On-demand and short-term deposits	15.5	6.3	24.5	1.1	36.9	**13.2**
Certificates of deposit	(39.2)	33.2	0.3	(5.1)	-	**(13.8)**
Term deposits	13.8	12.6	(12.6)	54.6	(13.9)	**8.7**
Total deposits	1.3	15.7	(0.3)	8.9	(12.9)	**4.5**
Securities sold under agreements to repurchase	(57.0)	-	-	large	-	**(0.5)**
Borrowings	(37.7)	large	(7.1)	(57.5)	-	**(41.0)**
Total deposits and other borrowings	(2.1)	15.1	(1.5)	(18.6)	(12.9)	**(0.2)**

	Increase / (Decrease) from 31 Mar 08					
Movement from 31 March 2008 excluding foreign exchange	**Australia %**	**Europe %**	**New Zealand %**	**United States %**	**Asia %**	**Total Group %**
Deposits not bearing interest	6.8	65.7	(3.9)	large	(50.0)	**16.6**
On-demand and short-term deposits	17.7	6.3	25.4	large	30.8	**16.8**
Certificates of deposit	(15.4)	large	(11.7)	large	-	**36.0**
Term deposits	35.9	14.6	(10.9)	large	(12.0)	**23.9**
Total deposits	15.9	34.5	(0.8)	large	(11.2)	**22.7**
Securities sold under agreements to repurchase	(69.2)	large	-	(47.7)	-	**(62.7)**
Borrowings	(59.3)	large	(13.2)	(44.5)	-	**(47.4)**
Total deposits and other borrowings	5.7	32.8	(3.3)	41.4	(11.2)	**11.8**

12. Contributed Equity and Reserves

	As at		
Contributed equity	**31 Mar 09 $m**	**30 Sep 08 $m**	**31 Mar 08 $m**
Issued and paid-up ordinary share capital			
Ordinary shares, fully paid	**13,729**	10,020	7,932
Issued and paid-up preference share capital			
BNZ Income Securities	**380**	380	380
Other contributed equity			
National Income Securities	**1,945**	1,945	1,945
Trust Preferred Securities	**975**	975	975
Trust Preferred Securities II	**1,014**	1,014	1,014
National Capital Instruments	**397**	397	397
Total contributed equity	**18,440**	14,731	12,643

Movements in contributed equity	Half Year to Mar 09 $m	Sep 08 $m	Mar 08 $m
Ordinary share capital			
Balance at beginning of period	**10,020**	7,932	8,110
Shares issued			
Dividend reinvestment plan	**503**	1,560	108
Executive share option plan no. 2	**-**	-	20
Shares issued under placement	**2,945**	-	-
Share purchase plan	**247**	-	-
Employee share savings plan	**3**	3	2
Debt conversion to equity	**-**	598	-
Net gain/(loss) realised on treasury shares	**(73)**	(50)	10
Purchase and vesting of treasury shares	**84**	(23)	(318)
Balance at end of period	**13,729**	10,020	7,932
BNZ Income Securities			
Balance at beginning of period	**380**	380	-
Movement during period	**-**	-	380
Balance at end of period	**380**	380	380
National Income Securities			
Balance at beginning of period	**1,945**	1,945	1,945
Movement during period	**-**	-	-
Balance at end of period	**1,945**	1,945	1,945
Trust Preferred Securities			
Balance at beginning of period	**975**	975	975
Movement during period	**-**	-	-
Balance at end of period	**975**	975	975
Trust Preferred Securities II			
Balance at beginning of period	**1,014**	1,014	1,014
Movement during period	**-**	-	-
Balance at end of period	**1,014**	1,014	1,014
National Capital Instruments			
Balance at beginning of period	**397**	397	397
Movement during period	**-**	-	-
Balance at end of period	**397**	397	397

Reserves	As at 31 Mar 09 $m	30 Sep 08 $m	31 Mar 08 $m
General reserve	**871**	997	807
Asset revaluation reserve	**76**	76	102
Foreign currency translation reserve	**(1,217)**	(1,040)	(1,267)
Cash flow hedge reserve	**(485)**	(178)	302
Equity based payments reserve	**782**	663	572
General reserve for credit losses	**-**	-	116
Available for sale investments reserve	**32**	31	9
Total reserves	**59**	549	641

Movements in reserves	Half Year to Mar 09 $m	Sep 08 $m	Mar 08 $m
General reserve			
Balance at beginning of period	**997**	807	866
Transfer from/(to) retained profits	**(126)**	190	(59)
Balance at end of period	**871**	997	807

Movements in reserves	Half Year to Mar 09 $m	Sep 08 $m	Mar 08 $m
Asset revaluation reserve			
Balance at beginning of period	**76**	102	102
Revaluation of land and buildings	**-**	(9)	-
Transfer to retained profits	**-**	(20)	-
Tax on revaluation adjustments	**-**	3	-
Balance at end of period	**76**	76	102
Foreign currency translation reserve			
Balance at beginning of period	**(1,040)**	(1,267)	(860)
Currency translation adjustments	**(177)**	227	(407)
Balance at end of period	**(1,217)**	(1,040)	(1,267)
Cash flow hedge reserve			
Balance at beginning of period	**(178)**	302	197
Gains/(losses) on cash flow hedging instruments	**(455)**	(578)	133
Gains/(losses) transferred to the income statement	**-**	(112)	18
Tax on cash flow hedging instruments	**148**	210	(46)
Balance at end of period	**(485)**	(178)	302
Equity based payments reserve			
Balance at beginning of period	**663**	572	451
Current period equity based payments expense	**119**	93	131
Tax on equity based payments	**-**	(2)	(10)
Balance at end of period	**782**	663	572
General reserve for credit losses (1)			
Balance at beginning of period	**-**	116	325
Transfer to retained profits	**-**	(116)	(209)
Balance at end of period	**-**	-	116

(1) *From 1 July 2006, a General Reserve for Credit Losses was established to align with APRA's proposed benchmark of 0.5% of collective provisions on a post tax basis to credit risk-weighted assets under Basel I. As at 30 September 2008 this was reversed now that the Group has been accredited under Basel II.*

	Mar 09 $m	Sep 08 $m	Mar 08 $m
Available for sale investments reserve			
Balance at beginning of period	**31**	9	(10)
Net revaluation losses	**(26)**	(31)	(17)
Impairment transferred to the income statement	**42**	45	48
Tax on available for sale investments	**(15)**	8	(12)
Balance at end of period	**32**	31	9

Reconciliation of Movement in Retained Profits	Half Year to Mar 09 $m	Sep 08 $m	Mar 08 $m
Balance at beginning of period	**17,510**	17,494	16,059
Opening balance adjustment relating to adoption of new accounting standard	**(49)**	-	-
Actuarial gains/(losses) on defined benefit plans	**(837)**	(143)	147
Income tax on items taken directly to or transferred directly from equity	**242**	45	(41)
Net profit attributable to members of the Company	**2,664**	1,849	2,687
Total available for appropriation	**19,530**	19,245	18,852
Transfer from / (to) FCTR	**3**	-	-
Transfer from / (to) general reserve for credit losses	**-**	116	209
Transfer from / (to) general reserves	**126**	(190)	59
Transfer from / (to) asset revaluation reserve	**-**	20	-
Dividends paid	**(1,611)**	(1,526)	(1,469)
Distributions on other equity instruments	**(144)**	(155)	(157)
Balance at end of period	**17,904**	17,510	17,494

13. Notes to the Cash Flow Statement

(a) Reconciliation of net profit attributable to members of the Company to net cash used in operating activities

	Half Year to		
	Mar 09 $m	Sep 08 $m	Mar 08 $m
Net profit attributable to members of the Company	**2,664**	1,849	2,687
Add/(deduct):			
Decrease/(increase) in interest receivable	**823**	24	(505)
(Decrease)/increase in interest payable	**(1,057)**	785	610
(Decrease)/increase in unearned income	**(387)**	323	43
Fair value movements			
Assets, liabilities and derivatives held at fair value	**1,632**	4,246	83
Net adjustment to bid/offer valuation	**132**	36	23
(Decrease)/increase in personnel provisions	**(108)**	71	(163)
(Decrease)/increase in other operating provisions	**(183)**	248	(177)
Equity based payments recognised in equity or reserves	**119**	94	131
Superannuation costs - defined benefit pension plans	**3**	(8)	1
Impairment losses on non-financial assets	**-**	2	30
Impairment of investments - available for sale	**42**	93	-
Charge to provide for bad and doubtful debts	**1,811**	1,763	940
Increase in provision for new business	**-**	-	106
Depreciation and amortisation expense	**279**	265	264
Movement in life insurance policyholder liabilities	**(7,806)**	(2,951)	(3,109)
Unrealised loss on investments relating to life insurance business	**7,870**	5,401	6,160
(Increase)/decrease in other assets	**(56)**	(20)	251
(Decrease)/increase in other liabilities	**(552)**	(175)	(165)
Decrease in income tax payable	**(647)**	(474)	(72)
Increase/(decrease) in deferred tax liabilities	**1,000**	149	(665)
Increase in deferred tax assets	**(279)**	(1,186)	(269)
Deduct: Operating cash flow items not included in profit	**(8,300)**	6,392	(13,624)
(Deduct)/add: Investing or financing cash flows included in profit			
Profit on investments classified as available for sale and held to maturity	**(10)**	(38)	(242)
Profit on sale of property, plant, equipment and other assets	**-**	(7)	(17)
Net cash (used in)/provided by operating activities	**(3,010)**	16,882	(7,679)

(b) Reconciliation of cash and cash equivalents

Cash and cash equivalents at the end of the year as shown in the statement of cash flows is reconciled to the related items on the balance sheet as follows:

	Half Year to		
Cash and cash equivalents	Mar 09 $m	Sep 08 $m	Mar 08 $m
Assets			
Cash and liquid assets (excluding money at short call)	**18,287**	18,209	12,256
Treasury and other eligible bills	**305**	79	459
Due from other banks (excluding mandatory deposits with supervisory central banks)	**30,591**	46,924	39,065
	49,183	65,212	51,780
Liabilities			
Due to other banks	**(45,879)**	(52,423)	(50,557)
Total cash and cash equivalents	**3,304**	12,789	1,223

(c) Non-cash financing and investing activities

	Half Year to		
	Mar 09 $m	Sep 08 $m	Mar 08 $m
New share issues			
Dividend reinvestment plan	**503**	1,558	108
Bonus share plan	**36**	40	46
Movement in assets under finance lease	**(8)**	(7)	41

(d) Acquisitions of controlled entities

No acquisitions were made during the half year to March 2009. The following acquisitions were made during the year to September 2008:

- on 31 October 2007, the Group acquired 100% of an investment property business, Austcorp 670 Hunter Street Fund;
- on 2 November 2007, the Group acquired 90% of an investment property business, New City Living Japan KK;
- on 9 November 2007, MLC Limited acquired 51% of a funds management business, Northward Capital Pty Ltd;
- on 3 June 2008, National Americas Investment Inc. acquired 100% of the ordinary shares of Great Western Bancorporation, the holding company of Great Western Bank, based in the United States; and
- on 7 August 2008, the Group acquired 70% of an investment property business, NabInvest Oxley Singapore Pte Ltd.

The operating results of the acquired entities have been included in the Group's consolidated income statement from their acquisition dates. Detail of the acquisitions were as follows:

	Half Year to		
Cost of acquisition	**Mar 09 $m**	**Sep 08 $m**	**Mar 08 $m**
Cash paid	-	954	71
Deferred cash consideration	-	94	-
Direct costs of acquisition	-	10	-
Total cost of acquisitions	-	1,058	71

	Half Year to		
	Mar 09 $m	**Sep 08 $m**	**Mar 08 $m**
Cash and liquid assets	-	227	13
Due from other banks	-	72	-
Investments-available for sale	-	680	-
Loans and advances	-	3,257	-
Property, plant and equipment	-	81	-
Goodwill and other intangible assets	-	82	1
Deferred tax assets	-	9	-
Other assets	-	35	331
Due to other banks	-	-	(249)
Deposits and other borrowings	-	(4,030)	(24)
Bonds, notes and subordinated debt	-	(51)	-
Other liabilities	-	(83)	(4)
Net identifiable assets and liabilities	-	279	68
Goodwill on acquisition	-	779	3
Consideration paid, satisfied in cash	-	1,058	71
Less: Deferred consideration	-	(94)	
Less: Cash and cash equivalents acquired			
Cash and liquid assets	-	(227)	(13)
Due from other banks	-	(72)	-
Due to other banks	-	-	249
Net cash outflow	-	665	307

The Group holds no material interests in associates or joint ventures as at 31 March 2009.

