Results for announcement to the market

Report for the half year ended 31 March 2011

						31 March 2011 $m
Revenue from ordinary activities [(1)]	page 102	down	4.5%	*	to	8,287
Profit after tax from ordinary activities attributable to owners of the Company	page 102	up	15.9%	*	to	2,428
Net profit attributable to owners of the Company [(2)]	page 102	up	15.9%	*	to	2,428

** On prior corresponding period (six months ended 31 March 2010).*

[(1)] Reported as the sum of the following items from the Group's consolidated income statement: Net interest income, Net life insurance income and Total other income. On a cash earnings basis revenue increased by 6.8%.

[(2)] Net profit attributable to owners of the company was up 15.9 % to $2,428 million, reflecting strong performances by Business Banking and Personal Banking combined with a reduction in the charge to provide bad and doubtful debts and costs incurred for several long-standing legal and tax proceedings in the previous year.

Dividends	**Amount per share cents**	**Franked amount per share %**
Interim dividend	84	100
Record date for determining entitlements to the interim dividend		8 June 2011

Highlights [(3)]

Group cash earnings	up	21.7%	Cash earnings of $2,668 million for the March 2011 half year increased by $475 million or 21.7% on the March 2010 half year. Underlying profit increased by $432 million or 9.9%. The banking operations in Australia were key contributors to the improvement in earnings, together with mark-to-market gains in Specialised Group Assets and lower charge to provide for bad and doubtful debts.
Cash return on equity (ROE)	up to	15.1%	Cash ROE increased by 220 basis points.
Diluted cash earnings per share	up to	122.1	Diluted cash earnings per share increased by 19.1%.
Banking cost to income ratio	down	160 bps	The Group’s banking cost to income ratio improved by 160 basis points to 43.9%, primarily due to improved performances in Business Banking and Personal Banking, combined with mark-to-market gains in Specialised Group Assets.
Tier 1 capital ratio	up	10 bps	The Tier 1 capital ratio has increased to 9.19%. It remains above the Group's target.
Full time equivalent employees	up	3,037	Full time equivalent employees increased to 45,293 driven by investment in initiatives to support business growth, improvement in the quality of service and customer satisfaction, and the acquisition of the TierOne franchise.

[(3)] All growth rates are calculated on a cash earnings basis on the prior corresponding period (six months ended 31 March 2010).

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 2011 half year are references to the six months ended 31 March 2011. 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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Half Year Results

2011

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National Australia Bank

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ASX ANNOUNCEMENT

Thursday, 5 May 2011

NAB 2011 Half Year Results

Good result as progress on strategic priorities builds momentum

Key Points

- Cash earnings for the 2011 half year were $2.7 billion, a 21.7% increase on the March 2010 half year[1]. This was mainly attributable to market share gains and disciplined margin and cost management in the Australian bank, combined with improved asset quality and a stronger performance in Specialised Group Assets (SGA).
- Revenue increased by 6.8% as a result of disciplined margin management in Business Banking, strong growth in home lending in Personal Banking and a swing from mark-to-market losses to a gain of $59 million in SGA.
- The Group charge for bad and doubtful debts fell by 19.7% to $988 million. Total provisions include two overlays for potential credit losses arising from natural disasters being a $75 million overlay for recent Australian natural disaster events, and $44 million (NZ$60 million) as a result of the dual earthquake events in New Zealand.
- Expenses increased by 3.4% to $4.0 billion primarily due to investments in frontline staff to support business growth strategies and infrastructure transformation, including the NextGen bank replatforming project. Expense growth was half that of revenue.
- The Group Tier 1 ratio increased from 8.91% to 9.19%. ROE was 15.1%, an increase of 160 basis points from the September 2010 half year.
- Strong funding and liquidity positions were maintained. During the half year to March 2011, the Group has raised $16.7 billion of term wholesale funding against a full year 2011 target range of $25 billion to $30 billion.
- Statutory net profit for the March 2011 half year increased by 15.9% to $2.4 billion compared to the March 2010 half year.
- Interim dividend is 84 cents per share fully franked, an increase of 10 cents per share on the March 2010 interim dividend.
- NAB continued to actively support the communities in which it operates through initiatives including microfinance, support for schools and education, and targeted social inclusion programs. NAB's response to the recent natural disasters was extensive and is ongoing. The Group established an assistance fund of up to $15 million, Business Banking pledged an initial $4 billion in lending to be available to help Queensland businesses rebuild, and further contributions and donations were made to support NAB's people and customers.

[1] 2011 half year results are compared with 2010 half year results unless otherwise stated.

Overview

"Improved shareholder returns, continued progress against strategic priorities and further consolidation of NAB's positive differentiation from peers were key achievements for the period," NAB Group Chief Executive Officer Cameron Clyne said today.

"Business Banking recorded solid first half earnings, further increasing its leading market share in business lending, achieving asset growth and improving margins. NAB has been a consistent supporter of Australian businesses achieving growth while the overall lending to businesses has reduced by $12.8 billion since March 2010[2].

"More than 80% of business bankers and senior leaders have now completed the Customer-led Innovation Strategy program, designed to deepen customer relationships and improve share of wallet, representing a significant investment in the future success of this franchise.

"Personal Banking recorded strong growth across mortgages, deposits, transaction accounts and credit cards. The gap between NAB and competitor customer satisfaction further narrowed, from 2.5% in September 2010 to 1.0% in March 2011[3], as customers continued to respond strongly to NAB's differentiated customer proposition.

"MLC & NAB Wealth grew its financial adviser numbers by 241, progressed the integration of Aviva, and now has a portfolio of interests in 10 boutique investment management firms through nabInvest. Investment markets were subjected to a series of shocks and investor sentiment remains cautious.

"Wholesale Banking continued to strengthen its franchise focused strategy despite low business activity and reduced volatility in markets. Co-location of more Global Markets specialists in Business Banking Centres advanced the cross-sell focus. Specialised Finance and Global Capital Markets were areas of strength.

"NZ Banking maintained its track record of good performance despite subdued economic activity, and of innovation in products and services. Market share grew in retail deposits and both housing and agribusiness lending[4].

"UK Banking performed soundly despite the weak British economy. Cash earnings increased, driven in part by a lower charge for bad and doubtful debts. Growth in mortgage and business lending, as well as retail deposits, outperformed market benchmarks[5].

"GWB has more than trebled agribusiness lending since it was acquired, remains fully deposit funded, and the integration of acquisitions made in 2010 has progressed well.

"Specialised Group Assets recently negated the risk of three of the six Synthetic Collateralised Debt Obligations (SCDO), releasing capital in the process.

"At a Group level a strong balance sheet was maintained, costs were managed well within revenue growth, and initiatives aimed at anticipating regulatory, political and consumer trends and improving reputation supported strong momentum in our Australian banking businesses. Further sustainable improvement in NAB's shareholder returns remains the core focus of our strategic agenda," he said.

Business Unit Commentary

Business Banking

Cash earnings increased by 7.9% to $1.2 billion with the key driver being underlying profit growth of 6.2%. NAB retained the leading market share in business lending, which

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[2] APRA Monthly Banking Statistics – March 2011 compared with March 2010

[3] Roy Morgan Research, Aust MFIs, population aged 14+, six month moving average customer satisfaction is based on customers who answered very/fairly satisfied. NAB compared with the weighted average of the three major banks (ANZ, CBA and WBC)

[4] RBNZ – March 2011 (historical market share restated with latest revised RBNZ published data, excluding some deposits by business banking customers captured in money market deposits)

[5] Bank of England data (February 2011 for mortgages and retail deposits, December 2010 for business lending)

improved to 23.8%. Lending growth in the SME and specialised business segments provided an important contribution to market share. Average retail deposits were up by $6.7 billion or 8.7%.

Net interest margin increased by 6 basis points to 2.57% as a result of repricing for current market conditions, partly offset by higher funding and deposit costs and heightened competition.

Expenses were 4.3% higher primarily due to ongoing investment in banker capabilities and putting more bankers in more places.

Supporting customers under all market conditions provided a solid foundation for continued business banking growth despite the challenging operating environment, subdued demand for business credit and intense competition from domestic banks.

Personal Banking

Cash earnings increased 36.3% to $432 million due to substantially higher home lending volumes and a reduced charge for bad and doubtful debts.

Market share lifted significantly for home lending[6] and household deposits[7] against a backdrop of consumer caution due to the Reserve Bank of Australia increases to official cash rates. Improved mortgage and savings products have won several industry awards and leave NAB well positioned to benefit from the more competitive environment in retail banking.

Net interest margin decreased by 12 basis points to 2.22% reflecting product mix change as a result of strong growth in home lending, higher funding costs and increased competition for deposits.

Average interest earning assets increased by 18.7% as all channels increased mortgage sales. Average retail deposits rose by 15.2% with a solid contribution from the traditional banking network, supported by the UBank online savings account recording strong growth.

Expenses were up 6.8% driven in part by the addition of frontline employees to improve customer service.

MLC & NAB Wealth

Cash earnings before IoRE[8] and non-controlling interest increased 2.3% to $270 million. The main contributors were net interest income, investment performance and growth in average inforce premiums.

Funds under management (FUM) as at March 31 was 6.8% higher at $121.9 billion reflecting improvement in equity markets, partly offset by negative discretionary investment flows as investor sentiment remained cautious. Inforce premiums increased 7.7% to $1.4 billion.

Revenue was up 4.5% reflecting higher FUM, albeit at lower margins, and higher premiums inforce. Claims experience for individual disability and lump sum was unfavourable, partially offset by lower claims for group business.

Expenses rose 3.7% due to the inclusion of a full half year of expenses from JBWere compared to five months in the March 2010 half year and continued investment in salaried advisers and private bankers, partially offset by synergies from the integration of Aviva.

Wholesale Banking

Cash earnings decreased 2.5% to $393 million primarily due to the lower revenues from Global Markets due to low volatility and subdued economic activity, particularly in New Zealand and the United Kingdom. These factors were partially offset by a lower charge for bad and doubtful debts.

Revenue was down 3.5% to $997 million, although foreign exchange movements accounted for the majority of the fall. Operating expenses increased by 2.0% reflecting investments to

[6] RBA Financial System/NAB including Wholesale Banking
[7] APRA Banking System/NAB including Wholesale Banking
[8] Investment earnings on shareholders' retained profits and capital in the life business

develop improved products and services, attract more customers and improve speed to market.

Wholesale Banking's strategic focus on applying its strengths to deepen relationships with NAB's customer base was supported by co-locating more Global Markets product specialists in Business Banking Centres resulting in increased cross-sell and development of new clients.

NAB was mandated lead arranger on a number of significant deals in 2010 and has received several industry awards for projects including Collgar Wind Farm and High Speed Rail 1. NAB is also the highest ranked Australian Bank in the United States private placement market[9].

UK Banking

Cash earnings increased by 26.2% to £77 million largely as a result of a lower charge to provide for bad and doubtful debts.

Average business and mortgage lending volumes remained relatively flat and outperformed the market. This was mainly due to subdued demand for credit and managed rebalancing of the lending book, which included a fall in exposure to both commercial property lending and unsecured personal lending offset by growth in mortgage lending of 4%. UK Banking demonstrated continued support to customers with new lending of £3.3 billion.

Operating expenses increased by 2.8%, lower than inflation, and reflected higher personnel costs which included investment to better serve customers.

Overall asset quality indicators remained broadly stable. Gross impaired asset balances continued to increase reflecting ongoing difficult economic and market conditions. The UK economy remains challenging and a cautious outlook for the remainder of the year is warranted.

NZ Banking

Cash earnings increased by 11.0% to NZ$283 million reflecting robust underlying profit growth of 10.5% and margin improvement due to repricing for current market conditions and increased demand for variable rate housing products. Lending volume growth was modest in light of a subdued housing market and weak demand for business credit.

Customer deposits grew 9.7% and market share for retail deposits rose by 60 basis points to 18.1%.

Investment in the business continued with ongoing transformation of the Retail store and Partners network. To date, 41 new Retail stores and 16 Partner centres have been completed. In addition NZ Banking launched Invoice Finance, an online solution providing business customers with access to cash flow through financing on approved invoices. This is the first of its kind for a New Zealand bank.

New Zealand is continuing its slow economic recovery from the recent recession although the earthquakes in Christchurch have slowed the rate of recovery. The earthquakes provision includes an amount taken during the prior financial year as a result of the first earthquake.

Great Western Bank

Cash earnings grew by 56.7% to US$47 million due to a strong increase in underlying profit driven by the full six month integration of acquisitions and continued organic growth.

Lending remained fully deposit funded. The ratio of retail deposits to gross loans and acceptances was 129% at 31 March 2011.

The charge to provide for bad and doubtful debts was up US$14 million to US$32 million. The 90+ DPD plus gross impaired assets to gross loans and acceptances rose to 5.65%. Excluding the loans from the acquisition of the TierOne portfolio covered by the FDIC loss sharing arrangement[10], the level was 2.37%. In the GWB footprint, overall consumer

[9] Thomson Reuters
[10] As announced on 5 June 2010 as part of the acquisition of the TierOne portfolio

demand and confidence remains subdued but GWB has maintained asset quality that is better than the national average[11].

Specialised Group Assets

Cash earnings improved by $294 million to $77 million primarily as a result of mark-to-market gains on the SCDO risk mitigation trades and a lower bad and doubtful debts charge.

Although this demonstrated a strong improvement, the ongoing performance of the portfolio is highly dependent on economic performance in the United Kingdom and United States and financial results remain sensitive to market conditions.

Management continue to explore opportunities to reduce the risk in the SCDO portfolio. Consistent with this, after 31 March 2011, transactions were entered into to remove the economic risk of the three SCDO assets which have the shortest duration. The accounting loss arising on these transactions was $17 million ($9 million after tax) and risk weighted assets were reduced by $2 billion.

As disclosed in 2008, the Group has expensed over the life of the SCDO assets ongoing hedging costs to mitigate the risk of this portfolio. Should an opportunity arise to exit the economic risk relating to the three remaining SCDO assets (which would reduce risk weighted assets by approximately a further $2 billion), the Group would accelerate the remaining recognition of the cost of hedging by expensing the carrying value of these hedge costs which at 31 March 2011 was $360 million. This expense would be included in non-cash earnings. Any additional losses/expenses that arise in relation to the exit of the economic risk of the SCDO assets would be applied against the existing $160 million management overlay for conduits and derivatives.

Balance Sheet Commentary

Capital

The Group Tier 1 capital ratio was 9.19%, up 28 basis points on September 2010. The improved capital position was primarily due to surplus capital generation and is consistent with the Group's objective of maintaining a strong capital position.

Funding and Liquidity

The global term funding environment remained largely stable in the March 2011 half year, despite periods of volatility driven by political unrest in the Middle East and a number of natural disasters.

The Group raised $16.7 billion of term wholesale funding in the March 2011 half year. This represents over half of the Group's 2011 funding target of $25 to $30 billion. The weighted average maturity of wholesale funding raised during the half was approximately 4.8 years.

NAB remained well positioned with total liquid assets of $72 billion, in line with the position at 30 September 2010.

Asset Quality

Since September 2010 asset quality trends remained broadly unchanged.

In Australia, the global financial crisis continued to have a lagged effect on the Business Banking portfolio, although the bad and doubtful debt charge declined during the period due to a falling incidence of large specific provisions. In Personal Banking the charge for bad and doubtful debts increased mainly due to credit cards, although aggregate asset quality metrics improved.

In New Zealand there are continued signs that asset quality is stabilising. The increase in gross impaired assets was primarily due to a small number of business exposures.

The UK market remains challenging for both trading and property businesses. Although overall asset quality indicators have remained broadly stable and the rebalancing of the lending portfolio has continued, the increase in gross impaired asset balances reflects the ongoing difficult conditions.

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[11] FDIC data December 2010

Asset quality indicators for Great Western Bank, excluding the TierOne loans covered by the FDIC loss sharing arrangement, weakened primarily due a small number of commercial exposures.

The SGA portfolio stabilised during the March 2011 half year, which assisted the reduction of the charge to provide for bad and doubtful debts from $95 million in September 2010 half year to $21 million at 31 March 2011.

The Group's total provisions continued to trend down, reflecting the improved economic and market conditions and the strengthening of the Australian dollar.

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Section 2

Highlights

Group Performance

Cameron Clyne

Strategic Highlights & Business Developments

The Group maintains its overall objective to deliver sustainable, satisfactory returns to shareholders. The Group seeks to differentiate itself through belief in the potential of its customers, communities and employees. This belief motivates the Group to make a positive impact on its customers and communities and it also underpins a strong and sustainable business for shareholders. The Group has generated a satisfactory and sustainable result for the half year ended 31 March 2011, within increasingly competitive markets. In the wake of the recent extreme environmental events encountered in many of the communities in which the Group operates, the Group demonstrated that it continues to stand by its customers, employees and communities in the face of adversity.

The Group's four key priorities are:

- Focusing on the strong Australian franchise whilst maintaining options internationally.
- Maintaining a strong balance sheet.
- Operating an agile and low cost model.
- Leading the industry on reputation.

Focus on the strong Australian franchise, whilst maintaining options internationally

The solid momentum in the Group's core Australian business continued with leadership in SME banking by Business Banking and improved product and service capabilities in Personal Banking generating mortgage and transaction account growth. In addition, the Group continued to focus on cross-sell with Wholesale Banking and growing of funds under management and premiums in-force in the MLC & NAB Wealth business. The international operations consolidated the Group's response to difficult economic conditions and carefully managed its businesses in New Zealand, the UK and the US.

Maintaining a strong balance sheet

The Group remains responsive to economic conditions and continues to maintain strong balance sheet settings. These settings enable the Group to manage through difficult market conditions and ensure that it is well positioned for future regulatory change and balance sheet growth.

At 31 March 2011, the Group's Tier 1 capital ratio was 9.19%. The increase in the Tier 1 ratio over the half year was primarily due to organic capital generation through strong earnings and subdued risk weighted asset growth.

The Group held $72 billion of liquid assets at 31 March 2011 to maintain flexibility and balance sheet strength. Term wholesale funding raised during the March 2011 half year was $16.7 billion. This includes $1.6 billion of secured funding raised by BNZ in covered bond format. The weighted average term to maturity of the funds raised since September 2010 was 4.8 years. The Group's Stable Funding Index was 84% at 31 March 2011.

Operating an agile and low cost model

The Group continued pursuing its Kaizen@NAB agenda to reduce process complexity and enhance the customer experience. Critical areas of focus included mortgage processing and branch customer experience.

The Group pursued its efficiency agenda by rationalising duplicated costs of support functions. It also continued the development of its Next Generation Banking IT Platform (NGP) that will both deliver cost efficiencies and greater responsiveness to customer needs.

Leading the industry on reputation

The Group prides itself in leadership by investing in its people, culture and reputation. The Group's differentiating belief in the potential of its customers and communities, including those within the Group, motivates it to do the right thing, help the customers and communities it serves and realise the potential of its stakeholders.

These beliefs have driven an enterprise set of behaviours that require everybody in the Group to:

- Be authentic and respectful.
- Work together.
- Create value though excellence.

These beliefs and behaviours underpin the Group's corporate responsibility program which protects and enhances its reputation and drives long-term shareholder value.

The Group's recent successful 'break-up' advertising campaign was made possible by differentiating the Group's reputation. This campaign highlighted the Group's activity over the past two years in terms of driving stronger competition and positioning itself for sustainable customer relationships. The Group's market leadership has been exhibited by moving away from commissions in wealth management, being the first to remove dishonour fees, moving away from account-keeping fees and issuing credit card reform. In addition, since December 2009, NAB has offered the most competitive standard variable mortgage rate of the major Australian banks. Apart from driving market share gains, these innovations and offerings enhance competition in the banking industry without government intervention.

The Group continued to build on its efforts to support community initiatives including microfinance programs, indigenous reconciliation, education, environmental programs and the Schools First awards program.
The recent natural disasters have proved testing times for many of the Group's customers and communities. The extensive flooding, cyclones and bushfires in Australia and the Christchurch earthquake have caused immense destruction, suffering and hardship. The Group's response to these events has been extensive. The Group established an assistance fund of up to $15 million to provide ex-gratia payments to assist NAB Home Insurance customers who were not covered for the losses they have suffered as a result of the recent floods and cyclone damage in Australia's eastern states. Business Banking has also pledged an initial $4 billion in lending to be available over the next 12 to 18 months to help Queensland businesses rebuild and recover.

In addition, the Group contributed $1 million to a fund it established to support Queensland communities affected by the recent disasters and made a NZ$1 million donation for a Christchurch earthquake fund together with a customer assistance package. The Group's disaster relief package has provided key assistance to its employees and customers that have been subjected to these natural disasters. The Group proudly stands by its employees and customers in good and bad times.

Financial Highlights

During the half year to March 2011 the Group generated cash earnings of $2,668 million, an increase of 21.7% against the March 2010 half year (23.3% excluding foreign exchange rate movements). This was driven by strong performances from Business Banking and Personal Banking, lower bad and doubtful debts and mark-to-market gains in Specialised Group Assets (SGA).

Net operating income increased by 6.8% when compared to the March 2010 half year (increase of 9.1% excluding foreign exchange rate movements). Group revenue grew largely from Business Banking repricing for current market conditions, strong housing lending volume growth in Personal Banking and the full half contribution of Great Western Bank's acquisitions made in 2010. In addition, net operating income grew from favourable mark-to-market movements in SGA on risk mitigation trades associated with the Synthetic Collateralised Debt Obligation (SCDO) portfolio. The uplift was partly offset by higher funding costs as term funding progressively matured and was replaced at higher cost over benchmark rates and competitive pressure tightened deposit margins.

Excluding the impact of foreign exchange, average lending volumes have increased by 6.4% compared to March 2010. This growth was largely driven by increased housing lending in Australia. Average business lending volumes have remained flat over the 12 months to March 2011, as system growth in most regions where the Group operates fell during the period. Due to the appreciating Australian dollar, average lending volumes inclusive of foreign exchange rate movements increased by 4.2% in AUD terms.

Operating expenses have increased by 3.4% over the March 2011 half year compared to the same period last year (up 5.9% excluding foreign exchange rate movements). Increased spend has been biased towards frontline staff to deliver on business growth strategies and improve the customer experience. In addition, the Bank has continued to invest in longer term initiatives, including the Next Generation Banking IT Platform program.

The charge for bad and doubtful debts decreased by 19.7% compared to March 2010 (decrease of 16.9% excluding foreign exchange rate movement). Asset quality indicators in the March 2011 half year continue to remain broadly stable, including:

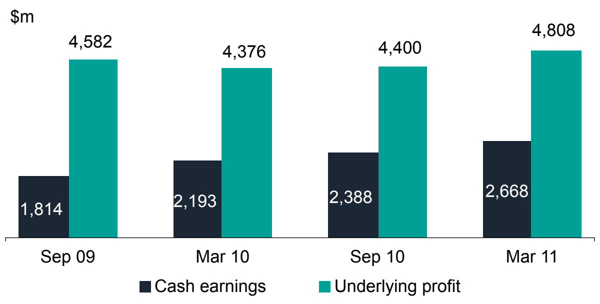
- The ratio of 90+ DPD to gross loans and acceptances weakened 2 basis points to 0.55% from 0.53% at September 2010 and is unfavourable 3 basis points from March 2010.
- The ratio of gross impaired assets to gross loans and acceptances weakened 2 basis points to 1.37% as compared to both September 2010 and March 2010.
- The rate of increase in impaired assets during the March 2011 half year was up slightly, increasing by 3.8% from September 2010 as compared to an increase of 3.4% between March 2010 and September 2010.
- The Group's collective provisions to credit risk weighted assets (excluding housing) ratio decreased 2 basis points from September 2010 at 1.46% and is down 9 basis points compared to the same period last year.

Shareholder Returns

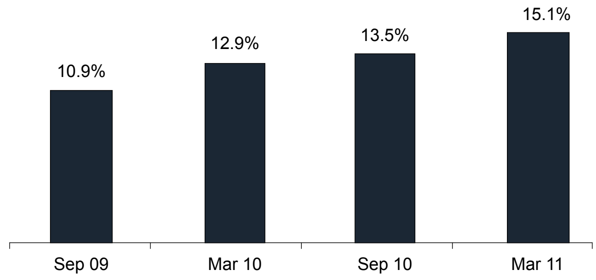
The Group's return on equity has improved 160 basis points to 15.1% against the September 2010 half year, reflecting higher earnings partly offset by higher levels of capital. The interim dividend for March 2011 is 84 cents per share, increasing 6 cents from the September 2010 half year and 10 cents from the March 2010 half year. This represents a dividend payout ratio of 68.3% for the March 2011 half year on a cash earnings basis. The dividend payment is 100% franked and will be paid on 6 July 2011. Shares will be quoted ex-dividend on 2 June 2011.

Key Performance Measures [1]

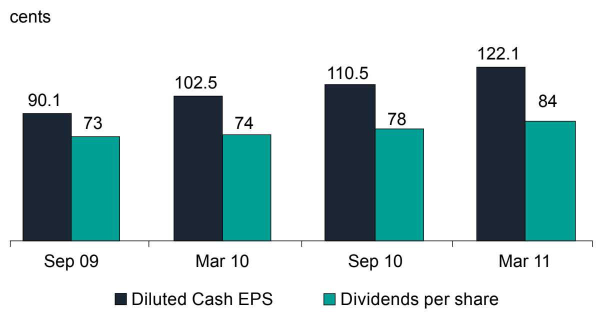
Cash Earnings and Underlying Profit - half year



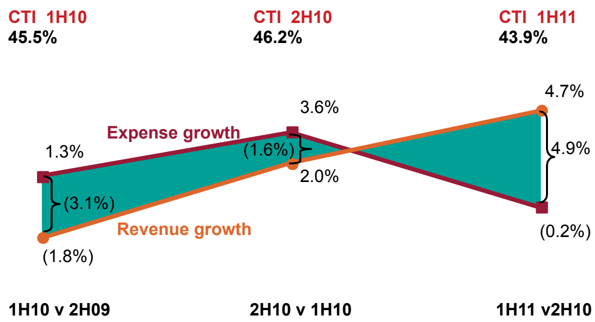
Cash Return on Equity (ROE) - half year



Diluted Cash EPS and Dividend per Share - half year



Half Yearly 'Jaws' and banking CTI momentum [2]



Group Performance Indicators [1]

	Half Year to		
	Mar 11	**Sep 10**	**Mar 10**
Key Indicators			
Cash earnings per share (cents)			
- basic	**123.0**	111.4	103.0
- diluted	**122.1**	110.5	102.5
Cash return on equity (ROE)	**15.1%**	13.5%	12.9%
Profitability, performance and efficiency measures			
Dividend per share (cents)	**84**	78	74
Dividend payout ratio	**68.3%**	70.0%	71.8%
Cash earnings on average assets	**0.78%**	0.71%	0.67%
Cash earnings per average FTE ($'000)	**118**	108	108
Banking cost to income ratio	**43.9%**	46.2%	45.5%
Net interest margin:			
- Group	**2.23%**	2.24%	2.26%
- Business Banking	**2.57%**	2.50%	2.51%
- Personal Banking	**2.22%**	2.28%	2.34%
- NZ Banking	**2.24%**	2.24%	2.08%
- UK Banking	**2.33%**	2.28%	2.40%
- Great Western Bank	**4.38%**	3.99%	4.06%
Capital			
Tier 1 ratio	**9.19%**	8.91%	9.09%
Total capital ratio	**11.33%**	11.36%	12.07%
Risk weighted assets [4] ($bn)	**345.2**	344.7	332.8
Volumes ($bn)			
Gross loans and acceptances [3] [4]	**459.2**	448.0	434.5
Average interest earning assets	**566.6**	549.8	543.4
Total average assets	**685.6**	672.2	659.9
Asset quality			
Gross impaired assets to gross loans and acceptances	**1.37%**	1.35%	1.35%
Collective provision to credit risk-weighted assets (ex. housing)	**1.46%**	1.48%	1.55%
Specific provision to gross impaired assets	**22.60%**	25.20%	27.20%
Net write-offs to gross loans and acceptances (annualised)	**0.45%**	0.50%	0.47%
90+ DPD plus gross impaired assets to gross loans and acceptances	**1.92%**	1.88%	1.86%
Other			
Funds under management and administration [5] ($bn)	**121.9**	116.1	114.2
Annual inforce premiums ($m)	**1,435.9**	1,406.7	1,332.9
Full Time Equivalent Employees (FTE) (spot)	**45,293**	45,198	42,256
Full Time Equivalent Employees (FTE) (average)	**45,236**	43,921	40,663

(1) *All key performance measures and Group performance indicators are calculated on a cash earnings basis unless otherwise stated. A Glossary of Terms is included in Section 7.*
(2) *Revenue and expense growth is calculated over the previous half year.*
(3) *Spot balance at reporting date.*
(4) *Including acceptances and loans at fair value.*
(5) *Excludes Trustee and Cash Management within MLC & NAB Wealth.*

Group Results

	Half Year to				
	Mar 11 $m	**Sep 10 $m**	**Mar 10 $m**	**Mar 11 v Sep 10 %**	**Mar 11 v Mar 10 %**
Net interest income	**6,304**	6,174	6,114	2.1	3.1
Other operating income	**1,725**	1,463	1,375	17.9	25.5
MLC net operating income	**770**	764	748	0.8	2.9
Net operating income	**8,799**	8,401	8,237	4.7	6.8
Operating expenses	**(3,991)**	(4,001)	(3,861)	0.2	(3.4)
Underlying profit	**4,808**	4,400	4,376	9.3	9.9
Charge to provide for bad and doubtful debts	**(988)**	(1,033)	(1,230)	4.4	19.7
Cash earnings before tax, IoRE, distributions and non-controlling interest	**3,820**	3,367	3,146	13.5	21.4
Income tax expense	**(1,066)**	(893)	(884)	(19.4)	(20.6)
Cash earnings before IoRE, distributions and non-controlling interest	**2,754**	2,474	2,262	11.3	21.8
Net profit - non-controlling interest	**(1)**	-	(1)	large	-
IoRE	**29**	26	35	11.5	(17.1)
Distributions	**(114)**	(112)	(103)	(1.8)	(10.7)
Cash earnings [1]	**2,668**	2,388	2,193	11.7	21.7
Non-cash earnings items	**(240)**	(259)	(98)	7.3	large
Net profit attributable to owners of the company	**2,428**	2,129	2,095	14.0	15.9

[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.*

Divisional Performance

Divisional Results

	Half Year to				
	Mar 11 $m	Sep 10 $m	Mar 10 $m	Mar 11 v Sep 10 %	Mar 11 v Mar 10 %
Business Banking	**1,181**	1,098	1,095	7.6	7.9
Personal Banking	**432**	426	317	1.4	36.3
Wholesale Banking	**393**	302	403	30.1	(2.5)
MLC & NAB Wealth (before IoRE and after non-controlling interest)	**269**	285	263	(5.6)	2.3
NZ Banking	**215**	214	202	0.5	6.4
UK Banking	**122**	97	107	25.8	14.0
Specialised Group Assets	**77**	(45)	(217)	large	large
Great Western Bank	**47**	41	33	14.6	42.4
Corporate Functions and Other	**17**	56	58	(69.6)	(70.7)
IoRE	**29**	26	35	11.5	(17.1)
Distributions	**(114)**	(112)	(103)	(1.8)	(10.7)
Cash earnings before IoRE and after non-controlling interest	**2,668**	2,388	2,193	11.7	21.7
Non-cash earnings items	**(240)**	(259)	(98)	7.3	large
Net profit attributable to owners of the company	**2,428**	2,129	2,095	14.0	15.9

Divisional Performance Indicators

	Half Year to				
	Mar 11	Sep 10	Mar 10	Mar 11 v Sep 10	Mar 11 v Mar 10
Business Banking					
Cash earnings ($m)	**1,181**	1,098	1,095	7.6%	7.9%
Cash earnings on average assets	**1.25%**	1.18%	1.20%	7 bps	5 bps
Net interest margin	**2.57%**	2.50%	2.51%	7 bps	6 bps
Net operating income ($m)	**2,938**	2,837	2,782	3.6%	5.6%
Cost to income ratio	**29.9%**	30.7%	30.3%	80 bps	40 bps
Personal Banking					
Cash earnings ($m)	**432**	426	317	1.4%	36.3%
Cash earnings on average assets	**0.70%**	0.75%	0.61%	(5 bps)	9 bps
Net interest margin	**2.22%**	2.28%	2.34%	(6 bps)	(12 bps)
Net operating income ($m)	**1,669**	1,589	1,516	5.0%	10.1%
Cost to income ratio	**53.4%**	54.5%	55.0%	110 bps	160 bps
Wholesale Banking					
Cash earnings ($m)	**393**	302	403	30.1%	(2.5%)
Return on Risk-weighted assets	**2.28%**	1.83%	2.49%	45 bps	(21 bps)
Net operating income ($m)	**997**	895	1,033	11.4%	(3.5%)
Cost to income ratio	**45.7%**	52.2%	43.3%	650 bps	(240 bps)
MLC & NAB Wealth					
Cash earnings before IoRE and non-controlling interest ($m)	**270**	285	264	(5.3%)	2.3%
Investment operating expenses to average FUM	**62 bps**	68 bps	69 bps	6 bps	7 bps
Insurance cost to average inforce premium	**17%**	17%	21%	-	400 bps
NZ Banking (NZD)					
Cash earnings ($NZm)	**283**	269	255	5.2%	11.0%
Cash earnings on average assets	**0.98%**	0.93%	0.88%	5 bps	10 bps
Net interest margin	**2.24%**	2.24%	2.08%	-	16 bps
Net operating income ($NZm)	**865**	861	814	0.5%	6.3%
Cost to income ratio	**42.7%**	42.6%	44.8%	(10 bps)	210 bps
UK Banking (£)					
Cash earnings (£m)	**77**	57	61	35.1%	26.2%
Cash earnings on average assets	**0.34%**	0.25%	0.28%	9 bps	6 bps
Net interest margin	**2.33%**	2.28%	2.40%	5 bps	(7 bps)
Net operating income (£m)	**615**	606	617	1.5%	(0.3%)
Cost to income ratio	**59.0%**	59.2%	57.2%	20 bps	(180 bps)
Specialised Group Assets					
Cash earnings ($m)	**77**	(45)	(217)	large	large
Net operating income ($m)	**139**	18	(108)	large	large
Great Western Bank (USD)					
Cash earnings ($USm)	**47**	37	30	27.0%	56.7%
Cash earnings on average assets [(1)]	**1.22%**	1.09%	1.28%	13 bps	(6 bps)
Net interest margin	**4.38%**	3.99%	4.06%	39 bps	32 bps
Net operating income ($USm)	**193**	168	118	14.9%	63.6%
Cost to income ratio	**46.6%**	49.4%	45.8%	280 bps	(80 bps)

(1) *Average assets exclude goodwill.*

Section 3

Review of Operating Environment, Group Operations and Results

Review of Group Operating Environment

During the last six months the global economy has maintained a growth momentum despite the large number of shocks it has had to weather. Key economic indicators show that, after experiencing a softer patch through 2010, the pace of global economic expansion picked up quite strongly towards the end of last year. Global business surveys showed greater confidence, growth in industrial output and world trade accelerated.