14. Life Insurance Operations

	Half Year to		
Income Statement Items	**Mar 09 $m**	**Sep 08 $m**	**Mar 08 $m**
Premium and related revenue	**405**	400	380
Investment revenue	**(8,316)**	(4,010)	(6,152)
Fee income	**211**	249	281
Claims expense	**(243)**	(253)	(239)
Change in policy liabilities	**7,462**	3,245	5,133
Policy acquisition and maintenance expense	**(371)**	(410)	(407)
Investment management expense	**(19)**	(18)	(16)
Movement in external unitholders' liability	**1,309**	582	845
Net life insurance income	**438**	(215)	(175)
(Profit)/loss before income tax expense attributable to the life insurance statutory funds and their controlled trusts	**(345)**	380	447
Income tax expense/(benefit) attributable to the statutory funds of the life insurance business	**222**	(561)	(628)

	As at		
Related Balance Sheet Items	**31 Mar 09 $m**	**30 Sep 08 $m**	**31 Mar 08 $m**
Investments relating to life insurance business	**44,057**	52,896	57,346
Life policy liabilities	**38,351**	46,150	49,580
External unitholders' liability	**5,781**	7,406	7,673

In accordance with Australian accounting standards, Investment revenue includes returns on assets held in the Group's investment-linked business and returns on assets held in the life insurance business. Life policy liabilities and external unitholders' liability on issue represent amounts owed to policy holders and unit holders of consolidated trusts. Movements in these liabilities reflect policy and unit holders' share in the performance of investment assets and accordingly the share of net life insurance income.

Negative investment market experience within domestic and global financial markets over the course of the 31 March 2009 half has had a significant impact upon individual components of the Group's life insurance operations as follows:

- a reduction in investment revenue attributable to unit linked investments and life insurance business that is largely offset by movements in amounts owing to policyholders.
- a reduction in investment revenue attributable to equity investment holdings in consolidated trusts. The external unitholders' of the trusts share in these losses; their share is reflected as the Movement in external unitholders' liability.
- the Income tax expense attributable to life insurance business includes both policyholder and shareholder tax across a range of products and is impacted by the negative earnings for both policyholders and shareholders.

15. Contingent Liabilities and Commitments

Legal Proceedings

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

The Group does not consider that the outcome of any proceedings, either individually or in aggregate, is likely to have a material effect on its financial position. Where appropriate, provisions have been made.

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

Exchangeable capital units capital raising

The Group announced in February 2004 and May 2005 that it had received amended assessments from the Australian Taxation Office (ATO) which seek to disallow interest deductions on exchangeable capital units (ExCaps) for the tax years 1997 to 2003 and deductions for certain issue costs for the years 1998 to 2001. The ATO assessments are for $298 million of primary tax and interest and penalties of $254 million (after-tax), a total of $552 million (after-tax). The ATO has also recently disallowed issue costs claimed in 2002 and 2003. The additional tax payable in relation to these costs, including penalties was approximately $3 million (after tax).

As previously announced in May 2007, the ATO has also issued amended assessments to disallow deductions claimed for the payment of management fees associated with the ExCaps for years 1997 to 2003. These additional ATO assessments are for $9 million of primary tax and interest and penalties of $7 million (after tax), a total of $16 million (after-tax).

The ATO has advised the Group that it has reviewed the amount of interest imposed and as a result of this review it has decided to remit interest by applying reduced rates for all years, except the 2004 year.

In accordance with ATO practice on disputed assessments, the Group has paid 50% of the amounts owing under the amended assessments, a total of $309 million. These payments have been recognised as an asset by the Group in its accounts, included within other assets, on the basis that the Group expects recovery of the amount paid to the ATO. Interest may accrue on the unpaid disputed amounts.

The Group has not tax-effected interest paid on the ExCaps after 1 October 2003 whilst the tax treatment is in dispute. The ExCaps were subsequently redeemed during the 2007 year. The Group has also now lodged objections in relation to years 2004 to 2007 to preserve its legal rights to claim deductions for interest and other costs in those years.

The Group disputes the amended assessments for the ExCaps and intends to pursue all necessary avenues of objection and appeal. Objections against the amended assessments have been lodged but as yet have not been determined. No provision has been raised for this matter.

New Zealand structured finance transactions

The New Zealand Inland Revenue Department (IRD) is carrying out a review of certain structured finance transactions in the banking industry.

As part of this review, subsidiaries of the Group have received amended tax assessments for the 1998 to 2005 years from the IRD with respect to certain structured finance transactions. The amended assessments are for income tax of approximately NZ$416 million. As at 31 March 2009, interest of NZ$232 million (net of tax) would be payable on this amount. The possible application of penalties has yet to be considered by the IRD.

The New Zealand Government introduced new legislation, effective 1 July 2005, which addresses their concerns with banks entering into these transactions. All of the structured finance transactions of the Group's subsidiaries that are the subject of the IRD's review were terminated by that date.

The Group is confident that its position in relation to the application of the taxation law is correct and it is disputing the IRD's position with respect to these transactions. The Group has legal opinions that confirm that the transactions complied with New Zealand tax law. The transactions are similar to transactions undertaken by other New Zealand banks.

The case is currently being heard in the High Court at Wellington. The hearing will run until at least the end of May 2009, and a judgment is not expected for some months after that.

The financial effect of the unpaid balance of the amounts owing under the amended assessments has not been brought to account in the financial statements for the half year ended 31 March 2009.

Wealth Management Reinsurance

The ATO continues its review of a reinsurance contract entered into by the Australian Wealth Management business in the 1998 tax year and amended in the 2000 tax year. The ATO previously expressed the view that expenditure incurred under the reinsurance contract was not deductible under certain technical provisions of the tax law.

In August 2007, the ATO concluded its review of this matter and issued amended assessments to the Wealth Management subsidiaries that were parties to the reinsurance contract.

The ATO assessments were for $54 million of primary tax and interest and penalties of $16 million (after tax), a total of $70 million (after tax).

In accordance with ATO practice on disputed assessments, the Group has paid 50% of the amounts owing under the amended assessments. This payment has been recognised as an asset by the Group in its accounts as at 31 March 2009 on the basis that the Group expects full recovery of the amount paid to the ATO. Interest may accrue on the unpaid disputed amount. No provision has been raised for this matter.

Objections have been lodged disputing the ATO's amended assessments. The objections have been considered by the ATO and are expected to be disallowed. The Group continues to consider opportunities to resolve this issue.

Bell Group

The Company is one of 20 banks involved in the Bell Group legal proceedings. The proceedings have been brought by various parties, including the liquidators of several Bell Group companies, seeking to challenge the banks' prior receipt of proceeds from the realisation of Bell Group assets. On 28 October 2008, the Supreme Court of Western Australia delivered a lengthy judgment on the matter.

The impact of the legal proceedings to the Group is not fully ascertainable at the date of this report, and will depend on various factors including the actual Court orders and the impact of the judgment on various stakeholders involved in the proceedings.

Investigation of Potential Class Action

In April 2009, Maurice Blackburn Lawyers (an Australian law firm) announced that it was investigating a potential class action against the Group for alleged non-disclosures relating to the Group's exposure to Asset Backed Securities Collateralised Debt Obligations. The Group has no detailed information as to the nature of the possible claim. No proceeding has been initiated, nor ever may be initiated. If it is, it will be vigorously defended.

United Kingdom Test Case on Unarranged Overdraft Charges

The unarranged overdraft charges legal test case in the United Kingdom continues. The Court has ruled that none of the Bank's unarranged overdraft charges amount to penalties at common law. In relation to accounts held by consumers, the Court of Appeal has ruled that such charges can be assessed for fairness under the Unfair Terms in Consumer Contracts Regulations (UK) 1999.

The United Kingdom banks participating in the test case, which include Clydesdale Bank PLC, have been given leave to appeal to the House of Lords and that appeal is being progressed. There has not been any ruling on whether the charges are in fact unfair; that aspect is proceeding and the UK Office of Fair Trading has chosen Clydesdale Bank PLC as one of three banks to advance that matter with. The three banks are chosen because they represent a fair cross-section of the industry and not because their terms are regarded as any less fair than any of the others.

In the meantime, the UK Financial Services Authority has extended the waiver (under the terms of which banks do not have to process claims for a return of charges where no financial hardship is involved) until July 2009 and the stays of individual cases in the Courts remain in place.

United Kingdom Financial Services Compensation Scheme

The UK Financial Services Compensation Scheme (FSCS) provides compensation to depositors in the event that a financial institution is unable to repay amounts due. Following the failure of a number of financial institutions, claims have been triggered against the FSCS, initially to pay interest on borrowing which the FSCS has raised from the UK Government to support the protected deposits. These borrowings are anticipated to be repaid from the realisation of the assets of the institutions, and in the interim the FSCS has estimated levies due to 31st March 2010 and a charge of £12 million has been recognised in the period for the Group's calculated liability. If the assets of the failed institutions are insufficient to repay the Government loan, additional levies will become payable in future periods.

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 the Company will be able to pay its debts as and when they become due and payable; and
b) the financial statements and the notes thereto, as set out on pages 78 to 100, 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 thereto give a true and fair view of the financial position of the Group as at 31 March 2009, and of the performance of the Group for the six months ended 31 March 2009.

Dated this 28th day of April, 2009 and signed in accordance with a resolution of the directors.

Michael A Chaney
Chairman

Cameron Clyne
Group Chief Executive Officer

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

Tel: +61 3 9288 8000
Fax: +61 3 8650 7777
www.ey.com/au

To the members 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 2009, and the consolidated income statement, consolidated recognised income and expense statement and consolidated cash flow statement for the half year ended on that date, other selected explanatory notes 1 to 15 and the directors' declaration set out on pages 78 to 101 of the consolidated entity comprising the Company and the entities it controlled at the half year's 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 and fair presentation of the half year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the half year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 Interim and Other Financial Reports 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 consolidated entity's financial position as at 31 March 2009 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 the Company 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:

i) giving a true and fair view of the consolidated entity's financial position as at 31 March 2009 and of its performance for the half year ended on that date; and

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

Ernst & Young

AJ (Tony) Johnson
Partner

Melbourne
28 April 2009

Section 6

Supplementary Information

1. Disclosures on Special Purpose Entities

The following supplementary disclosures are based on Financial Stability Forum (FSF) recommendations that were included in its report dated 7 April 2008 entitled *Enhancing Market and Institutional Resilience*.

(a) Special purpose entities (SPEs)

Controlled entities are those entities, including special purpose entities (SPEs), over which the Group has the power to govern the financial and operating policies so as to obtain benefits from their activities. Control rather than ownership interest is the sole criterion for determining a parent entity relationship. SPEs require consolidation in circumstances such as those where the Group has access to the majority of the residual income or is exposed to the majority of the residual risk associated with the SPE.

(b) Securitisation SPEs

Objectives

The Group engages in securitisation activities for two purposes:

- Securitisation activities for business purposes, including arranging and managing securitisations for third parties (clients) as well as securities arbitrage (funding of purchased assets) activities[1], primarily through SPEs that provide funding for single or multiple transactions.
- Securitisation of its own assets for funding and liquidity purposes, primarily for risk and capital management reasons. These transactions have always been recorded on the balance sheet since the adoption of AIFRS as the derecognition criteria are not met. Refer Note 8 in Section 5.

The first category represents third-party asset securitisation SPEs. The Group's participation in these SPEs is discussed below.

Third party asset securitisation SPEs

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

For these transactions, securitisation structures are established by the Group, comprising one or numerous SPEs to purchase and fund customer assets, including in securitised form. Previously securitisation structures also included purchasing of rated securities arbitrage assets (purchased assets). Securities arbitrage activities have been discontinued by the Group. Each SPE funds the acquisition of assets, or securities backed by assets, by:

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

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

These supplementary disclosures focus on the exposure of the Group through its use of SPEs for various types of programmes (both on and off balance sheet) including:

- Securitisation SPEs.
- Funding program SPEs.
- Other SPEs.

Most of the transactions in which the Group gains exposure to the securitisation SPEs are transactions funded through its sponsored multi-seller ABCP conduits and by securitisation funding facilities and warehouse facilities provided to the NAB sponsored SPEs established under Titan Securitisation, TSL (USA) Inc, Quasar Securitisation, CentreStar and MiraStar Securitisation entities. The Group undertakes various roles including arranger, manager (through wholly-owned subsidiaries), standby liquidity provider, securitisation funding facility provider, asset liquidity provider, warehouse facility provider, derivative provider and dealer.

The NAB sponsored securitisation SPEs are consolidated in the financial statements.

Non-NAB sponsored securitisation SPEs for third party securitisation assets

For these transactions, securitisation SPEs are established by market participants other than the Group to acquire and fund various assets by issuing securities to external investors. The Group's exposures to these SPEs arise from provision of standby liquidity facilities that can be drawn in the event that ABCP cannot be reissued to external investors and, in some cases, other facilities provided to fund and support acquired assets. These entities are generally not consolidated, with facilities provided by the Group (and drawn) being included in loans and advances.

Securitisation funding and standby liquidity facilities

The Group's securitisation SPE exposures fall into two categories: purchased assets [1], which were acquired on set investment criteria to seed a new ABCP conduit and/or achieve critical mass; and client originated assets, which were originated as part of a broader client relationship. Within these categories the SPE exposures are categorised by asset class, resulting in the grouping of the exposures based on common features and risks.

Table 1 summarises the Group's exposures to both NAB-sponsored and non-NAB sponsored SPEs via securitisation funding facilities and standby liquidity facilities provided to ABCP conduits. The table shows the facility limits extended by the Group, the amount drawn and available to be drawn under the respective facilities, and related provisions. It also shows the total securities issued by the relevant SPEs including ABCP and MTN, the carrying value of the SPE assets (other than cash), and the associated fair value.

Note: The standby liquidity facilities are only available to fund repayment of outstanding ABCP in cases where it cannot be reissued. For these facilities, the unutilised limit over and above the drawn and available amount cannot be accessed to fund additional assets until ABCP is reissued.

Selected comparative information for 30 September 2008 is provided, with further detail available in the 30 September 2008 Annual Financial Report.

(1) *Securities arbitrage (funding of purchased assets) activities are being wound down by the Group and, along with several client originated SPE exposures no longer deemed part of the Group's core activities (largely Northern Hemisphere originated exposures), are being quarantined and will be managed separately as part of the Group's discontinued business portfolio.*

Table 1 As at 31 March 2009	Group facilities Limit $m	Drawn & Available[1] $m	Drawn-down $m	Specific Provision[2] $m	Collective Provision[2] $m	SPE Securities on issue [3] $m	Total asset value [4] $m	Fair value [5] $m
SPE purchased ABS CDOs:								
Senior tranche ABS CDO	354	**354**	354			-	354	61
Mezzanine tranche ABS CDO	6	**6**	6			-	6	18
Total SPE purchased ABS CDOs [6]	360	**360**	360	(153)		-	360	79
SPE other purchased assets:								
Infrastructure (credit wrapped bonds) [7]	378	**375**	375			-	435	416
Leveraged loans (CLOs)	2,124	**2,025**	2,025			-	2,025	1,402
Commercial property (CMBS)	815	**777**	777			-	777	496
Corporates (SCDO)	1,795	**1,795**	1,795			-	1,795	389
Total SPE other purchased assets	5,112	**4,972**	4,972	-		-	5,032	2,703
NAB client originated assets:								
Auto / Equipment	2,174	**1,982**	653			1,363	2,016	1,966
Credit wrapped bonds	775	**722**	722			505	1,227	1,011
Prime residential mortgages	4,920	**3,603**	1,609			1,994	3,616	3,615
Non-LMI prime residential mortgages	870	**848**	647			200	844	844
Non-conforming residential mortgages	1,166	**923**	595			476	1,062	933
Sub-prime residential mortgages	208	**208**	208			-	208	133
Subscription loans	1,828	**1,321**	224			1,097	1,321	1,321
Commercial Property (CMBS)	74	**73**	73			-	73	51
NAB CLO	627	**596**	596			365	961	876
Credit wrapped ABS	1,270	**1,095**	1,095			-	1,095	451
Other	388	**295**	295			-	295	257
Total NAB client originated assets	14,300	**11,666**	6,717	-		6,000	12,718	11,458
Represented by:								
NAB sponsored SPEs	12,388	**9,754**	6,124	-		4,681	10,817	9,571
Non-NAB sponsored SPEs	1,912	**1,912**	593	-		1,319	1,901	1,887
Total NAB client originated assets	14,300	**11,666**	6,717	-		6,000	12,718	11,458
Total [8]	19,772	**16,998**	12,049	(153)	(35)	6,000	18,110	14,240

As at 30 September 2008	Group facilities Limit $m	Drawn & Available[(1)] $m	Drawn-down $m	Specific Provision[(2)] $m	Collective Provision[(2)] $m	SPE Securities on issue [(3)] $m	Total asset value [(4)] $m	Fair value [(5)] $m
Total SPE purchased ABS CDOs [(6)]	338	**323**	323	(131)		-	323	131
Total SPE other purchased assets	4,853	**4,694**	4,605	-		147	4,752	3,664
Total NAB client originated assets	15,784	**12,062**	4,011	-		9,050	13,017	12,236
Represented by:								
NAB sponsored SPEs	13,881	**10,341**	3,850	-		7,492	11,329	10,548
Non-NAB sponsored SPEs	1,903	**1,721**	161	-		1,558	1,688	1,688
Total NAB client originated assets	15,784	**12,062**	4,011	-		9,050	13,017	12,236
Total standby liquidity facilities	20,975	**17,079**	8,939	(131)	(32)	9,197	18,092	16,031

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

(2) The Group undertook a detailed exposure by exposure review that factored in the risk mitigation strategy on SCDOs during 2008. The review confirmed each asset's carrying value and provisioning. All exposures remain subject to normal credit review processes until maturity. The collective provision relates to the entire portfolio. In addition included in the 2009 half year result is a management overlay of $160 million that has been taken in respect of conduit related assets and derivative transactions to reflect the uncertainty created by the rapidly deteriorating economic conditions and the impact of any consequent default.

(3) Securities on issue exclude amounts drawn under the facilities and include ABCP issued of $4,948 million and medium term notes of $1,052 million. Of the securities on issue, the Group holds $1 million of commercial paper issued by NAB sponsored SPEs.

(4) Comprises total non-cash assets of the SPE. For non-NAB sponsored SPEs, this only includes that portion of the SPE assets to which the Group is exposed through the securitisation funding or standby liquidity facilities. This is the amount recorded on the Group's balance sheet.

(5) Consistent with Note 44 Fair value of financial instruments to the Annual Financial Report there is a requirement to disclose the net fair value of on and off-balance sheet financial instruments and this is included in the table. The estimated fair values values are based on relevant information available at 31 March 2009. These estimates involve matters of judgement, as changes in assumptions could have a material impact on the amounts estimated. There are various limitations inherent in this fair value disclosure particularly in the current market where, due to the dislocation in the market, prices may not represent the underlying value. Not all of the Group's financial instruments can be exchanged in an active trading market. The Group obtains the fair values for investments securities from quoted market prices, where available. Where securities are unlisted and quoted market prices are not available, the Group obtains the fair value by means of discounted cash flows and other valuation techniques that are commonly used by market participants. These techniques address factors such as interest rates, credit risk and liquidity. In addition, it is the Group's intent to hold its financial instruments to maturity. The difference to fair value represents the significant change in discount rates in the current distressed markets. This is relevant in a trading environment, but is not relevant to assets held to maturity and loans and advances. This is consistent with the treatment of assets of the wider Group. The fair value of the SCDO reflects the Group's exposure subsequent to the purchase of additional protection (refer "Protection purchased to hedge exposure to SPE other purchased assets" for further information). The fair value of infrastructure (credit wrapped bonds), credit wrapped bonds and credit wrapped ABS assigns zero value to the protection afforded by insurance policies from financial guaranty (monoline) insurers.

(6) nabCapital has exposure to a portfolio of ABS CDOs that contain exposure to US sub-prime mortgage assets. Provisions in the aggregate amount of $1,011 million were taken in 2008 to reflect expected losses on this portfolio. While most assets within this portfolio were written off in full, a single asset remains. The specific provision against this asset is approximately 43% of its current balance.

(7) The total asset value of infrastructure (credit wrapped bonds) purchased by other SPEs is substantially funded by facilities provided by the Group. The balance of $60m is funded externally to the Group.

(8) In the 30 September 2008 full year result announcement, drawn and available was $17.1 billion. The movement is comprised of a reduction for repayments of $0.9 billion, increase for exchange rate movements of $0.9 billion, and decrease for revolving pools of $0.1 billion.

Table 2 shows the total drawn and available securitisation funding and standby liquidity facility of the Group to all securitisation SPEs by Geography.

Table 2 Geographic distribution (1)	**Australia & New Zealand $m**	**Europe $m**	**North America $m**	**Asia & Other $m**	**Total drawn & available $m**
As at 31 March 2009					
SPE purchased ABS CDOs:					
Senior tranche ABS CDO	-	-	354	-	**354**
Mezzanine tranche ABS CDO	-	-	6	-	**6**
Total SPE purchased ABS CDOs	-	-	360	-	**360**
SPE other purchased assets:					
Infrastructure (credit wrapped bonds) (2)	265	110	-	-	**375**
Leveraged loans (CLOs) (3)	-	1,010	1,015	-	**2,025**
Commercial property (CMBS) (4)	-	777	-	-	**777**
Corporates (SCDO) (5)	35	541	1,083	136	**1,795**
Total SPE other purchased assets	300	2,438	2,098	136	**4,972**
NAB client originated assets:					
Auto / Equipment	703	-	1,279	-	**1,982**
Credit wrapped bonds (2)	722	-	-	-	**722**
Prime residential mortgages	3,603	-	-	-	**3,603**
Non-LMI prime residential mortgages	400	448	-	-	**848**
Non-conforming residential mortgages	639	284	-	-	**923**
Sub-prime residential mortgages	-	-	208	-	**208**
Subscription loans	-	162	1,074	85	**1,321**
Commercial Property (CMBS)	-	-	73	-	**73**
NAB CLO	442	127	27	-	**596**
Credit wrapped ABS (2)	-	-	1,095	-	**1,095**
Other	151	40	78	26	**295**
Total NAB client originated assets	6,660	1,061	3,834	111	**11,666**
Total exposure to standby liquidity facilities	6,960	3,499	6,292	247	**16,998**

As at 30 September 2008	**Australia & New Zealand $m**	**Europe $m**	**North America $m**	**Asia & Other $m**	**Total drawn & available $m**
Total SPE purchased ABS CDOs	-	-	323	-	**323**
Total SPE other purchased assets	297	2,437	1,827	133	**4,694**
Total NAB client originated assets	6,977	1,762	3,152	171	**12,062**
Total exposure to standby liquidity facilities	7,274	4,199	5,302	304	**17,079**

(1) *Location of underlying exposure i.e. the location of the ultimate borrower/reference entity.*

(2) *Credit wrapped bonds and ABS are wrapped by financial guaranty (monoline) insurers.*

(3) *Includes nine transactions, in all but one case with exposure to the most senior class of notes, and initial subordination ranging from 27-38%. Reported defaults to date range from 0.4% to 5.5%, and actual losses are de minimus. Excess spread available to cover ongoing losses generally exceeds 1% per annum of the current principal balance of each CLO transaction.*

(4) *Includes four UK transactions backed by Greater London and regional properties, with exposure to the most senior bonds, and ratio of relevant note tranche to property value ranging from 38-52%. Generally speaking, the properties securing larger loans are let with quality tenants, have low vacancy rates and good lease profiles. The loan vintages are generally 2006 and 2007.*

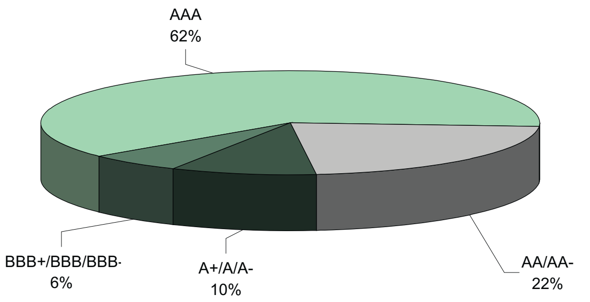
(5) *Includes six credit linked notes backed by six single tranche corporate credit CDOs (portfolios of credit default swaps). Additional protection has been purchased (refer "Protection purchased to hedge exposure to SPE other purchased assets").*

Further analysis of facilities

Rating analysis

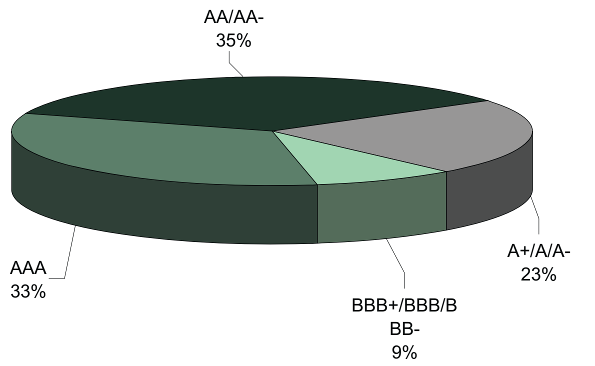
The ABS CDO not written off is currently rated CCC- by S&P and Ca by Moody's.

Current S&P equivalent ratings - $5.0 billion SPE other purchased assets [(1)]



(1) *Includes internally rated assets mapped to S&P risk grades.*

Current S&P equivalent ratings - $11.7 billion NAB client originated assets [(1)] [(2)]



(1) *Includes NAB internally rated assets mapped to S&P risk grades.*

(2) *The current rating of one credit wrapped bond is based on the BBB+ rating of the underlying asset.*

Downward movements in external ratings across the portfolio were largely due to SCDO downgrades, with five of the six transactions being downgraded from AAA to between AA+ and BBB+, and monoline guaranteed exposures including infrastructure (credit wrapped bonds), credit wrapped bonds and credit wrapped ABS.