As a result, global economic growth reached around 5% in 2010 - a very strong outcome by historical standards - and it is expected to remain at over 4% during 2011. Overall, this is a surprisingly strong performance by the global economy given the headwinds it has faced: the ongoing sovereign debt problems in the Euro-zone periphery; higher oil prices resulting from political upheaval in the Middle East; and the natural disaster and nuclear accident in Japan.

However, there are clear differences in the pace of expansion between the major economic regions of the world. There was some redistribution of global economic growth over the period, as the pace of expansion slowed somewhat in the big emerging market economies of China and India. In addition, the previously exceptional growth rates of the "Tiger" economies of East Asia also eased over the period. The big developed economies, conversely, increased their contribution to global expansion during the closing months of 2010. The pace of economic growth in the US accelerated markedly through last year and many of the indicators for the early months of the current year remain positive. Over the same period, the economic upturn in the core Euro-zone economies was remarkably strong, particularly in Germany.

Australian Economy

Within this overall context of a continuing recovery in the global economy, the business environments across the Group's key markets now vary quite markedly. Australia is the stand-out performer with the mining boom supporting higher investment spending, national income and employment. This should gradually create more robust credit growth.

In the short-term, Australian economic growth will be affected by the adverse effects of the Queensland floods. After that, production growth should be above average, with economic growth expected to accelerate from 2.5% in 2011 to 3.75% in 2012. An upturn in business investment, especially in mining, should stimulate broader economic activity. Mineral commodity prices have already driven the country's terms of trade to levels last seen during the 1950s Korean War wool boom. However, with commodity prices and the Australian dollar expected to remain high by historical standards, the competitive pressure on sectors like manufacturing and tourism looks set to persist.

UK Economy

Conditions in the UK are more subdued, with slower GDP growth, higher unemployment and much softer credit growth as the economy undergoes a protracted re-balancing in output. Trading conditions remain difficult in the UK with output essentially flat in the six months to March 2011 and severe weather conditions reducing activity over the winter. The UK economy still faces the prospect of eventual interest rate increases and tough austerity measures stemming from the budget, but private sector activity still looks more buoyant than the headline GDP numbers suggest. Trading conditions differ greatly between sectors. The housing market and retail spending are weak, with household disposable incomes under pressure. Savings volumes have also risen and there is constrained appetite for new borrowing.

The UK Government's economic strategy is to re-balance the economy away from consumer and public spending toward exports and business investment, assisted by a combination of cuts in public spending and a competitive Sterling exchange rate. The structural changes required in the UK economy will take years to achieve, holding down the pace of growth in domestic demand and credit for some time. There has been some progress, with exports rising, but business investment has been slow to respond through 2010. We expect UK growth to remain weak through 2011 as austerity measures take effect, with GDP growth of 1.8% followed by growth of 2.2% in 2012.

New Zealand Economy

Conditions in New Zealand lie somewhere between Australia and the UK, with a combination of high commodity prices supporting exporter income (as in Australia) but ongoing softness in spending and housing (as in the UK). Economic growth has been modest recently, with trading conditions varying greatly between different industries. New Zealand export commodity prices are very strong, having risen by over 20% in the last six months, boosting export earnings and taking the terms of trade to their highest level since the early 1970s boom. Much of this price surge reflects higher prices for dairy products but there have been solid increases elsewhere.

At the same time, domestic demand is still soft with a weak housing market and consumer spending being held back by a necessary rebuilding of household savings and sluggish credit growth. GDP growth this year will be heavily influenced by one-off events (such as the Christchurch earthquake and the Rugby World Cup) and despite some weak recent business survey readings, GDP growth is still expected to be 1.4% in 2011 and 3.6% in 2012.

Credit Growth

System credit growth rates remain well below pre-crisis levels across all of the large developed economies and this situation looks likely to persist. Differences in economic environments are reflected in banking systems across the Group's key markets and there are notable differences in the rate of credit growth between those markets. Australian system credit has generally remained stronger, reflecting the more buoyant national housing market, but business credit has been surprisingly slow to grow despite sustained growth in economic activity. Trends in the UK and New Zealand have been less favourable, reflecting weaker credit demand as their business sectors de-leverage and housing markets stay soft. The stock of US commercial bank lending is still declining as lending to households falls. However, business credit in the US is now rising slowly after previously experiencing a sizeable drop.

Asset Quality

Trends in the performance of system asset quality across key markets follow a similar geographic pattern. Australia has seen the best asset quality outcomes among key Group markets, with a system impaired loan ratio of just over 1% in late 2010. While above the 20 basis points seen prior to the crisis, it is far below the level seen in the early 1990s recession. The reduction in the inflow of newly impaired assets into Australian banks in late 2010 and the drop in the stock of all impaired assets both point to an improvement in the system credit quality through the course of 2010.

System credit quality elsewhere is generally weaker. Business credit quality has worsened in the UK but given the magnitude of its recession, the deterioration has not been as bad as expected and far better than the bad debt levels of the early 1990s. Bank write-off ratios for corporate lending have risen and the corporate insolvency rate has climbed slightly but both have remained well below the peaks seen in that recession. System mortgage lending write-offs have stayed remarkably low given the scale of the downturn in the UK housing market but system unsecured credit quality has deteriorated significantly since 2007.

Asset quality has also deteriorated in New Zealand with the system impaired loan ratio rising from around 20 basis points in 2007 to around 150 basis points in mid-2010. The quarterly bank reporting returns point to a further small rise in bad debt ratios continuing into the latter half of the year. As in Australia, however, the impaired loan ratio falls well short of the early 1990s experience.

The US has seen by far the worst asset quality with the bank loan delinquency ratio standing well above the level seen in the last recession, which mainly reflects the 10% delinquency ratio recorded for home mortgages. With unemployment likely to remain high in the US for some years and the housing market still weak, system bad debt ratios look set to remain high.

Outlook

These variations in the buoyancy of economic conditions are reflected in the contrasting business environments facing business units across the Group's key markets. The Australian economy is exceptionally well placed in the current and prospective growth environment, while New Zealand should also benefit substantially from solid growth in its regional trading partners. The UK and US economies face greater challenges as their economic growth models shift toward a greater reliance on exports and business investment and away from household consumption and housing construction.

Review of Group Operations and Results

Mark Joiner

Group Results

	Half Year to				
	Mar 11 $m	**Sep 10 $m**	**Mar 10 $m**	**Mar 11 v Sep 10 %**	**Mar 11 v Mar 10 %**
Net interest income	**6,304**	6,174	6,114	2.1	3.1
Other operating income	**1,725**	1,463	1,375	17.9	25.5
MLC net operating income	**770**	764	748	0.8	2.9
Net operating income	**8,799**	8,401	8,237	4.7	6.8
Operating expenses	**(3,991)**	(4,001)	(3,861)	0.2	(3.4)
Underlying profit	**4,808**	4,400	4,376	9.3	9.9
Charge to provide for bad and doubtful debts	**(988)**	(1,033)	(1,230)	4.4	19.7
Cash earnings before tax, IoRE, distributions and non-controlling interest	**3,820**	3,367	3,146	13.5	21.4
Income tax expense	**(1,066)**	(893)	(884)	(19.4)	(20.6)
Cash earnings before IoRE, distributions and non-controlling interest	**2,754**	2,474	2,262	11.3	21.8
Net profit - non-controlling interest	**(1)**	-	(1)	large	-
IoRE	**29**	26	35	11.5	(17.1)
Distributions	**(114)**	(112)	(103)	(1.8)	(10.7)
Cash earnings	**2,668**	2,388	2,193	11.7	21.7
Non-cash earnings items (after tax):					
Distributions	**114**	112	103	1.8	10.7
Treasury shares	**(41)**	39	67	large	large
Fair value and hedge ineffectiveness	**(327)**	(132)	(221)	large	(48.0)
IoRE discount rate variation	**(22)**	43	(9)	large	large
Efficiency, quality and service initiatives (EQS)	**-**	(170)	(67)	large	large
Litigation expense	**-**	(12)	-	large	-
Property revaluation	**-**	(4)	-	large	-
Provision for tax NZ structured finance transactions	**-**	-	128	-	large
MLC reinsurance dispute	**-**	(1)	(35)	large	large
Refund of tax on exchangeable capital units (ExCaps) settlement	**142**	-	-	large	large
Amortisation of acquired intangible assets	**(41)**	(43)	(30)	4.7	(36.7)
Due diligence, acquisition and integration costs	**(65)**	(91)	(34)	28.6	(91.2)
Net profit attributable to owners of the Company	**2,428**	2,129	2,095	14.0	15.9

Cash Earnings [(1)]

(1) *At constant exchange rates.*

* *Corporate Functions and Other includes Group Funding, Group Business Services, other supporting units and Asia Banking.*

Group Results

Financial Analysis

March 2011 v March 2010

Cash earnings increased by $475 million or 21.7%. Excluding foreign exchange movements and Specialised Groups Assets (SGA), cash earnings increased by $219 million or 9.1% reflecting strong performances by Business Banking and Personal Banking. SGA increased $292 million (excluding foreign exchange movements) largely due to mark-to-market gains on the SCDO portfolio and lower bad and doubtful debt charges.

Net interest income increased by $190 million or 3.1%. Excluding foreign exchange movements, SGA and Wholesale Banking, net interest income increased $445 million or 8.3%. This reflects the repricing of Business Banking's lending portfolio to align with current market conditions, plus strong mortgage volume growth in Personal Banking. The full half year contribution of TierOne assets and F&M Bank in the US also contributed to the increase. This was partly offset by higher funding costs as the term funding portfolio continued to mature and was replaced at a higher cost over benchmark rates. Further, there were continued competitive pressures on deposit margins. SGA decreased $35 million or 33.3% (excluding foreign exchange movements) primarily due to lower lending volumes as facilities were repaid. Wholesale Banking decreased $76 million or 12.3% (excluding foreign exchange movements) due to reduced sub-benchmark funding opportunities (partly offset by gains on economically hedged positions in other operating income below).

Other operating income increased by $350 million or 25.5%. Excluding foreign exchange movements, SGA and Wholesale Banking, other operating income increased by $42 million or 3.6%. Business Banking fee income was a key contributor to this increase. SGA increased $287 million (excluding foreign exchange movements) primarily due to mark-to-market gains on the SCDO portfolio. Wholesale Banking increased $66 million or 15.8% (excluding foreign exchange rate movements), which includes movements in economically hedged positions offsetting the net interest income decline above. Overall, Wholesale Banking net operating income is down $10 million (excluding foreign exchange) compared to the March 2010 half year.

MLC net operating income increased by $22 million or 2.9%, driven primarily by an increase in funds under management and an uplift in annual inforce premiums.

Operating expenses increased by $130 million or 3.4%. Excluding foreign exchange movements, operating expenses increased by $228 million or 5.9%. This uplift is primarily associated with increasing frontline FTEs to deliver on business strategies and improve the customer experience. In addition, there was a full half year impact for acquisitions made in 2010.

The Group's **banking cost to income ratio** improved by 160 basis points to 43.9%, primarily due to improved performances in Business Banking and Personal Banking, combined with mark-to-market gains in SGA.

The **charge to provide for bad and doubtful debts** decreased by $242 million or 19.7%. Excluding foreign exchange movements and SGA, the charge to provide for bad and doubtful debts decreased by $60 million or 5.7%. This was driven by lower underlying charges in Personal Banking and UK Banking as economic conditions improved, partially offset by a central charge for the Queensland and Victorian flood events. SGA charge decreased $148 million or 85.5% (excluding foreign exchange movements) as economic conditions stabilised and facilities were repaid.

March 2011 v September 2010

Cash earnings increased by $280 million or 11.7%. Excluding foreign exchange movements and SGA, cash earnings increased by $192 million or 7.9% due to improved revenues in Business Banking as repricing was undertaken to reflect current market conditions and improved revenues from Wholesale Banking's Global Markets business. SGA increased $121 million (excluding foreign exchange movements) due to both mark-to-market gains on the SCDO portfolio and lower bad and doubtful debt charges.

Net interest income increased by $130 million or 2.1%. Excluding foreign exchange movements, SGA and Wholesale Banking, net interest income increased $288 million or 5.2%. This was largely driven by repricing in Business Banking for current market conditions and increased mortgage volumes in Personal Banking. SGA decreased $4 million or 5.5% (excluding foreign exchange movements) as the portfolio continues to run-down. Wholesale Banking decreased $37 million or 6.5% (excluding foreign exchange movements) due to reduced sub-benchmark funding opportunities (partly offset by gains on economically hedged positions in other operating income).

Other operating income increased by $262 million or 17.9%. Excluding foreign exchange movements, SGA and Wholesale Banking, other operating income increased by $11 million or 0.9%. SGA increased $128 million (excluding foreign exchange movements) primarily due to mark-to-market gains on the SCDO portfolio. Wholesale Banking increased $159 million or 49.4% (excluding foreign exchange movements) in part due to economically hedged positions offsetting the lower net interest income above. Overall, Wholesale Banking net operating income increased by $122 million (excluding foreign exchange) largely due to improved revenues in Global Markets.

MLC net operating income increased by $6 million or 0.8%, as a result of an increase in average inforce premiums, partially offset by unfavourable claims experience and a change in business mix.

Operating expenses decreased by $10 million or 0.2%. Excluding foreign exchange movements, operating expenses increased by $67 million or 1.7%. All businesses have maintained a cost focus within normal business activities, whilst increasing frontline FTEs to deliver on business strategies and improve the customer experience.

The Group's **banking cost to income ratio** improved by 230 basis points to 43.9%, primarily due to improved performances in Business Banking and Personal Banking, more favourable conditions in Wholesale Banking and mark-to-market gains in SGA.

The **charge to provide for bad and doubtful debts** decreased by $45 million or 4.4%. Excluding foreign exchange movements and SGA, the charge to provide for bad and doubtful debts increased by $50 million or 5.3%. This was largely driven by a central overlay for the Queensland and Victorian flood events, together with the impact of the batch processing incident that occurred in November 2010 and seasonality experienced in Personal Banking post-Christmas. These increases were partially offset by lower charges in Business Banking and Wholesale Banking. SGA decreased $71 million or 74.7% (excluding foreign exchange movements) arising from lower collective provisioning as volumes were run-down and economic conditions stabilised.

Impact of Foreign Exchange Rates Movements

Excluding foreign exchange rate movements, cash earnings increased by $511 million or 23.3% on the March 2010 half year and increased by $313 million or 13.1% on the September 2010 half year. Foreign exchange movements have had an adverse affect on both the March 2010 half year ($36 million) and the September 2010 half year ($33 million) result.

See page 163 to 164 for the March 2010 half year and September 2010 half year divisional performance summaries excluding foreign exchange rate movements.

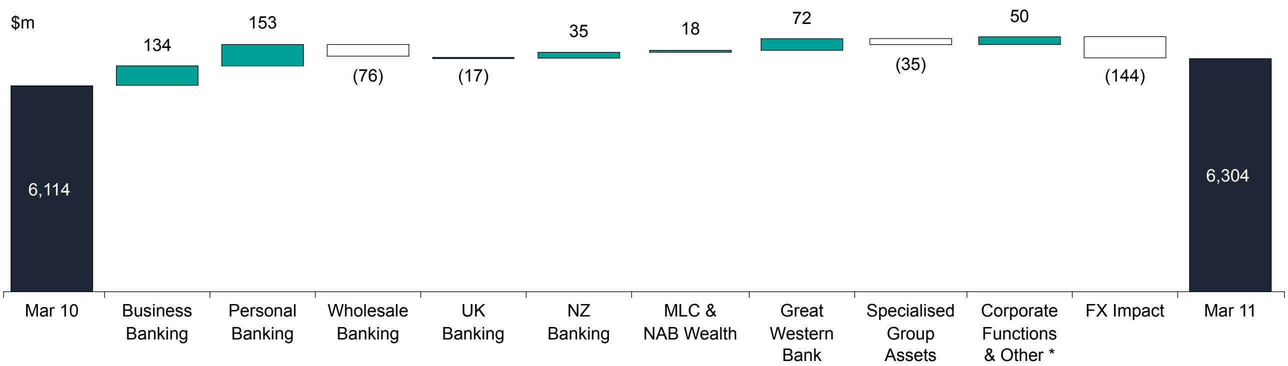
Net Interest Income

	Half Year to				
	Mar 11	**Sep 10**	**Mar 10**	**Mar 11 v Sep 10**	**Mar 11 v Mar 10**
Net interest income ($m)	**6,304**	6,174	6,114	2.1%	3.1%
Average interest earning assets ($bn)	**566.6**	549.8	543.4	3.1%	4.3%
Net interest margin (%)	**2.23**	2.24	2.26	(1 bps)	(3 bps)

Composition of Net Interest Income					
Banking	**5,717**	5,528	5,393	3.4%	6.0%
Wholesale Banking	**522**	573	616	(8.9%)	(15.3%)
Specialised Group Assets	**65**	73	105	(11.0%)	(38.1%)
Net interest income	**6,304**	6,174	6,114	2.1%	3.1%

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

Net Interest Income - Contribution to Net Increase [(1)]



(1) *At constant exchange rates.*

** Corporate Functions and Other includes Group Funding, Group Business Services, other supporting units and Asia Banking.*

March 2011 v March 2010

Net interest income increased by $190 million or 3.1% ($334 million or 5.5% excluding foreign exchange).

Banking net interest income increased by $324 million or 6.0% ($445 million or 8.3% excluding foreign exchange). The key contributing factors were:

- Repricing of the lending portfolio for current market conditions primarily in Business Banking, Personal Banking and NZ Banking.
- Housing lending growth in Business Banking and Personal Banking.
- Higher net interest income in Great Western Bank primarily driven by the acquisition of TierOne assets in June 2010.
- Benefit derived from a stronger capital position retained centrally, together with interest arising from the ExCaps settlement.

The increase was partially offset by:

- Increase in term funding costs of $155 million to $669 million for the half year ended March 2011.
- Higher deposit costs from increased competition for deposits.

Wholesale Banking's net interest income decreased by $76 million or 12.3% excluding foreign exchange. The decrease was due to lower levels of market volatility and reduced sub-benchmark funding opportunities (partially offset by gains on economically hedged positions included in other operating income).

Specialised Group Assets' net interest income decreased by $35 million or 33.3% excluding foreign exchange. This was mainly due to the run-down of the lending portfolio.

March 2011 v September 2010

Net interest income increased by $130 million or 2.1% over the half ($247 million or 4.0% excluding foreign exchange).

Banking net interest income increased by $189 million or 3.4% ($288 million or 5.2% excluding foreign exchange). The increase was mainly attributable to:

- Repricing for current market conditions in Business Banking and Personal Banking together with continued housing lending growth in both these businesses.
- Excluding foreign exchange movements, there was an increase in the net interest income in UK Banking. The increase reflects repricing of the lending portfolio for current market conditions.

Wholesale Banking's net interest income decreased by $37 million or 6.5% excluding foreign exchange. The decrease was due to lower levels of market volatility and reduced sub-benchmark funding opportunities (partially offset by gains on economically hedged positions included in other operating income).

Specialised Group Assets' net interest income decreased by $4 million or 5.5% excluding foreign exchange resulting from the run-down of the lending portfolio.

Average Interest Earning Assets

	Half Year to				
	Mar 11 $m	**Sep 10 $m**	**Mar 10 $m**	**Mar 11 v Sep 10 %**	**Mar 11 v Mar 10 %**
Loans and advances - housing	**230,921**	218,730	207,408	5.6	11.3
Loans and advances - non-housing	**172,606**	172,828	171,672	(0.1)	0.5
Acceptances	**48,046**	51,665	54,249	(7.0)	(11.4)
Due from other banks	**42,177**	36,341	43,995	16.1	(4.1)
Marketable debt securities	**56,420**	50,480	45,774	11.8	23.3
Other interest earning assets	**16,454**	19,764	20,262	(16.7)	(18.8)
Total average interest earning assets	**566,624**	549,808	543,360	3.1	4.3

March 2011 v March 2010

Average interest earning assets increased by $23.3 billion or 4.3% on the March 2010 half year. Excluding foreign exchange, average interest earning assets increased by $38.5 billion or 7.3%, driven by continuing momentum in housing lending. Non-housing lending including acceptances remained steady, given subdued business conditions in the Group's key markets.

Housing lending increased by $26.5 billion or 13.0%, excluding foreign exchange, mainly due to:

- Ongoing momentum in Personal Banking, Business Banking and MLC & NAB Wealth, growing $24.6 billion or 15.1% across these three Australian franchises.
- An increase of $0.8 billion or 4.0% in UK Banking due to improved sales in the Retail business resulting in 8x system growth over the period (Source: Bank of England - February 2011).
- An increase of $0.7 billion or 3.4% in NZ Banking. Whilst system growth in housing lending remained subdued, the business increased its market share by 30 basis points to 16.0%.

Non-housing lending and **acceptances** increased by $0.8 billion or 0.3%, excluding foreign exchange. This was mainly due to:

- An increase of $2.2 billion or 1.7% in Business Banking through the delivery of its strategy. The SME and specialised business segments were key contributors to this growth. This resulted in 300 basis points growth in market share.
- An increase of $1.4 billion or 42.3% in Great Western Bank, reflecting growth through acquisition.
- A decline of $1.2 billion or 3.8% in UK Banking due to subdued demand for credit and a focus on managing down exposure to commercial property. Despite this reduction, UK Banking business lending outperformed the market which contracted by 6.3% (Source: Bank of England - December 2010).
- A decline of $1.9 billion or 25.2% in Specialised Group Assets (SGA) due to the repayment and reduction of loans as the business is being managed down.

Due from other banks, **marketable debt securities** and **other interest earning assets** increased in total by $11.2 billion or 10.7%, excluding foreign exchange. This was mainly to increase liquidity holdings and shorter dated maturities to support the Group's balance sheet requirements.

March 2011 v September 2010

Average interest earning assets increased by $16.8 billion or 3.1% on the September 2010 half year. Excluding foreign exchange, volumes increased by $28.0 billion or 5.2%. This increase was mainly due to:

- An increase of $14.6 billion or 6.7% in **housing lending**, excluding foreign exchange, principally due to continued momentum in the Australian business. In addition, there was increased housing lending in UK Banking, and modest growth in NZ Banking in-line with system (Source: RBNZ - February 2011).
- **Non-housing lending** and **acceptances** was steady on the September 2010 half year, reflecting growth in Business Banking and Wholesale Banking, partly offset by declines in SGA and UK Banking. Growth in Business Banking reflected an increase in lending to the SME and specialised business segments, largely offset by a decline in institutional lending. Growth in Wholesale Banking reflected an increase in warehouse facilities in the Global Capital Markets business. The decline in SGA was due to the managing down of the business. The decline in UK Banking reflected subdued market conditions which has resulted in reduced customer demand for credit and a focus on managing down commercial property exposure. Despite this reduction, UK Banking business lending outperformed the market which contracted by 4.4% (Source: Bank of England - December 2010).
- The total for **due from other banks, marketable debt securities** and **other interest earning assets** increased by $12.7 billion or 12.4% in shorter dated maturities to support the Group's balance sheet requirements.

Average Interest Bearing Liabilities

	Half Year to				
	Mar 11 $m	Sep 10 $m	Mar 10 $m	Mar 11 v Sep 10 %	Mar 11 v Mar 10 %
Retail deposits [(1)]	**216,271**	208,435	200,753	3.8	7.7
Non-retail deposits and other borrowings	**135,863**	135,741	145,453	0.1	(6.6)
Due to other banks	**36,109**	39,893	37,041	(9.5)	(2.5)
Liability on acceptances	**12,710**	14,518	16,326	(12.5)	(22.1)
Bonds, notes and subordinated debt	**103,921**	97,914	93,452	6.1	11.2
Other interest-bearing liabilities	**2,050**	2,681	2,773	(23.5)	(26.1)
Total average interest bearing liabilities	**506,924**	499,182	495,798	1.6	2.2

[(1)] *Retail deposits exclude deposits not bearing interest.*

March 2011 v March 2010

Average interest bearing liabilities increased by $11.1 billion or 2.2% on the March 2010 half year. Excluding foreign exchange, average interest bearing liabilities increased by $25.8 billion or 5.4%. This movement was driven by the Group's emphasis on growing its customer deposit base with a focus on quality and sustainability.

Retail deposits increased by $20.4 billion or 10.4%, excluding foreign exchange, mainly due to:

- An increase of $7.2 billion or 13.4% in Personal Banking due to strong growth in UBank and solid growth in the proprietary network.
- An increase of $6.0 billion or 8.3% in Business Banking in-line with a strategic priority to grow deposits.
- An increase of $2.4 billion or 68.0% in Great Western Bank reflecting growth through acquisition.
- An increase of $1.9 billion or 9.5% in NZ Banking.
- An increase of $1.2 billion or 27.3% in Asia Banking due to strong growth in term deposit products.
- An increase of $1.1 billion or 3.3% in UK Banking reflecting a strong level of customer funding.

Non-retail deposits and other borrowings declined by $3.0 billion or 2.2%, excluding foreign exchange, mainly due to:

- A decline of $1.4 billion or 1.2% in Wholesale Banking, reflecting lower wholesale funding requirements as a result of successful deposit raisings across the Group.
- A reduction of $1.2 billion or 79.7% in SGA due to a run-down of the business.

Bonds, notes and subordinated debt increased by $11.6 billion or 12.5%, excluding foreign exchange, due to new issuances to support the growth in lending.

Liability on acceptances declined by $3.6 billion or 22.1%, excluding foreign exchange, mainly due to a decline in acceptance assets.

March 2011 v September 2010

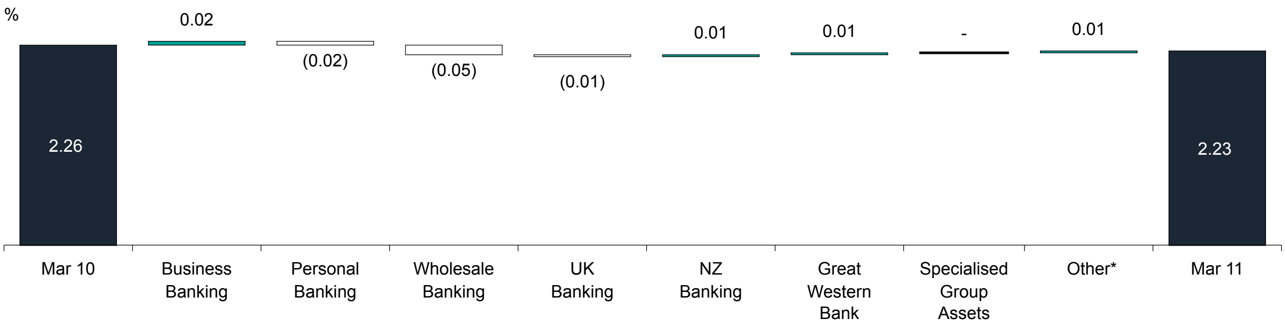
Average interest bearing liabilities increased by $7.7 billion or 1.6% on September 2010. Excluding foreign exchange, average interest bearing liabilities increased by $18.6 billion or 3.8% and was mainly attributed to:

- An increase of $11.7 billion or 5.7% in **retail deposits**, excluding foreign exchange, in-line with the strategy to grow customer deposits. The increase in deposits was mainly due to growth in Personal Banking, Business Banking and NZ Banking. Personal Banking's deposit base increased by $5.0 billion or 9.1% and this was due to the continued momentum in UBank, underpinned by solid growth in NAB Retail's iSaver product. Deposits in Business Banking rose by $5.0 billion or 6.9%. NZ Banking's deposit base grew by $1.1 billion or 5.3% due to a similar strategic focus.
- An increase of $4.7 billion or 3.6% in **non-retail deposits and other borrowings**, excluding foreign exchange, reflecting higher customer deposits in-line with the Group's strategy and an increase in certificates of deposit to fund business needs. The increase in non-retail deposits and other borrowings was mainly due to growth of $8.2 billion or 7.7% in Wholesale Banking partly offset by declines in other NAB businesses.
- A decline of $2.5 billion or 6.4% in **due to other banks,** excluding foreign exchange. This decline was mainly in wholesale deposits due to other banks and reflected the Group's strategic focus to raise customer deposits.
- A decline of $1.8 billion or 12.4% in **liability on acceptances**, excluding foreign exchange, mainly due to the reduction in acceptance assets.
- An increase of $6.9 billion or 7.1% in **bonds, notes and subordinated debt**, excluding foreign exchange, mainly as a result of debt issuances to support the growth in lending.