Asset quality information relevant to specific exposures

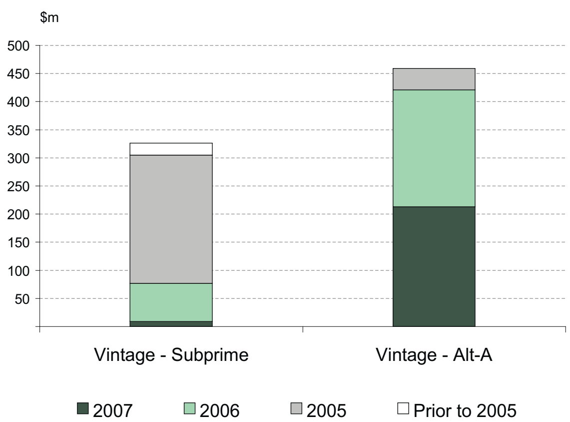
Table 3 shows asset quality and past due analysis of underlying collateral of NAB client originated assets.

Table 3 As at 31 March 2009	Weighted average term to maturity Years	Weighted average current LVR %	Mortgage Insurance coverage %	Days Past Due 31-60 %	Days Past Due 61-90 %	Days Past Due >90 %
NAB client originated assets:						
Auto / Equipment [(1)]	2.97	n/a	n/a	1.08	0.27	0.29
Prime residential mortgages	21.95	64.52	100.00	0.53	0.26	0.82
Non-LMI prime residential mortgages	27.82	72.28	-	2.16	1.31	0.29
Non-conforming residential mortgages	20.27	70.82	-	5.17	4.00	12.33
Sub-prime residential mortgages [(2)]	25.58	81.22	47.84	4.95	2.65	5.90

(1) *All auto/equipment transactions benefit from various types of credit enhancements including subordination, excess spread, etc.*

(2) *Current mortgage insurance coverage on sub-prime residential mortgages is shown. The >90 days percentage does not include loans in foreclosure or homes foreclosed upon but not liquidated, which together represent an additional 32% of the current principal balance.*

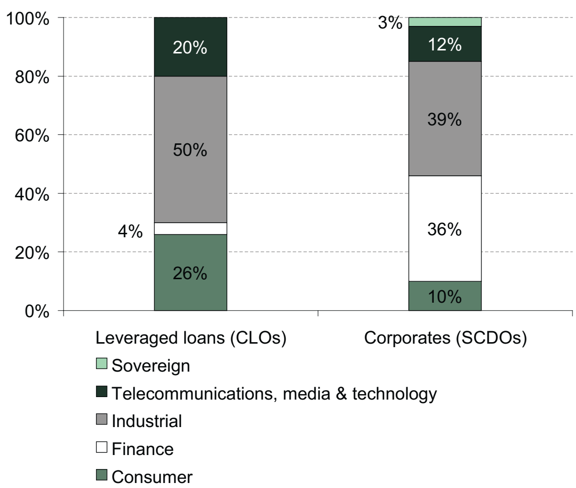
Vintage of sub-prime and Alt-A exposures [(1)] [(2)]



(1) *US sub-prime exposure of the Group was $326 million as at 31 March 2009. This amount represents $56 million included in ABS CDOs not written off, $208 million of sub-prime residential mortgage backed securities and $62 million as part of credit wrapped ABS in the NAB client originated assets.*

(2) *US Alt-A exposure of the Group was $459 million as at 31 March 2009. This amount represents $172 million included in ABS CDOs not written off, and $287 million as part of credit wrapped ABS in the NAB client originated assets.*

Industry splits - SPE other purchased assets [(1)] [(2)]



(1) *Leveraged loans (CLOs) total $2.0 billion.*

(2) *Corporates (SCDOs) total $1.8 billion.*

Securitisation SPE credit exposure to the financial guarantor sector (monoline insurers)

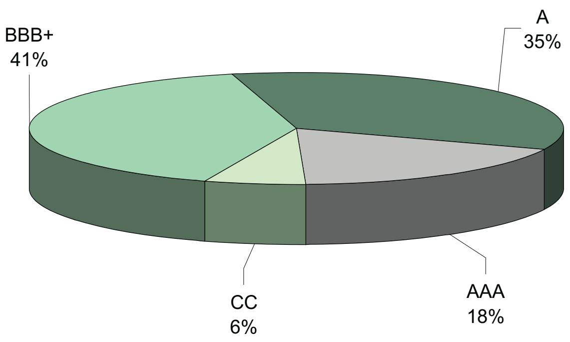
Table 4 summarises the indirect exposures to third party transactions supported by monoline financial guarantees and contingent risk via monoline-insured guaranteed investment contracts (SCDOs). In the event of monoline failure, the benefit of the financial guarantee falls away resulting in exposure to the underlying asset.

Table 4	Carrying value of assets with exposure to monoline insurers Mar 09 $m	Sep 08 $m
Against SPE other purchased assets:		
Infrastructure (credit wrapped bonds) [1]	375	377
Guaranteed investment contracts (provided to SCDOs) [2]	947	811
Against NAB client originated assets:		
Credit wrapped bonds [1]	722	741
Credit wrapped ABS [3]	1,095	975
Other	51	44
Total	3,190	2,948

The carrying value of assets with exposure to monoline insurers increased from September 2008 to March 2009 as a result of foreign exchange movements.

(1) *These bonds are issued by well known essential infrastructure and energy borrowers and are themselves high quality investment grade assets.*
(2) *Funds invested by SPEs in three of the six SCDOs have been placed in guaranteed investment contracts, which have been guaranteed by monolines resulting in a contingent exposure.*
(3) *Monolines are performing on the related insurance policies, and the majority of assets within the portfolios are also performing without regard to the policies.*

Current S&P rating of monoline exposure using monoline rating [1]



(1) *The CC-rated monoline provides a guarantee for one of the credit wrapped bonds. Rating of the underlying corporate is BBB+.*

Protection purchased to hedge exposure to SPE other purchased assets

In September 2008 the Group completed a risk mitigation strategy in relation to its exposure to Corporates (SCDO) within its securitisation SPE portfolio. As a result, long-dated hedges were entered into with a large, highly reputable, global bank counterparty which strengthened the Group's position. Subordination was improved as a result of risk mitigation activities, and the portfolio is managed to maintain the credit quality of the exposures.

In the half year to March 2009, the SCDOs maintained their credit enhancement levels despite significant negative pressure from ratings migration in the portfolio, with one credit event affecting a single SCDO. Further rating migration and defaults are expected. The exposure is being managed by a dedicated specialist team together with input from an external portfolio manager. Additional modest hedging will be considered from time to time to ensure investment grade ratings are maintained as defined by our internal NAB assessment procedures. The SCDOs are currently externally rated between AAA and BBB+. As a result of the changes to the external ratings models by the respective rating agencies in the first half of 2009, the current ratings are trending downward towards the Group's own internal ratings. During the period a management overlay of $160 million has been taken in respect of conduit related assets and derivative transactions to reflect the uncertainty created by the rapidly deteriorating economic conditions and any consequent default.

Other exposures

In addition to securitisation funding facilities and standby liquidity facilities discussed above, there are securitisation SPE exposures arising from warehouse facilities (refer Table 5), asset liquidity facilities ($185 million), credit enhancements ($389 million), investments in non-NAB sponsored SPE's ($409 million), derivatives ($864 million) and redraw facilities ($15 million).

Credit enhancements are arrangements in which the Group holds a securitisation exposure that is available to absorb losses in the pool and thereby provides credit protection. Derivative transactions include interest rate and currency derivatives provided to securitisation SPEs.

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

Table 5 shows the limit and drawn amount under the facility. All underlying exposures are in Australia and New Zealand. The undrawn limit is available to fund additional assets.

Table 5 As at 31 March 2009	Limit $m	Drawn-down $m
NAB client originated assets:		
Auto / Equipment	86	86
Prime residential mortgages	1,611	1,219
Non-conforming residential mortgages	485	292
Other	147	142
Total warehouse facilities [1]	2,329	1,739

As at 30 September 2008	Limit $m	Drawn-down $m
Total warehouse facilities	3,389	2,525

(1) *Of the drawn down amount $440 million is via consolidated NAB-sponsored SPEs resulting in the recognition of the underlying assets on the balance sheet.*

Table 6 shows available asset quality and past due analysis of underlying collateral of warehouse facilities.

Table 6 As at 31 March 2009	Weighted average current LVR %	Mortgage Insurance coverage %	Days Past Due 31-60 %	61-90 %	> 90 %
NAB client originated assets:					
Auto / Equipment	n/a	n/a	0.64	0.31	0.35
Prime residential mortgages (1)	79.43	100.00	1.56	1.77	7.75
Non-conforming residential mortgages	67.39	-	1.66	0.36	3.60

(1) *Includes a senior most position in a transaction structured to invest in fully insured non-performing prime mortgages.*

Roles in securitisation

The Group may undertake any of the following roles in its third party asset securitisation activities:

- Arranger (the structurer of securitisation transactions);
- Sponsor (the entity that established the securitisation SPEs and often provides other services. NAB sponsored SPEs are established under Titan Securitisation, TSL (USA) Inc, Quasar Securitisation, CentreStar and MiraStar Securitisation entities);
- Manager (operator of securitisation SPEs including managing assets and liabilities and providing accounting and administrative services);
- Securitisation funding facility provider (a lender to securitisation SPEs where tenor of the funding extends beyond 1 year and may match the expected redemption date of the underlying security held by the SPE);
- Standby liquidity provider (a provider of liquidity available to repay ABCP if unable to reissue);
- Asset liquidity provider (a provider of liquidity to cover mismatches in cashflow for securitisation structures);
- Warehouse facility provider (a lender to securitisation SPEs pending refinance via issuance of securities);
- Derivative provider;
- Investor in securities issued;
- Letter of credit provider (a provider of credit enhancement to securitisation structures); and
- Dealer (a buyer and seller in the primary and secondary markets of securities).

Accounting Treatment

In general, facilities provided to securitisations are treated the same way as facilities to any other borrower or counterparty.

Interest and line fees received are treated as revenue in the period in which they are accrued. Arrangement fees are treated as revenue and recognised over the life of the securitisation transaction. Derivatives such as interest rate swaps, basis swaps or cross-currency swaps have the same accounting treatment as non-securitisation derivatives.

NAB sponsored securitisation SPEs are consolidated by the Group.

(c) Funding program SPEs

The Group has established programs to raise funding from the issue of equity instruments or debt instruments.

Material funding programs of the Group that use SPEs are as follows:

Table 7	Mar 09 $m	Sep 08 $m
Trust Preferred Securities	975	975
Trust Preferred Securities II	1,014	1,014
National Capital Instruments	397	397
BNZ Income Securities	380	380

The SPEs used in the above funding programs are controlled by the Group under AIFRS and are recorded on-balance sheet as equity items of the Group.

Other funding programs of the Group do not use SPEs and are recorded in the books of the Company. Further details on funding programs can be found at www.nabgroup.com.

Securitisation of own assets are included in Note 8 in Section 5.

(d) Other SPEs

nabCapital is involved in other transactions that involve the use of SPEs. All of these SPEs are recorded on the balance sheet.

Table 8	Mar 09 $m	Sep 08 $m
Investments in debt securities	1,837	4,040
Investments in property trusts	188	540
Funding transactions	(1,457)	(5,514)
Lease finance	1,263	1,444

The Group invests in debt instruments through various SPEs, mainly in the form of Bonds, Certificates of Deposits and Loans. The assets within the portfolio are subject to the Group's normal credit approval and review processes and all assets continue to perform.

The Group also utilises SPEs to invest in a range of property and other equity related investments as well as a means to access alternate sources of funding.

Lease Financing involves extending finance to clients in order to meet their particular asset financing requirements mainly in the mining, mobile infrastructure and transport industries.

2. Net Interest Margins and Spreads

Group	Half Year to Mar 09 %	Sep 08 %	Mar 08 %	Mar 09 v Sep 08	Mar 09 v Mar 08
Net interest spread [1]	**1.90**	1.74	1.64	16 bps	26 bps
Benefit of net free liabilities, provisions and equity	**0.17**	0.51	0.49	(34 bps)	(32 bps)
Net interest margin [2]	**2.07**	2.25	2.13	(18 bps)	(6 bps)

[1] *Net interest spread represents the difference between the average interest rate earned and the average interest rate incurred on funds.*

[2] *Net interest margin is net interest income as a percentage of average interest earning assets.*

Interest earning assets	Half Year to Mar 09 $bn	Mix %	Mar 08 $bn	Mix %	Movement in mix % of Group AIEA
Australia Banking	**274.4**	**48.1**	247.7	50.0	(1.9)
UK Region	**86.2**	**15.1**	73.1	14.8	0.3
New Zealand Region	**41.3**	**7.3**	37.4	7.6	(0.3)
nabCapital	**219.6**	**38.5**	190.7	38.5	-
Other [1]	**(51.5)**	**(9.0)**	(53.9)	(10.9)	1.9
Group	**570.0**	**100.0**	495.0	100.0	-

Net interest income and margins	Half Year to Mar 09 $m	NIM %	Mar 08 $m	NIM %	NIM Change
Australia Banking	**3,468**	**2.53**	2,917	2.36	17 bps
UK Region	**919**	**2.14**	970	2.66	(52 bps)
New Zealand Region	**459**	**2.23**	466	2.49	(26 bps)
nabCapital	**1,024**	**0.94**	948	0.99	(5 bps)
Other [1]	**14**	**(0.05)**	2	(0.01)	(4 bps)
Group - Ongoing operations	**5,884**	**2.07**	5,303	2.14	(7 bps)
Disposed operations & MLC net interest income	**-**	**-**	(25)	(0.01)	1 bps
Group - per income statement	**5,884**	**2.07**	5,278	2.13	(6 bps)

Contribution to Group Margin	Impact of Change in NIM [2]	Change in MIX [3]	Impact on Group NIM
Australia Banking	10 bps	(1 bps)	**9 bps**
UK Region	(8 bps)	-	**(8 bps)**
New Zealand Region	(2 bps)	-	**(2 bps)**
nabCapital	(2 bps)	-	**(2 bps)**
Other [1]	-	(4 bps)	**(4 bps)**
Group - Ongoing operations	(2 bps)	(5 bps)	**(7 bps)**
Disposed operations & MLC net interest income	1 bps	-	**1 bps**
Group	(1 bps)	(5 bps)	**(6 bps)**

[1] *Includes Other (Including Asia), Central Functions and intercompany eliminations.*

[2] *The increase/(decrease) in net interest margin assuming no change in mix of average interest earning assets.*

[3] *The increase/(decrease) in net interest margin caused by changes in regional mix of average interest earning assets.*

3. Loans and Advances by Industry and Geography

As at 31 March 2009	Australia $m	Europe $m	New Zealand $m	United States $m	Asia $m	Total $m
Government and public authorities	962	103	490	121	-	**1,676**
Agriculture, forestry, fishing and mining	12,922	3,409	7,416	660	36	**24,443**
Financial, investment and insurance	10,429	3,464	903	3,871	78	**18,745**
Real estate - construction	1,953	2,541	402	598	1,323	**6,817**
Manufacturing	8,352	2,885	2,173	254	76	**13,740**
Real estate - mortgage [2]	153,560	24,750	20,740	318	1,009	**200,377**
Instalment loans to individuals and other personal lending (including credit cards)	8,905	6,122	1,524	369	6	**16,926**
Asset and lease financing	13,620	4,181	29	-	7	**17,837**
Commercial property services	49,401	19,489	6,666	-	-	**75,556**
Other commercial and industrial	44,033	16,115	4,613	2,333	505	**67,599**
Gross loans and advances including acceptances [1]	304,137	83,059	44,956	8,524	3,040	**443,716**
Deduct:						
Unearned income and deferred net fee income	(1,963)	(805)	(30)	(18)	(7)	**(2,823)**
Provisions for doubtful debts	(2,798)	(1,034)	(216)	(80)	(19)	**(4,147)**
Total net loans and advances including acceptances	299,376	81,220	44,710	8,426	3,014	**436,746**

As at 30 September 2008	Australia $m	Europe $m	New Zealand $m	United States $m	Asia $m	Total $m
Government and public authorities	953	91	542	44	-	**1,630**
Agriculture, forestry, fishing and mining	13,506	3,407	6,837	501	42	**24,293**
Financial, investment and insurance	12,532	3,932	1,052	3,795	858	**22,169**
Real estate - construction	1,807	3,233	231	640	178	**6,089**
Manufacturing	7,818	2,963	2,074	358	12	**13,225**
Real estate - mortgage	151,526	26,711	20,365	279	868	**199,749**
Instalment loans to individuals and other personal lending (including credit cards)	9,357	6,661	1,402	346	6	**17,772**
Asset and lease financing	13,433	5,034	25	-	6	**18,498**
Commercial property services	45,654	20,052	6,279	-	23	**72,008**
Other commercial and industrial	40,577	15,193	4,916	1,796	388	**62,870**
Gross loans and advances including acceptances [1]	297,163	87,277	43,723	7,759	2,381	**438,303**
Deduct:						
Unearned income and deferred net fee income	(2,192)	(917)	(26)	(13)	(4)	**(3,152)**
Provisions for doubtful debts	(1,897)	(822)	(163)	(73)	(8)	**(2,963)**
Total net loans and advances including acceptances	293,074	85,538	43,534	7,673	2,369	**432,188**

As at 31 March 2008	Australia $m	Europe $m	New Zealand $m	United States $m	Asia $m	Total $m
Government and public authorities	967	613	369	13	-	**1,962**
Agriculture, forestry, fishing and mining	12,252	3,412	6,075	-	25	**21,764**
Financial, investment and insurance	13,617	2,997	1,431	3,628	760	**22,433**
Real estate - construction	1,644	2,333	102	46	97	**4,222**
Manufacturing	7,647	2,955	1,893	416	11	**12,922**
Real estate - mortgage	146,588	25,177	20,647	-	683	**193,095**
Instalment loans to individuals and other personal lending (including credit cards)	9,437	6,340	1,479	-	72	**17,328**
Asset and lease financing	12,990	4,630	28	-	3	**17,651**
Commercial property services	41,871	17,749	5,967	-	-	**65,587**
Other commercial and industrial	38,315	13,779	4,446	175	369	**57,084**
Gross loans and advances including acceptances [1]	285,328	79,985	42,437	4,278	2,020	**414,048**
Deduct:						
Unearned income and deferred net fee income	(1,880)	(854)	(25)	(4)	(3)	**(2,766)**
Provisions for doubtful debts	(1,732)	(662)	(160)	(23)	(4)	**(2,581)**
Total net loans and advances including acceptances	281,716	78,469	42,252	4,251	2,013	**408,701**

(1) *Includes loans at fair value.*

(2) *One exposure has been reclassified from Financial, investment and insurance during the March 2009 half within Asia.*

4. Average Balance Sheet and Related Interest

The following tables set forth the major categories of interest earning assets and interest bearing liabilities, together with their respective interest rates earned or paid by the Group. Averages are predominantly daily averages. Interest income figures include interest income on impaired assets to the extent cash payments have been received.

Amounts classified as Other International represent interest earning assets or interest bearing liabilities of the controlled entities and overseas branches, excluding Europe. Impaired assets are included within interest earning assets within loans and advances.

Average assets and interest income

	Half Year ended Mar 09			Half Year ended Sep 08			Half Year ended Mar 08		
	Average balance $m	Interest $m	Average rate %	Average balance $m	Interest $m	Average rate %	Average balance $m	Interest $m	Average rate %
Average interest earning assets									
Due from other banks									
Australia	18,061	425	4.7	16,014	500	6.2	15,836	468	5.9
Europe	24,219	311	2.6	14,873	334	4.5	12,411	310	5.0
Other International	5,297	63	2.4	4,178	96	4.6	3,570	105	5.9
Marketable debt securities (1)									
Australia	31,948	1,025	6.4	29,816	1,476	9.9	30,250	771	5.1
Europe	15,423	246	3.2	13,615	541	7.9	12,465	171	2.7
Other International	14,211	277	3.9	7,184	233	6.5	9,634	197	4.1
Loans and advances - housing									
Australia	152,155	5,073	6.7	149,149	6,180	8.3	142,483	5,517	7.7
Europe	26,683	584	4.4	24,685	706	5.7	25,445	761	6.0
Other International	21,718	845	7.8	20,729	854	8.2	20,819	854	8.2
Loans and advances - non-housing (1)									
Australia	92,913	3,597	7.8	86,740	3,870	8.9	84,330	3,756	8.9
Europe	61,577	1,753	5.7	55,506	1,901	6.8	52,940	2,125	8.0
Other International	34,217	1,155	6.8	33,480	1,291	7.7	26,786	1,285	9.6
Acceptances									
Australia	54,765	1,905	7.0	52,762	2,251	8.5	50,954	2,064	8.1
Europe	6	-	-	2	-	-	10	-	-
Other interest earning assets									
Australia	3,255	250	n/a	5,120	422	n/a	4,064	154	n/a
Europe	9,175	114	n/a	1,975	35	n/a	561	37	n/a
Other International	4,356	36	n/a	2,238	54	n/a	2,392	66	n/a
Total average interest earning assets and interest revenue by:									
Australia	353,097	12,275	7.0	339,601	14,699	8.6	327,917	12,730	7.7
Europe	137,083	3,008	4.4	110,656	3,517	6.3	103,832	3,404	6.5
Other International	79,799	2,376	6.0	67,809	2,528	7.4	63,201	2,507	7.9
Total average interest earning assets and interest revenue	569,979	17,659	6.2	518,066	20,744	8.0	494,950	18,641	7.5
Average non-interest earning assets									
Investments relating to life insurance business (2)									
Australia	47,767			56,017			60,835		
Other International	34			46			42		
Other assets	102,513			46,627			45,369		
Total average non-interest earning assets	150,314			102,690			106,246		
Provision for doubtful debts									
Australia	(2,205)			(1,819)			(1,353)		
Europe	(897)			(619)			(645)		
Other International	(277)			(472)			(186)		
Total average assets	716,914			617,846			599,012		
Percentage of total average interest earning assets applicable to international operations	38.1%			34.4%			33.7%		

(1) *The average rate reported for the March 2008 and September 2008 halves were affected by the consolidation of the conduits.*

(2) *Included within investments relating to life insurance business are interest earning debt securities. The interest earned from these securities is reported in life insurance income, and has therefore been treated as non-interest earning for the purposes of this note. The assets and liabilities held in the statutory funds of the Group's Australian life insurance business are subject to the restrictions of the Life Insurance Act 1995.*

Average liabilities and interest expense

	Half Year ended Mar 09			Half Year ended Sep 08			Half Year ended Mar 08		
	Average balance $m	Interest $m	Average rate %	Average balance $m	Interest $m	Average rate %	Average balance $m	Interest $m	Average rate %
Average interest bearing liabilities									
Term deposits and certificates of deposit									
Australia	103,916	3,242	6.3	90,591	3,392	7.5	74,877	2,581	6.9
Europe	46,145	808	3.5	39,285	908	4.6	30,607	817	5.3
Other International	37,638	861	4.6	31,097	998	6.4	28,489	1,034	7.2
On-demand and savings (short-term) deposits									
Australia	82,616	1,390	3.4	72,477	1,913	5.3	73,261	1,850	5.0
Europe	32,370	227	1.4	29,171	433	3.0	30,945	506	3.3
Other International	11,992	143	2.4	11,248	203	3.6	10,942	233	4.3
Due to other banks and official institutions									
Australia	19,731	400	4.1	18,112	620	6.8	17,820	530	5.9
Europe	32,322	369	2.3	20,544	401	3.9	24,188	572	4.7
Other International	11,477	121	2.1	6,839	108	3.2	10,925	242	4.4
Short-term borrowings (1)									
Australia	15,709	360	4.6	18,303	712	7.8	20,147	456	4.5
Europe	291	5	3.5	214	5	4.7	-	-	-
Other International	18,167	193	2.1	18,190	303	3.3	14,728	254	3.4
Long-term borrowings									
Australia (2)	95,272	2,349	4.9	81,280	3,336	8.2	70,570	2,660	7.5
Europe	14,342	270	3.8	11,272	318	5.6	12,338	382	6.2
Other International	7,416	143	3.9	6,444	126	3.9	5,838	165	5.6
Liability on acceptances									
Australia	16,132	584	7.3	19,002	610	6.4	26,508	856	6.4
Europe	6	-	-	2	-	-	10	-	-
Other interest bearing liabilities									
Australia	437	58	n/a	166	133	n/a	388	18	n/a
Europe	68	27	n/a	619	54	n/a	545	-	n/a
Other International	1,418	225	n/a	1,311	351	n/a	663	207	n/a
Total average interest bearing liabilities and interest expense by:									
Australia	333,813	8,383	5.0	299,931	10,716	7.1	283,571	8,951	6.3
Europe	125,544	1,706	2.7	101,107	2,119	4.2	98,633	2,277	4.6
Other International	88,108	1,686	3.8	75,129	2,089	5.6	71,585	2,135	6.0
Total average interest bearing liabilities and interest expense	547,465	11,775	4.3	476,167	14,924	6.3	453,789	13,363	5.9