Net Interest Margin

	Half Year to				
	Mar 11 %	**Sep 10 %**	**Mar 10 %**	**Mar 11 v Sep 10**	**Mar 11 v Mar 10**
Business Banking	**2.57**	2.50	2.51	7 bps	6 bps
Personal Banking	**2.22**	2.28	2.34	(6 bps)	(12 bps)
NZ Banking	**2.24**	2.24	2.08	0 bps	16 bps
UK Banking	**2.33**	2.28	2.40	5 bps	(7 bps)
Great Western Bank	**4.38**	3.99	4.06	39 bps	32 bps
Group net interest margin	**2.23**	2.24	2.26	(1 bps)	(3 bps)

Net interest margin



* *Includes MLC & NAB Wealth, Group Funding and other supporting units.*

March 2011 v March 2010

The Group's **net interest margin** decreased by 3 basis points against the March 2010 half year. Key contributions to the Group net interest margin movements were:

- A 2 basis point increase from Business Banking, attributable to repricing of the lending portfolio to reflect current market conditions, partly offset by an increase in funding and deposit costs.
- A 2 basis point decrease from Personal Banking, reflective of changes in the product mix with strong growth in housing lending and deposit volumes.
- A 5 basis point decrease from Wholesale Banking reflective of lower levels of market volatility and reduced sub-benchmark funding opportunities (partially offset by gains on economically hedged positions).
- A 1 basis point decrease from UK Banking driven by lower deposit margins and lower earnings on capital.
- A 1 basis point increase from NZ Banking driven by a favourable lending product mix as a result of the growth in variable rate mortgage products and repricing of the lending portfolio for current market conditions.
- A 1 basis point increase from Great Western Bank resulting from an uplift in the value of the TierOne loan portfolio, reflecting increases in the value of the future cash flows arising from the acquired loan portfolio.

March 2011 v September 2010

The Group's **net interest margin** has decreased by 1 basis point over the September 2010 half year. Key contributions to the Group net interest margin movements were:

- A 2 basis point increase from Business Banking, reflective of repricing for current market conditions.
- A 1 basis point decrease from Personal Banking, due to a change in product mix with strong growth in housing lending and deposit volumes.
- A 5 basis point decrease from Wholesale Banking reflective of lower levels of market volatility and reduced sub-benchmark funding opportunities (partially offset by gains on economically hedged positions).
- A 1 basis point increase from UK Banking attributable to increased lending margins, partially offset by lower earnings on capital.
- A 1 basis point increase from Great Western Bank resulting from an uplift in the value of the TierOne loan portfolio, reflecting increases in the value of the future cash flows arising from the acquired loan portfolio.
- A 1 basis point increase from SGA resulting from the run-down of the lending portfolio.

Other Operating Income

	Half Year to				
	Mar 11 $m	Sep 10 $m	Mar 10 $m	Mar 11 v Sep 10 %	Mar 11 v Mar 10 %
Fees and commissions	1,285	1,284	1,303	0.1	(1.4)
Trading income	341	100	-	large	large
Other	99	79	72	25.3	37.5
Other operating income	1,725	1,463	1,375	17.9	25.5
Composition of Trading Income (1)					
Wholesale Banking	289	172	251	68.0	15.1
Specialised Group Assets	65	(69)	(230)	large	large
Group Treasury	(51)	(39)	(57)	(30.8)	10.5
Other	38	36	36	5.6	5.6
Trading income	341	100	-	large	large

(1) *Excluding internal funding transactions.*

Other Operating Income - Contribution to Net Increase (1)

(1) *At constant exchange rates.*

* *Corporate Functions and Other includes Group Funding, Group Business Services, other supporting units and Asia Banking.*

March 2011 v March 2010

Other operating income increased by $350 million or 25.5% ($395 million or 28.7% excluding foreign exchange) from March 2010.

Fees and commissions decreased by $18 million or 1.4% and increased by $19 million or 1.5% excluding foreign exchange. This increase is mainly due to higher insurance profit share income in the UK, higher credit card related income and increased sales of commodities and derivatives, partially offset by the removal of fees and charges as part of the Fair Value initiatives.

Trading income increased by $341 million ($349 million excluding foreign exchange).

Wholesale Banking's contribution to trading income increased by $38 million or 15.1% ($41 million or 16.2% excluding foreign exchange). This increase includes improvements in economically hedged positions (which is largely negated by lower net interest income) partially offset by reduced derivative income from lower levels of market volatility.

Specialised Group Assets' contribution increased by $295 million ($294 million excluding foreign exchange) largely reflected favourable movement on SCDO risk mitigation trades.

Other income increased by $27 million or 37.5% ($27 million or 37.5% excluding foreign exchange) contributed by the profit on sale of investments.

March 2011 v September 2010

Other operating income increased by $262 million or 17.9% ($298 million or 20.4% excluding foreign exchange) from September 2010.

Fees and commissions increased by $1 million or 0.1% and $30 million or 2.4% excluding foreign exchange. This increase was largely related to higher sales of commodities and derivatives.

Trading income increased by $241 million ($247 million excluding foreign exchange).

Wholesale Banking's contribution to trading income increased by $117 million or 68.0% ($118 million or 68.6% excluding foreign exchange). This increase includes improvements in economically hedged positions (which is largely negated by lower net interest income) together with favourable positioning.

Specialised Group Assets' contribution increased by $134 million ($133 million excluding foreign exchange). The increase was mainly due to favourable movement on SCDO risk mitigation trades.

Other income increased by $20 million or 25.3% ($21 million or 26.6% excluding foreign exchange) contributed by the profit on sale of investments.

MLC Net Operating Income

	Half Year to				
	Mar 11 $m	Sep 10 $m	Mar 10 $m	Mar 11 v Sep 10 %	Mar 11 v Mar 10 %
Investments net operating income	**501**	514	494	(2.5)	1.4
Insurance net operating income	**269**	250	254	7.6	5.9
MLC net operating income	**770**	764	748	0.8	2.9

March 2011 v March 2010

Investments net operating income increased by $7 million or 1.4% against March 2010. The primary driver of this underlying increase is the growth in funds under management, partly offset by changes in business mix towards lower margin wholesale business.

Funds under management increased by $7.7 billion or 6.8% over the year to March 2011, driven by investment earnings of $4.5 billion following an improvement in investment market returns during the March 2011 half year, as well as net inflows of $2.1 billion primarily as a result of increased wholesale business.

Insurance net operating income increased by $15 million or 5.9%, largely driven by an increase in average inforce premiums and improved earnings on assets backing the insurance portfolio, partly offset by unfavourable claims experience on individual disability and lump sum products.

March 2011 v September 2010

Investments net operating income decreased by $13 million or 2.5% against September 2010 driven mainly by changes in business mix.

Funds under management increased by $5.9 billion or 5.0% over the March 2011 half year, driven largely by investment earnings of $5.8 billion following an improvement in investment market returns.

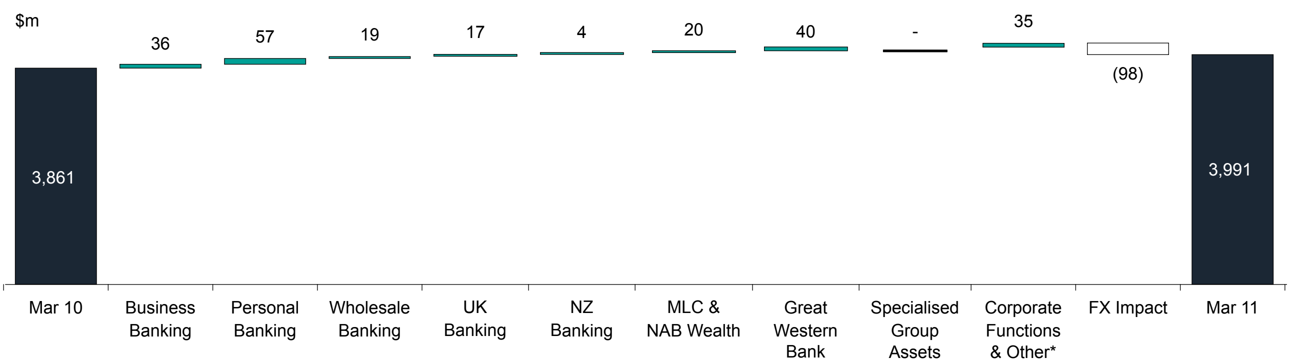
Insurance net operating income increased by $19 million or 7.6% due to an increase in average inforce premiums and changes in business mix, partly offset by unfavourable claims experience on group and individual disability products.

Operating Expenses

	Half Year to				
	Mar 11 $m	Sep 10 $m	Mar 10 $m	Mar 11 v Sep 10 %	Mar 11 v Mar 10 %
Personnel expenses	**2,058**	2,041	1,955	(0.8)	(5.3)
Occupancy related expenses	**367**	328	367	(11.9)	-
General expenses	**1,078**	1,129	1,055	4.5	(2.2)
MLC operating expenses [(1)]	**488**	503	484	3.0	(0.8)
Total operating expenses	**3,991**	4,001	3,861	0.2	(3.4)

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

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



[(1)] *At constant exchange rates.*

** Corporate Functions and Other includes Group Funding, Group Business Services, other supporting units and Asia Banking.*

March 2011 v March 2010

Operating expenses increased by $130 million or 3.4% against the March 2010 half year ($228 million or 5.9% excluding foreign exchange). The Group continues to closely manage expenses whilst supporting sustainable business growth.

Personnel expenses increased by $103 million or 5.3% (increased $154 million or 7.9% excluding foreign exchange). This was primarily due to additional resources mainly in frontline roles and on key strategic projects including the Next Generation Banking IT Platform (NGP).

Occupancy related expenses remained flat (increased $12 million or 3.3% excluding foreign exchange), with new distribution outlets in Personal Banking being a key driver.

General expenses increased by $23 million or 2.2% ($58 million or 5.5% excluding foreign exchange) mainly due to continued investment in the business on key strategic projects.

MLC operating expenses increased by $4 million or 0.8% mainly due to inclusion of a full half year of JBWere expenses and investment in growth initiatives. This was partially offset by cost synergies from the integration of the Aviva business.

March 2011 v September 2010

Operating expenses decreased by $10 million or 0.2% against September 2010 (increased by $67 million or 1.7% excluding foreign exchange), as expenses were tightly managed.

Personnel expenses increased by $17 million or 0.8% ($58 million or 2.8% excluding foreign exchange), primarily due to continued investment in frontline staff.

Occupancy related expenses increased by $39 million or 11.9% ($48 million or 14.6% excluding foreign exchange), with new distribution outlets in Personal Banking being a key driver.

General expenses decreased by $51 million or 4.5% ($24 million or 2.1% excluding foreign exchange), mainly due to a continued focus on strong expense control across the Group.

MLC operating expenses decreased by $15 million or 3.0% mainly due to an ongoing focus on discretionary cost control, the seasonality of superannuation activities and cost synergies from the integration of the Aviva business.

Taxation

	Half Year to				
	Mar 11	Sep 10	Mar 10	Mar 11 v Sep 10	Mar 11 v Mar 10
Income tax expense ($m)	**1,066**	893	884	(19.4%)	(20.6%)
Effective tax rate (%)	**27.9**	26.5	28.1	(140 bps)	20 bps

March 2011 v March 2010

Income tax expense for the March 2011 half year was $182 million or 20.6% higher than the March 2010 half year, mainly due to an increase in cash earnings before tax. Excluding foreign exchange rate movements, the income tax expense for the half year was $197 million or 22.3% higher than the March 2010 half year.

The **effective income tax rate** for the March 2011 half year of 27.9% is comparable to the effective income tax rate of the March 2010 half year of 28.1%.

March 2011 v September 2010

Income tax expense for the March 2011 half year was $173 million or 19.4% higher than the September 2010 half year, mainly due to an increase in cash earnings before tax. Excluding foreign exchange rate movements, the income tax expense for the half year was $185 million or 20.7% higher than the September 2010 half year.

The **effective income tax rate** for the March 2011 half year of 27.9% has increased from the effective income tax rate of the September 2010 half year of 26.5%. The increase in the effective tax rate is largely related to a change in mix in jurisdiction as to where income is earned, and the reversal of an over provision in the September 2010 half year.

Non-cash Earnings Items

Distributions

Distributions relating to hybrid equity instruments are treated as an expense for cash earnings purposes and as a reduction in equity (dividend) for statutory purposes. The hybrid equity instruments are National Income Securities, Trust Preferred Securities, Trust Preferred Securities II and National Capital Instruments.

Treasury shares

For statutory reporting purposes, the Group eliminates the effect on net profit of the Group's life insurance business investment in National Australia Bank Limited shares. The elimination includes unrealised mark-to-market movements arising from changes in National Australia Bank Limited's share price, dividend income, and realised profits and losses on disposal of shares. Included in the Group's life insurance business in the March 2011 half year there was a net gain of $47 million ($41 million after tax) attributable to these adjustments.

Fair value and hedge ineffectiveness

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

In the March 2011 half year there was a reduction in statutory profit of $467 million ($327 million after tax) from fair value and hedge ineffectiveness. This was largely due to the change in the fair value of derivatives used to manage long-term funding from movements in spreads between Australian and overseas interest rates.

IoRE discount rate variation

The IoRE discount rate variation represents the impact on earnings of the change in value of deferred acquisition costs (net of reinsurance) included in insurance policy liabilities resulting from a movement in the inflation adjusted risk free discount rate. The weighted average discount rate applied has increased from 2.58% at September 2010 to 2.90% at March 2011 resulting in a pre-tax loss of $31 million ($22 million after tax).

ExCaps tax settlement

In the 2009 financial year, $309 million was expensed in relation to a dispute on the tax treatment of an Exchangeable Capital Units (ExCaps) capital raising transaction. On 21 March 2011, National Australia Bank Limited reached a final settlement with the Australian Taxation Office in relation to the ExCaps dispute and the proceedings commenced in the Federal Court were discontinued.

In the 31 March 2011 half year the Group has recognised a reduction of income tax expense of $142 million as a result of the ExCaps settlement.

Amortisation of acquired intangible assets

The amortisation of acquired intangibles represents the amortisation of intangible assets acquired through business combinations such as core deposit intangibles, mortgage servicing rights, brand names and value of business and contracts in force.

Due diligence, acquisition and integration costs

Acquisition and integration costs represent expenses associated with integrating acquisitions within the NAB operating model and reporting platforms as well as costs associated with acquisitions.

The Aviva acquisition was completed on 1 October 2009. The integration of Aviva's insurance operations, its discretionary investment platform Navigator and Business Super is tracking ahead of expectations, with cost synergies above the acquisition business case. The total integration costs recognised for the March 2011 half year amounted to $49 million.

The strategic alliance with Goldman Sachs JBWere (GSJBW) was completed on 1 November 2009 after MLC & NAB Wealth acquired 80.1% of GSJBW's private wealth management business in Australia and New Zealand, which was branded JBWere. The total integration costs recognised for the March 2011 half year were $16 million.

The Challenger Mortgage Management acquisition, now branded Advantedge, was completed on 30 October 2009. This integration is now largely complete, with $23 million of expenditure recognised in the March 2011 half year.

The GWB integration costs of $3 million for the March 2011 half year represent the integration of TierOne assets, Colorado and F&M Bank.

Due diligence costs of $5 million were incurred during the March 2011 half year.

	Half year to		
	Mar 11 $m	**Sep 10 $m**	**Mar 10 $m**
Aviva	**49**	51	18
JBWere	**16**	28	19
Advantedge	**23**	10	7
Great Western Bank	**3**	13	4
Due diligence costs	**5**	31	-
Pre-tax total	**96**	133	48

Summary Balance Sheet

	As at				
	31 Mar 11 $m	30 Sep 10 $m	31 Mar 10 $m	Mar 11 v Sep 10	Mar 11 v Mar 10
Assets					
Cash and liquid assets	**22,534**	26,072	23,819	(13.6)	(5.4)
Due from other banks	**37,341**	37,679	38,631	(0.9)	(3.3)
Trading securities	**29,913**	25,821	24,219	15.8	23.5
Investments - available for sale	**14,693**	14,572	7,529	0.8	95.2
Investments - held to maturity	**13,393**	13,789	13,609	(2.9)	(1.6)
Marketable debt securities	**57,999**	54,182	45,357	7.0	27.9
Investments relating to life insurance business	**67,155**	64,560	61,990	4.0	8.3
Loans and advances at fair value	**41,567**	36,700	30,909	13.3	34.5
Other assets at fair value	**1,212**	709	854	70.9	41.9
Other financial assets at fair value	**42,779**	37,409	31,763	14.4	34.7
Loans and advances including acceptances	**411,313**	404,513	396,579	1.7	3.7
Goodwill and other intangible assets	**7,113**	7,077	6,939	0.5	2.5
Other assets	**43,229**	54,460	45,282	(20.6)	(4.5)
Total assets	**689,463**	685,952	650,360	0.5	6.0
Liabilities					
Due to other banks	**37,449**	37,612	43,735	(0.4)	(14.4)
Deposits at fair value	**8,650**	10,212	9,523	(15.3)	(9.2)
Other liabilities at fair value	**10,907**	9,675	10,043	12.7	8.6
Other financial liabilities at fair value	**19,557**	19,887	19,566	(1.7)	(0.0)
Deposits and other borrowings	**364,311**	353,232	332,497	3.1	9.6
Liability on acceptances	**11,774**	12,549	15,771	(6.2)	(25.3)
Life policy liabilities	**56,810**	54,354	53,058	4.5	7.1
Bonds, notes and subordinated debt	**91,449**	93,203	86,079	(1.9)	6.2
Other liabilities	**68,293**	76,161	61,455	(10.3)	11.1
Total liabilities	**649,643**	646,998	612,161	0.4	6.1
Net assets	**39,820**	38,954	38,199	2.2	4.2
Equity					
Equity (parent entity interest)	**39,805**	38,940	38,177	2.2	4.3
Non-controlling interest in controlled entities	**15**	14	22	7.1	(31.8)
Total equity	**39,820**	38,954	38,199	2.2	4.2

Total assets increased by 6.0% from March 2010 and by 0.5% from September 2010. Excluding foreign exchange, total assets increased by 8.0% ($51.4 billion) from March 2010 and by 2.0% ($13.3 billion) from September 2010. This increase from March 2010 was mainly due to:

- An increase of $20.1 billion or 5.1% in **loans and advances including acceptances**, which was attributable to the continuing growth in housing lending principally in Australia. Non-housing lending also contributed to total lending growth, largely in Business Banking.
- An increase of $14.2 billion or 13.7% in liquid assets and shorter dated maturity holdings due to the Group's strategy to maintain strong balance sheet settings. Liquid assets and shorter dated maturity holdings comprise the majority of the balance reported in **cash and liquid assets, balances due from other banks and marketable debt securities**.
- An increase of $12.2 billion or 40.1% in **other financial assets at fair value**, reflecting the popularity of this form of individually tailored loans.
- An increase of $5.2 billion or 8.3% in **investments relating to life insurance business** which was attributable to an improvement in investment market returns.

From September 2010 the decrease of $10.0 billion or 18.7% excluding foreign exchange in **other assets** was primarily attributable to both reduced market volatility and the strong Australian dollar.

Total liabilities increased by 6.1% from March 2010 and by 0.4% from September 2010. Excluding foreign exchange, total liabilities increased by 8.2% ($49.0 billion) from March 2010 and by 1.9% ($11.9 billion) from September 2010. This increase from March 2010 was attributable to:

- An increase of $40.0 billion or 12.3% in **deposits and other borrowings** driven by growth in customer deposits.
- A total increase of $5.0 billion in **life policy liabilities and external unitholders' liability (included in other liabilities).**
- An increase of $5.8 billion or 6.8% in **bonds, notes and subordinated debt**, which was due to issuances to support the growth in lending.

From September 2010 the decrease of $6.8 billion or 9.1% excluding foreign exchange in **other liabilities** was primarily attributable to reduced market volatility and the strong Australian dollar.

Total equity increased by 4.2% from March 2010 and by 2.2% from September 2010, reflecting current period earnings and the issue of shares through the Group's dividend reinvestment plan, partly offset by an unfavourable movement in the foreign currency translation reserve.

Lending

	As at				
	31 Mar 11 $m	30 Sep 10 $m	31 Mar 10 $m	Mar 11 v Sep 10 %	Mar 11 v Mar 10 %
Housing					
Business Banking	**58,908**	56,648	54,587	4.0	7.9
Personal Banking	**120,223**	109,539	99,242	9.7	21.1
Wholesale Banking	**578**	689	783	(16.1)	(26.2)
MLC & NAB Wealth	**15,610**	15,121	14,448	3.2	8.0
NZ Banking	**19,783**	20,101	20,108	(1.6)	(1.6)
UK Banking	**20,464**	20,941	20,581	(2.3)	(0.6)
Great Western Bank	**586**	772	259	(24.1)	large
Corporate Functions and Other	**1,160**	1,089	1,006	6.5	15.3
Total housing	**237,312**	224,900	211,014	5.5	12.5
Non-housing					
Business Banking	**133,847**	132,293	131,405	1.2	1.9
Personal Banking	**8,950**	8,666	8,783	3.3	1.9
Wholesale Banking	**13,226**	12,773	12,412	3.5	6.6
MLC & NAB Wealth	**2,817**	2,765	2,594	1.9	8.6
UK Banking	**30,611**	32,730	33,409	(6.5)	(8.4)
NZ Banking	**21,455**	21,941	22,457	(2.2)	(4.5)
Specialised Group Assets	**5,284**	6,352	7,559	(16.8)	(30.1)
Great Western Bank	**4,453**	4,833	3,661	(7.9)	21.6
Corporate Functions and Other	**1,291**	728	1,182	77.3	9.2
Total non-housing	**221,934**	223,081	223,462	(0.5)	(0.7)
Gross loans and advances including acceptances	**459,246**	447,981	434,476	2.5	5.7
Represented by:					
Loans at fair value	**41,567**	36,700	30,909	13.3	34.5
Loans at amortised cost	**371,744**	361,603	350,868	2.8	5.9
Acceptances	**45,935**	49,678	52,699	(7.5)	(12.8)
Gross loans and advances including acceptances	**459,246**	447,981	434,476	2.5	5.7

March 2011 v March 2010

Lending (gross loans and advances including acceptances) increased by $24.8 billion or 5.7% on March 2010. Excluding foreign exchange, lending increased by $31.4 billion or 7.3%. This increase was primarily due to continuing momentum in housing lending.

Housing lending increased by $28.6 billion or 13.7% excluding foreign exchange. This growth was due to:

- An increase of $21.0 billion or 21.1% in Personal Banking, an increase of $4.3 billion or 7.9% in Business Banking and an increase of $1.2 billion or 8.0% in MLC & NAB Wealth, driven by ongoing momentum in this product.
- An increase of $1.0 billion or 5.1% in UK Banking growing above system (Source: Bank of England - February 2011). This was due to improved sales in the Retail business.
- An increase of $0.7 billion or 3.6% in NZ Banking. While system growth in housing lending remained subdued, the business increased its market share by 30 basis points to 16.0%.

Non-housing lending increased by $2.8 billion or 1.3% excluding foreign exchange. This growth was due to:

- An increase of $2.5 billion or 1.9% in Business Banking through the delivery of its strategy. The SME and specialised business segments were key contributors to this growth.
- An increase of $1.2 billion or 37.4% in Great Western Bank, reflecting growth through acquisition.
- An increase of $1.1 billion or 8.6% in Wholesale Banking reflecting growth in lending within warehouse facilities in the Global Capital Markets business.
- NZ Banking was up $0.1 billion or 0.6% and this reflected stable system lending after declining through most of 2010.
- A decline of $1.7 billion or 24.4% in Specialised Group Assets (SGA) due to the repayment of loans as the business is being managed down.
- A decline of $1.0 billion or 3.2% in UK Banking due to subdued demand for credit together with a focus on managing down commercial property exposure. The reduction in UK Banking business lending was less than system decline of 6.3%.

March 2011 v September 2010

Lending increased by $11.3 billion or 2.5% on September 2010. Excluding foreign exchange, lending increased by $16.3 billion or 3.7% from September 2010. This growth was due to:

- **Housing lending** growing by $14.2 billion or 6.4%. Growth was achieved through continued momentum in Personal Banking and Business Banking. Modest growth was also achieved in both UK Banking and NZ Banking reflecting subdued demand for credit in these regions.
- **Non-housing lending** growing by $2.1 billion or 1.0%, reflecting growth in Business Banking and Wholesale Banking, partly offset by declines in SGA and UK Banking. The increase in Business Banking reflected growth in the SME and specialised business segments, partly offset by lower volumes in institutional lending. The growth in Wholesale Banking was in warehouse facilities in the Global Capital Markets business. UK Banking declined by 1.7% which was less than a decline of 4.4% in system lending. This decline was due to subdued demand for credit together with a focus on managing down commercial property exposure. The decline in SGA was due to the continued efforts to manage down the business.

Marketable Debt Securities

Marketable debt securities increased by $12.6 billion or 27.9% from March 2010, and increased by $3.8 billion or 7.0% from September 2010. The increase in marketable debt securities was to support the Group's strategy to maintain a strong balance sheet.

Investments Relating to Life Insurance Business and Life Policy Liabilities

The increases in investments relating to *life insurance business*, *life policy liabilities* and *external unitholders' liability* (included in other liabilities) were largely attributable to the improvement in global markets and the favourable impact this has had on returns made on policyholder contributions. Applications net of redemptions also resulted in an increase in funds under management. There has been an increase of $5.2 billion in investments relating to the life insurance business and an aggregate increase of $5.0 billion in life policy liabilities and external unitholders' liability since March 2010.

Goodwill and Other Intangible Assets

Goodwill decreased by $13 million or 0.2% from September 2010 and declined by $21 million, or 0.4%, from March 2010. The decrease in goodwill from September 2010 reflected $46 million due to the effect of foreign exchange, offset by $29 million from the acquisition of Meritum.

Intangible assets comprise capitalised software and other intangible assets. Intangible assets increased by $49 million from September 2010 and increased by $195 million from March 2010. The increase from September 2010 was mainly due to investment in internally generated software, offset by the effect of amortisation.

The Group continues to invest in software to support its strategic objectives. Major investments currently undertaken by the Group are:

- NAB's Australian operations invested $101 million during the half year in software related to the Next Generation Banking IT Platform (NGP).
- UK Banking commenced a program to deliver an online application to enable growth of Personal Loans through online and telephone sales channels. Other ongoing programmes include implementation of an enhanced online Business Banking capability, an enhanced Business Lending proposition and the outsourcing of technical infrastructure and the operational management of ATMs.
- Wholesale Banking continue to focus on process efficiency and revenue generating projects, including the continued development of software platforms for Global Markets and Treasury, investment in systems to improve credit risk management information, and investment in Asset Servicing platforms. In addition, investments continue to be made in compliance and operational risk initiatives.

The movement in capitalised software is as follows:

	Half year ended		
	Mar 11 $m	**Sep 10 $m**	**Mar 10 $m**
Balance at beginning of period	**998**	922	934
Additions from business combinations	**-**	-	44
Additions	**264**	208	122
Disposals and write-offs	**(7)**	1	(9)
Amortisation	**(129)**	(133)	(133)
Foreign currency translation adjustments	**(20)**	-	(36)
Capitalised software	**1,106**	998	922

Deposits and Other Borrowings

	As at				
	31 Mar 11 $m	30 Sep 10 $m	31 Mar 10 $m	Mar 11 v Sep 10 %	Mar 11 v Mar 10 %
Retail deposits					
Business Banking	**84,889**	78,881	78,786	7.6	7.7
Personal Banking	**70,375**	64,737	59,925	8.8	17.5
MLC & NAB Wealth	**10,119**	9,410	9,399	7.5	7.7
NZ Banking	**23,072**	22,204	21,798	3.9	5.8
UK Banking	**35,619**	38,528	37,693	(7.6)	(5.5)
Great Western Bank	**6,241**	6,651	4,538	(6.2)	37.5
Corporate Functions and Other	**5,126**	5,087	4,386	0.8	16.9
Total retail deposits	**235,441**	225,498	216,525	4.4	8.7
Non-retail deposits and other borrowings					
Business Banking	**5,918**	5,821	5,666	1.7	4.4
Wholesale Banking	**117,857**	117,612	104,135	0.2	13.2
NZ Banking	**3,963**	5,609	4,430	(29.3)	(10.5)
UK Banking	**7,902**	8,170	8,947	(3.3)	(11.7)
Specialised Group Assets	**293**	340	1,570	(13.8)	(81.3)
Corporate Functions and Other	**1,587**	394	747	large	large
Total non-retail deposits and other borrowings	**137,520**	137,946	125,495	(0.3)	9.6
Deposits and other borrowings [1]	**372,961**	363,444	342,020	2.6	9.0
Represented by:					
Deposits and other borrowings at fair value	**8,650**	10,212	9,523	(15.3)	(9.2)
Deposits and other borrowings at cost	**364,311**	353,232	332,497	3.1	9.6
Deposits and other borrowings	**372,961**	363,444	342,020	2.6	9.0

[1] *Including deposits and other borrowings at fair value.*

March 2011 v March 2010

Deposits and other borrowings have increased by $30.9 billion or 9.0% since March 2010. Excluding foreign exchange volumes increased by $39.6 billion or 11.9%, driven by the Bank's strategy to increase customer deposits as a source of funding, with a focus on quality and sustainability.

Retail deposits:

Excluding foreign exchange retail deposits increased by $23.1 billion or 10.9%. This growth was due to:
- An increase of $10.5 billion or 17.5% in Personal Banking due to strong growth in UBank and solid growth in the proprietary network.
- An increase of $6.1 billion or 7.7% in Business Banking driven by growth in term deposits in the SME segment.
- An increase of $2.4 billion or 11.5% in NZ Banking driven by growth in term deposits. This growth was the result of a strong focus on deposits.
- An increase of $1.3 billion or 34.1% in Asia Banking due to strong growth in term deposits.
- UK Banking was broadly flat, reflecting growth in on-demand deposits and deposits not bearing interest offset by lower term deposits.

Non-retail deposits and other borrowings:

Excluding foreign exchange non-retail deposits and other borrowings increased by $16.5 billion or 13.7%, driven by growth in certificates of deposit to fund business needs and an increase in customer deposits in-line with the Group's strategy.

March 2011 v September 2010

Deposits and other borrowings have increased by $9.5 billion or 2.6% since September 2010. Excluding foreign exchange volumes increased by $16.5 billion or 4.6%. This growth was mainly attributable to:
- An increase of $13.3 billion or 6.0% in retail deposits, largely in Business and Personal Banking, through on-demand and term deposit products.
- An increase of $3.1 billion or 2.3% in non-retail deposits and other borrowings. This growth was mainly in Wholesale Banking, largely through certificates of deposit.

Bonds, Notes and Subordinated Debt

Bonds, notes and subordinated debt have decreased by $1.8 billion or 1.9% since September 2010. This decrease was due to a favourable movement in the foreign currency translation of foreign denominated debt in Australia, partly offset by debt issuances to support lending growth. Further detail and discussion on the Group's funding mix and management of its funding base, are included in Section 3, Capital Management and Funding.

Asset Quality

Asset quality trends remained broadly unchanged during the March 2011 half year. While the growth in the Group's 90+ DPD and gross impaired assets has increased marginally since September 2010, the total charge for bad and doubtful debts continued to trend down since the peak in the September 2009 half year.

Bad and Doubtful Debt Charge

	Half Year to		
	Mar 11 $m	Sep 10 $m	Mar 10 $m
Specific charge to provide for bad and doubtful debts	1,004	1,152	1,083
Collective charge/(write back) to provide for bad and doubtful debts	(35)	(134)	135
Total charge to provide for bad and doubtful debts	969	1,018	1,218
Total charge on investments - held to maturity	19	54	501
Recovery of SCDO risk mitigation trades	-	(39)	(489)
Total charge to provide for bad and doubtful debts - cash earnings	988	1,033	1,230

	Half Year to		
	Mar 11	Sep 10	Mar 10
Bad and doubtful debts charge to gross loans and acceptances (annualised)	0.43%	0.51%	0.57%
Net write-offs to gross loans and acceptances (annualised)	0.45%	0.50%	0.47%

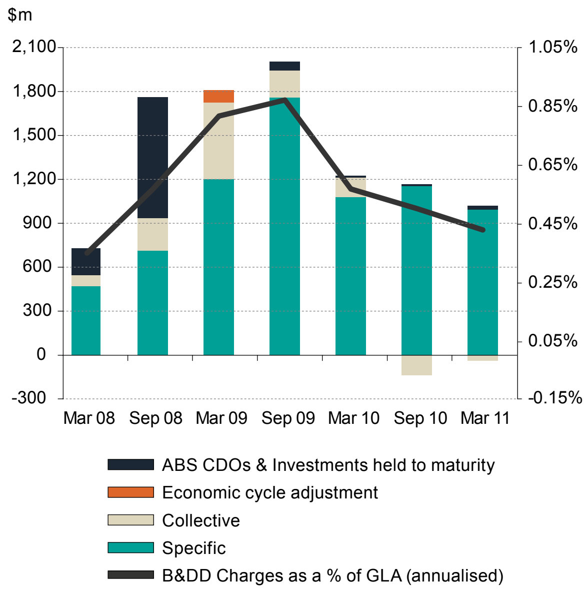
The total charge for bad and doubtful debts for the March 2011 half year was $988 million, which is a decrease of $45 million when compared to the September 2010 half year, and a decrease of $242 million in comparison to the March 2010 half year.