(1) *The average rate reported for the March 2008 and September 2008 halves were affected by the consolidation of the conduits.*

(2) *The movement in the average rate paid on long term borrowings has been affected by the classification of the principal amount of the cross-currency swaps that hedge against the underlying borrowings in Australia. The cross-currency swaps are classified as non-interest earning assets. If the cross-currency swaps were included in long term borrowing, the average rate would be as follows: 5.6% for the March 2009 half year, 7.8% for the September 2008 half year and 7.0% for the March 2008 half year.*

Average liabilites and interest expense

	Half Year ended Mar 09			Half Year ended Sep 08			Half Year ended Mar 08		
	Average balance $m	Interest $m	Average rate %	Average balance $m	Interest $m	Average rate %	Average balance $m	Interest $m	Average rate %
Average non-interest bearing liabilities									
Deposits not bearing interest									
Australia	**9,323**			9,124			9,196		
Europe	**1,986**			1,534			1,180		
Other International	**1,495**			1,575			1,161		
Life insurance policy liabilities									
Australia	**41,673**			47,309			51,911		
Other liabilities	**79,076**			50,137			51,569		
Total average non-interest bearing liabilities	**133,553**			109,679			115,017		
Total average liabilities	**681,018**			585,846			568,806		

Average equity									
Ordinary shares	**12,521**			8,994			8,012		
Trust Preferred Securities	**975**			975			975		
Trust Preferred Securities II	**1,014**			1,014			1,014		
National Income Securities	**1,945**			1,945			1,945		
National Capital Instruments	**397**			397			397		
BNZ Income Securities	**380**			380			7		
Contributed equity	**17,232**			13,705			12,350		
Reserves	**454**			112			1,075		
Retained profits	**18,156**			18,163			16,473		
Parent entity interest	**35,842**			31,980			29,898		
Minority interest in controlled entities	**54**			20			308		
Total average equity	**35,896**			32,000			30,206		
Total average liabilities and equity	**716,914**			617,846			599,012		
Percentage of total average interest bearing liabilities applicable to international operations	**39.0%**			37.0%			37.5%		

5. Capital Adequacy

Life Insurance and Funds Management Activities

Under guidelines issued by APRA, life insurance and funds management activities are excluded from the calculation of risk-weighted assets, and the related controlled entities are deconsolidated for the purposes of calculating capital adequacy. The intangible component of the investment in these controlled entities is deducted from Tier 1 capital, with the balance of the investment deducted 50% from Tier 1 and 50% from Tier 2 capital under Basel II. Additionally, any profits from these activities included in the Group's results are excluded from the determination of Tier 1 capital to the extent that they have not been remitted to the company.

	As at		
Reconciliation to shareholder's funds	**31 Mar 09 Basel II $m**	**30 Sep 08 Basel II $m**	**Pro forma 31 Mar 08 Basel II $m**
Contributed equity	**18,440**	14,731	12,643
Reserves	**59**	549	525
Retained profits	**17,904**	17,510	17,610
Minority interest	**(2)**	56	27
Total equity per consolidated balance sheet	**36,401**	32,846	30,805
Liability-accounted Residual Tier 1 hybrid capital (1)	**1,365**	1,311	1,285
Treasury shares	**893**	1,026	1,134
Minority interest in non-consolidated securitisation vehicles	**42**	-	-
Eligible deferred fee income	**275**	267	249
Revaluation reserves	**(108)**	(107)	(111)
Estimated final dividend	**(1,400)**	(1,670)	(1,583)
Estimated reinvestment under dividend reinvestment plan and bonus share plan	**574**	685	728
Deconsolidation of Wealth Management profits (net of dividends)	**(179)**	(324)	(70)
Adjusted total equity for capital purposes	**37,863**	34,034	32,437
Banking goodwill	**(1,474)**	(1,333)	(1,247)
Wealth Management goodwill and other intangibles	**(3,892)**	(3,895)	(3,897)
DTA (excluding DTA on the collective provision for doubtful debts) (2)	**(1,160)**	(908)	(309)
Non qualifying minority interest	**(2)**	(2)	(27)
Capitalised expenses (3)	**(150)**	(198)	(130)
Capitalised software (excluding Wealth Management)	**(963)**	(956)	(902)
Defined benefit pension surplus	**(30)**	(423)	(419)
Change in own creditworthiness	**(188)**	(172)	(70)
Cash flow hedge reserve	**485**	178	(302)
Deductions taken 50% from Tier 1 and 50% from Tier 2			
Investment in non-consolidated controlled entities (net of intangible component)	**(581)**	(575)	(538)
Expected loss in excess of eligible provisions	**(402)**	(303)	(466)
Other securitisation deductions	**(220)**	(204)	(357)
Residual Tier 1 capital in excess of APRA limits - qualifies as Upper Tier 2 capital	**-**	-	(575)
Tier 1 capital	**29,286**	25,243	23,198

	As at		
	31 Mar 09 Basel II $m	**30 Sep 08 Basel II $m**	**Pro forma 31 Mar 08 Basel II $m**
Collective provision for doubtful debts (4)	**573**	420	447
Revaluation reserves	**48**	48	50
Perpetual floating rate notes	**364**	312	272
Residual Tier 1 capital in excess of APRA limits - qualifies as Upper Tier 2 capital	**-**	-	575
Eligible dated subordinated debt	**13,873**	12,621	11,373
Deductions taken 50% from Tier 1 and 50% from Tier 2			
Investment in non-consolidated controlled entities (net of intangible component)	**(581)**	(575)	(538)
Expected loss in excess of eligible provisions	**(402)**	(303)	(466)
Other securitisation deductions	**(220)**	(204)	(357)
Tier 2 capital	**13,655**	12,319	11,356
Total capital	**42,941**	37,562	34,554

	As at		
	31 Mar 09 Basel II $m	**30 Sep 08 Basel II $m**	**Pro forma 31 Mar 08 Basel II $m**
Risk-weighted assets - credit risk	**321,616**	310,131	307,606
Risk-weighted assets - market risk	**5,121**	5,088	4,712
Risk-weighted assets - operational risk	**24,336**	23,649	24,080
Risk-weighted assets - interest rate risk in the banking book	**1,300**	4,643	-
Total risk-weighted assets	**352,373**	343,511	336,398
Risk adjusted capital ratios			
Tier 1	**8.31%**	7.35%	6.90%
Tier 2	**3.88%**	3.59%	3.38%
Total capital	**12.19%**	10.93%	10.27%

	As at		
Regulatory capital summary	**31 Mar 09 Basel II $m**	**30 Sep 08 Basel II $m**	**Pro forma 31 Mar 08 Basel II $m**
Fundamental Tier 1 capital	**31,786**	28,012	26,441
Non-innovative residual Tier 1 capital	**2,242**	2,242	1,945
Innovative residual Tier 1 capital	**3,835**	3,780	4,051
Residual Tier 1 capital in excess of APRA limits - qualifies as Upper Tier 2 capital	**-**	-	(575)
Total residual Tier 1 capital	**6,077**	6,022	5,421
Tier 1 deductions	**(8,577)**	(8,791)	(8,664)
Tier 1 capital	**29,286**	25,243	23,198
Tier 2 capital	**13,655**	12,319	11,356
Total capital	**42,941**	37,562	34,554

(1) *Residual Tier 1 capital that is classified as debt for accounting purposes but qualifies as Tier 1 capital for regulatory purposes. This includes National Capital Instruments issued in September 2006, Residual Tier 1 Convertible Notes issued in December 2007 and September 2008, Residual Tier 1 Stapled Securities issued in September 2008.*

(2) *APRA requires any excess deferred tax assets (DTA) (excluding DTA on the collective provision for doubtful debts) over deferred tax liabilities to be deducted from Tier 1 capital.*

(3) *Comprises capitalised costs associated with debt raisings and securitisations. Loan origination fees are netted against eligible deferred fee income.*

(4) *Under Basel II, this includes the component of the Group's collective provision relating to securitisation exposure and assets where RWAs are calculated under the standardised approach.*

Wealth Management capital adequacy position

The Group conservatively manages the capital adequacy and solvency position of its Wealth Management entities separately from that of the banking business by reference to regulatory and internal requirements. The principal National Wealth Management entities are separately regulated and need to meet APRA's capital adequacy and solvency standards. In addition, internal Board policy ensures that capital is held in excess of minimum regulatory capital requirements in order to provide a conservative buffer. There are currently three entities within the Wealth Management group with credit ratings, National Wealth Management Holdings Limited which is rated AA- by Standard and Poors; and MLC Lifetime Company Limited and MLC Ltd, both of which have the same long-term credit rating as the National (AA).

Basel II	Risk Weighted Assets as at 31 Mar 09 $m	30 Sep 08 $m	Pro forma 31 Mar 08 $m	Exposures as at 31 Mar 09 $m	30 Sep 08 $m	Pro forma 31 Mar 08 $m
Credit risk (1)						
Subject to IRB approach (4)						
Corporate (including SME) (3)	**156,070**	149,395	158,302	**223,740**	227,945	256,158
Sovereign	**-**	-	-	**-**	-	-
Bank	**6,584**	11,482	8,866	**68,384**	96,983	88,491
Residential Mortgage	**44,449**	44,977	40,129	**201,362**	197,704	183,891
Qualifying revolving retail	**4,610**	4,537	4,600	**11,596**	11,515	11,581
Other retail	**2,991**	2,966	2,775	**3,012**	2,951	2,807
Other	**6,585**	6,965	14,806	**8,873**	9,148	18,543
Total risk weighted assets subject to Advanced IRB approach	**221,289**	220,322	229,478	**516,967**	546,246	561,471
Specialised lending (SL) exposures subject to slotting criteria (2)	**21,598**	14,675	13,942	**26,605**	16,999	14,925
Subject to Standardised approach						
Australian and foreign governments	**334**	534		**21,808**	6,608	
Bank	**1,084**	306		**15,293**	25,068	
Residential Mortgage	**20,376**	18,073		**33,259**	34,432	
Corporate	**37,921**	40,008		**39,846**	45,458	
Other	**10,323**	9,573		**10,304**	9,518	
Total risk weighted assets subject to standardised approach	**70,038**	68,494	59,436	**120,510**	121,084	103,230
Other						
Securitisation	**7,860**	5,983	4,750	**22,538**	24,987	19,509
Equity	**831**	657	-	**212**	176	-
Total credit risk	**321,616**	310,131	307,606	**686,832**	709,492	699,135
Market risk	**5,121**	5,088	4,712			
Operational risk	**24,336**	23,649	24,080			
Interest rate risk in the banking book	**1,300**	4,643				
Total risk weighted assets & exposures	**352,373**	343,511	336,398			

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

(2) *Specialised lending' includes the four sub-classes: project finance, object finance, commodities finance and income producing real estate ("IPRE").*

(3) *The Group's "Corporate" portfolio includes all corporate credit exposures and exposures that could potentially fit a Retail SME portfolio, and as such contains a range from large corporates at the investment grade level to smaller retail SME customers. The Group has a large middle market corporate portfolio in its 'Australian' portfolio.*

(4) *For IRB approach: "Bank" includes ADIs, overseas banks and non-commercial public sector entities. "Residential mortgage" includes exposures that are partly or fully secured by residential properties. "Qualifying revolving retail" exposures are revolving, unsecured and unconditionally cancellable (both contractually and in practice), for individuals and not explicitly for business purposes. "Other" includes all exposures not covered in the above categories.*

6. Earnings per Share

Earnings per Share	Half Year to Mar 09 Basic	Mar 09 Diluted	Sep 08 Basic	Sep 08 Diluted [1]	Mar 08 Basic	Mar 08 Diluted [1]
Earnings ($m)						
Net profit attributable to members of the Company	**2,664**	**2,664**	1,849	1,849	2,687	2,687
Dividends and distributions on other equity instruments	**(157)**	**(157)**	(155)	(155)	(157)	(157)
Potential dilutive adjustments						
Interest expense on convertible notes (after tax)	**-**	**20**	-	-	-	-
Adjusted earnings	**2,507**	**2,527**	1,694	1,694	2,530	2,530
Weighted average ordinary shares (no. '000)						
Weighted average ordinary shares	**1,859,066**	**1,859,066**	1,660,192	1,660,192	1,626,106	1,626,106
Treasury shares	**(46,045)**	**(36,679)**	(41,331)	(35,161)	(33,508)	(29,712)
Potential dilutive ordinary shares						
Performance options and performance rights	**-**	**467**	-	793	-	604
Partly paid ordinary shares	**-**	**110**	-	148	-	174
Employee share plans	**-**	**6,513**	-	6,073	-	3,148
Convertible notes	**-**	**27,807**	-	-	-	-
Total weighted average ordinary shares	**1,813,021**	**1,857,284**	1,618,861	1,632,045	1,592,598	1,600,320
Earnings per share (cents)	**138.3**	**136.1**	104.6	103.8	158.9	158.1

(1) *During the half years ended 30 September 2008 and 31 March 2008, the impact of convertible notes has not been included in the diluted earnings per share because they were anti-dilutive.*

Cash Earnings per Share	Half Year to Mar 09 Basic	Mar 09 Diluted	Sep 08 Basic	Sep 08 Diluted [1]	Mar 08 Basic	Mar 08 Diluted [1]
Earnings ($m)						
Cash earnings - ongoing operations	**2,027**	**2,027**	1,679	1,679	2,237	2,237
Dividends on other equity instruments	**(13)**	**(13)**	-	-	-	-
Potential dilutive adjustments						
Interest expense on convertible notes (after tax)	**-**	**20**	-	-	-	-
Adjusted cash earnings	**2,014**	**2,034**	1,679	1,679	2,237	2,237
Weighted average ordinary shares (no. '000)						
Weighted average ordinary shares	**1,859,066**	**1,859,066**	1,660,192	1,660,192	1,626,106	1,626,106
Potential dilutive weighted average ordinary shares						
Performance options and performance rights	**-**	**467**	-	793	-	604
Partly paid ordinary shares	**-**	**110**	-	148	-	174
Employee share plans	**-**	**6,513**	-	6,073	-	3,148
Convertible notes	**-**	**27,807**	-	-	-	-
Total weighted average ordinary shares	**1,859,066**	**1,893,963**	1,660,192	1,667,206	1,626,106	1,630,032
Cash earnings per share (cents)	**108.3**	**107.4**	101.1	100.7	137.6	137.2

(1) *During the half years ended 30 September 2008 and 31 March 2008, the impact of convertible notes has not been included in the diluted earnings per share because they were anti-dilutive.*

7. Number of Ordinary Shares

	Half Year to		
	Mar 09 No. '000	Sep 08 No. '000	Mar 08 No. '000
Ordinary shares, fully paid			
Balance at beginning of period	**1,717,627**	1,631,770	1,621,066
Shares issued			
Dividend reinvestment plan	**26,882**	57,647	2,748
Bonus share plan	**1,883**	1,426	1,164
Debt conversion to equity	**-**	25,450	-
Employee share plan	**9,473**	1,286	5,893
Executive option plan no. 2	**1**	39	860
Shares issued under placement	**150,000**	-	-
Share purchase plan	**12,398**	-	-
Paying up of partly paid shares	**18**	9	39
	1,918,282	1,717,627	1,631,770
Ordinary shares, partly paid to 25 cents			
Balance at beginning of period	**225**	234	273
Paying up of partly paid shares	**(18)**	(9)	(39)
	207	225	234
Total number of ordinary shares on issue at end of period	**1,918,489**	1,717,852	1,632,004
Less: treasury shares	**(48,982)**	(43,108)	(39,554)
Total number of ordinary shares on issue at end of period	**1,869,507**	1,674,744	1,592,450

8. Exchange Rates

	Income Statement - average Half Year to			Balance Sheet - spot As at		
	Mar 09	Sep 08	Mar 08	Mar 09	Sep 08	Mar 08
British Pounds	**0.4450**	0.4740	0.4465	**0.4804**	0.4443	0.4604
Euros	**0.5094**	0.5969	0.6093	**0.5186**	0.5581	0.5810
United States Dollars	**0.6678**	0.9161	0.8978	**0.6865**	0.8019	0.9175
New Zealand Dollars	**1.2058**	1.2308	1.1561	**1.2080**	1.1931	1.1555

9. Australian Life Company Margins

	Half Year to				
Sources of Operating Profit from Australian Life Companies life insurance funds	Mar 09 $m	Sep 08 $m	Mar 08 $m	Mar 09 v Sep 08 %	Mar 09 v Mar 08 %
Life company - planned profit margins	**114**	146	133	(21.9)	(14.3)
Life company - experience profit	**(12)**	(8)	29	(50.0)	large
Capitalised (losses)/ reversal of losses	**-**	-	-	-	-
Life company operating margins (1)	**102**	138	162	(26.1)	(37.0)
IoRE (after tax) (2)	**11**	37	12	(70.3)	(8.3)
Net profit of life insurance funds after minority interest	**113**	175	174	(35.4)	(35.1)

(1) *Reflects operating profit of all business types (investment or insurance) written through life insurance funds.*

(2) *Includes investment earnings on shareholders' retained profits and capital from life businesses after minority interest of ($13m) (HY Sep 08 $16m; HY Mar 08 $8m) and IoRE discount rate variation of $24m (HY Sep 08 $21m; HY Mar 08 $4m); IoRE attributable to non life insurance funds of ($13m) (HY Sep 08 ($20m); HY Mar 08 ($17m)) is excluded.*

10. ASX Appendix 4D

11. Reconciliation between Statutory Net Profit after Tax and Cash Earnings

Half Year ended 31 March 2009	Statutory Profit $m	MLC Adj. (1) $m	Distri-butions $m	Treasury Shares $m	Fair Value and Hedge Ineffec. $m	IoRE Disc. Rate $m	Efficiency, quality and service initiatives $m	GWB Integration Costs $m	Provision for Litigation Settlement $m	Cash Earnings - Ongoing $m
Net interest income	5,884	-	-	-	-	-	-	-	-	**5,884**
Net life insurance income	438	(307)	-	(97)	-	(34)	-	-	-	**-**
Other operating income	3,107	(339)	-	-	(677)	-	-	-	-	**2,091**
MLC net operating income	-	539	-	-	-	-	-	-	-	**539**
Net operating income	9,429	(107)	-	(97)	(677)	(34)	-	-	-	**8,514**
Operating expenses	(3,876)	(28)	-	-	-	-	60	9	65	**(3,770)**
Operating profit pre charge to provide for doubtful debts	5,553	(135)	-	(97)	(677)	(34)	60	9	65	**4,744**
Charge to provide for doubtful debts	(1,811)	-	-	-	-	-	-	-	-	**(1,811)**
Operating Profit before tax	3,742	(135)	-	(97)	(677)	(34)	60	9	65	**2,933**
Income tax expense	(1,067)	161	-	9	201	10	(18)	(2)	(19)	**(725)**
Operating Profit before distributions and minority interest	2,675	26	-	(88)	(476)	(24)	42	7	46	**2,208**
Net profit - minority interest	(11)	-	-	-	-	-	-	-	-	**(11)**
IoRE (after tax)	-	(26)	-	-	-	-	-	-	-	**(26)**
Distributions	-	-	(144)	-	-	-	-	-	-	**(144)**
Net profit attributable to members of the Company	2,664	-	(144)	(88)	(476)	(24)	42	7	46	**2,027**

(1) *Refer to Note 12 in Section 6 for further details regarding the MLC adjustment.*

11. Reconciliation between Statutory Net Profit after Tax and Cash Earnings

Half Year ended 30 September 2008	Statutory Profit $m	MLC Adj. [1] $m	Distri-butions $m	Treasury Shares $m	Fair Value and Hedge Ineffec. $m	IoRE Disc. Rate $m	GWB Integration Costs $m	Visa IPO $m	Disposed Operations[2] $m	Cash Earnings - Ongoing $m
Net interest income	5,820	18	-	-	-	-	-	-	1	**5,839**
Net life insurance income	(215)	412	-	(168)	-	(29)	-	-	-	**-**
Other operating income	1,444	(327)	-	-	208	-	-	-	-	**1,325**
MLC net operating income	-	611	-	-	-	-	-	-	-	**611**
Net operating income	7,049	714	-	(168)	208	(29)	-	-	1	**7,775**
Operating expenses	(3,614)	(71)	-	-	-	-	10	-	(3)	**(3,678)**
Operating profit pre charge to provide for doubtful debts	3,435	643	-	(168)	208	(29)	10	-	(2)	**4,097**
Charge to provide for doubtful debts	(1,763)	-	-	-	-	-	-	-	-	**(1,763)**
Operating Profit before tax	1,672	643	-	(168)	208	(29)	10	-	(2)	**2,334**
Income tax expense	175	(638)	-	23	(64)	9	(3)	-	1	**(497)**
Operating Profit before distributions and minority interest	1,847	5	-	(145)	144	(20)	7	-	(1)	**1,837**
Net profit - minority interest	2	-	-	-	-	-	-	-	-	**2**
IoRE (after tax)	-	(5)	-	-	-	-	-	-	-	**(5)**
Distributions	-	-	(155)	-	-	-	-	-	-	**(155)**
Net profit attributable to members of the Company	1,849	-	(155)	(145)	144	(20)	7	-	(1)	**1,679**

[1] *Refer to Note 12 in Section 6 for further details regarding the MLC adjustment.*

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

11. Reconciliation between Statutory Net Profit after Tax and Cash Earnings

Half Year ended 31 March 2008	Statutory Profit $m	MLC Adj. (1) $m	Distri-butions $m	Treasury Shares $m	Fair Value and Hedge Ineffec. $m	IoRE Disc. Rate $m	Visa IPO $m	Economic Cycle Adj. $m	New Business Initiatives $m	Disposed Operations(2) $m	Cash Earnings - Ongoing $m
Net interest income	5,278	15	-	-	-	-	-	-	-	10	**5,303**
Net life insurance income	(175)	459	-	(277)	-	(7)	-	-	-	-	**-**
Other operating income	2,405	(339)	-	-	(89)	-	(242)	-	-	(45)	**1,690**
MLC net operating income	-	646	-	-	-	-	-	-	-	-	**646**
Net operating income	7,508	781	-	(277)	(89)	(7)	(242)	-	-	(35)	**7,639**
Operating expenses	(3,666)	(71)	-	-	-	-	-	-	106	33	**(3,598)**
Operating profit pre charge to provide for doubtful debts	3,842	710	-	(277)	(89)	(7)	(242)	-	106	(2)	**4,041**
Charge to provide for doubtful debts	(940)	-	-	-	-	-	-	214	-	-	**(726)**
Operating Profit before tax	2,902	710	-	(277)	(89)	(7)	(242)	214	106	(2)	**3,315**
Income tax expense	(214)	(701)	-	47	34	2	17	(64)	(32)	-	**(911)**
Operating Profit before distributions and minority interest	2,688	9	-	(230)	(55)	(5)	(225)	150	74	(2)	**2,404**
Net profit - minority interest	(1)	-	-	-	-	-	-	-	-	-	**(1)**
IoRE (after tax)	-	(9)	-	-	-	-	-	-	-	-	**(9)**
Distributions	-	-	(157)	-	-	-	-	-	-	-	**(157)**
Net profit attributable to members of the Company	2,687	-	(157)	(230)	(55)	(5)	(225)	150	74	(2)	**2,237**

(1) *Refer to Note 12 in Section 6 for further details regarding the MLC adjustment.*

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

12. MLC Reconciling Items

Half Year ended 31 March 2009	Life Reclassification (a) Cash IoRE (i) $m	Life Reclassification (a) Policy-holder tax (ii) $m	Life Reclassification (a) Other NLII reclassification (iii) $m	Non-Life Reclassification (b) $m	Other $m	MLC Adj $m
Net interest income	19	-	-	(20)	1	-
Net life insurance income	(1)	(182)	(124)	-	-	**(307)**
Other operating income	-	-	17	(355)	(1)	**(339)**
MLC net operating income	-	-	284	258	(3)	**539**
Net operating income	18	(182)	177	(117)	(3)	**(107)**
Operating expenses	-	-	(149)	117	4	**(28)**
Operating profit pre charge to provide for doubtful debts	18	(182)	28	-	1	**(135)**
Charge to provide for doubtful debts	-	-	-	-	-	**-**
Operating Profit before tax	18	(182)	28	-	1	**(135)**
Income tax expense	8	182	(28)	-	(1)	**161**
Operating Profit before distributions and minority interest	26	-	-	-	-	**26**
Net profit - minority interest	-	-	-	-	-	**-**
IoRE (after tax)	(26)	-	-	-	-	**(26)**
Distributions	-	-	-	-	-	**-**
Net profit attributable to members of the Company	-	-	-	-	-	**-**

Half Year ended 30 September 2008	Life Reclassification (a) Cash IoRE (i) $m	Life Reclassification (a) Policy-holder tax (ii) $m	Life Reclassification (a) Other NLII reclassification (iii) $m	Non-Life Reclassification (b) $m	Other $m	MLC Adj $m
Net interest income	30	-	-	(11)	(1)	**18**
Net life insurance income	(24)	644	(208)	-	-	**412**
Other operating income	-	-	17	(343)	(1)	**(327)**
MLC net operating income	-	-	341	256	14	**611**
Net operating income	6	644	150	(98)	12	**714**
Operating expenses	-	-	(156)	98	(13)	**(71)**
Operating profit pre charge to provide for doubtful debts	6	644	(6)	-	(1)	**643**
Charge to provide for doubtful debts	-	-	-	-	-	**-**
Operating Profit before tax	6	644	(6)	-	(1)	**643**
Income tax expense	(1)	(644)	6	-	1	**(638)**
Operating Profit before distributions and minority interest	5	-	-	-	-	**5**
Net profit - minority interest	-	-	-	-	-	**-**
IoRE (after tax)	(5)	-	-	-	-	**(5)**
Distributions	-	-	-	-	-	**-**
Net profit attributable to members of the Company	-	-	-	-	-	**-**