The collective provision write-back of $35 million for the March 2011 half year includes write-backs within SGA and Business Banking from the migration of customers to impaired status. In addition, there has been a general reduction of customer credit rating downgrades across the portfolio. This was partly offset by a $75 million overlay for potential credit losses arising from recent Australian natural disaster events.

The specific provision charge was $1,004 million for the March 2011 half year, with most business units incurring lower specific provision charges compared to the September 2010 half year.

With respect to the Synthetic Collateralised Debt Obligations (SCDOs), there was one credit event during the financial half-year, which did not have an impact on the hedge positions.

Half Yearly Total Bad and Doubtful Debt Charge - Cash Earnings



The annualised ratio of the total charge for bad and doubtful debts to gross loans and acceptances for the March 2011 half year decreased by 8 basis points to 0.43% when compared to September 2010.

Provisioning Coverage

Provisions for doubtful debts	As at Mar 11 $m	Sep 10 $m	Mar 10 $m
Collective provision on loans at amortised cost	**2,781**	2,865	3,012
Collective provision on loans and derivatives at fair value	**707**	705	598
Collective provision for doubtful debts	**3,488**	3,570	3,610
Specific provision on loans at amortised cost	**1,299**	1,409	1,479
Specific provision on loans at fair value	**120**	115	111
Specific provision for doubtful debts	**1,419**	1,524	1,590
Total provision for doubtful debts (1)	**4,907**	5,094	5,200

(1) *Not included in total provisions for doubtful debts are provisions on investments - held to maturity of $187 million (September 2010 $181 million, March 2010 $175 million).*

	As at Mar 11	Sep 10	Mar 10
Total provision to gross loans and acceptances	**1.07%**	1.14%	1.20%
Specific provision to gross impaired assets	**22.6%**	25.2%	27.2%
Collective provision to credit risk-weighted assets (excluding housing)	**1.46%**	1.48%	1.55%

The Group's total provisions have continued to trend down since March 2010. Total provisions were $4,907 million as at March 2011, compared to $5,094 million as at September 2010. This movement is a reflection of improved economic and market conditions, further write-off of specific provisions and the foreign currency translation effect from the strengthening of the Australian dollar.

Collective provisions include two overlays for potential credit losses arising from natural disasters. A $75 million overlay was included for the recent Australian natural disaster events. In addition, as a result of the dual earthquake events in New Zealand, an overlay of NZ$60 million has been included, largely comprising an amount initially taken during the prior financial year as a result of the first earthquake and the utilisation of an existing New Zealand economic overlay during the March 2011 half year following the second earthquake.

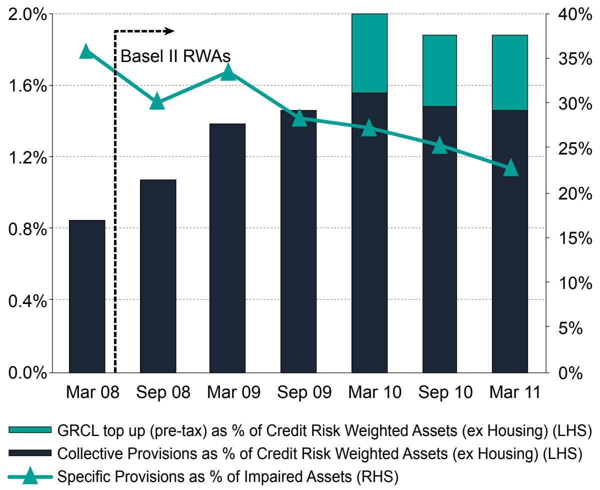
The ratio of specific provision to gross impaired assets decreased from 25.2% at September 2010 to 22.6% at March 2011. The decrease in the ratio was due to new impairments requiring a lower level of specific provisions, in addition to the progressive write-off of impaired assets.

The Group's collective provision to credit risk weighted assets (excluding housing) ratio decreased slightly by 2 basis points to 1.46% at March 2011, when compared to September 2010.

The general reserve for credit losses ("GRCL") top-up increased from $698 million at September 2010 to $751 million ($996 million on pre-tax basis) at March 2011.

When this reserve is added to the Group's ratio of collective provision to credit risk weighted assets (excluding housing), the ratio increases from 1.46% to 1.88% as at March 2011, stable when compared to September 2010.

Provision Coverage



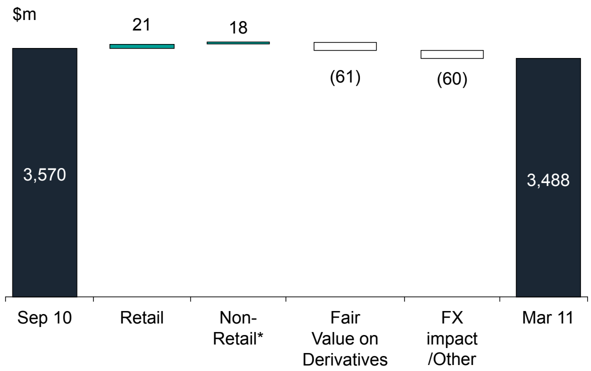
Specific Provisions

The specific provision balance (including specific provisions on impaired assets at fair value) decreased to $1,419 million as at March 2011, from $1,524 million at September 2010. The decrease was largely due to new specific provision charges of $1,004 million being offset to a greater extent by net write-offs of $1,030 million and the foreign currency translation effect from the strengthening of the Australian dollar.

Collective Provisions

The collective provision balance (including collective provisions on assets at fair value) decreased to $3,488 million as at March 2011, from $3,570 million at September 2010. The decrease of $82 million is summarised as follows:

Collective Provision Attribution Analysis



* *Non-Retail includes loans at amortised cost and loans at fair value, including overlays for the natural disaster events in Australia and New Zealand.*

Retail

Collective provision on the retail portfolio has increased by $21 million since September 2010 mainly due to mortgage portfolio growth in Australia. In addition, there was an increase in the collective provision on the unsecured portfolio in Australia due to seasonality in the credit card portfolio together with the impact of the batch processing incident in November 2010.

This increase was partly offset by a reduction in the collective provision on the unsecured lending portfolio in UK Banking due to lower delinquency rates and volumes.

Non-Retail (including loans at fair value and natural disaster overlays)

Collective provision for the non-retail portfolio has increased by $18 million. The increase of $18 million includes the natural disaster overlays of Australia and New Zealand. This increase is offset by write backs within SGA and Business Banking from the migration of customers to impaired status. In addition, there has been a general reduction of customer credit rating downgrades across the portfolio.

Derivatives at fair value

Collective provision on derivatives at fair value has decreased by $61 million since September 2010 mainly due to the reduction in the potential credit exposure on derivatives, mainly in Wholesale Banking, driven by the continued stable economic conditions.

Economic cycle adjustment

There has been no change to the economic cycle adjustment since September 2010, which stands at $300 million as at March 2011.

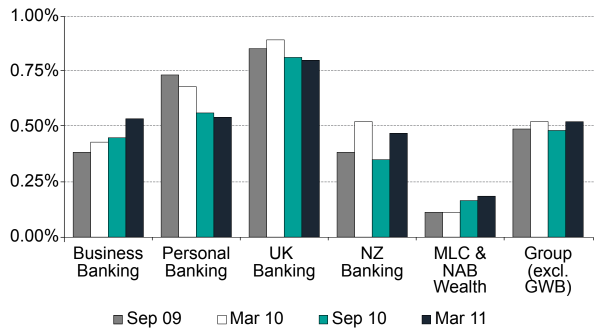
Asset Quality

	As at		
	Mar 11	**Sep 10**	**Mar 10**
90+ days past due loans ($m)	**2,541**	2,366	2,246
Gross impaired assets ($m)	**6,275**	6,048	5,849
90+ days past due and gross impaired assets ($m)	**8,816**	8,414	8,095

	As at		
	Mar 11	**Sep 10**	**Mar 10**
90+ days past due loans to gross loans and acceptances	**0.55%**	0.53%	0.52%
Gross impaired assets to gross loans and acceptances	**1.37%**	1.35%	1.35%
90+ days past due and gross impaired assets to gross loans and acceptances	**1.92%**	1.88%	1.86%

Non-Impaired Assets 90+ Days Past Due

Non-Impaired Assets 90+ Days Past Due as % of Gross Loans and Acceptances (excluding GWB)



The Group ratio of non-impaired 90+ DPD loans to gross loans and acceptances (90+ DPD ratio) remains broadly stable, with a marginal increase of 2 basis points from September 2010 to 0.55% at March 2011.

The **Business Banking** 90+ DPD ratio increased by 8 basis points from September 2010 to 0.53% at March 2011, largely due to the increased delinquencies in SME exposures and a single large exposure.

The **Personal Banking** 90+ DPD ratio has continued to trend down when compared to September 2010 and March 2010. The ratio was 0.54% at March 2011, a decrease of 2 basis points during the March 2011 half year, mainly driven by an increase in mortgage volumes (ratio denominator).

The **UK Banking** 90+ DPD ratio decreased slightly by 1 basis point from September 2010 to 0.80% at March 2011.

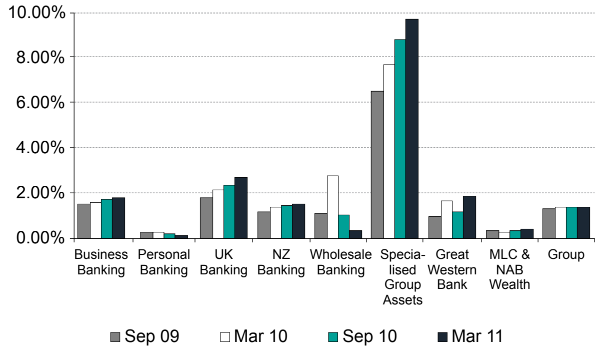
The **NZ Banking** 90+ DPD ratio increased by 12 basis points from September 2010 to 0.47% at March 2011, mainly due to an increase in the volume of 90+ DPD business loans.

The **GWB** 90+ DPD ratio decreased 30 basis points to 3.77% at March 2011. The majority of the 90+ DPD loans relates to the acquired TierOne assets and are covered by the loan loss sharing agreement with the Federal Deposit Insurance Corporation (FDIC). Excluding loans relating to TierOne assets, the volume of 90+ DPD loans at March 2011 are negligible.

Wholesale Banking and SGA have no 90+ DPD loans.

Impaired Assets

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



The Group ratio of gross impaired assets to gross loans and acceptances (impaired asset ratio) increased marginally by 2 basis points from September 2010 to 1.37% at March 2011. The rate of increase in impaired assets has remained broadly steady when compared to the September 2010 half year. The main driver of the increase in the impaired asset ratio was an increase in impaired assets in business loans in Business Banking and UK Banking.

For **Business Banking**, the impaired asset ratio increased by 8 basis points from September 2010 to 1.78% at March 2011. The increase was mainly driven by impairments within the property and SME sector, particularly in the eastern states of Australia. This was partly offset by customers returning to performing or repaying, combined with net write-offs in the March 2011 half year.

The **Personal Banking** impaired asset ratio has continued to trend down, with a decrease of 2 basis points from 0.14% at September 2010 to 0.12% at March 2011, largely as a result of a decrease in the volume of impaired mortgages and an increase in mortgage volumes (ratio denominator).

The **UK Banking** impaired asset ratio increased by 31 basis points to 2.65% during the March 2011 half year, a reflection of the challenging conditions within the UK economy, particularly within the commercial property, construction and hospitality sectors. The level of new impaired assets in the March 2011 half year was lower than in the September 2010 half year, but the ability to realise impaired assets has remained challenging.

The **NZ Banking** impaired asset ratio increased by 9 basis points from September 2010 to 1.49% as at March 2011, mainly due to an increase in impaired business loans.

The **Wholesale Banking** impaired asset ratio decreased by 76 basis points to 0.28% at March 2011, mainly due to the partial recovery of debt and the write-off of one large impaired asset. There were no new impaired loans during the March 2011 half year.

In **SGA**, the level of impaired assets decreased by $45 million during the March 2011 half year to $513 million. New impaired assets were offset to a greater extent by existing impaired assets returning to performing or repaid and the write-off of impaired assets. Despite the decrease in the level of impaired assets, the impaired ratio has increased by 93 basis points to 9.71% during the March 2011 half year, due to the run-off in gross loans and acceptances (ratio denominator).

The **GWB** impaired asset ratio increased by 75 basis points from September 2010 to 1.87% at March 2011. The drivers of this increase in ratio were a $31 million increase in impaired assets from a small number of commercial exposures, combined with a decrease in gross loans and acceptances, including the run-off of loans relating to TierOne assets.

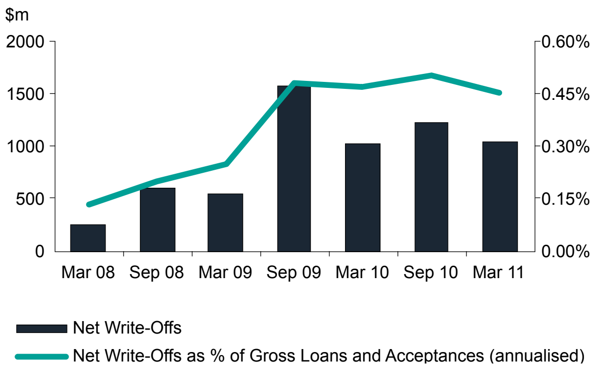
Net Write-Offs

Net write-offs decreased from $1,221 million for the September 2010 half year to $1,030 million for the March 2011 half year. The Group continues to manage bad debt write-offs to maintain a clean balance sheet. The ratio of net write-offs as a proportion of gross loans and acceptances (annualised) has decreased by 5 basis points to 0.45% during the March 2011 half year when compared to the September 2010 half year.

The gross 12 months rolling write-off rate for the Group's retail portfolio improved by 2 basis points from 0.27% at September 2010 to 0.25% at March 2011, with the mortgage gross write-off rate steady at 0.06% at March 2011, compared to September 2010.

The total provisions to net write-offs (annualised) ratio is 238% as at March 2011, slightly higher than the September 2010 level of 227%.

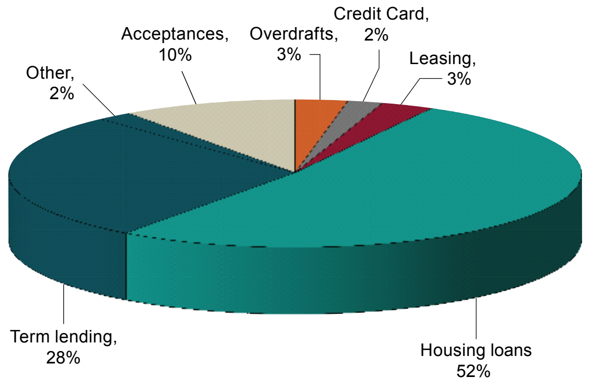
Group Half Yearly Net Write-Offs as a % of Gross Loans and Acceptances



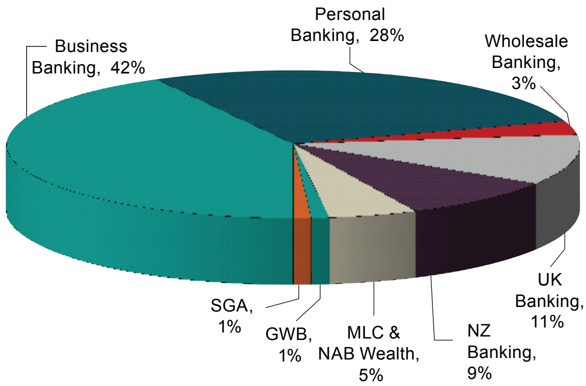
Portfolio Composition

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

Group Gross Loans and Acceptances by Product



Group Gross Loans and Acceptances by Division



Commercial Property Portfolio

The Group's commercial property portfolio totals $60.2 billion[(1)], which has decreased by $2.0 billion since September 2010. This portfolio represents 13.1% of the Group's total gross loans and acceptances (13.9% at September 2010), mainly reflecting the Group's relative size in Australian Business Banking and a targeted iFS growth strategy in the UK Region.

[(1)] *Measured as balances outstanding at March 2011 per APRA Commercial Property Return ARF230.*

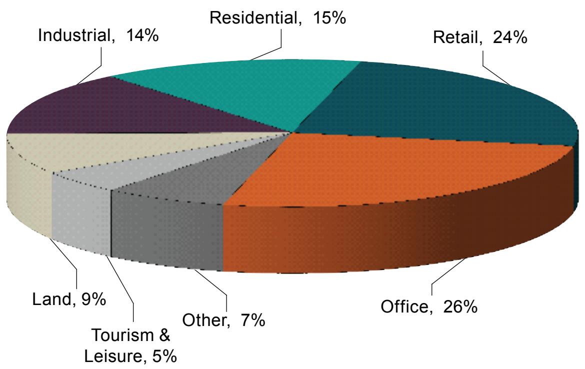
The **Business Banking** commercial property portfolio was broadly stable when compared to September 2010. At March 2011, the portfolio was $42.7 billion, and now represents 12.2% of gross loans and acceptances in the Australian geography. Some asset quality metrics have weakened, partly due to deteriorating conditions in Queensland.

The **UK Banking** commercial property portfolio totals £6.3 billion as at March 2011, representing 19.2% of the business unit's gross loans and acceptances. This represents a £0.3 billion reduction since September 2010. The asset quality of the commercial property portfolio continues to be challenged by the UK economic conditions. Whilst there has been some stabilisation in property prices, the market for disposing of these assets is still operating below normal levels. This has resulted in assets remaining in the impaired asset category longer than has been previously experienced.

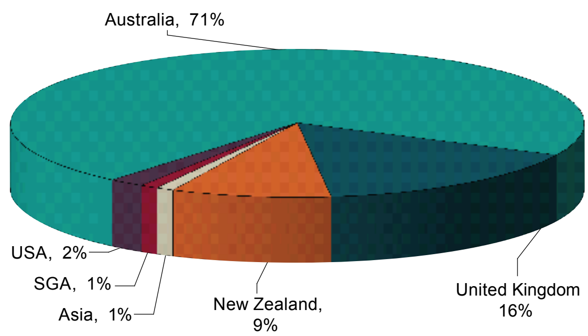
The **NZ Banking** commercial property portfolio reported for March 2011 has increased by NZ$0.1 billion to NZ$7.0 billion since September 2010, although remains unchanged at 12.5% of gross loans and acceptances.

The **SGA** commercial property portfolio of $0.8 billion is a reduction of $0.3 billion since September 2010.

Group Commercial Property by Type



Group Commercial Property by Geography



Cash Earnings per Share

	Half Year to				
	Mar 11 cents	Sep 10 cents	Mar 10 cents	Mar 11 v Sep 10 %	Mar 11 v Mar 10 %
Cash Earnings per Share					
Basic	**123.0**	111.4	103.0	10.4	19.4
Diluted	**122.1**	110.5	102.5	10.5	19.1

March 2011 v March 2010

Basic cash **earnings per share** increased by 20.0 cents or 19.4% and diluted cash earnings per share increased by 19.6 cents or 19.1% on the March 2010 half year. This reflects the increase in cash earnings, partially offset by an increase in the weighted number of ordinary shares.

March 2011 v September 2010

Basic cash **earnings per share** increased by 11.6 cents or 10.4% and diluted cash earnings per share increased by 11.6 cents or 10.5% on the September 2010 half year. 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

During the March 2011 half year, market conditions were broadly stable, despite periods of heightened volatility due to one-off events such as instability in the Middle East and natural disasters in Australia, New Zealand and Japan. The generally stable conditions and the market's ability to constructively absorb negative news, were an indication that it has continued to build confidence from the lows of late 2008 and early 2009.

The Group remains vigilant in its evaluation of economic and market conditions and continues to ensure the balance sheet remains strong.

Regulatory Reform

Basel Regulatory Reforms

The Basel Committee has released the majority of its reform package relating to its proposals for both capital and liquidity ("Basel III").

There are a number of areas with the potential for material impact on both capital and liquidity which remain subject to clarification from APRA. APRA has indicated it will release discussion papers by mid-2011 as part of an ongoing consultation process.

During the period, APRA and the Reserve Bank of Australia (RBA) announced that Authorised Deposit-taking Institutions (ADIs) will be able to establish a committed secured liquidity facility with the RBA to facilitate compliance with the liquidity proposals.

Other Reform Proposals

In addition to the Basel Committee reforms, the Group is focused on other areas of regulatory change relating to capital management and funding. Key reform proposals that may affect the Group include:

- APRA's Level 3 Conglomerate Supervision proposals.
- APRA's proposed changes to capital adequacy for life and general insurance businesses.
- The potential impacts of the US Dodd-Frank requirements.
- The UK Independent Commission on Banking.

Capital Management

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

The Board approved Tier 1 target is above 8%. A target of above 8% reflects the Group's desire to maintain strong balance sheet settings and is consistent with the risk appetite of investors and the global regulatory direction. The Group continues to operate at a comfortable buffer to the Board target.

The Group remains committed to maintaining the efficiency of the capital base as existing hybrid securities are scheduled for redemption or conversion to equity and the balance sheet grows.

Capital ratios

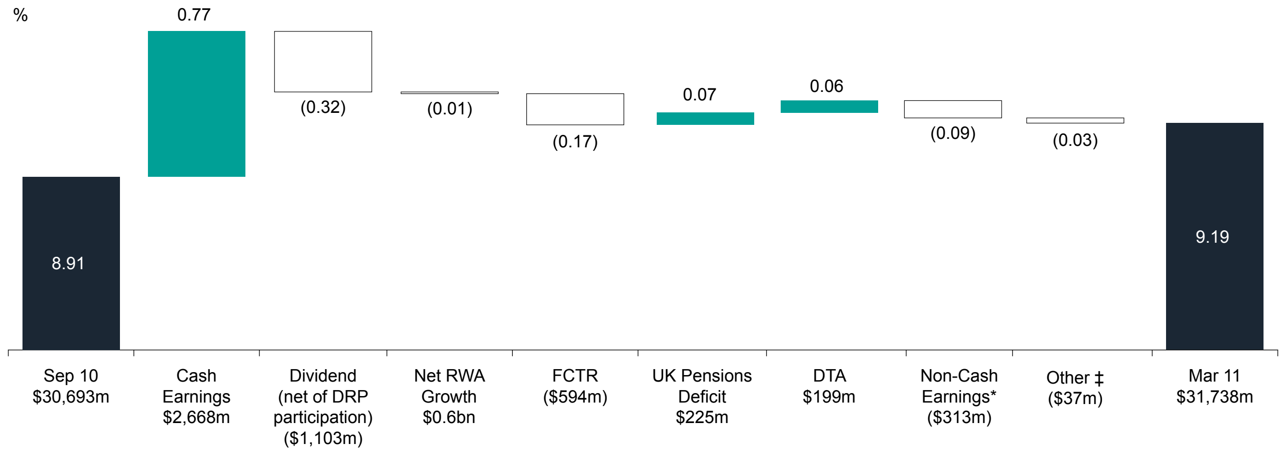
Capital ratios and risk-weighted assets are set out below:

	Target Ratio %	As at 31 Mar 11 %	30 Sep 10 %	31 Mar 10 %	Mar 11 v Sep 10	Mar 11 v Mar 10
Core Tier 1 ratio (1)		**7.12**	6.80	6.91	32 bps	21 bps
Tier 1 ratio	above 8.00%	**9.19**	8.91	9.09	28 bps	10 bps
Total capital ratio		**11.33**	11.36	12.07	(3 bps)	(74 bps)

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

	As at 31 Mar 11 $m	30 Sep 10 $m	31 Mar 10 $m	Mar 11 v Sep 10%	Mar 11 v Mar 10%
Risk-weighted assets - credit risk	**311,625**	312,345	301,473	(0.2)	3.4
Risk-weighted assets - market risk	**3,159**	3,079	3,305	2.6	(4.4)
Risk-weighted assets - operational risk	**21,862**	22,234	22,402	(1.7)	(2.4)
Risk-weighted assets - interest rate risk in the banking book	**8,565**	7,000	5,653	22.4	51.5
Total risk-weighted assets	**345,211**	344,658	332,833	0.2	3.7

Movement in Tier 1 Ratio



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

‡ Other consists primarily of Wealth Management adjustment (3 basis points), movements in EL>EP and other immaterial movements.

Capital Movements During the Period

The Group's Tier 1 ratio of 9.19% at 31 March 2011 is consistent with the Group's objective of maintaining a strong capital position.

The key movements in capital in the March 2011 half year were:

- Earnings less dividend net of Dividend Reinvestment Plan (DRP) participation (45 basis points).
- Unfavourable non-cash earnings (9 basis points).
- Improvement in the UK pension position (7 basis points).
- Reduction in the net deferred tax asset position (6 basis points).

The 17 basis points movement in the foreign currency translation reserve is materially offset by the foreign exchange impact on risk weighted assets.

Total risk weighted asset growth was subdued over the March 2011 half year ($0.6 billion). Strong credit risk volume growth ($9.0 billion) was largely offset by foreign exchange, methodology changes and optimisation and a small improvement in credit quality.

Tier 1 Capital Initiatives

On 29 September 2009, the Group issued AUD$500 million of stapled securities. NAB amended the terms of these stapled securities on 8 March 2011. The stapled securities are perpetual capital instruments each paying a non-cumulative distribution at a rate of 2.0% over the 30-day Bank Bill Swap Rate (BBSW). Subject to APRA's approval, the Stapled Securities will be redeemable by NAB on the occurrence of various events on or about 30 November 2012. In the event that the securities are not redeemed, they will convert into a variable number of National Australia Bank Limited ordinary shares on or about 30 November 2012, subject to the satisfaction of conversion conditions.

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

Dividend and Dividend Reinvestment Plan

The interim dividend has been increased by 6 cents to 84 cents and the DRP settings have been maintained to provide a 1.5% discount with no participation limit.

The effect of the interim dividend on Tier 1 capital has been reduced 39.5% to reflect assumed DRP participation.

UK Defined Pension Scheme

The Group's UK operations operate a defined benefit pension scheme. During the March 2011 half year, the scheme's deficit decreased to £112 million from £312 million at September 2010. The pension position is affected by three key factors:

- Movement in the discount rate used to calculate the liability net present value.
- Movement in the long-term inflation assumption.
- Changes in the value of the investment portfolio.

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 APS 330.

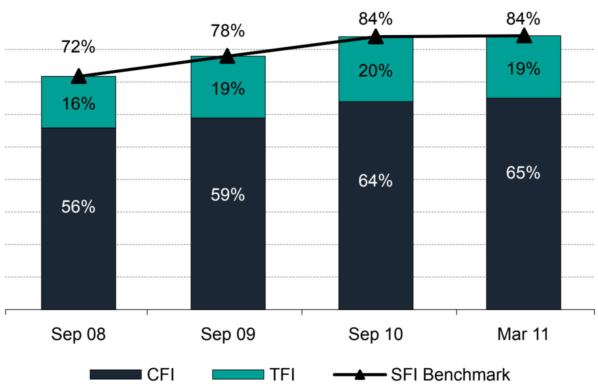
Funding

Funding Indices

The Group employs a range of internal Board approved measures to set its risk appetite and to gauge the strength of its balance sheet funding. A key measure used is the Stable Funding Index (SFI) which is made up of the Term Funding Index (TFI) plus a Customer Funding Index (CFI). The TFI is defined as term wholesale funding with a remaining maturity greater than 12 months, divided by core assets. It represents the portion of the Group's core lending assets that are funded by term wholesale funding with a remaining maturity greater than one year. Similarly, the CFI is a measure of customer deposits divided by core assets, and represents the proportion of the Group's core lending assets that are funded by customer deposits. The external securitisation of balance sheet assets affects these funding indices by reducing core assets.

As at March 2011 the Group's SFI was 84%. Core asset growth was fully funded by deposits, supporting the CFI metric. TFI was broadly stable. These funding metrics will continue to evolve and increasingly align with new regulatory measures.

Group Funding Indices (CFI, TFI and SFI)



Customer Funding

The Group has continued to grow its customer deposit base strongly over the half year, with a focus on household and non-financial corporation deposits. This growth has occurred against a backdrop of greater industry competition for customer deposits, which has led to substantially higher funding costs relative to historical levels.

The deposit strategies employed by the Group are part of a broader initiative to start positioning the balance sheet for regulatory reform. Basel III differentiates deposits by their perceived quality, and therefore the Group will look to increasingly align its deposit book to this profile. Maintaining higher levels of stable funding will help the Group to achieve compliance with the Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR).

Term Wholesale Funding

Global Term Funding Markets have been largely stable for the majority of the March 2011 half year, although they have seen periods of volatility as a result of political unrest in the Middle East and natural disasters affecting parts of Australia, New Zealand and Japan.

During the half year to 31 March 2011, the Group issued $16.7 billion of term wholesale funding. National Australia Bank Limited has issued $14.6 billion and BNZ has issued $2.1 billion (including $1.6 billion of secured funding in covered bond format).

The Group continues to focus on longer dated debt issuance to minimise refinancing risk. The weighted average maturity of term wholesale funding raised by the Group over the March 2011 half year was approximately 4.8 years to first call, slightly higher than the September 2010 half year of 4.7 years. The weighted average remaining maturity of the Group's term wholesale portfolio funding is 2.9 years (3.6 years for TFI qualifying senior and subordinated debt - with greater than 12 months remaining term to maturity). The average cost of term wholesale funding issued by National Australia Bank Limited (and swapped back to Australian dollars) during the March 2011 half year was approximately 119 basis points over BBSW, compared to an average cost of 132 basis points over BBSW in the 2010 financial year. The average cost of the National Australia Bank Limited outstanding term funding portfolio for the 2011 half year was 120 basis points over BBSW compared to 111 basis points over BBSW for the September 2010 half.

Public securitisation markets are beginning to show some improvement and although they were not utilised during the 2011 half year, the Group remains committed to exploring opportunities to enhance and add diversity to its funding sources.

During the half year to 31 March 2011, National Australia Bank repurchased and retired $2.5 billion of Government guaranteed debt. The Group has a total of $18.5 billion of Government guaranteed wholesale funding outstanding. Of this, 4% matures in 2011, 37% in 2012 and the remainder by 2014.

Short-term Wholesale Funding

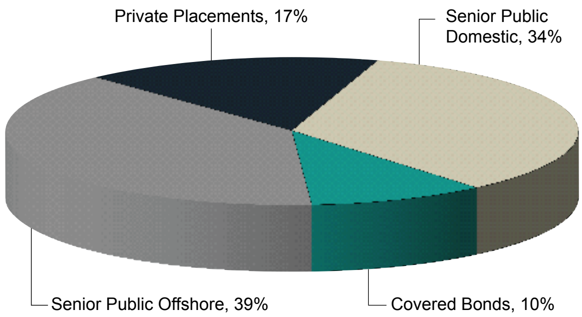
The Group continued to access international and domestic wholesale markets over the half year. The focus of this effort has been on maintaining the longer average duration of the short-term book in an effort to support its liquidity position.

Liquid Asset Portfolio

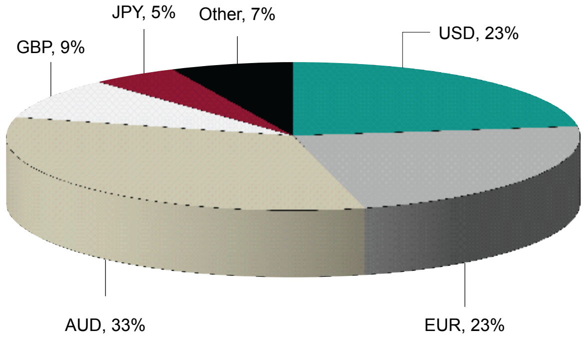
The Group maintains liquid asset portfolios in the various countries in which it operates. In addition to those required by local regulators, the Group is holding securities to support its liquidity position. Total liquid assets held at 31 March 2011 were $72 billion which has remained unchanged since 30 September 2010. The portfolio levels are consistent with the Group's strategy of maintaining prudent liquidity settings and the requirements of the balance sheet. Liquidity holdings will be reassessed as the effects of proposed regulatory changes become clearer.

In addition to the liquid assets above, the Group is holding internal securitisation pools of Residential Mortgage Backed Securities (RMBS) as a source of contingent liquidity to further support its liquid asset holdings.

Half year 2011 Wholesale Funding by Deal Type ($16.7 billion)



Half year 2011 Wholesale Funding by Currency ($16.7 billion)



Ratings

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

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

On 16 February 2011, Moody's placed the long-term debt ratings of the Group and its domestic peers on review for possible downgrade. Moody's expect to complete their ratings review during the second half of 2011.

On 6 January 2011, Standard & Poor's released its proposals titled, "Banks: Rating Methodology", which outlined proposed changes to its methodology of assessing global bank ratings. Standard & Poor's continue to consult with the global banking industry and at this time the impact on Australian bank ratings, if any, remains unclear.

Fitch affirmed the long and short-term ratings of NAB (on 14 April 2011) and BNZ (on 17 April 2011) at AA and F1+ respectively. The outlook for all ratings is stable.

Full Time Equivalent Employees [(1)]

	As at				
	31 Mar 11	**30 Sep 10**	**31 Mar 10**	**Mar 11 v Sep 10%**	**Mar 11 v Mar 10%**
Business Banking	**5,493**	5,482	5,259	(0.2)	(4.4)
Personal Banking	**8,826**	9,052	8,468	2.5	(4.2)
Wholesale Banking	**3,005**	3,166	3,069	5.1	2.1
MLC & NAB Wealth	**5,924**	5,714	5,634	(3.7)	(5.1)
NZ Banking	**4,578**	4,551	4,370	(0.6)	(4.8)
UK Banking	**8,684**	8,730	8,544	0.5	(1.6)
Specialised Group Assets	**42**	47	48	10.6	12.5
Great Western Bank	**1,515**	1,596	960	5.1	(57.8)
Corporate Functions and Other					
Group Business Services	**5,093**	4,983	4,145	(2.2)	(22.9)
Other [(2)]	**2,133**	1,877	1,759	(13.6)	(21.3)
Total full time equivalent employees (FTEs)	**45,293**	45,198	42,256	(0.2)	(7.2)
Average half year FTEs	**45,236**	43,921	40,663	(3.0)	(11.2)

(1) *Prior period FTE numbers have been restated mainly in NZ Banking and UK Banking to reflect a refinement of the definition of FTEs for reporting purposes made in the current half year.*

(2) *Other includes Group Funding, other supporting units and Asia Banking.*

March 2011 v March 2010

Total FTEs have increased by 3,037 on the March 2010 half year. The increase has been driven by investment in initiatives to support business growth, improvement in the quality of service and customer satisfaction and the acquisition of the TierOne franchise.

Convergence activity has been implemented across the lines of business. As a result, a new operating model has been designed that aligns functions to be fit for purpose, with the goal of improving the quality, efficiency and capabilities of the organisation, to enhance the customer experience.

Key movements were as follows:

- Business Banking increased FTEs by 234 mainly due to increased investment activities to support lending growth, partially offset by convergence activity.
- Personal Banking FTEs grew by 358 driven by network investment across various sales channels and an increase in Collections staff, partially offset by convergence activity.
- Wholesale Banking FTEs decreased by 64 primarily due to convergence activity offset by additional resources hired to support the Franchise Focus strategy.
- MLC & NAB Wealth increased FTEs by 290 mainly due to increased project activity and additional Planners to support new business initiatives.
- NZ Banking increased FTEs by 208 mainly driven by increased support to strategic projects and BNZ Partners to further enhance customer engagement, experience and advocacy.
- UK Banking increased FTEs by 140 mainly due to strategic initiatives in the integrated financial services (iFS) proposition to drive new business.
- Great Western Bank increased FTEs by 555 largely as a result of the acquisition of the TierOne franchise.
- Group Business Services FTEs increased by 948, net of Technology outsourcing to IBM. This was predominantly to service increased project demand and also as a result of convergence activity.
- Other supporting units increased FTEs by 374 mainly due to strengthening the Risk, Governance and Legal functions as a result of increased business requirements, and convergence activity across Finance, Risk, Corporate Affairs and Marketing and Human Capital Strategy.

March 2011 v September 2010

Total FTEs have increased by 95 on the September 2010 half year:

- Personal Banking decreased FTEs by 226 mainly as a result of convergence activity. This has been partially offset by reinvestment in frontline employees, increase in Collections personnel and increased Contact Centre staff to improve quality of service and customer satisfaction.
- Wholesale Banking FTEs decreased by 161 mainly due to convergence activity across Finance, Risk and Technology.
- MLC & NAB Wealth increased FTEs by 210 mainly due to increased project activity and additional Planners to support new business initiatives.
- Great Western Bank decreased FTEs by 81 primarily as a result of operating efficiencies and synergies from the acquisition of the TierOne franchise.
- Group Business Services increased FTEs by 110 net of Technology outsourcing to IBM. This was predominantly due to convergence activities across the Group.
- Other supporting units increased FTEs by 256 mainly due to convergence activities across Finance, Risk, Corporate Affairs and Marketing and Human Capital Strategy.

Investment Spend

	Half Year to				
	Mar 11 $m	**Sep 10 $m**	**Mar 10 $m**	**Mar 11 v Sep 10 %**	**Mar 11 v Mar 10 %**
Infrastructure	**305**	283	178	7.8	71.3
Compliance / Operational Risk	**66**	60	43	10.0	53.5
Efficiency and Sustainable Revenue	**130**	194	158	(33.0)	(17.7)
Other	**21**	19	20	10.5	5.0
Total	**522**	556	399	(6.1)	30.8

Investment spend decreased by $34 million or 6.1% on the September 2010 half year and increased by $123 million or 30.8% on the March 2010 half year. The Group remains committed to investing in initiatives that support its strategic objectives.

Investment in infrastructure projects has increased by $127 million or 71.3% since the March 2010 half year, reflecting the continued focus on improving the quality, consistency and capabilities of the organisation to significantly enhance the customer experience. This was mainly driven by the Group's Next Generation Banking IT Platform (NGP) investment and the transformation and convergence of key technology and operational infrastructure. NGP is an enterprise-led, business enabled initiative that will support the transformation of the Australian businesses, replacing many of the Bank's legacy applications and processes. Other investment activities include large scale upgrades to technology infrastructure and the ongoing refurbishment and relocation of stores and partner sites in Australia and New Zealand.

Spend on compliance and operational risk has increased by $23 million or 53.5% since March 2010 half year. The Group continually monitors the regulatory and risk environment to ensure that all necessary requirements are met. Initiatives include activities to support compliance with the new National Consumer Credit Protection and Personal Property Securities Acts.

Investment in efficiency and sustainable revenue has decreased by $28 million or 17.7% since March 2010 half year. The Group continues to identify opportunities to better serve its customers. Business Banking activities include the Customer-led Innovation Strategy, which focuses on improving the service proposition and customer experience to the small and emerging business segment and enhancements to performance reporting. Personal Banking activities include improvements to mortgage and collection processes, simplification of the complaint handling process for customers and the credit card transformation strategy. Activities in Wholesale Banking include the continued development of software platforms to assist in achieving cross-sell and in allowing for both revenue protection and generation.

Other Matters

Corporate Responsibility

The Group's Corporate Responsibility (CR) approach is centred on commitments to our customers, employees and communities. These commitments are fundamental to ensuring long-term business success. The Group's CR approach is underpinned by the beliefs and behaviours of the NAB organisation that commit it to doing the right thing and helping customers, employees and communities to realise their potential.

The highlights of NAB's half year CR performance are set out below (the full corporate responsibility reporting and disclosures are available on the Group website):

- NAB was identified as a top four Global Bank in the 2010 Dow Jones Sustainability Index.
- NAB was included as a constituent company in the March 2011 rating of the FTSE4Good Index Series. NAB has been continually included on the FTSE4Good Index Series since its inception.
- Ethisphere Institute has recognised NAB as one of the '2011 World's Most Ethical Companies'.
- NAB established a CR Council in Australia, comprised of several Group Executive members, to direct, review and approve NAB's overall strategic approach to CR.
- In March 2011 NAB became a signatory of the United Nations Global Compact, a strategic policy initiative for businesses that are committed to aligning their operations and strategies with ten universally accepted principles in the areas of human rights, labour, environment and anti-corruption.

Initiatives to Support Customers

NAB continued to enhance fairer banking to customers and deliver on the promise of 'More Give, Less Take', including:

- Simplifying home loan fees to increase transparency and to make these easier for customers to understand. This includes the abolition of more than half the fees charged for mortgage customers, early exit fees abolished in December 2010 and the removal of prepayment fees for home lending.
- Launching online Help and Education sites for customers and consumers to increase awareness around money basics and financial literacy.
- Reducing the amount of interest customers pay on their NAB credit card. Payments are now applied against balances that attract a higher interest rate before balances that attract a lower interest rate.
- A further $7 million allocated to the No Interest Loan Scheme (NILS®) bringing our total investment to $22 million. The scheme offers no interest loans of between $800 - $1,000 for people on low incomes for the purchase of essential household goods.
- Establishing an assistance fund of up to $15 million to provide ex-gratia payments to assist NAB Home Insurance customers who were not covered for losses experienced during the recent Queensland floods and Cyclone Yasi. Business Bank also pledged the support additional lending over the next 12-18 months to help Queensland businesses rebuild and recover.

Initiatives to Support Employees

- NAB has been an early adopter of the ASX Corporate Governance Guidelines relating to gender diversity. In March 2011, NAB set measurable gender targets for the number of women in senior executive positions, subsidiary boards and core talent development programs.
- NAB's proposed Enterprise Agreement was approved by its employees in February 2011. Highlights included fixed pay increases for Group 1 and 2 employees, paid superannuation on unpaid parental leave, changes to NAB's sick leave policy, greater workplace flexibility and improvements to how people can take their annual leave.
- NAB was recognised as an Employer of Choice for Women for the 5th consecutive year in 2011.

Initiatives to Support Communities

- The launch of NAB's third Reconciliation Action Plan took place on 18 April 2011. The key areas of focus continue to be financial inclusion, employment opportunities and cultural awareness.
- Good Shepherd Youth & Family Service, NAB and the Victorian Minister for Community Development announced the development of three 'community finance hubs' to further assist the delivery of financial services to Victorians living on low incomes.
- NAB Schools First announced the 2010 National and State Seed Funding Award Winners and Impact Award Winners. The reward and recognition of 107 winners across Australia has seen more than $5 million in funding allocated in 2010 bringing the Group's total investment to $10 million. Over 1,400 staff members have been involved since the programs inception.
- NAB has contributed $20 million to disaster relief in various ways including direct assistance, microfinance capital, special premium arrangements and concessions for customers with personal insurance (Life, Total and Permanent Disability, Critical Illness and Income Protection) who are suffering financial hardship.
- Staff participating in volunteering at NAB continues to grow - participation for the March 2011 half year is 16.7% compared to 11.3% in the March 2010 half year and the percentage of skilled volunteering is 1.2% in the March 2011 half year, compared to 0.49% in the March 2010 half year.
- The launch of our Social Procurement Panel to support suppliers that provide social benefits to communities and assist in the building of sustainable social enterprises.

Section 4

Review of Divisional Operations and Results

Divisional Performance Summary

Half year ended 31 March 2011	Business Banking $m	Personal Banking $m	Wholesale Banking $m	MLC & NAB Wealth $m	NZ Banking $m	UK Banking $m	Specialised Group Assets $m	GWB $m	Corporate Functions & Other [(1)] $m	Distributions & Eliminations $m	Group Cash Earnings $m
Net interest income	2,446	1,368	522	160	487	768	65	155	333	-	6,304
Fees and commissions	423	277	144	16	149	227	8	30	11	-	1,285
Trading income	34	(1)	289	1	(2)	2	65	-	(47)	-	341
Other	35	25	42	2	24	(15)	1	8	11	(34)	99
Other operating income	492	301	475	19	171	214	74	38	(25)	(34)	1,725
MLC net operating income	-	-	-	770	-	-	-	-	-	-	770
Net operating income	2,938	1,669	997	949	658	982	139	193	308	(34)	8,799
Operating expenses	(879)	(891)	(456)	(561)	(281)	(580)	(24)	(90)	(263)	34	(3,991)
Underlying profit	2,059	778	541	388	377	402	115	103	45	-	4,808
Charge to provide for doubtful debts	(385)	(163)	12	(11)	(72)	(241)	(21)	(32)	(75)	-	(988)
Cash earnings before tax, IoRE, distributions and non-controlling interest	1,674	615	553	377	305	161	94	71	(30)	-	3,820
Income tax expense	(493)	(183)	(160)	(107)	(90)	(39)	(17)	(24)	47	-	(1,066)
Cash earnings before IoRE, distributions and non-controlling interest	1,181	432	393	270	215	122	77	47	17	-	2,754
Net profit - non-controlling interest	-	-	-	(1)	-	-	-	-	-	-	(1)
IoRE	-	-	-	29	-	-	-	-	-	-	29
Distributions	-	-	-	-	-	-	-	-	-	(114)	(114)
Cash earnings	1,181	432	393	298	215	122	77	47	17	(114)	2,668

Key balance sheet items ($bn)	Business Banking	Personal Banking	Wholesale Banking	MLC & NAB Wealth	NZ Banking	UK Banking	Specialised Group Assets	GWB	Corporate Functions & Other [(1)]	Distributions & Eliminations	**Total**
Gross loans and acceptances (average)	191.3	123.5	13.6	18.1	42.1	52.2	5.6	5.3	2.2	-	453.9
Retail deposits (average)	83.7	67.6	-	9.9	23.1	37.4	-	6.6	5.5	-	233.8
Total risk-weighted assets (spot)	147.6	40.7	34.6	6.4	30.1	51.9	18.0	5.7	10.4	-	345.2

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

Note: The Divisional Performance Summary excluding foreign currency impact is on pages 163 to 164.

Divisional Performance Summary

Half year ended 30 September 2010	Business Banking $m	Personal Banking $m	Wholesale Banking $m	MLC & NAB Wealth $m	NZ Banking $m	UK Banking $m	Specialised Group Assets $m	GWB $m	Corporate Functions & Other (1) $m	Distributions & Eliminations $m	Group Cash Earnings $m
Net interest income	2,352	1,286	573	153	506	801	73	145	285	-	6,174
Fees and commissions	409	299	112	16	154	237	12	34	11	-	1,284
Trading income	31	3	172	1	(2)	2	(69)	-	(38)	-	100
Other	45	1	38	(1)	26	(10)	2	9	25	(56)	79
Other operating income	485	303	322	16	178	229	(55)	43	(2)	(56)	1,463
MLC net operating income	-	-	-	764	-	-	-	-	-	-	764
Net operating income	2,837	1,589	895	933	684	1,030	18	188	283	(56)	8,401
Operating expenses	(871)	(866)	(467)	(573)	(292)	(610)	(24)	(93)	(261)	56	(4,001)
Underlying profit	1,966	723	428	360	392	420	(6)	95	22	-	4,400
Charge to provide for doubtful debts	(410)	(116)	(16)	(4)	(78)	(279)	(95)	(34)	(1)	-	(1,033)
Cash earnings before tax, IoRE, distributions and non-controlling interest	1,556	607	412	356	314	141	(101)	61	21	-	3,367
Income tax expense	(458)	(181)	(110)	(71)	(100)	(44)	56	(20)	35	-	(893)
Cash earnings before IoRE, distributions and non-controlling interest	1,098	426	302	285	214	97	(45)	41	56	-	2,474
Net profit - non-controlling interest	-	-	-	-	-	-	-	-	-	-	-
IoRE	-	-	-	26	-	-	-	-	-	-	26
Distributions	-	-	-	-	-	-	-	-	-	(112)	(112)
Cash earnings	1,098	426	302	311	214	97	(45)	41	56	(112)	2,388

Key balance sheet items ($bn)											**Total**
Gross loans and acceptances (average)	188.4	112.6	12.6	17.5	43.5	55.7	7.5	5.4	2.5	-	445.7
Retail deposits (average)	78.1	61.4	-	9.2	22.9	40.3	-	6.5	5.5	-	223.9
Total risk-weighted assets (spot)	144.9	38.6	32.9	6.7	29.1	55.3	20.5	6.4	10.3	-	344.7

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

Divisional Performance Summary

Half year ended 31 March 2010	**Business Banking $m**	**Personal Banking $m**	**Wholesale Banking $m**	**MLC & NAB Wealth $m**	**NZ Banking $m**	**UK Banking $m**	**Specialised Group Assets $m**	**GWB $m**	**Corporate Functions & Other [(1)] $m**	**Distributions & Eliminations $m**	**Group Cash Earnings $m**
Net interest income	2,312	1,215	616	142	472	864	105	100	288	-	6,114
Fees and commissions	412	294	122	18	151	222	12	20	52	-	1,303
Trading income	33	-	251	-	(1)	1	(230)	-	(54)	-	-
Other	25	7	44	-	23	-	5	9	20	(61)	72
Other operating income	470	301	417	18	173	223	(213)	29	18	(61)	1,375
MLC net operating income	-	-	-	748	-	-	-	-	-	-	748
Net operating income	2,782	1,516	1,033	908	645	1,087	(108)	129	306	(61)	8,237
Operating expenses	(843)	(834)	(447)	(541)	(289)	(622)	(27)	(59)	(260)	61	(3,861)
Underlying profit	1,939	682	586	367	356	465	(135)	70	46	-	4,376
Charge to provide for doubtful debts	(381)	(231)	(29)	(5)	(70)	(322)	(173)	(20)	1	-	(1,230)
Cash earnings before tax, IoRE, distributions and non-controlling interest	1,558	451	557	362	286	143	(308)	50	47	-	3,146
Income tax expense	(463)	(134)	(154)	(98)	(84)	(36)	91	(17)	11	-	(884)
Cash earnings before IoRE, distributions and non-controlling interest	1,095	317	403	264	202	107	(217)	33	58	-	2,262
Net profit - non-controlling interest	-	-	-	(1)	-	-	-	-	-	-	(1)
IoRE	-	-	-	35	-	-	-	-	-	-	35
Distributions	-	-	-	-	-	-	-	-	-	(103)	(103)
Cash earnings	1,095	317	403	298	202	107	(217)	33	58	(103)	2,193
Key balance sheet items ($bn)											**Total**
Gross loans and acceptances (average)	184.8	104.3	13.7	16.7	43.6	58.1	8.4	3.8	2.3	-	435.7
Retail deposits (average)	77.0	58.7	-	9.3	22.0	39.6	-	4.3	4.3	-	215.2
Total risk-weighted assets (spot)	138.5	36.4	32.4	6.2	29.2	52.9	24.3	4.3	8.6	-	332.8

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

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Business Banking

Joseph Healy

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

Strategic Highlights and Business Developments

Business Banking performed well this half year, delivering cash earnings of $1,181 million, up 7.9% on the March 2010 half year. This performance reflects the Bank's unwavering focus on supporting Australian businesses and achieving growth, whilst maintaining the overall quality of the portfolio.

The result has been delivered in an operating environment that was challenging and where demand for business credit continues to be subdued. However the strong commitment to relationship banking, with a consistent focus on 'AND' - growing market share AND managing risk/reward AND maximising relationship potential - has enabled Business Banking to build on the momentum of the past 18 months.

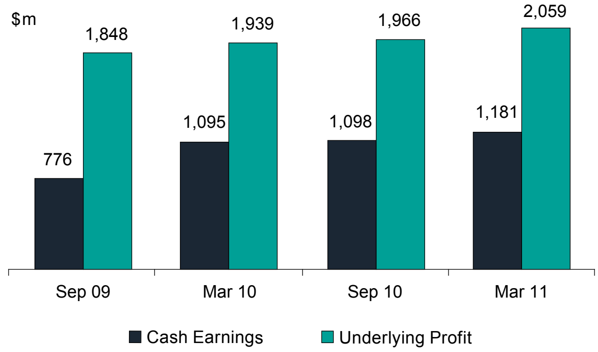
Business Banking has continued to **deliver growth** by building on its track record of **supporting customers** in all market conditions. Over the course of the last 18 months to March 2011, NAB has been a consistent supporter of Australian businesses and has grown lending at a time when the industry reduced lending by $21.6 billion[1]. Business Banking also continued to increase its market lead by growing business lending market share to 23.8%, over the six months to March 2011[1].

A key highlight over the half year was the continued delivery of NAB's Fair Value commitment to all customers, including the launch of the 'break-up' campaign and the introduction of new initiatives to support Australian business. These included **supporting customers** through ongoing tough economic conditions, together with the abolition of fees that make a real difference to customers, in particular, the abolition of exit fees and prepayment fees.

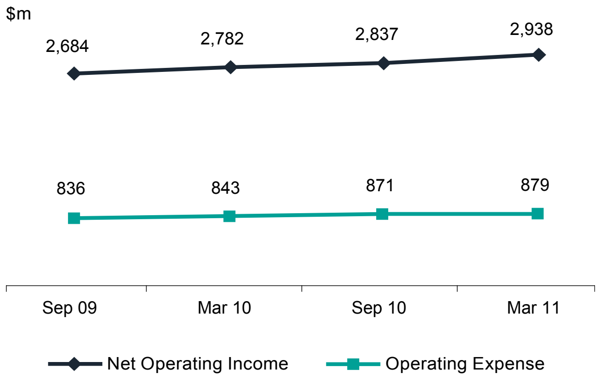
The ongoing **investment in frontline resources**, putting more bankers in more places, continues to support Business Banking's commitment to growth and high quality service, with relationship bankers, product specialists and risk executives embedded in Business Banking Centres (BBCs). A total of 384 new bankers and specialists have been hired since 2009. During this period the focus has been on providing customers with support and guidance to help them navigate through the recent economic and environmental challenges.

[(1)] *Source: APRA Banking System data.*

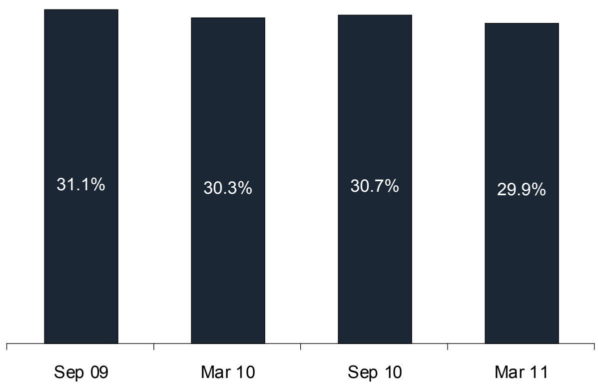
Business Banking Cash Earnings and Underlying Profit



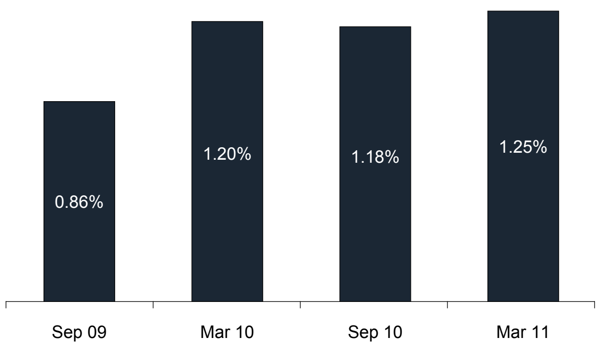
Business Banking Income and Expense Trends



Business Banking Cost to Income Ratio



Business Banking Cash Earnings on Average Assets



Business Banking has continued to build on its relationship banking model with investment in the **'Customer-led Innovation Strategy'**. The program has been designed to deepen customer relationships and to enhance banker interaction with customers. Investment in strengthening banker capability is ongoing, through the introduction of sales training in understanding customer needs and identifying opportunities. Over 80% of bankers, specialists and senior leaders have now completed the program, which is supporting them building deeper relationships with their customers.

The commitment to sound risk and capital management practices continued through close management of asset quality to actively address bad and doubtful debts and ensure risk settings reflected current market conditions. Pricing for current market conditions was a focus, with investment in banker education and support to ensure that margins were effectively managed. The drive for new business was consistent with the focus on building long-term relationships, together with quality and acceptable returns.

Maintenance of a strong position in business **deposit market share** remained a priority, despite increasing competition, with business deposits growing by 8.7% over the March 2010 half year. The Customer Funding Index (CFI) improved on the September 2010 half year by 310 basis points to 49.4%, through the increase of transactional and deposit balances across all segments.

Investment has been aligned to strategic growth priority areas, which include the Small and Emerging Business unit where 40 new business bankers were recruited for branches and a dedicated online hub to support customers was launched. **Disciplined expense management** was a focus, as efficiency initiatives continued to be implemented. This has resulted in a cost to income ratio of less than 30%, as progress has been made on product rationalisation and initiatives to free up capacity for bankers to have more contact time with customers.

Operating Environment

Over the March 2011 half year, the Australian economy continued to slow. Weakness in consumer spending, last year's interest rate rises, a depressed retail sector and the disruptive effects of the flood and cyclone events have all combined to affect business conditions and confidence.

Business trading and profitability were particularly weak. Domestically focused industries continued to suffer, especially retail, wholesale, construction and manufacturing, while conditions recovered in mining. This was especially reflected in business credit system growth that remained in negative territory for most of the half.

The high Australian dollar has also been weighing on export oriented and import competing businesses, global companies and retailers.

During the period, competition for business lending remained intense as the other domestic banks continued to re-balance their overweight retail portfolios. This created an environment of low system growth, combined with increasingly intense competition and pricing pressures.

The increased desire on the part of banks to secure customer funding to manage their balance sheets has maintained intense competition in this market and has contributed to higher deposit costs.

The credit environment is expected to rebound in the second half of the year with the mining boom, combined with the flood and cyclone reconstruction effort and potential corporate M&A activity, creating an upswing in business investment.

Business Banking

	Half Year to				
	Mar 11 $m	Sep 10 $m	Mar 10 $m	Mar 11 v Sep 10 %	Mar 11 v Mar 10 %
Net interest income	**2,446**	2,352	2,312	4.0	5.8
Other operating income	**492**	485	470	1.4	4.7
Net operating income	**2,938**	2,837	2,782	3.6	5.6
Operating expenses	**(879)**	(871)	(843)	(0.9)	(4.3)
Underlying profit	**2,059**	1,966	1,939	4.7	6.2
Charge to provide for bad and doubtful debts	**(385)**	(410)	(381)	6.1	(1.0)
Cash earnings before tax	**1,674**	1,556	1,558	7.6	7.4
Income tax expense	**(493)**	(458)	(463)	(7.6)	(6.5)
Cash earnings	**1,181**	1,098	1,095	7.6	7.9
Average Volumes ($bn)					
Gross loans and acceptances	**191.3**	188.4	184.8	1.5	3.5
Interest earning assets	**190.6**	187.7	184.5	1.5	3.3
Total assets	**188.8**	185.8	182.4	1.6	3.5
Retail deposits	**83.7**	78.1	77.0	7.2	8.7
Capital ($bn)					
Risk-weighted assets - credit risk (spot)	**144.9**	142.3	136.0	1.8	6.5
Total risk-weighted assets (spot)	**147.6**	144.9	138.5	1.9	6.6
Performance Measures					
Cash earnings on average assets	**1.25%**	1.18%	1.20%	7 bps	5 bps
Net interest margin	**2.57%**	2.50%	2.51%	7 bps	6 bps
Cost to income ratio	**29.9%**	30.7%	30.3%	80 bps	40 bps
'Jaws'	**2.7%**	(1.3%)	2.9%		
Cash earnings per average FTE ($'000s)	**431**	406	428		
FTEs (spot)	**5,493**	5,482	5,259		

	As at		
Market Share [(1)]	**Mar 11**	**Sep 10**	**Mar 10**
Business lending	**23.8%**	22.8%	20.8%
Business deposits	**21.4%**	21.5%	22.0%

(1) *Source: APRA Banking System data.*

Business Banking
Financial Analysis

March 2011 v March 2010

Cash earnings increased by $86 million or 7.9% against the March 2010 half year, driven by strong underlying profit growth of 6.2% and a stable bad and doubtful debts charge.

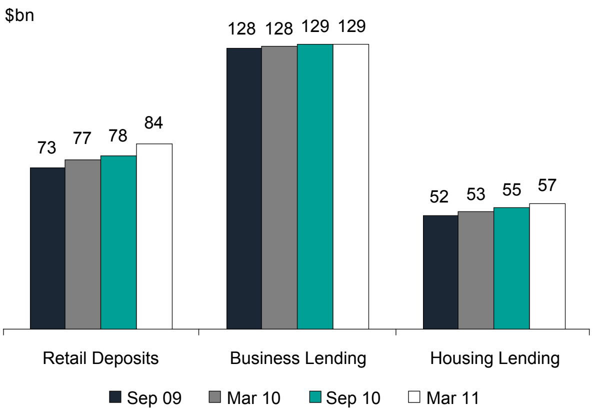
Cash earnings on average assets improved by 5 basis points, driven by the growth in revenue and a stable bad and doubtful debt position.

Net interest income increased by $134 million or 5.8% compared to the March 2010 half year. This was largely due to repricing for current market conditions and growth in both lending and deposit products. It was partly offset by higher funding and deposit costs.

Average interest earning assets grew by $6.1 billion or 3.3% through the delivery of the Business Banking 'AND' strategy with a focus on growing market share AND managing risk/reward. Growth was achieved across both business and housing portfolios, particularly in the SME and specialised business segments.

Average retail deposits increased by $6.7 billion or 8.7%, in-line with Business Banking's strategic priority to grow deposits and reduce the reliance on wholesale funding.

Business Banking Average Volumes



Net interest margin increased by 6 basis points over the March 2010 half year due to improved lending margins achieved through repricing for current market conditions. This was partly offset by higher funding and deposit costs and the heightened competition for business loans.

Other operating income increased by $22 million or 4.7%, driven by higher lending related fees from growth in volumes. This was partly offset by the abolition of a number of fees and the easing of demand for risk management products.

Operating expenses increased by $36 million or 4.3%, reflecting increased costs from the investment in additional frontline bankers, and additional salary related costs.

The charge to provide for bad and doubtful debts increased marginally by $4 million compared to the March 2010 half year. The quality of the portfolio remained sound.

March 2011 v September 2010

Cash earnings increased by $83 million or 7.6% on the September 2010 half year, largely as a result of 4.7% growth in underlying profit and a reduction in bad and doubtful debts.

Cash earnings on average assets increased by 7 basis points, reflecting the growth in cash earnings.

Net interest income increased by 4.0% compared to the September 2010 half year, due to the repricing for current market conditions and growth in lending and deposit products.

Average interest earning assets grew by $2.9 billion or 1.5%, due mainly to housing lending growth.

Average retail deposits grew by $5.6 billion or 7.2%, reflecting Business Banking's strategic priority to reduce its reliance on wholesale funding.

Net interest margin increased by 7 basis points on the September 2010 half year, due to repricing for current market conditions.

Other operating income increased by $7 million or 1.4% due to higher lending related fees from growth in volumes.

Operating expenses increased by $8 million or 0.9%, reflecting investment in frontline bankers in 2010, offset by savings generated through efficiency initiatives.

The charge to provide for bad and doubtful debts decreased by $25 million, with the reduction in the incidence of losses on single name exposures.