Half Year ended 31 March 2008	Life Reclassification (a) Cash IoRE (i) $m	Policy-holder tax (ii) $m	Other NLII reclassification (iii) $m	Non-Life Reclassification (b) $m	Other $m	MLC Adj $m
Net interest income	24	-	-	(9)	-	**15**
Net life insurance income	(13)	679	(208)	-	1	**459**
Other operating income	-	-	16	(352)	(3)	**(339)**
MLC net operating income	-	-	358	281	7	**646**
Net operating income	11	679	166	(80)	5	**781**
Operating expenses	-	-	(149)	80	(2)	**(71)**
Operating profit pre charge to provide for doubtful debts	11	679	17	-	3	**710**
Charge to provide for doubtful debts	-	-	-	-	-	**-**
Operating Profit before tax	11	679	17	-	3	**710**
Income tax expense	(2)	(679)	(17)	-	(3)	**(701)**
Operating Profit before distributions and minority interest	9	-	-	-	-	**9**
Net profit - minority interest	-	-	-	-	-	**-**
IoRE (after tax)	(9)	-	-	-	-	**(9)**
Distributions	-	-	-	-	-	**-**
Net profit attributable to members of the Company	-	-	-	-	-	**-**

a) *Reclassification of Net Life Insurance Income ("NLII") NLII is a statutory disclosure only and as such all items shown under NLII are reclassified for Management Reporting purposes. A summary of the respective NLII adjustments is provided below:*

(i) *Cash IoRE: Interest on Retained Earnings is a separate disclosable item for management reporting purposes. Under the statutory view, components of IORE are disclosed in the following lines: - Net Interest income: this is the net interest cost of subordinated and senior debt raised for capital management purposes. - NLII: includes interest earnings on insurance VARC (Value of Acquisition Recovery Components) and investment earnings on surplus assets.*

(ii) *Policyholder tax reclassification: The MLC investment linked business is written within statutory funds. As a result NLII includes both shareholder and policyholder amounts for statutory reporting purposes. For Management Reporting purposes only the shareholder component is disclosed. From a statutory reporting disclosure point of view all policyholder amounts offset within the NLII disclosure, except for tax on the investment-linked business. As a result there is a reclassification between NLII and tax for these amounts.*

(iii) *Other NLII Reclassification: These are all other components of NLII, not adjusted for above, which are included in MLC Net Operating Income, Operating expenses and Income tax expense in the Management view. These include premiums, investment earnings, claims, change in policy liabilities, policy acquisition and maintenance costs and investments management costs.*

b) *Non-Life Reclassifications: Non-life net interest income,other operating income and volume related expenses (included in operating expenses) are reclassified to MLC net operating income for Management reporting purposes.*

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Section 7

Glossary of Terms

Term	Description
ABCP	Asset-backed commercial paper.
ABS	Asset-backed securities.
ABS CDO - Super-senior note holder	CDO of ABS where a conduit has invested in the most senior note.
ABS CDO - Junior note holder	CDO of ABS where a conduit has invested in a note which is subordinated to other note(s).
Alt-A	In USA, residential mortgage loans advanced to borrowers falling just outside prime lending criteria, but without the more significant credit or debt servicing limitations seen in subprime lending.
Auto / Equipment	Automotive and equipment receivables.
Average assets	Represents the average of assets over the period adjusted for disposed operations.
Banking	Banking operations include the Group's: - Retail, business and agri-business banking operations operating in the Australia Region, UK Region, NZ Region and Great Western Bank. - Institutional Banking, Corporate Finance, Markets and Structuring and Investments business within nabCapital. - Treasury and support functions operating in the Regions and within Central Functions.
Cash earnings	Is a non-GAAP key performance measure and financial target used by the Group. Dividends paid by the Company are based on after-tax cash earnings. It is also a key performance measure used by the investment community, as well as by those Australian peers of the Group with a similar business portfolio. It does not refer to, or in any way purport to represent the cash flows, funding or liquidity position of the Group. It does not refer to any amount represented on a Cash flow statement. Cash earnings is defined as: Net profit attributable to members of the company Less: Distributions Treasury shares Fair value and hedge ineffectiveness IoRE discount rate variation GWB Integration costs Revaluation gains/(losses) on exchangeable capital units Net profit/(loss) on sale of controlled entities Fair value gains/losses on economic hedge of the proceeds on sale of controlled entities Significant items Add: Impairment of goodwill
Cash earnings on average equity	Calculated as cash earnings - ongoing divided by average shareholders' equity, excluding minority interests and other equity instruments and adjusted for treasury shares and exchangeable capital units valuation adjustments.
Cash earnings - ongoing	Cash earnings adjusted for disposed operations. The disposed operations results are excluded to assist in the interpretation of the Group's result as it facilitates a like-for-like comparison.
Cash earnings per share - basic	Calculated as cash earnings - ongoing divided by the weighted average number of shares adjusted to include treasury shares.
Cash earnings per share - diluted	Cash earnings - ongoing, adjusted for interest expense on exchangeable capital units, divided by the weighted average number of ordinary shares, adjusted to include treasury shares and exchangeable capital units.
CDO	Collateralised Debt Obligation.
CDS	Credit Default Swap.
CLO	Collateralised Loan Obligations.
CMBS	Commercial Mortgage-Backed Securities.
Conduit	SPE used to fund assets through the issuance of ABCP or MTN.
Core Assets	Include loans and advances to customers and banks (including leases and acceptances) net of securitised assets; fixed assets and investments held to maturity,
Cost to Income Ratio	Represents banking operating expenses (before inter-segment eliminations) as a percentage of total banking operating revenue (before inter-segment eliminations).
Credit wrapped ABS	Securities backed by monoline-guaranteed portfolios of ABS.
Credit wrapped bonds	Monoline-guaranteed infrastructure, utility and energy related corporate bonds.
Customer Deposits	Deposits (Interest Bearing, Non-Interest Bearing, TDs, Central Bank Deposits).
Customer Funding Index (CFI)	Customer Deposits divided by Core Assets.
Disposed operations	Are operations that will not form part of the continuing Group. These include operations sold and those that have been announced to the market that have yet to reach completion. This may differ from the treatment for statutory accounting purposes but facilitates a like-for-like comparison.

Term	Description
Distributions	Payments to holders of other equity instruments issues such as National Income Securities, Trust Preferred Securities, Trust Preferred Securities II and National Capital Instruments. Distributions are subtracted from net profit to reflect the amount that is attributable to ordinary shareholders.
Dividend Payout Ratio	Dividends paid on ordinary shares divided by cash earnings per share.
Earnings Per Share	Calculated in accordance with the requirements of AASB 133 "Earnings per Share."
Fair value and hedge ineffectiveness	Represents volatility attributable to the Group's application of the fair value option, ineffectiveness from designated accounting and economic hedge relationships and economic hedges of significant approved funding activities where hedge accounting has not been applied.
Fair value gains/losses on economic hedge of the proceeds on sale of controlled entities	Represents the fair value movement on derivatives taken out to protect against foreign exchange rate movements on the proceeds of the sale of controlled entities.
FSF	Financial Stability Forum.
Full time equivalent employees (FTEs)	Include all permanent full time staff, part time staff equivalents and external contractors employed by third party agencies.
GWB integration costs	GWB Integration costs include costs of integration and the amortisation of intangible assets recognised upon acquisition.
Impaired Assets	Consist of: - retail loans (excluding credit card loans and portfolio managed facilities) which are contractually past due 90 days with security insufficient to cover principal and arrears of interest revenue; - non retail loans which are contractually past due and there is sufficient doubt about the ultimate collectability of principal and interest; and - impaired off-balance sheet credit exposures where current circumstances indicate that losses may be incurred. Unsecured portfolio managed facilities are also classified as impaired assets when they become 180 days past due (if not written off).
Impairment of goodwill	Is an impairment expense recognised on the application of an impairment test. As it relates to an intangible asset, and financial statement users generally do not regard impairment of goodwill as being useful information in analysing investments, management believes it is prudent to isolate this amount from the underlying operating result.
Insurance	Includes the provision of personal insurance by MLC.
Investments	Includes funds managed in the provision of investment and superannuation solutions by MLC.
IoRE	Investment earnings (net of tax) on shareholders retained profits and capital from life businesses, net of capital funding costs (IoRE) is comprised of three things: - investment earnings on surplus assets which are held in the Statutory Funds to meet capital adequacy requirements under the Life Act. - interest on insurance VARC (Value of Acquisition Expense Recovery Component) net of reinsurance costs. VARC is defined as the current termination value less policy liabilities, and represents the value of acquisition costs recoverable from future premiums. Interest on VARC represents the unwinding of the discount rate on VARC. - less the borrowing costs of any capital funding initiatives.
IoRE discount rate variation	Is the movement in Investment Earnings on Shareholders' Retained Profits (IoRE) attributable to the impact of changes in long term discount rates.
Leveraged loans CLOs	CLOs backed by pools of broadly syndicated commercial bank loans.
LMI	Lenders Mortgage Insurance.
Monolines	Monoline Insurers (monoline insurance companies) guarantee the timely payment of interest and repayment of principal in case an issuer of the guaranteed instrument defaults. They are so named because they provide service to only one industry.
MTN	Medium Term Notes.
Net interest margin	Net interest income as a percentage of average interest earning assets.
Net profit attributable to members of the company	Represents the Group's statutory profit after tax and reflects the amount of net profit that is attributable to ordinary shareholders.
Net profit attributable to minority interest	Reflects the allocation of profit to minority interests in the Group, and is adjusted from net profit to reflect the amount of net profit that is attributable to ordinary shareholders.
Net Tangible Assets per Share	Net assets excluding intangible assets, minority interests, preference shares and other equity instruments divided by ordinary shares on issue at the end of the period.
Non-conforming residential mortgage	In Australia and UK, residential mortgage loans that are advanced to borrowers who do not generally meet prime lending guidelines and LMI eligibility.
Non-LMI prime residential mortgage	Prime residential mortgages but without LMI cover.
Non-impaired assets 90+ days past due	Non-impaired assets 90+ days past due consist of well-secured assets that are more than 90 days past due and portfolio-managed facilities that are not well secured and between 90 and 180 days past due.
Prime residential mortgages	In Australia, residential mortgage loans advanced by traditional residential mortgage lenders and eligible to be covered by an LMI policy.

Term	Description
Revaluation gains/(losses) on exchange-able capital units (ExCaps)	The Group's exposure to foreign exchange risk is eliminated through the existence of certain conversion features that convert the ExCaps to equity at pre-determined exchange rates. There are no remaining ExCaps on issue at the end of the period.
Risk weighted assets	On and off balance sheet assets of the Bank are allocated a risk weighting based on the amount of capital required to support the asset. Under Basel II the Group calculates risk weighted assets for credit risk, market risk, operational risk and interest rate risk in the banking book.
SCDO	Synthetic Collateralised Debt Obligation.
Scorecards	A decision model incorporating algorithms that calculates a customer risk score, the outcome of which is used in the credit assessment process.
Securitisation	Structured finance technique which involves pooling and packaging cash-flow converting financial assets into securities that can be sold to investors.
Significant items	Those items included on the face of the statutory Income Statement when it is necessary to explain the elements of financial performance. Factors to consider include materiality and the nature and function of the components of income and expenses.
Special Purpose Entity (SPE)	An entity created to accomplish a narrow well-defined objective (eg securitisation of financial assets)> An SPE may take the forma of a corporation, trust, partnership or unincorporated entity. SPEs are often created with legal arrangements that impose strict limits on the activities of the SPE.
Stable Funding Index (SFI)	Term Funding Index (TFI) plus Customer Funding Index (CFI).
Sub-prime residential mortgages	In USA, residential mortgage loans advanced to borrowers unable to qualify under traditional lending criteria due to poor credit history or debt payment capacity.
Subscription loans	Investment loans to equity investment funds.
Term Funding Index (TFI)	Term Wholesale Funding (with a remaining maturity to first call date greater than 12 months) divided by Core Assets.
Tier 1 ratio	Tier 1 capital as defined by APRA divided by risk weighted assets.
Tier 2 ratio	Tier 2 capital as defined by APRA divided by risk weighted assets.
Treasury shares	Relates to the movement in treasury share assets (direct investments in National Australia Bank Limited) caused by the movement in the share price and/or volume along with dividend income.
Weighted Average Number of Shares	Calculated in accordance with the requirements of AASB 133 'Earnings per Share.'

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