Other Items

Asset Quality

	As at		
	Mar 11	Sep 10	Mar 10
Specific provision for doubtful debts ($m)	**788**	909	892
Collective provision for doubtful debts ($m)	**1,096**	1,091	1,176
Collective provision on loans at fair value	**147**	129	29
90+ DPD assets ($m)	**1,017**	859	792
Gross impaired assets ($m)	**3,438**	3,215	2,873
90+ DPD plus gross impaired assets to gross loans and acceptances	**2.31%**	2.16%	1.97%
Specific provision to gross impaired assets	**22.9%**	28.3%	31.0%
Net write-offs to gross loans and acceptances (annualised)	**0.52%**	0.46%	0.43%
Total provision as a percentage of net write-offs	**202%**	244%	264%
Total provision to gross loans and acceptances	**1.05%**	1.13%	1.13%
Bad and doubtful debt charge to credit risk weighted assets	**0.53%**	0.56%	0.56%

The commitment to sound risk management practices and application of risk settings to reflect current market conditions continued, with a number of targeted credit risk reviews across the portfolio, including the Agriculture, Healthcare and Commercial Property segments. The portfolio remains well diversified across industries.

The bad and doubtful debt charge fell during the period by 6.1% to $385 million. Approximately one third of the provision raised over the half year related to long-standing impaired assets. The bad and doubtful debt charge to credit risk weighted assets decreased by 3 basis points to 0.53%.

The global financial crisis continues to have a lagged effect on the portfolio of categorised assets, with the volume of 90+ DPD and impaired assets rising by 9.4% to $4,455 million. By contrast, the volume of watch loans (not impaired or not defaulted) fell by 4.4%. The number of customers referred to Strategic Business Services for review remained steady but fell in terms of loan volumes.

The increase in 90+ DPD assets was largely attributable to one large customer and a rise in delinquent loans in the nabbusiness segment, mostly in Queensland. While the volume of gross impaired assets increased over the past six months, the rate of increase has slowed.

Loan loss provision cover fell by 8 basis points compared to the September 2010 half year and the prior corresponding period. The decrease in specific provision was largely due to new impaired assets over the period requiring lower levels of specific provision cover in comparison with the impaired assets that were exited. The collective provision accrued to support the loan portfolio remained steady.

Net write-off volumes increased relative to the prior half year. The write-offs largely related to long-standing impaired assets that were fully provided for in previous periods. The ratio of net write-offs to gross loans and acceptances increased by 6 basis points over the September 2010 half year.

Investment Spend

Key investments in improvement programs by Business Banking during the March 2011 half year included:

- *World-class relationship banking:* The implementation of the Customer-led Innovation Strategy has continued in 2011 to strengthen customer relationships and optimise cross-sell. In addition, there has been significant investment in brand and reputation.
- *Realising potential:* Investment in the Small and Emerging Business segment has continued to increase NAB's capacity to service these customers.
- *Running the business well:* Initiatives are in place to continually refine processes and embed process adoption and standardisation, with the goal of eliminating process complexity. Creation of a standardised process environment has enabled Business Banking to grow frontline capacity. Capital efficiency has continued to be a focus, with initiatives in place to optimise the balance sheet.

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Personal Banking

Lisa Gray

Personal Banking provides quality products and services to 4.3 million retail and small business customers. These products and services are delivered through a range of distribution channels and brands including NAB, Homeside, UBank and a variety of broker and 'mortgage manager' brands operated by the Advantedge business.

Strategic Highlights and Business Developments

NAB's reinvestment in the Personal Banking business is designed to deliver long-term sustainable growth, built on the solid momentum achieved in 2010 as the business continued to **differentiate itself as a bank that offers fair value to customers**.

The results have been pleasing. NAB has:

- Further narrowed the customer satisfaction gap to its competitors, from 2.5% in September 2010 to 1.0% in March 2011[1].
- Delivered overall mortgage growth across all channels of 3.4x system[2] (including Advantedge) this year.
- Increased deposits by 16.0% from the same period last year or 1.8x system[2].
- Increased net transaction accounts by 143,700 in the half year, an increase of 80% on the March 2010 half year net account growth.
- Increased its issue of new credit cards by 71% as compared to the same period last year.

Personal Banking has three key strategies.

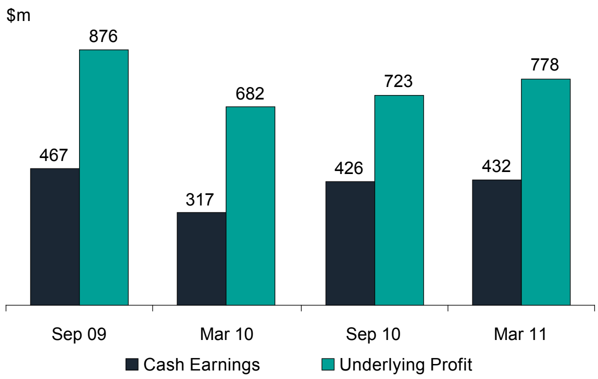
Restoring the core business by transforming the customer experience and improving sales productivity remains a priority, with particular emphasis on differentiating the business via NAB's Fair Value philosophy. A major highlight for the March 2011 half year was the continued delivery of the 'More Give, Less Take' commitment to all customers with the launch of the 'break-up' campaign when NAB 'broke up' with the other major banks on Valentine's Day. This campaign emphasised the key initiatives being taken to differentiate NAB's brand and reputation. These included:

- Abolishing early exit fees on NAB home loans and eliminating repeat and duplicate statement and bank cheque fees on NAB and Homeside products.
- Changes to credit card payments and balance transfers benefiting 1.5 million customers.
- New online help and education sections on the NAB website to assist customers to better understand banking and finance products.
- Maintaining the lowest standard variable home loan rate amongst the major Australian banks for over 18 months.

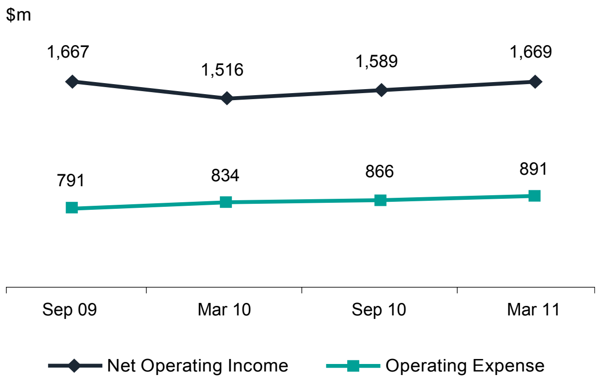
(1) *Source: Roy Morgan Research, Aust MFIs, population aged 14+, six month moving average customer satisfaction is based on customers who answered very/fairly satisfied. NAB compared with the weighted average of the three major banks (ANZ, CBA and WBC).*

(2) *APRA Banking System data.*

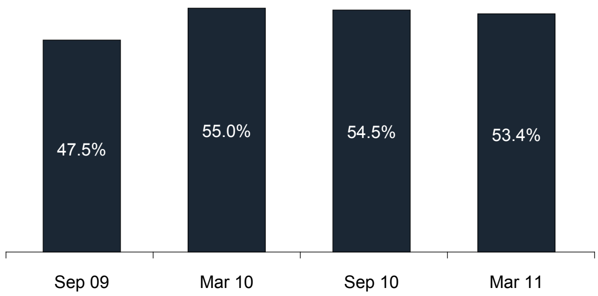
Personal Banking Cash Earnings and Underlying Profit



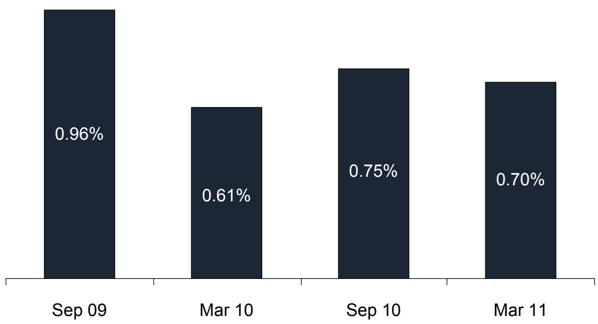
Personal Banking Income and Expense Trends



Personal Banking Cost to Income Ratio



Personal Banking Cash Earnings on Average Assets



NAB's product and service improvement has been recognised by numerous awards from Money magazine, Choice magazine and Canstar Cannex.

Personal Banking has also continued to invest in transforming the NAB customer experience. Initiatives include:

- Investment in Customer Contact Centre resources to move call answering service levels to industry standard.
- Redesigning how mortgages are processed through the Mortgage Transformation Program which has enabled significant uplift of over 20% in volume, with minimal increase in resources.
- Improved sales training to enhance the in-store customer experience and improve sales.
- Innovative solutions for mobile and online banking including innovative applications for iPhone, iPad and Android devices, plus an automated online chat service, which is not provided by NAB's main competitors.

Investing in gaps in historically underweight channels and products in the portfolio. Personal Banking has continued to focus on third party mortgage distribution, with significant traction gained in NAB Broker and other broker distributed product brands via Advantedge.

The Advantedge business integration is largely complete. Volumes from that channel grew $3.3 billion to $7.9 billion during the March 2011 half year. New loan settlement volumes in NAB Broker increased by 141% in the March 2011 half year, compared with the same period last year. This growth was largely the result of improving customer service experience through more efficient servicing of demand.

NAB has increased investment to acquire new credit card customers through both competitive offers and improvements in customer service. Results this half year have been pleasing with over 40,000 new accounts (net) since September 2010.

The recruitment of 40 new bankers since September 2010 in a joint investment between Personal Banking and Business Banking demonstrates NAB's drive to become the leading Small and Emerging Business Bank.

Building for long-term growth through new customer driven models, such as UBank.

UBank continues to innovate by recently branching out to the Self Managed Super Funds (SMSF) market by developing a competitive offering for USaver deposits and term deposits. Also, in February 2011, UHomeLoan was launched to target the refinancing market.

UBank's ongoing attractive rate offering, coupled with great service, has resulted in deposits growing to over $8 billion, representing growth of 14x system growth year to date (Source: APRA March 2011) during the March 2011 half year.

UBank continues to provide insight into the readiness requirements of the Next Generation Banking IT Platform (NGP) to facilitate an effective transition to the new platform in the future.

Operating Environment

Economic conditions softened during the period, triggered by the floods in Queensland and Victoria. Whilst the impact of Cyclone Yasi was not as severe as first feared, it has created challenging conditions for the Queensland economy. Indicators of both consumer and business sentiment have deteriorated in most recent surveys providing insight into the challenges faced by small business operators, as retail spending remains subdued. Additionally, the rise in interest rates during 2010 is now beginning to manifest as delinquency, as some customers struggle with loan serviceability.

Competition for deposits remained strong in the March 2011 half year as banks continued to reduce their reliance on international wholesale markets. This has contributed to higher funding costs and lower deposit margins.

NAB's commitment to providing a fair exchange of value with customers supported the Government's objective of increasing competition in the banking sector, and pre-empted Government regulations by leading the way on the abolition of exit fees and credit card reforms.

Personal Banking

	Half Year to Mar 11 $m	Half Year to Sep 10 $m	Half Year to Mar 10 $m	Mar 11 v Sep 10 %	Mar 11 v Mar 10 %
Net interest income	**1,368**	1,286	1,215	6.4	12.6
Other operating income	**301**	303	301	(0.7)	-
Net operating income	**1,669**	1,589	1,516	5.0	10.1
Operating expenses	**(891)**	(866)	(834)	(2.9)	(6.8)
Underlying profit	**778**	723	682	7.6	14.1
Charge to provide for bad and doubtful debts	**(163)**	(116)	(231)	(40.5)	29.4
Cash earnings before tax	**615**	607	451	1.3	36.4
Income tax expense	**(183)**	(181)	(134)	(1.1)	(36.6)
Cash earnings	**432**	426	317	1.4	36.3
Average Volumes ($bn)					
Gross loans and acceptances	**123.5**	112.6	104.3	9.7	18.4
Interest earning assets	**123.8**	112.6	104.3	9.9	18.7
Total assets	**124.2**	113.2	104.7	9.7	18.6
Retail deposits	**67.6**	61.4	58.7	10.1	15.2
Spot Volumes ($bn)					
Housing lending	**120.1**	109.5	99.2	9.7	21.1
Other personal lending	**7.9**	7.6	7.7	3.9	2.6
Retail deposits	**70.4**	64.7	59.9	8.8	17.5
Capital ($bn)					
Risk-weighted assets - credit risk (spot)	**37.3**	35.1	32.9	6.3	13.4
Total risk-weighted assets (spot)	**40.7**	38.6	36.4	5.4	11.8
Performance Measures					
Cash earnings on average assets	**0.70%**	0.75%	0.61%	(5 bps)	9 bps
Net interest margin	**2.22%**	2.28%	2.34%	(6 bps)	(12 bps)
Cost to income ratio	**53.4%**	54.5%	55.0%	110 bps	160 bps
'Jaws' [(1)]	**2.1%**	1.0%	(14.9%)		
Cash earnings per average FTE ($'000s)	**97**	96	79		
FTEs (spot)	**8,826**	9,052	8,468		

(1) *The 'Jaws' for March 2010 excludes the impact of the acquisition of Advantedge.*

Distribution	As at Mar 11	As at Sep 10	As at Mar 10
Number of retail outlets [(1)]	**784**	773	748
Number of ATMs	**3,395**	3,154	3,172
Number of internet banking customers (no. million)	**1.866**	1.701	1.523

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

Market Share	As at Mar 11	As at Sep 10	As at Mar 10
Housing lending [(1)]	**13.8%**	13.3%	12.8%
Household deposits [(2)]	**14.1%**	13.6%	13.4%

(1) *RBA Financial System / NAB including Wholesale Banking data.*
(2) *APRA Banking System / NAB including Wholesale Banking data.*

Personal Banking
Financial Analysis

March 2011 v March 2010

Cash earnings increased by $115 million or 36.3% compared to March 2010 mainly due to higher revenue from increased home lending volumes. Bad and doubtful debt charges have decreased, driven by improvements in asset quality and ongoing improvements in collections.

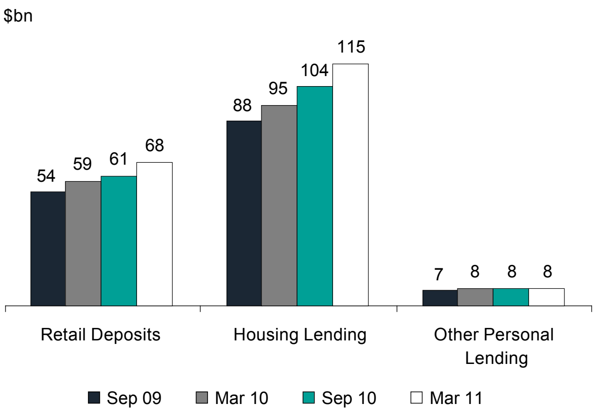
Cash earnings on average assets increased by 9 basis points due to revenue growth greater than expense growth, and improvements in both risk settings and collection practices, which resulted in lower bad and doubtful debt charges.

Net interest income increased by $153 million or 12.6% compared to March 2010, predominantly driven by increased volumes and repricing, partially offset by higher funding and deposit costs.

Average interest earning assets grew by $19.5 billion or 18.7% due to above system growth across all sales channels in mortgages.

Average retail deposits increased by $8.9 billion or 15.2%, due to solid growth in the proprietary network from a continuing focus on broadening customer relationships and UBank's strong growth.

Personal Banking Average Volumes



Net interest margin decreased by 12 basis points compared to March 2010 mainly due to the continuing changes in product mix from the growth in housing lending and deposit volumes.

Other operating income has remained flat. This is due to initiatives designed to improve the reputation of the bank including early adoption of the government mortgage exit fee policy, resulting in lower fees, which were offset by increased cards fees from higher sales and the profit from the sale of NAB's interest in Flybuys.

Operating expenses increased by $57 million or 6.8% due to increased personnel expenses from reinvestment in frontline employees to improve the NAB customer experience and drive the Personal Banking strategy.

The charge to provide for bad and doubtful debts decreased by $68 million or 29.4% as a result of improvements in asset quality and collections practices.

March 2011 v September 2010

Cash earnings increased by $6 million or 1.4% on the September 2010 half year due to improved revenue from higher home lending volumes, partially offset by seasonal increases in consumer credit cards related bad and doubtful debts.

Cash earnings on average assets decreased by 5 basis points, driven by the seasonal increase in bad and doubtful debts.

Net interest income increased by $82 million or 6.4% predominantly due to increased volumes and repricing, partially offset by higher funding and deposit costs.

Average interest earning assets grew by $11.2 billion or 9.9% due to above system mortgage growth in all channels.

Average retail deposits grew by $6.2 billion or 10.1%, due to the solid growth in NAB Retail's iSaver product and continued momentum in UBank.

Net interest margin decreased by 6 basis points for the half year, mainly due to continuing changes in product mix from the growth in housing lending and deposit volumes.

Other operating income remained relatively flat for the half year, down $2 million or 0.7%, with the impact of reduced fees. This was largely offset by higher card retail sales and profit on the sale of NAB's interest in Flybuys.

Operating expenses increased by $25 million or 2.9% due to continued reinvestment in frontline employees to improve the customer experience, in-line with the Personal Banking strategy.

The charge to provide for bad and doubtful debts increased by $47 million or 40.5% on the September 2010 half year due to seasonal changes in retail spending in the credit card portfolio together with the impact of the batch processing incident in November 2010.

Other Items

Asset Quality

	As at		
	Mar 11	Sep 10	Mar 10
Specific provision for doubtful debts ($m)	**41**	46	64
Collective provision for doubtful debts ($m)	**444**	416	460
90+ DPD assets ($m)	**698**	667	736
Gross impaired assets ($m)	**153**	169	231
90+ DPD plus gross impaired assets to gross loans and acceptances	**0.66%**	0.71%	0.90%
Specific provision to gross impaired assets	**26.8%**	27.2%	27.7%
Net write-offs to gross loans and acceptances (annualised)	**0.22%**	0.29%	0.31%
Total provision as a percentage of net write-offs	**173%**	133%	155%
Total provision to gross loans and acceptances	**0.38%**	0.39%	0.49%
Bad and doubtful debt charge to credit risk weighted assets	**0.88%**	0.99%	1.41%

Employment remains strong at a macro-level supporting sustained improvements in 90+ DPD balances and gross impaired assets. The 90+ DPD and gross impaired assets to gross loans and acceptances ratio improved further during the period, falling by 5 basis points on the September 2010 half year.

The seasonal peak in delinquency post-Christmas has led to a spike in total provisions as a percentage of net write-offs.

Mortgage delinquency rates stabilised during the period after significant improvement during 2010. The trajectory for delinquent mortgage balances remains positive, with the aggregate portfolio now reflective of the significantly improved asset quality for loans originated since the latter half of 2008. There has been improvement in the performance of line of credit and interest-only facilities during the period as a result of a particular focus on those product types in Collections.

Applications for hardship assistance received by NAB Care rose significantly during the period, predominantly in response to natural disasters.

Asset quality in unsecured lending remains sound, albeit with some deterioration in delinquency rates during the traditional post-Christmas period.

Investment Spend

Personal Banking's investment allocation was aligned to its three key strategies:

- *Restoring the core business:* The Mortgage Transformation Program has implemented short-term process improvements while finalising a more extensive redesign of the end-to-end mortgage process, which will be implemented in the second half of 2011 and into 2012. Significant additional resources have also been deployed in the Contact Centre to bring responsiveness levels to industry standard.
- *Investing in gaps:* Investment has focused on increasing the number of frontline small business bankers, improving service capability and simplifying processes.
- *Building for long-term growth:* The launch of the UHomeLoan has further broadened the product offering of UBank. Further improvements have been made to the nab.com.au website and in optimising the search engine.

These investments are delivering solid, sustainable earnings momentum.

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Wholesale Banking

Rick Sawers

Wholesale Banking delivers financial markets risk products and services to the Group's customers through its Franchise Focus strategy. To deliver these products to customers effectively, Wholesale Banking has five key lines of business: Global Markets, Treasury, Asset Servicing, Specialised Finance and Financial Institutions Group. Operating as a global business, Wholesale Banking has approximately 3,000 employees in Australia, New Zealand, Asia, the UK and the US.

Strategic Highlights and Business Developments

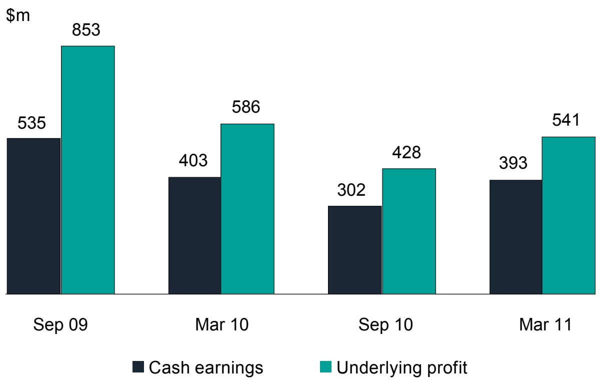
The first half of 2011 has seen Wholesale Banking continue to deliver against its Franchise Focus strategy. Established in 2009, this strategy aims to build on Wholesale Banking's existing strengths to deepen end-to-end relationships within NAB's customer base. The key elements of this strategy include:

- Partnering with Business Banking in Australia to increase penetration of product offerings to NAB's business customers. The main objective of this initiative is to increase sales of foreign exchange (FX) and interest rate risk management products. Accordingly, the Bank has increased the number of Global Markets product specialists co-located within Business Banking centres across Australia to 112, resulting in increased cross-sell and on-boarding of new customers.
- Leveraging NAB's strengths in Project Finance and Business Banking to target significant growth across the Infrastructure, Energy & Utilities and Natural Resources sectors. NAB has been mandated lead arranger on a number of significant deals in 2010 and received several industry awards for these transactions, which included Collgar Wind Farm and High Speed Rail 1.

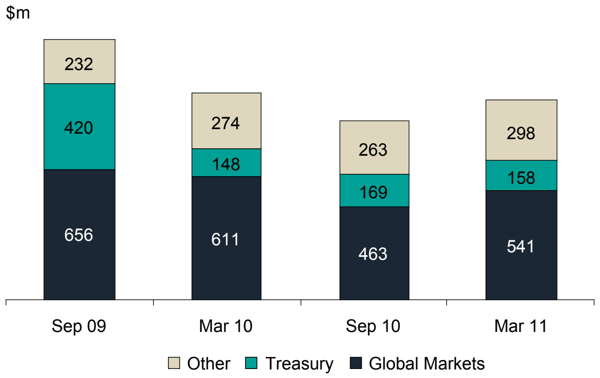
Following on from this, further achievements during the March 2011 half year include:

- Supporting the QPH consortium in the $2.3 billion acquisition of the Port of Brisbane as part the Queensland State Government's asset sale program.
- Taking the joint mandated lead arranger role in a US$600 million project finance facility provided for the Hope Downs Iron Ore 4 project.
- Building on NAB's Asset Servicing customer base to increase the cross-sell of banking and financial risk management products to NAB's funds and financial institutions customers. A key highlight during the half included Asset Servicing's launch of a new series of products in conjunction with BNY Mellon, to provide private equity administration and middle office services to superannuation and fund manager customers.
- A record number of deals were closed in the US Private Placement (USPP) market with NAB now the highest ranked Australian Bank within the global USPP rankings (Source: Thomson Reuters, 2010 League Tables). In the syndicated loan market NAB has also improved its rankings and is currently listed as number one in the Australian Bookrunner league tables (Source: Dealogic Bookrunner Ranking Australia, Q1 2011).

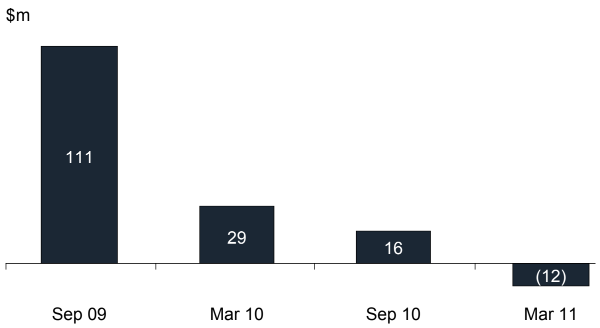
Wholesale Banking Cash Earnings and Underlying Profit



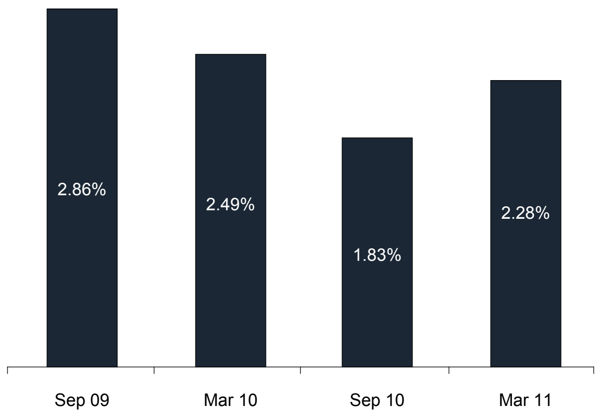
Wholesale Banking Net Operating Income



Wholesale Banking Charge to Provide for Bad and Doubtful Debts



Wholesale Banking Return on Risk Weighted Assets



- Increasing NAB's share of trade and capital flows between Australia and Asia through building on existing strengths in Project Finance, Global Markets and Financial Institutions Group. The focus of this effort is to better service the financing and commodity needs of Asian Financial Institutions and NAB's business customers who are looking to grow in Asia.

Operating Environment

The external environment has been characterised by subdued business activity and credit growth within Australia. However, this is expected to gradually improve over the second half of 2011.

Some of the major factors that affected the operating environment over the period were:

- Low volatility and a lack of trending markets, as well as the Australian dollar exceeding parity with the US dollar, resulting in reduced demand for risk mitigation products.
- Subdued economic activity in the UK and New Zealand, which had an adverse impact on risk management sales in these markets. Wholesale Banking's continued focus on cross-sell to existing NAB customers in Australia has gone some way to addressing this trend.
- Competition from foreign banks intensifying in the Australian market, resulting in margin compression and heightened competition for volumes.
- European sovereign debt concerns continuing to have an impact on market sentiment.

Regional variances across Wholesale Banking's key markets are likely to continue, but the differences are expected to be less marked in the coming year:

- In Australia, it is anticipated that the economy will continue to grow, driven by both the mining sector on the back of demand from China and the flood reconstructions, which will create an increase in business and infrastructure investment.
- In the UK, the austerity measures and forecast low levels of economic growth are expected to continue throughout 2011.
- Economic recovery in the US is expected to continue into the second half of the year.
- Euro-zone economic growth is likely to be subdued as the business environment looks set to be hampered by sovereign debt concerns.

Wholesale Banking

Results presented at actual exchange rates

	Half Year to				
	Mar 11 $m	Sep 10 $m	Mar 10 $m	Mar 11 v Sep 10 %	Mar 11 v Mar 10 %
Net interest income	**522**	573	616	(8.9)	(15.3)
Other operating income	**475**	322	417	47.5	13.9
Net operating income	**997**	895	1,033	11.4	(3.5)
Operating expenses	**(456)**	(467)	(447)	2.4	(2.0)
Underlying profit	**541**	428	586	26.4	(7.7)
Benefit from/(charge to provide for) bad and doubtful debts	**12**	(16)	(29)	large	large
Cash earnings before tax	**553**	412	557	34.2	(0.7)
Income tax expense	**(160)**	(110)	(154)	(45.5)	(3.9)
Cash earnings	**393**	302	403	30.1	(2.5)
Average Volumes ($bn)					
Gross loans and acceptances	**13.6**	12.6	13.7	7.9	(0.7)
Interest earning assets	**153.5**	143.2	146.5	7.2	4.8
Total assets	**188.8**	183.5	187.4	2.9	0.7
Capital ($bn)					
Risk-weighted assets - credit risk (spot)	**21.3**	20.8	19.7	2.4	8.1
Total risk-weighted assets (spot)	**34.6**	32.9	32.4	5.2	6.8
Performance Measures					
Cost to income ratio	**45.7%**	52.2%	43.3%	650 bps	(240 bps)
'Jaws'	**13.8%**	(17.9%)	(19.2%)		
Cash earnings per average FTE ($'000s)	**258**	195	264		
FTEs (spot)	**3,005**	3,166	3,069		

Impact of foreign exchange rate movements

Favourable/ (unfavourable) March 11	Half year since Sep 10 $m	Mar 11 v Sep 10 Ex FX %	Half year since Mar 10 $m	Mar 11 v Mar 10 Ex FX %
Net interest income	**(14)**	(6.5)	**(18)**	(12.3)
Other operating income	**(6)**	49.4	**(8)**	15.8
Operating expenses	**9**	0.4	**10**	(4.3)
Charge to provide for bad and doubtful debts	**(2)**	large	**(2)**	large
Income tax expense	**3**	(48.2)	**4**	(6.5)
Cash earnings	**(10)**	33.4	**(14)**	1.0

Wholesale Banking
Financial Analysis

March 2011 v March 2010

Cash earnings decreased by $10 million or 2.5% on the March 2010 half year to $393 million. Excluding foreign exchange rate movements, cash earnings were marginally up by 1.0%, with Global Markets generating lower revenues. This was partially offset by a lower bad and doubtful debt charge.

Net operating income decreased by $36 million or 3.5% on the March 2010 half year to $997 million. Excluding foreign exchange rate movements, the decrease was $10 million or 1.0%.

Global Markets income fell by $70 million to $541 million, due to a lack of volatility and compressed margins.

Global Markets Sales income decreased by $82 million to $273 million due to subdued economic activity in the UK and New Zealand, and the strong Australian dollar influencing the demand for risk mitigation products.

Global Markets Trading income increased by $12 million to $268 million, largely due to a lower credit valuation adjustment driven by the continued improvement in the credit environment.

Treasury income increased by $10 million mainly due to a tightening of credit spreads.

Financial Institutions income increased by $12 million, largely due to higher deposit volumes.

Operating expenses increased by $9 million or 2.0% on the March 2010 half year to $456 million. Excluding foreign exchange rate movements, the increase was $19 million or 4.3%. This was largely due to additional resources hired to support the Franchise Focus strategy, partly offset by a reduction in the incentive cost, reflecting lower Global Markets earnings.

The **charge to provide for bad and doubtful debts** decreased by $41 million in the March 2011 half year. Excluding foreign exchange rate movements, the decrease was $43 million. The reduction was due to continued stable economic conditions with no significant impairments incurred over the period, and a partial recovery of a previously written-off exposure.

Average interest earning assets increased by $7.0 billion or 4.8%, to $153.5 billion. Excluding foreign exchange rate movements, the increase was $14.6 billion or 10.0%, which was mainly due to an increase in marketable debt securities to support Group liquidity during the period.

March 2011 v September 2010

Cash earnings increased by $91 million or 30.1% on the September 2010 half year. Excluding foreign exchange rate movements, cash earnings increased $101 million. The increase was mainly due to higher revenue generated in Global Markets and a reduced charge for bad and doubtful debts.

Net operating income increased by $102 million or 11.4%. Excluding foreign exchange rate movements, the increase was $122 million or 13.6%.

Global Markets revenue increased by $78 million against the September 2010 half year, largely due to the difficult conditions experienced during the second half of 2010 and a lower credit valuation adjustment.

Treasury income decreased by $11 million mainly due to a contraction in interest margins.

Specialised Finance income increased $8 million due to continued strong deal conversion, particularly in the Infrastructure sector.

Operating expenses decreased by $11 million on the September 2010 half year. Excluding foreign exchange rate movements, the decrease was $2 million or 0.4%. This was due to lower incentive expenditure and lower overall FTEs through increased operational efficiency. This was partly offset by additional resources hired to facilitate the development of improved products and services delivered to more customers with an increased speed to market.

The **charge to provide for bad and doubtful debts** decreased by $28 million against the September 2010 half year, with no significant new charges recorded and a partial recovery of a previously written-off exposure.

Average interest earning assets increased by $10.3 billion or 7.2%. Excluding foreign exchange rate movements, the increase was $16.7 billion or 11.7% and was mainly due to an increase in marketable debt securities to support Group liquidity during the period.

Other Items

Asset Quality

	As at		
	Mar 11	Sep 10	Mar 10
Specific provision for doubtful debts ($m)	**16**	61	98
Collective provision for doubtful debts ($m)	**60**	64	91
Collective provision on loans at fair value ($m)	**1**	1	1
Collective provision on derivatives at fair value ($m)	**98**	144	141
Gross impaired assets ($m)	**38**	140	358
Gross impaired assets to gross loans and acceptances	**0.28%**	1.04%	2.71%
Specific provision to gross impaired assets	**42.1%**	43.6%	27.4%
Net write-offs to gross loans and acceptances	**0.48%**	0.85%	0.53%

Asset quality remains sound. Charges for bad and doubtful debts have remained at the previous year's low levels, which is consistent with the stable credit environment and the absence of large single name impairments.

The ratio of gross impaired assets to gross loans and acceptances decreased from 2.71% at March 2010 to 0.28% at March 2011. This reduction was largely due to a stable credit environment.

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

Investment Spend

Investment spend has been allocated to key priorities including support of the Franchise Focus strategy, the Wholesale Banking Target State Architecture.

A number of initiatives were undertaken over the period to maintain and upgrade Wholesale Banking's core infrastructure. These initiatives included enhancing reference data platforms to provide improved transactional data for Global Markets and Treasury businesses and to improve product delivery to the Group's customers.

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MLC & NAB Wealth

Steve Tucker

MLC & NAB Wealth is a market leader in wealth management. It has a demonstrated track record of delivering value to both customers and NAB shareholders, while making enduring contributions to the wider community. MLC & NAB Wealth's business model is built on sustainable leadership positions across each of the core wealth management profit pools.

Distribution depth and breadth is a key strength of the business. Utilising a multi-brand, multi-channel strategy, MLC & NAB Wealth has built leadership positions in financial advice for retail, corporate and institutional clients. MLC & NAB Wealth operates one of the largest retail financial adviser networks in Australia across bank and aligned channels. It has also significantly increased its presence in the Independent Financial Adviser (IFA) market through its acquisition of Aviva. The business is committed to growing and fostering its more than 4,000 IFA relationships. For corporate, institutional and not-for-profit clients MLC & NAB Wealth provides superannuation solutions via Plum, and investment advice and implemented consulting services via JANA and MLC Implemented Consulting.

MLC & NAB Wealth also derives significant benefits from its operating scale in wealth management platforms (superannuation, pensions and discretionary investments), personal insurance and Manager-of-Manager asset management.

Strategic Highlights and Business Development

During the March 2011 half year, MLC & NAB Wealth delivered tangible benefits via a number of its key strategies.

Expanding its leadership positions in core investments and insurance market segments:

- The integration of Aviva continues to outperform expectations. There are 63 integration projects that are now complete, with cost synergy run rates tracking above expectations and ahead of the acquisition business case. A key achievement in the first half was the consolidation of Aviva's technology infrastructure into the broader NAB Group. Revenue synergies are also building momentum, with Aviva's custody, cash management and margin lending arrangements now internalised within the NAB Group. Retail insurance remains the focus of significant integration activity and progress is being made towards the launch of a market-leading product and service offering.
- MLC & NAB Wealth achieved a major integration milestone with the successful launch of the new MLC Wrap in January 2011. MLC Wrap brings together the best features of its award winning platforms, MasterKey Custom and Navigator, to create one of the most feature-packed full wrap platforms on the market. MLC Wrap offers a diverse investment menu, with an integrated, separately managed account service and a complete solution for self-managed superannuation fund investors. The upgrade of MasterKey Custom to MLC Wrap is currently on track for completion by the end of June 2011.
- MLC & NAB Wealth maintained its leading market share positions in retail superannuation, and discretionary investments[1] with its strategy of driving volume growth to enhance scale efficiency. Plum Financial Services have successfully secured over $800 million in new corporate superannuation mandates with inflows to come through on transition of these plans. Plum administers 80 corporate superannuation plans for over 195,000 members, providing a valuable source of client leads for MLC & NAB Wealth's broader financial advice and group insurance businesses.
- MLC Insurance continued to progress its strategy to write high quality, sustainable business. MLC Insurance retained its number one market share position in individual risk inforce premiums and increased its market share of group risk inforce premiums[2]. During the period, the Group Insurance business won several key mandates in the mid-sized industry fund and large corporate segments. In October 2010, the Insurance business launched its direct, no advice insurance product, MLC Essential Life. MLC was also awarded Best Life Insurance Company of the Year and its 'Time to Talk' insurance marketing campaign was recognised as the Best Marketing Campaign of the Year at Australian Banking and Finance's Insurance Awards 2010.
- Driving cross-sell of wealth and banking products across the broader NAB client base remains a key strategic priority for MLC & NAB Wealth, with 21% of insurance sales and 29% of investment sales generated through NAB Financial Planning. During the period, NAB Financial Planning restructured its operations to enable its most senior and experienced financial planners to specialise their service offering for NAB Business Bank's clients.
- A sustained focus on process efficiency and business simplification continues to release adviser and banker capacity leading to new client acquisitions, improved client service, and productivity and cost efficiency benefits. Several upgrades to online functionality will enable higher levels of self-servicing by advisers and clients. During the period MLC & NAB Wealth's customer service was recognised with eight awards from the Customer Service Institute of Australia.

Building Australia's leading Private Wealth capability:

- NAB Private Wealth is Australia's largest Private Bank, with over 18,000 client groups that equate to 33% market share of High Net Worth (HNW) connections[3]. NAB Private Wealth continues to deliver on a number of its key strategies: increasing revenue per client by 11% in its target segments; launching a dedicated offer for Asian HNW clients in Australia; and co-locating private bankers within NAB's corporate, institutional and selected Business Banking Centres to leverage private wealth cross-sell opportunities in NAB Business Bank's highly attractive client base.
- The strategic alliance with JBWere has expanded MLC & NAB Wealth's capabilities in direct equities broking and research, which are critical services for HNW clients. Improving access for JBWere clients to products and services from across NAB Private Wealth and the broader NAB Group is a key priority for MLC & NAB Wealth. NAB now provides JBWere with a range of wholesale products including term deposits,

margin lending, foreign exchange derivatives and personal insurance. In addition, referral momentum continues to increase from JBWere to NAB Private Wealth for credit products and to NAB Business Bank for commercial lending opportunities.

Strengthening its presence in direct Asset Management:

- A key strategic priority for MLC & NAB Wealth is to increase its presence in direct asset management through nabInvest. Established in 2007, nabInvest's strategy is to partner with selected quality investment management firms, enhancing their capabilities with access to NAB Group's resources in back office support, assistance with product and distribution services, custody, and corporate governance functions. To date, nabInvest has acquired equity positions in 10 boutique investment firms globally, adding two further investments in the past six months: UK-based Wiltshire Capital Limited, a specialist international credit opportunities fund manager; and New York-based AREA Property Partners, a global real estate fund manager managing over US$13 billion in equity commitments.
- MLC & NAB Wealth retains its position as one of Australia's largest investment manager of Manager-of-Managers funds. MLC's return for the Horizon 4 Balanced portfolio has outperformed the median manager in the Mercer Personal Super Balanced Growth universe (which includes single and multi-manager peers) over rolling one year periods 51% of the time, over three year periods 73% of the time and over five year periods 80% of the time to the end of February 2011. With the appointment of the new Chief Investment Officer in November 2010, MLC & NAB Wealth will extend its market leadership in product innovation and strategic asset allocation.

Leveraging reputation and brand to attract advisers, clients and talent:

- For the past five years MLC & NAB Wealth has led the wealth management industry in its efforts to improve trust and transparency in financial planning. The government reform announcements (Future of Financial Advice Reforms, Cooper Review) reinforce the decisions MLC & NAB Wealth took several years ago to reposition its business model as fee-for-service. All salaried groups and licensee advisor groups are fee-for-advice for new investment business. MLC & NAB Wealth continues to be sought after by key government and regulatory bodies to actively contribute to the development of effective reforms for the wealth management industry.
- MLC & NAB Wealth continues to receive an increasing number of financial advisers expressing interest in joining MLC aligned dealer groups in response to regulatory reform and market consolidation. Over the past six months MLC & NAB Wealth increased its salaried and licensee adviser numbers by 11% to 1,727, with 113 coming from the acquisition of Meritum Financial Group and the remaining 59 from new adviser recruitment. The number of licensee businesses joining the group has also increased by 30 over the March 2011 half year.

(1) Source: Plan for Life Australian Retail & Unitised Wholesale Investments Market Share and Dynamics Report, December 2010.

(2) Source: DEXX&R, Life Analysis, December 2010.

(3) Australian Private Banking Council 2010 benchmarking study (study comprises data from the major banks WBC, CBA, NAB, ANZ, SGB and Bankwest).

Operating Environment

Uncertainty on both the regulatory front and in investment markets continue to be the major near-term issues shaping the operating environment for Australian wealth managers.

The wealth management industry has seen an accelerated pace of merger and acquisition activity in response to the amount of regulatory change. We expect this to continue in light of the recently announced Future of Financial Advice Reforms which banned volume rebates. MLC & NAB Wealth is well placed to benefit from this consolidation.

Investment markets have tracked a broadly unchanged course over the past six months, despite having absorbed a number of unexpected 'shocks' in domestic politics, international geopolitical volatility, and unprecedented natural disasters. Investor sentiment remains cautious, with discretionary flows still below historical levels. Disability income claims experience continues to be a challenge for the insurance industry.

The commercial implications of the prevailing operating environment will pose challenges but also create new opportunities. MLC & NAB Wealth anticipated these regulatory and market changes and is well positioned with its fee-for-advice model, breadth of distribution channels, operational scale, and a reputation for trust and transparency.

Investment Spend

MLC & NAB Wealth's investment allocation is aligned to its strategy, which focuses on:

- *Building Private Wealth Capability.* MLC & NAB Wealth is continuing to develop a new private client platform to migrate clients from the existing Goldman Sachs infrastructure. This will further enhance JBWere's Private Wealth offering and provide a new online trading platform for direct business.

MLC & NAB Wealth

	Half Year to Mar 11 $m	Sep 10 $m	Mar 10 $m	Mar 11 v Sep 10 %	Mar 11 v Mar 10 %
Net interest income	**160**	153	142	4.6	12.7
Other operating income	**19**	16	18	18.8	5.6
MLC net operating income	**770**	764	748	0.8	2.9
Net income	**949**	933	908	1.7	4.5
Operating expenses	**(561)**	(573)	(541)	2.1	(3.7)
Underlying profit	**388**	360	367	7.8	5.7
Charge to provide for bad and doubtful debts	**(11)**	(4)	(5)	large	large
Cash earnings before tax	**377**	356	362	5.9	4.1
Income tax expense	**(107)**	(71)	(98)	(50.7)	(9.2)
Cash earnings before IoRE and non-controlling interest	**270**	285	264	(5.3)	2.3
Net profit - non-controlling interest	**(1)**	-	(1)	large	-
IoRE [1]	**29**	26	35	11.5	(17.1)
Cash earnings	**298**	311	298	(4.2)	-

[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.*

	Mar 11 $m	Sep 10 $m	Mar 10 $m	Mar 11 v Sep 10 %	Mar 11 v Mar 10 %
Represented by:					
Investments & Private Bank	**162**	185	167	(12.4)	(3.0)
Insurance	**108**	100	97	8.0	11.3
Cash earnings before IoRE and non-controlling interest	**270**	285	264	(5.3)	2.3
Capital ($bn)					
Risk-weighted assets - credit risk (spot)	**6.1**	6.4	5.9	(4.7)	3.4
Total risk-weighted assets (spot)	**6.4**	6.7	6.2	(4.5)	3.2
Performance Measures					
Cost to income ratio (%)	**59.1%**	61.4%	59.6%	230 bps	50 bps
'Jaws' [2]	**3.8%**	(3.1%)	3.5%		
Cash earnings before IoRE and non-controlling interest per average FTE ($'000s)	**94**	100	108		
BAU FTEs	**4,632**	4,555	4,628		
Project FTEs	**534**	440	332		
Salaried planners FTEs	**758**	719	674		
FTEs (spot)	**5,924**	5,714	5,634		
Financial advisers - salaried channels [3]	**765**	726	679		
Financial advisers - aligned channels [3]	**962**	829	807		

[2] *The 'Jaws' for March 2010 excludes the impact of the acquisition of JBWere and Aviva.*

[3] *Financial advisers - salaried and aligned channels are based on headcount.*

	Half year to								
	Mar 11			Sep 10			Mar 10		
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	**13**	**191**	**6.8%**	(5)	145	(3.4%)	7	151	4.5%
Fixed interest	**4**	**218**	**1.8%**	3	90	3.7%	2	82	2.0%
Cash and others [1]	**53**	**2,048**	**2.6%**	66	1,547	4.3%	61	1,387	4.4%
Debt	**(32)**	**1,013**	**(3.2%)**	(21)	870	(2.4%)	(23)	753	(3.1%)
Income tax	**(9)**			(17)			(12)		
IoRE	**29**			26			35		

[1] *Cash and others includes Aviva IoRE earnings for the September 2010 and March 2010 half years. Aviva has now been integrated into the asset classes for the March 2011 half year.*

MLC & NAB Wealth

Financial Highlights

March 2011 v March 2010

Cash earnings before IoRE of $270 million represented an increase of $6 million or 2.3% compared to March 2010. Cash earnings before tax and IoRE increased by $15 million or 4.1% to $377 million. This result was largely influenced by an improvement in net interest income, strong investment performance as a result of improving equity markets and growth in average inforce premiums.

Net interest income increased by $18 million or 12.7%, reflecting growth in average interest earning assets and an improvement in net interest margins.

Funds under management (FUM) as at 31 March 2011 was $121.9 billion, an increase of $7.7 billion or 6.8% over the year as a result of improving equity markets. Net flows to March 2011 were negative $501 million, driven by a fall in discretionary flows and the absence of any significant wholesale mandates transitioning over the current half year.

MLC net operating income grew by $22 million or 2.9%. This was less than the growth in average FUM mainly due to changes in FUM mix over the period and less favourable annuities experience compared to March 2010.

Inforce premiums as at 31 March 2011 of $1.4 billion grew by $103 million or 7.7% over the March 2011 full year.

The insurance business experienced unfavourable claims for individual disability and lump sum business, partially offset by lower claims experience for group business.

Operating expenses increased by $20 million or 3.7% due to the inclusion of a full half year of expenses associated with the JBWere alliance (the March 2010 half year included associated costs for five months only), and strategic investments in future growth initiatives. Cost synergies from the integration of the Aviva business partially offset the increase in operating expenses.

March 2011 v September 2010

Cash earnings before IoRE have decreased by $15 million or 5.3% to $270 million since September 2010. Cash earnings before tax and IoRE increased by $21 million or 5.9% compared to the September 2010 half year driven by an improvement in net interest income and lower operating expenses.

Net interest income increased by $7 million or 4.6%, reflecting growth in average interest earning assets.

FUM as at 31 March 2011 were $121.9 billion, which represents an increase of $5.9 billion or 5.0% since September 2010 as a result of improving equity markets.

Inforce premiums as at 31 March 2011 of $1.4 billion grew by $29 million or 2.1% over the September 2010 half year.

MLC net operating income grew by $6 million or 0.8%. This was less than the growth in average FUM, reflecting changes in business mix over the period.

Operating expenses decreased by $12 million or 2.1% as a result of the seasonality of superannuation activities in the prior half and cost synergies from the integration of the Aviva business.

MLC & NAB Wealth - Investments inclusive of Private Wealth

	Half Year to Mar 11 $m	Half Year to Sep 10 $m	Half Year to Mar 10 $m	Mar 11 v Sep 10 %	Mar 11 v Mar 10 %
Net interest income	**160**	153	142	4.6	12.7
Other operating income	**19**	16	18	18.8	5.6
Gross income	**772**	806	750	(4.2)	2.9
Volume related expenses	**(271)**	(292)	(256)	7.2	(5.9)
Net income	**680**	683	654	(0.4)	4.0
Operating expenses	**(443)**	(455)	(423)	2.6	(4.7)
Underlying profit	**237**	228	231	3.9	2.6
Charge to provide for bad and doubtful debts	**(11)**	(4)	(5)	large	large
Cash earnings before tax	**226**	224	226	0.9	-
Income tax expense	**(64)**	(39)	(59)	(64.1)	(8.5)
Cash earnings before IoRE	**162**	185	167	(12.4)	(3.0)
Average Volumes - Private Bank ($bn)					
Gross loans and acceptances	**18.1**	17.5	16.7	3.4	8.4
Interest earning assets	**18.5**	17.5	16.7	5.7	10.8
Performance Measures [(1)]					
Funds under management (spot) ($m)	**121,933**	116,079	114,206	5.0	6.8
Funds under management (average) ($m)	**119,381**	112,306	106,638	6.3	11.9
Net funds flow ($m)	**(501)**	2,629	4,599	large	large
Net interest margin - Private Bank & Equity Lending	**1.73%**	1.74%	1.71%	(1 bps)	2 bps
Cost to income ratio	**65.1%**	66.6%	64.7%	150 bps	(40 bps)
Investment operating expenses to average FUM (bps)	**62**	68	69		
Investment income to average FUM (bps)	**84**	91	93		

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

Funds Under Management

	Dec 10 Rank	Dec 10 Market Share %	Jun 10 Rank	Jun 10 Market Share %	Dec 09 [(3)] Rank	Dec 09 [(3)] Market Share %
Retail (excl. Cash)	**1**	**16.1%**	1	16.1%	1	16.2%
Total Retail Superannuation	**1**	**20.8%**	1	20.6%	1	20.8%
Total Wholesale	**1**	**10.4%**	1	9.2%	1	8.8%

Share of New Business [(2)]

	Dec 10 Rank	Dec 10 Market Share %	Jun 10 Rank	Jun 10 Market Share %	Dec 09 [(3)] Rank	Dec 09 [(3)] Market Share %
Retail (excl. Cash)	**3**	**11.9%**	2	13.5%	2	14.8%
Total Retail Superannuation	**1**	**17.7%**	1	19.8%	1	21.0%
Total Wholesale	**4**	**6.9%**	4	5.8%	4	5.5%

Source: Plan for life Australian Retail & Wholesale Investments Market share & Dynamics Report - December 2010.

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

(3) *Market share data includes Aviva.*

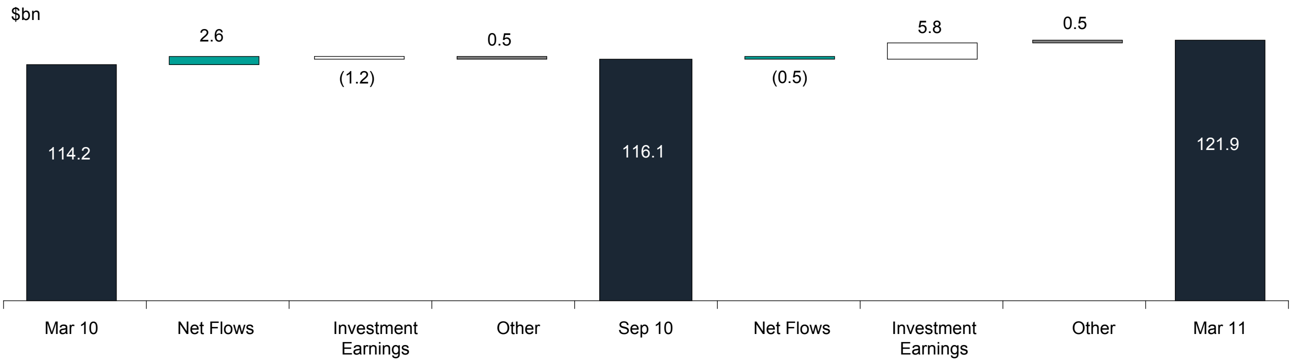
Funds Under Management

Movement in Funds under Management and administration ($m)	As at Mar 10	Inflows	Outflows	Investment earnings	Other [1]	As at Mar 11
Master Funds (Platforms)	**79,999**	10,998	(11,824)	2,926	(626)	**81,473**
Other Retail	**4,888**	32	(248)	121	(35)	**4,758**
Total Retails Funds (Excl. Cash)	**84,887**	11,030	(12,072)	3,047	(661)	**86,231**
Wholesale	**29,319**	9,468	(6,298)	1,500	1,713	**35,702**
Total MLC ex Trustee and Cash Management	**114,206**	**20,498**	**(18,370)**	**4,547**	**1,052**	**121,933**
Trustee	7,443	1,593	(1,593)	-	(1,288)	6,155

Movement in Funds under Management and Administration ($m)	As at Sep 10	Inflows	Outflows	Investment earnings	Other [1]	As at Mar 11
Master Funds (Platforms)	**78,725**	4,775	(5,727)	3,746	(46)	**81,473**
Other Retail	**4,702**	26	(207)	154	83	**4,758**
Total Retails Funds (Excl. Cash)	**83,427**	4,801	(5,934)	3,900	37	**86,231**
Wholesale	**32,652**	2,709	(2,077)	1,901	517	**35,702**
Total MLC ex Trustee and Cash Management	**116,079**	**7,510**	**(8,011)**	**5,801**	**554**	**121,933**
Trustee	7,093	976	(626)	-	(1,288)	6,155

(1) *Other includes nabInvest and trust distributions.*

Funds Under Management



FUM by Asset Class	As at Mar 11	Sep 10	Mar 10
Australian equities	**33%**	33%	33%
International equities	**27%**	26%	31%
Australian fixed interest	**18%**	19%	15%
International fixed interest	**8%**	9%	8%
Australian cash	**7%**	6%	6%
International direct property	**3%**	3%	3%
International listed property	**2%**	2%	2%
Australian listed property	**2%**	2%	2%

MLC & NAB Wealth - Investments and Private Wealth

Financial Analysis

March 2011 v March 2010

Cash earnings before IoRE of $162 million represented a decrease of $5 million or 3.0% compared to March 2010. Cash earnings before tax and IoRE of $226 million were flat compared to March 2010.

This result was driven by an increase in net interest income, offset by lower growth in gross income from changes in business mix towards lower margin wholesale business, higher bad and doubtful debts and higher operating expenses.

Net interest income increased by $18 million or 12.7%, reflecting growth in average interest earning assets and an improvement in net interest margins.

Other operating income increased by $1 million or 5.6% due to higher equity trading volumes.

Gross income increased by $22 million or 2.9%. Growth in income was below the growth in FUM, reflecting changes in business mix, which included an increase in the proportion of lower margin wholesale business, and less favourable annuities experience.

FUM as at 31 March 2011 were $121.9 billion, an increase of $7.7 billion or 6.8% over the year, as a result of improving equity markets. Net flows to March 2011 were negative $501 million driven by a fall in discretionary flows and the absence of significant wholesale mandates transitioning over the current half year.

Volume related expenses include commission payments and investment costs. These costs increased by $15 million or 5.9% which was below the growth in average FUM, as a result of business mix changes.

Operating expenses grew by $20 million or 4.7% compared to March 2010 due to the inclusion of a full half year of expenses associated with the JBWere alliance (the March 2010 half year included associated costs for five months only), and strategic investments in future growth initiatives. Cost synergies from the integration of the Aviva business partially offset the increase in operating expenses.

March 2011 v September 2010

Cash earnings before IoRE of $162 million represented a decrease of $23 million or 12.4% since September 2010. Cash earnings before tax and IoRE of $226 million increased by $2 million or 0.9% compared to the prior half.

This was due to higher net interest income and lower operating expenses, partially offset by a fall in gross income from changes in business mix, and higher bad and doubtful debts.

Net interest income increased by $7 million or 4.6%, reflecting growth in average interest earning assets.

Other operating income increased by $3 million or 18.8% due to higher equity trading volumes.

Gross income decreased by $34 million or 4.2%, reflecting changes in business mix over the period, which included an increase in the proportion of lower margin wholesale business.

FUM as at 31 March 2011 were $121.9 billion, an increase of $5.9 billion or 5.0% since September 2010 as a result of improving equity markets.

Volume related expenses decreased by $21 million or 7.2% due to changes in business mix and some non-recurring items in the September 2010 half year.

Operating expenses fell by $12 million or 2.6% due to the seasonality of superannuation activities in the prior half and cost synergies from the integration of the Aviva business.

Other Items

Asset Quality

	As at		
	Mar 11	**Sep 10**	**Mar 10**
Specific provision for doubtful debts ($m)	**20**	7	11
Collective provision for doubtful debts ($m)	**15**	17	14
90+ DPD assets ($m)	**34**	29	16
Gross impaired assets ($m)	**70**	57	46
90+ DPD plus gross impaired assets to gross loans and acceptances	**0.56%**	0.48%	0.36%
Specific provision to gross impaired assets	**28.6%**	12.3%	23.9%
Net write-offs to gross loans and acceptances (annualised)	**(0.01%)**	0.07%	0.07%
Total provision as a percentage of net write-offs	**(1,745%)**	185%	208%
Total provision to gross loans and acceptances	**0.19%**	0.13%	0.15%
Bad and doubtful debt charge to credit risk weighted assets	**0.35%**	0.14%	0.17%

Asset Quality measures across the Private Wealth business have shown some deterioration over the March 2011 half year. A single specific provision was the major contributor to this.

The Private Wealth loan book remains well provisioned. Total provisions to gross loans and acceptances increased by 6 basis points to 0.19% from September 2010.

MLC & NAB Wealth - Insurance

	Half Year to Mar 11 $m	Sep 10 $m	Mar 10 $m	Mar 11 v Sep 10 %	Mar 11 v Mar 10 %
Gross income	**780**	755	725	3.3	7.6
Volume related expenses	**(511)**	(505)	(471)	(1.2)	(8.5)
Net operating income	**269**	250	254	7.6	5.9
Operating expenses	**(118)**	(118)	(118)	-	-
Cash earnings before tax	**151**	132	136	14.4	11.0
Income tax expense	**(43)**	(32)	(39)	(34.4)	(10.3)
Cash earnings before IoRE	**108**	100	97	8.0	11.3
Planned and Experience Analysis					
Planned Margins	**82**	101	80	(18.8)	2.5
Experience Profit / (loss)	**26**	(1)	17	large	52.9
Cash earnings before IoRE	**108**	100	97	8.0	11.3
Performance Measures					
Annual inforce premiums (spot) ($m)	**1,435.9**	1,406.7	1,332.9	2.1	7.7
Annual inforce premiums (average) ($m)	**1,421.3**	1,369.8	1,150.9	3.8	23.5
New business premiums ($m)	**134.1**	168.4	180.6	(20.4)	(25.7)
Insurance cost to average inforce premium (%)	**17%**	17%	21%		

Annual Inforce Premiums ($m)	As at Mar 10	Sales	Lapses	As at Mar 11	Mar 10 v Mar 11 %
Retail	1,073.1	240.5	(167.1)	**1,146.5**	6.8
Group Risk	259.8	62.0	(32.4)	**289.4**	11.4
Total	1,332.9	302.5	(199.5)	**1,435.9**	7.7

Annual Inforce Premiums ($m)	As at Sep 10	Sales	Lapses	As at Mar 11	Sep 10 v Mar 11 %
Retail	1,122.4	109.9	(85.8)	**1,146.5**	2.1
Group Risk	284.3	24.2	(19.1)	**289.4**	1.8
Total	1,406.7	134.1	(104.9)	**1,435.9**	2.1

	Premiums in Force					
	Dec 10		Jun 10		Dec 09 [1]	
	Rank	Market Share %	Rank	Market Share %	Rank	Market Share %
Retail risk premiums	**1**	**18.9%**	1	19.1%	1	19.1%
Group risk	**5**	**10.1%**	5	9.8%	5	9.9%

	Share of New Business					
	Dec 10		Jun 10		Dec 09 [1]	
	Rank	Market Share %	Rank	Market Share %	Rank	Market Share %
Retail risk premiums	**1**	**18.1%**	1	20.4%	1	21.1%
Group risk	**4**	**11.8%**	2	13.9%	3	13.6%

Source: DEXX&R Life Analysis - December 2010.

[1] *Market share data includes Aviva.*

MLC & NAB Wealth - Insurance

Financial Analysis

March 2011 v March 2010

Cash earnings before IoRE of $108 million represented an increase of $11 million or 11.3% compared to the March 2010 half year. Cash earnings before tax and IoRE increased by $15 million or 11.0% to $151 million.

Gross income increased by $55 million or 7.6% in-line with the growth in inforce premiums.

Volume related expenses include commission payments, claims and changes in insurance policy liabilities. These costs increased by $40 million or 8.5% compared to March 2010.

Overall claims experience was slightly higher compared to March 2010, mainly due to unfavourable claims experience for individual disability and lump sum business, which was partially offset by lower claims experience for Group.

Operating expenses of $118 million were flat compared to March 2010.

Planned Margins and Experience Profit

Planned margins grew by less than business volumes compared to March 2010 and fell compared to September 2010, largely reflecting an increase in expected future long-term claim costs for the lump sum business.

Experience profits rose in the March 2011 half year as a result of favourable claims experience compared to planned margins on the lump sum and group business, and favourable investment returns on the assets backing policy liabilities. This was partially offset by unfavourable claims experience on the disability income insurance book.

March 2011 v September 2010

Cash earnings before IoRE of $108 million represented an increase of $8 million or 8.0% compared to the September 2010 half year. Cash earnings before tax and IoRE increased by $19 million or 14.4% to $151 million. This was driven by growth in inforce premiums and flat operating expenses.

Gross income increased by $25 million or 3.3% broadly in line with growth in average annual inforce premiums of 3.8%.

Volume related expenses increased by $6 million or 1.2% to $511 million. This was below the growth in inforce premiums and mainly due to higher expenses in the September 2010 half year from changes in business mix.

Overall claims experience was higher compared to the prior half as the business experienced higher claims experience for the group and individual disability business, partially offset by favourable claims experience for individual lump sum business.

Operating expenses of $118 million were flat compared to the prior half.

NZ Banking

Andrew Thorburn

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

Strategic Highlights and Business Developments

In New Zealand, recovery from the domestic recession and the disruption to the global credit environment continues slowly, with further uncertainty due to the implications of the February 2011 Christchurch earthquake.

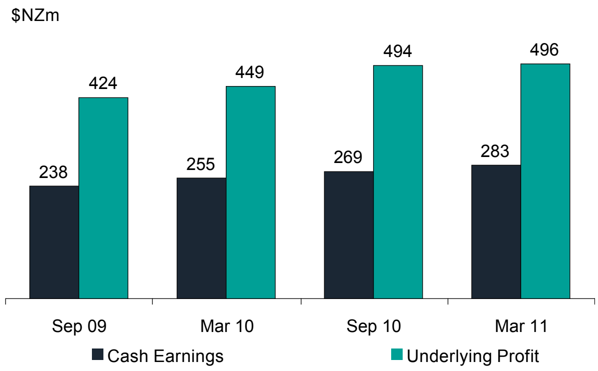
Building on a strong foundation for delivering long-term growth, management remained focused on the strategic agenda of maintaining balance sheet strength, driving efficiencies, leveraging investment in our Retail stores and Partners network, and enhancing the customer experience. This strategic focus continues, with the core objective of helping customers achieve success for themselves and for New Zealand.

During the current half, BNZ further strengthened its balance sheet via proactive capital and liquidity management. This included a focus on **deposit growth and the diversification** and lengthening of the wholesale term funding profile. Strong volume growth in retail deposits saw BNZ's market share grow by 40 basis points during the current half year. Following on from the successful domestic covered bond issue in June 2010, BNZ completed an inaugural European covered bond issue in November 2010 demonstrating investors' confidence in the BNZ financial position. The European issue by BNZ was another pioneering initiative for the New Zealand banking sector, as it was the first Australasian covered bond issue in Europe.

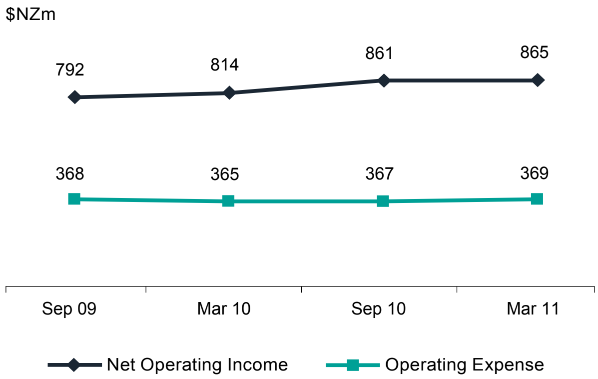
The **journey of continuous improvement (Kaizen)** is ongoing at BNZ. The well engrained Kaizen culture is a key enabler of the drive for efficiency and allows BNZ to reinvest resources for long-term strategic growth, while maintaining a relatively flat cost base. The focus is on reducing complexity, challenging routines and practices to free up resources and improve service delivery.

In line with the strategy to further enhance customer engagement, experience and advocacy, the transformation of the Retail stores and Partners network continued during the period. To date, 41 Retail stores and 16 out of a planned 31 Partners centres have been completed. These new stores and centres have already gained a high level of customer and employee endorsement. Complementing this network, BNZ Online, a team dedicated to identifying and delivering online customer solutions, was set up during the March 2011 half. Its focus has been to extend and improve the functional capability and reach of online banking and other self-service channels to provide customers with exciting ways to engage with BNZ. BNZ's innovative distribution network and unique service delivery model, provide an effective platform in enabling it to recognise and respond to the changing needs of its customers.

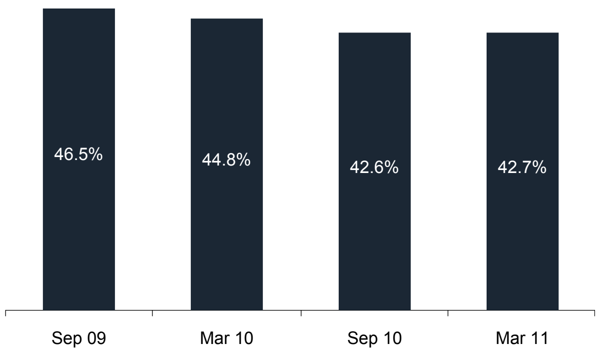
NZ Banking Cash Earnings and Underlying Profit



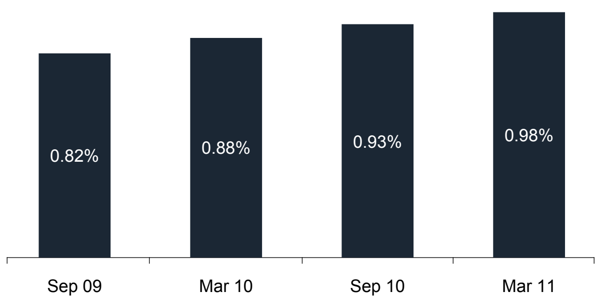
NZ Banking Income and Expense Trends



NZ Banking Cost to Income Ratio



NZ Banking Cash Earnings on Average Assets



BNZ continues to focus on **delivering innovative solutions to meet its customers' needs**. For example, Invoice Finance, an online service which enables business customers to access cash flow through financing on approved invoices, was recently launched. Developed internally, this online solution provides customers with the ability to better manage their cash flow, enabling them to grow their business and remain fiscally strong. Invoice Finance is the first of its kind for a New Zealand bank.

Connecting with customers and the wider community plays a key part in enabling BNZ to deliver solutions that are valued and help customers meet their goals. To drive this connection nationwide, BNZ Connect events continued throughout the March 2011 half year. These monthly events help promote and foster interaction between small businesses in their local communities, providing an effective nationwide networking platform for the New Zealand business community.

BNZ's brand evolution programme also continued in the half year. This programme aims to further strengthen the BNZ brand to reflect its 150 year history, heritage and aspirations. The Closed for Good initiative was held in March 2011. This event saw nearly 3,000 BNZ staff involved in community volunteer work for the day, placing BNZ's people at the heart of the communities and families of New Zealand.

As people are its core strength, BNZ continues to focus on developing talent and building leadership capability. A strategic focus on diversity and adaptability has also enabled BNZ to move forward with the dynamic and changing face of New Zealand.

Operating Environment

New Zealand is continuing its slow economic recovery from the recent recession. A business survey released just prior to the Christchurch earthquake in February 2011 indicated that the New Zealand economy was starting to build growth momentum. Although the earthquake in Christchurch has materially altered the New Zealand economic landscape, momentum seems likely to continue in other parts of the country. The general view is that international commodity prices should remain at high levels and that the strengthening global economy should help export-led growth for New Zealand.

In March 2011, the Reserve Bank of New Zealand (RBNZ) reacted to the Christchurch earthquake by providing a material stimulus, cutting the Official Cash Rate (OCR) by 50 basis points to 2.50% amid fears that the earthquake may derail New Zealand's emerging recovery. RBNZ pointed out that this reduction was an 'insurance' or 'emergency' cut and would be removed as soon as matters in Christchurch had settled down. The OCR is now back at the same level it was early last year.

Supporting the positive economic impact from the Rugby World Cup later in the year, the repair and rebuild activities required in Christchurch, as well as the expected inflationary pressure from the recent rate cut, mean that stronger economic growth is expected in New Zealand from early 2012. Nonetheless, despite improving GDP growth expectations, businesses continue to remain cautious on new investments and have been de-leveraging their balance sheets.

The unemployment rate has decreased from its peak of over 7.0% in December 2009. However, the current level of 6.8% still represents a relatively high level compared to around 4.0% in 2007/08 and it is generally acknowledged that it will take time for the labour market to normalise.

Total New Zealand system credit has been largely flat since late 2009, with a mild expansion in household credit offsetting de-leveraging by the non-farming business sector. Recently, business lending, which represents approximately 40% of total system lending in New Zealand, seems to have stabilised after falling through much of 2010. Household credit growth (approximately 60% of the system) remains positive, though modest, by historical standards.

Recent home sales survey results, whilst reinforcing a generally subdued market, are indicating some improvement is underway. New home construction is down, although non-residential construction has seen positive momentum over the last three months. Building consents present a similar picture, however, there should be impetus from the rebuilding phase in Christchurch, especially in residential construction.

Despite the recent easing of the OCR, upward pressure on the overall cost of funding continues. All banks continue to compete for domestic customer deposits to strengthen their core funding ratios in-line with New Zealand regulatory liquidity policy requirements.

NZ Banking

Results presented in local currency. See page 78 for results in $AUDm

	Half Year to				
	Mar 11 NZ$m	**Sep 10 NZ$m**	**Mar 10 NZ$m**	**Mar 11 v Sep 10 %**	**Mar 11 v Mar 10 %**
Net interest income	**640**	638	595	0.3	7.6
Other operating income	**225**	223	219	0.9	2.7
Net operating income	**865**	861	814	0.5	6.3
Operating expenses	**(369)**	(367)	(365)	(0.5)	(1.1)
Underlying profit	**496**	494	449	0.4	10.5
Charge to provide for bad and doubtful debts	**(95)**	(99)	(88)	4.0	(8.0)
Cash earnings before tax	**401**	395	361	1.5	11.1
Income tax expense	**(118)**	(126)	(106)	6.3	(11.3)
Cash earnings	**283**	269	255	5.2	11.0
Average Volumes (NZ$bn)					
Gross loans and acceptances	**55.4**	54.9	55.0	0.9	0.7
Interest earning assets	**57.2**	56.9	57.2	0.5	-
Total assets	**57.8**	57.6	57.8	0.3	-
Retail deposits	**30.4**	28.8	27.7	5.6	9.7
Capital (NZ$bn)					
Risk-weighted assets - credit risk (spot)	**36.1**	33.5	33.2	7.8	8.7
Total risk-weighted assets (spot)	**40.8**	38.2	37.6	6.8	8.5
Performance Measures					
Cash earnings on average assets	**0.98%**	0.93%	0.88%	5 bps	10 bps
Net interest margin	**2.24%**	2.24%	2.08%	0 bps	16 bps
Cost to income ratio	**42.7%**	42.6%	44.8%	(10 bps)	210 bps
'Jaws'	**-**	5.3%	3.6%		
Cash earnings per average FTE (NZ$'000s)	**125**	119	118		
FTEs (spot)	**4,578**	4,551	4,370		

Market Share [(1)]

	As at		
	Mar 11	**Sep 10**	**Mar 10**
Housing	**16.0%**	15.8%	15.7%
Cards	**27.7%**	27.7%	27.5%
Agribusiness	**19.5%**	19.2%	18.9%
Retail deposits [(2)]	**18.1%**	17.7%	17.5%

[(1)] *Source RBNZ - March 2011 (historical market share rebased with latest revised RBNZ published data).*

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

Distribution

	As at		
	Mar 11	**Sep 10**	**Mar 10**
Number of retail branches	**178**	178	179
Number of ATMs	**444**	442	437
Number of internet banking customers (no. '000s)	**513**	491	472

NZ Banking

Financial Analysis (in local currency)

March 2011 v March 2010

Cash earnings for the half year increased by $28 million or 11.0% to $283 million compared to the March 2010 half year. Performance during the current period was characterised by improved margins and a slight increase in fee income. Lending volume growth remained modest in light of a subdued housing market and weak demand for business credit. Expenses were similar to the March 2010 half year while bad and doubtful debt charges have increased.

Net interest income increased by $45 million or 7.6% due to overall margin improvement through repricing for current market conditions and volume growth in variable rate housing products.

Net interest margin improved by 16 basis points to 2.24%, reflecting a favourable portfolio mix from customers' strong preference for variable rate products, as well as repricing on the asset portfolio for current market conditions. This was partially offset by margin pressure stemming from growing retail deposits in a very competitive market and increasing the term profile of wholesale funding.

Other operating income increased by $6 million or 2.7% primarily due to higher lending fees from Corporate and Institutional Banking customers. Fee income from housing remained flat in-line with New Zealand's subdued housing market.

Operating expenses increased by $4 million or 1.1% compared to the March 2010 half year. The current half's expenses include a $1 million donation for the Christchurch earthquake in February, as well as special assistance payments made to affected staff in the region.

Average volumes of gross loans and acceptances increased by $400 million or 0.7%. A subdued New Zealand housing market has meant modest growth. However, BNZ increased its housing market share by 30 basis points to 16.0%. A strong focus on deposits, combined with a successful campaign in October 2010 has seen retail deposits grow very strongly by 9.7% over the March 2010 half year. This helped grow BNZ's market share of retail deposits by 60 basis points to 18.1%.

The **cost to income ratio** decreased 210 basis points to 42.7% compared to the March 2010 half year, reflecting improved revenue and a marginal increase in expenses through strong cost disciplines.

The **charge to provide for bad and doubtful debts** increased by $7 million or 8.0% from the March 2010 half year. The current half year includes provisions for risk relating to the Christchurch earthquake. Underlying bad and doubtful debts have improved marginally with strong credit card collections, lower housing losses and improved ratings over the portfolio.

March 2011 v September 2010

Cash earnings increased by 5.2% to $283 million when compared with the September 2010 half year, reflecting the slowly improving market conditions and lower bad and doubtful debts.

Net interest income was slightly above the September 2010 half year. Repricing of the asset book for current market conditions and customers' continued preference for variable rate housing products have helped sustain momentum in interest income from lending assets. This has been offset by higher funding costs associated with lengthening the term profile of funding (including the issuance of covered bonds) and the drive for customer deposit growth in a highly competitive New Zealand market.

Net interest margin has been maintained at the same level as the September 2010 half year. Repricing of the asset book and a favourable housing portfolio mix were offset by higher funding costs associated with maintaining balance sheet strength.

Other operating income increased by $2 million or 0.9%, mainly due to higher lending fees from Corporate and Institutional Banking customers. Underlying fee revenue in other business units remained relatively flat.

Operating expenses increased slightly by $2 million or 0.5%, demonstrating strong cost disciplines which are enabling continued reinvestment in the business.

Average volumes of gross loans and acceptances grew $500 million or 0.9%, in-line with modest growth in housing system credit. Business credit growth remained flat. Retail deposits grew strongly by 5.6% in the March 2011 half year, increasing BNZ's market share by 40 basis points and further strengthening BNZ's balance sheet.

The **cost to income** ratio at 42.7% remained in-line with the September 2010 half year, reflecting slight revenue growth and a marginal increase in expenses.

The **charge to provide for bad and doubtful debts** decreased by 4.0%, reflecting strong credit card collections and lower housing losses. However, risk still remains in the business sector due to the economic environment. Risk relating to the Christchurch earthquake has been provided for in the March 2011 half year.

Other Items

Asset Quality

	As at		
	Mar 11	**Sep 10**	**Mar 10**
Specific provision for doubtful debts (NZ$m)	**175**	148	147
Collective provision for doubtful debts (NZ$m)	**219**	202	187
Specific provision on loans at fair value (NZ$m)	**84**	94	102
Collective provision on loans at fair value (NZ$m)	**74**	71	76
90+ DPD assets (NZ$m)	**263**	196	284
Gross impaired assets (NZ$m)	**836**	776	734
90+ DPD plus gross impaired assets to gross loans and acceptances	**1.96%**	1.75%	1.85%
Specific provision to gross impaired assets	**31.0%**	31.2%	33.9%
Net write-offs to gross loans and acceptances (annualised)	**0.18%**	0.27%	0.24%
Total provision as a percentage of net write-offs	**540%**	348%	393%
Total provision to gross loans and acceptances	**0.99%**	0.93%	0.93%
Bad and doubtful debt charge to credit risk weighted assets	**0.53%**	0.56%	0.53%

Though it is too early to exactly quantify the impact of the February 2011 Christchurch earthquake on New Zealand's economy, BNZ's strong risk management framework and responsible approach to lending has ensured that it has remained well placed in the fragile economic environment.

In comparison to March 2010, the level of impaired assets and 90+ DPD assets to gross loans and acceptances has increased by 11 basis points from 1.85% to 1.96%. The increase is primarily due to business exposures, however, net write-offs are significantly lower than the September 2010 half year.

Key industry risk areas continue to be in the commercial property (residential subdivision and development land) and dairy farming sectors, which make up approximately 13% and 9% of BNZ's total lending portfolio, respectively. BNZ's disciplines around property development financing such as requirements for minimum pre-sales targets, project feasibility analysis and assessment of undue concentration risk, have all contributed to minimising losses on exposures in this sector.

Strong commodity prices are generating improved confidence within the agribusiness sector (approximately 17% of BNZ's total lending portfolio). BNZ continues its positive and supportive approach to the agricultural sector as it has encountered comparatively few financially stressed customers, due to its conservative through-the-cycle approach to assessing expected future returns from dairy and other commodities.

Housing accounts for approximately 48% of BNZ's total lending portfolio. In an environment where sales volumes remain challenging, the sector has experienced relatively little deterioration in asset quality. Unemployment still remains higher than average and BNZ continues to proactively monitor and manage emerging distressed customers with increased resources focusing on retail credit. Asset quality in unsecured consumer lending has been relatively robust, despite the adverse economic conditions.

BNZ continues to place significant focus on close monitoring and proactive management of its asset quality to enable early intervention, as required. Risk settings, a comprehensive program of oversight and intervention activities, as well as active partnering with businesses are key strategies employed to maintain acceptable asset quality. BNZ continues to closely monitor its lending portfolio to ensure that risk settings are managed dynamically in the uncertain environment.

BNZ has made a provision for expected losses stemming from the February 2011 earthquake. This is in addition to an existing provision held at September 2010 for the first Christchurch earthquake.

Capital and Funding Position

During the March 2011 half year, management continued to focus on prudent liquidity management and maintenance of strong capital levels. An ongoing focus on deposit growth, reducing short-term funding and both diversification and lengthening of wholesale term funding has contributed to BNZ's growing Core Funding Ratio (CFR), which is well ahead of RBNZ's planned CFR transition to a 70% minimum on 1 July 2011.

The strong focus on customer deposits has seen BNZ increase its retail deposit market share compared to September 2010 and March 2010. Whilst retail deposit rates are now generally higher than wholesale funding costs, retail deposit funding remains a core component of balance sheet strength and this ongoing rebalance towards customer deposits remains important in maintaining BNZ's AA credit rating.

In November 2010, BNZ completed its inaugural European covered bond issue, the first such issue by an Australasian bank into the European market. This transaction raised EUR 1 billion of seven year funding and demonstrated continued international investor confidence in BNZ. RBNZ has set the regulatory limit to be applied to the issuance of covered bonds by New Zealand banks at 10% of total assets of an issuing bank, with this limit calculated on the value of assets encumbered for the benefit of covered bond holders. As such, the prudent use of covered bonds is likely to form an important part of BNZ's funding mix over the coming years.

BNZ has also been proactive in maintaining a strong profile with existing and potential investors, through road shows to both Europe and the US, to support its covered bond and US Commercial Paper programmes.

BNZ's regulatory capital levels remain well above RBNZ's prescribed minimum levels. BNZ's Tier 1 capital ratio was 8.49% and its Total capital ratio was 11.29% (minimum 8%) as at 31 March 2011. The implications of the new Basel III capital requirements are being carefully assessed, with expectations that BNZ may further strengthen its capital position over the coming halves.

At 83%, the Stable Funding Index remains well above BNZ's internal target, with the Customer Funding Index continuing its improvement in-line with deposit growth, reaching 58% at 31 March 2011.

Investment Spend

In 2009, BNZ established a large reinvestment portfolio with a focus of driving improved long-term financial performance of the bank relative to peers. The reinvestment portfolio was structured into multiple programmes with each having a direct link to BNZ's strategic plan. After 18 months, the portfolio has delivered many successes including:

- *FX Online*: a fast, secure, and easy to use online transactional service for customers making international payments.
- *A complete rebuild of the www.bnz.co.nz online*: with a new look and feel providing far more focus on informative content and decisioning tools. The site also offers an extended set of online product applications allowing customers to apply online for products that best meet their needs.
- *A new Invoice Finance offering*: to provide further advanced cash flow solutions to businesses.

Targeted investment has been made to capture segments with high growth potential, internal systems to drive efficiencies, improved customer management, and balance sheet stability.

In addition, an area of focus has been reinvestment in BNZ's Retail stores and Partners centres. These stores are aligned to our fresh, new look format that aims to improve the customers' experience of banking with BNZ. The roll-out of the new Partners centres is also well underway with these business centres supporting the innovative relationship model for creating an environment with the latest technology, café style meeting spaces and boardrooms, all of which are free of charge for BNZ Partners' customers.

NZ Banking

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

	Half Year to				
	Mar 11 $m	**Sep 10 $m**	**Mar 10 $m**	**Mar 11 v Sep 10 %**	**Mar 11 v Mar 10 %**
Net interest income	**487**	506	472	(3.8)	3.2
Other operating income	**171**	178	173	(3.9)	(1.2)
Net operating income	**658**	684	645	(3.8)	2.0
Operating expenses	**(281)**	(292)	(289)	3.8	2.8
Underlying profit	**377**	392	356	(3.8)	5.9
Charge to provide for bad and doubtful debts	**(72)**	(78)	(70)	7.7	(2.9)
Cash earnings before tax	**305**	314	286	(2.9)	6.6
Income tax expense	**(90)**	(100)	(84)	10.0	(7.1)
Cash earnings	**215**	214	202	0.5	6.4

Impact of foreign exchange rate movements

Favourable/ (unfavourable) March 11	**Half year since Sep 10 $m**	**Mar 11 v Sep 10 Ex FX %**	**Half year since Mar 10 $m**	**Mar 11 v Mar 10 Ex FX %**
Net interest income	**(21)**	0.3	**(20)**	7.6
Other operating income	**(8)**	0.9	**(8)**	2.7
Operating expenses	**13**	(0.5)	**12**	(1.1)
Charge to provide for bad and doubtful debts	**3**	4.0	**3**	(8.0)
Income tax expense	**4**	6.3	**4**	(11.3)
Cash earnings	**(9)**	5.2	**(9)**	11.0

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UK Banking

Lynne Peacock

UK Banking operates under the Clydesdale Bank and Yorkshire Bank brands. It offers a range of banking services for both personal and business customers through retail branches, iFS centres, direct banking and brokers. UK Banking continues to strengthen its franchises and support customers through this period of economic uncertainty, whilst balancing risk and return.

Strategic Highlights and Business Developments

Against a backdrop of economic uncertainty, the business has delivered a creditable performance, with cash earnings of £77 million up by 35.1% over the prior half year and several **key business indicators stabilising or improving**.

The net interest margin has increased as new lending has been written at attractive rates, and the 'Jaws' between revenue and cost growth have widened. The charge to provide for bad and doubtful debts has also fallen.

The business continues to demonstrate its support to customers and is on track to meet its £10 billion, two year gross new lending pledge, with new lending of £3.3 billion in the half year. This is in addition to £4.7 billion of new lending last year.

Average business lending and mortgage growth both outperformed the market[1], although demand for credit in the UK remains subdued. The slight reduction in lending balances was driven by lower commercial property exposures.

Retail has continued to perform well and expanded its small business proposition during the period, which will broaden the products and services on offer to this important segment of the market. This has been well received in the market and will build on an already strong customer base. Further, **the direct proposition has been improved**, which will increase efficiency in direct sales for retail customers.

The iFS strategy is evolving with **investment in the payments capability** and continued enhancement of the mid-corporate offering, whilst maintaining **tight management of pricing, expenses and risk**. The business lending book is now reaching the desired mix of commercial property and trading businesses.

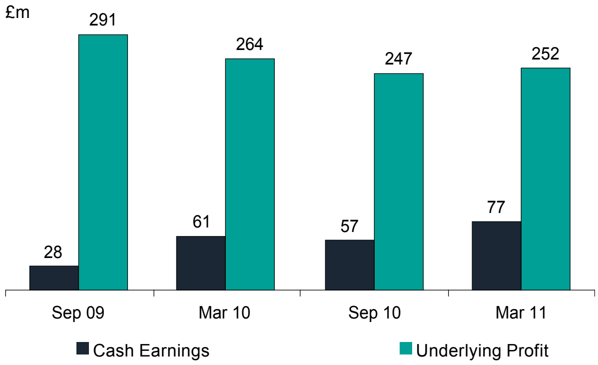
Levels of customer engagement remained strong through the period.

The focus on the balance sheet has continued and liquid asset volumes have been conservatively maintained. The Customer Funding Index was held at strong levels (81.9%), in the face of intense market competition. The **Stable Funding Index remains higher than before the market dislocation** (93.8%), although the Term Funding Index decreased to 11.9% during the half year. This is due to the approaching maturity of some wholesale funding raised in 2009.

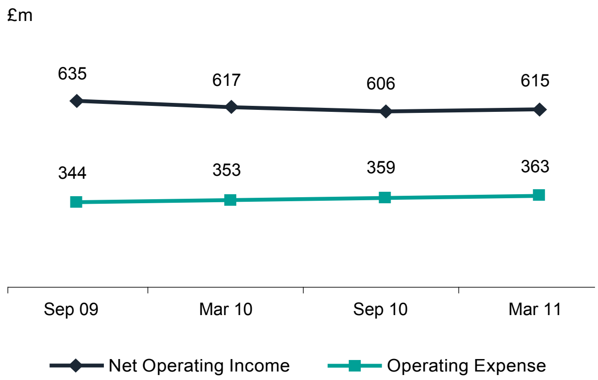
Asset quality continues to be closely monitored with the business working closely with customers during this period of economic uncertainty.

(1) *Business Lending (Source: Bank of England - December 2010) and Housing Lending (Source: Bank of England - February 2011).*

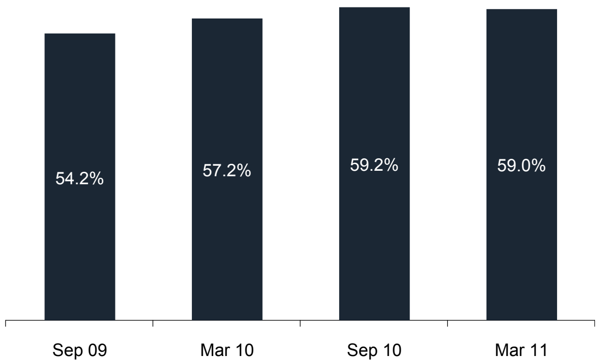
UK Banking Cash Earnings and Underlying Profit



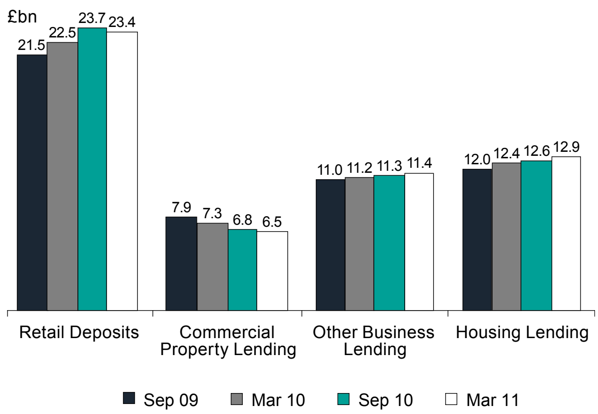
UK Banking Income and Expense Trends



UK Banking Cost to Income Ratio



UK Banking Average Volumes



Operating Environment

The UK economy remains challenging, and this has been reflected in the major economic indicators over the past six months.

UK GDP contracted by 0.5% in the final calendar quarter of 2010, resulting in growth for the overall year of 1.3%. However, the Office for National Statistics estimates that the severe weather experienced during the coldest December in 100 years contributed to the majority of the GDP contraction and the underlying movement was relatively flat. The unemployment rate was 7.8% in the quarter to February 2011 and there has been little movement in this position over the past year.

The housing market remains subdued with prices relatively flat. Commercial property prices are still well below their June 2007 peak, although stable on the prior period. However, there are marked regional variations, with London in particular showing improvement.

Inflation remains above the Bank of England (BOE) target. The Consumer Price Index (CPI) was 4.0% in March and the Retail Price Index (RPI) was 5.3%. The CPI rate has now been one percentage point or more above the 2% BOE target for 16 months. The main factors driving this are the VAT rise from 17.5% to 20.0% in January 2011, the weakness of the pound and recent rises in commodity and oil prices.

The spread between Base Rate and LIBOR has been relatively stable in the first half (average spread between Base Rate and the 90 day rolling average of 3 month LIBOR was 25 basis points).

The outlook for the remainder of the year remains subdued, with the general consensus forecasting UK GDP growth of 1.7% for 2011. This outlook is also reflected in unemployment and housing prices, which are not anticipated to move significantly in the short term.

Market-wide issues relating to Payment Protection Insurance (PPI) claims handling are ongoing. On behalf of the industry, the British Bankers' Association has sought a review of proposals by the Financial Services Authority as to how such claims should be approached. The case was heard by the High Court in England and Wales in January 2011. On 20 April 2011, the High Court ruled in favour of the Financial Services Authority. The British Bankers' Association has indicated that it is considering taking steps to appeal to the Court of Appeal. Until these proceedings are finalised, including the outcome of any potential appeals, the implications for banks' complaints handling and remediation practices remains uncertain. It is also uncertain how many PPI claims will be made against Clydesdale Bank PLC, for what value, and the prospects of mis-selling being established in relation to those claims. Provision has been made for payments arising from claims received to date.

The March 2011 budget announced that the corporation tax rate will now decrease by 2% rather than the previously announced 1%. This means that in the 2011-12 tax year the corporation tax rate will fall to 26% and decrease to 23% by 2014-15. This has affected the business's deferred tax assets and liabilities, resulting in a modest benefit to cash earnings.

As previously indicated, the UK operations will be subject to the Bank Levy in the current financial year. The relevant legislation has not yet been enacted, and the charge will not be incurred until the end of September 2011. On a pro-forma basis, based on the current balance sheet and legislative expectations, the charge for UK Banking would be around £4 million.

UK Banking

Results presented in local currency. *See page 86 for results in $AUDm*

	Half Year to				
	Mar 11 £m	**Sep 10 £m**	**Mar 10 £m**	**Mar 11 v Sep 10 %**	**Mar 11 v Mar 10 %**
Net interest income	**481**	472	490	1.9	(1.8)
Other operating income	**134**	134	127	-	5.5
Net operating income	**615**	606	617	1.5	(0.3)
Operating expenses	**(363)**	(359)	(353)	(1.1)	(2.8)
Underlying profit	**252**	247	264	2.0	(4.5)
Charge to provide for bad and doubtful debts	**(151)**	(164)	(183)	7.9	17.5
Cash earnings before tax	**101**	83	81	21.7	24.7
Income tax expense	**(24)**	(26)	(20)	7.7	(20.0)
Cash earnings	**77**	57	61	35.1	26.2
Average Volumes (£bn)					
Gross loans and acceptances	**32.6**	32.7	33.0	(0.3)	(1.2)
Interest earning assets	**41.4**	41.3	40.9	0.2	1.2
Total assets	**44.8**	44.6	44.4	0.4	0.9
Retail deposits	**23.4**	23.7	22.5	(1.3)	4.0
Capital (£bn)					
Risk-weighted assets - credit risk (spot)	**29.7**	30.6	29.4	(2.9)	1.0
Total risk-weighted assets (spot)	**33.3**	33.8	32.1	(1.5)	3.7
Performance Measures					
Cash earnings on average assets	**0.34%**	0.25%	0.28%	9 bps	6 bps
Net interest margin	**2.33%**	2.28%	2.40%	5 bps	(7 bps)
Cost to income ratio	**59.0%**	59.2%	57.2%	20 bps	(180 bps)
'Jaws'	**0.4%**	(3.5%)	(5.4%)		
Cash earnings per average FTE (£'000s)	**18**	13	14		
FTEs (spot)	**8,684**	8,730	8,544		

UK Banking

Financial Analysis (in local currency)

March 2011 v March 2010

Cash earnings at £77 million increased by £16 million or 26.2% over the March 2010 half year, largely reflecting lower charges to provide for bad and doubtful debts.

Average gross loans and acceptances decreased by £0.4 billion or 1.2%, which was primarily due to subdued demand for credit and managed rebalancing of the lending book. Within this, commercial property lending fell by 11.0% and exposure to credit card and personal lending fell by 14.3%. Lending balances for mortgages and trading businesses grew by 4.0% and 1.8% respectively. The business book is now reaching the desired mix of commercial property and trading businesses.

Average mortgage lending and business lending both outperformed the market, with actual mortgage growth of 4.0%, compared to the market increase of 0.5%, and a 3.2% reduction in business lending, compared to a 6.3% contraction in the market (Source: Bank of England - December 2010).

During the March 2011 half year, UK Banking advanced £3.3 billion of new loans, of which £2.1 billion comprised business lending and £1.1 billion were mortgage advances.

In a highly competitive market, **average retail deposits** increased by £0.9 billion or 4.0%, which was above the industry average growth rate of 3.6% (Source: Bank of England - February 2011).

The **net interest margin** declined by 7 basis points. This was driven by lower earnings on capital, lower deposit margins and margin dilution from the increase in low yielding liquid assets as the balance sheet was strengthened. These were partially offset by higher lending margins arising from continued repricing activities.

As a result of these movements, **net interest income** decreased by £9 million or 1.8%.

Other operating income increased by £7 million or 5.5%. This was driven by higher insurance profit share and an increase in account fee income, including higher regular fee income and higher service charges. These were partially offset by a £8 million increase in the charge for PPI refunds to customers, primarily due to increased volumes of claims.

Operating expenses increased by £10 million or 2.8% over the March 2010 half year, which was below the level of inflation. The increase was driven by personnel costs (including the annual pay review) as the business responded to customer demands.

Reflecting lower net interest income and higher operating expenses, the **cost to income ratio** increased by 180 basis points to 59.0%.

The **charge to provide for bad and doubtful debts** decreased by £32 million or 17.5% over the March 2010 half year, primarily due to the reduction in provisions associated with business lending. This reflects the stage of the economic recovery post recession. Asset quality remains closely monitored.

March 2011 v September 2010

Cash earnings increased by £20 million or 35.1% on the prior half year. This increase was primarily due to a lower charge to provide for bad and doubtful debts, together with an improvement in the 'Jaws' between revenue and cost growth.

Average gross loans and acceptances at £32.6 billion reflected subdued market conditions. Gross new advances of £3.3 billion in the period were offset by the appetite for customers to reduce levels of borrowing and the re-balancing of the portfolio.

Average mortgage lending and business lending both outperformed the market with actual mortgage growth of 2.4% (Source: Bank of England - February 2011), compared to the market increase of 0.3%, and a 1.1% reduction in business lending, compared to a 4.4% contraction in the market (Source: Bank of England - December 2010).

Average retail deposits decreased by £0.3 billion or 1.3%. This reduction was managed to reflect the movement in the lending book while maintaining a strong level of CFI.

The **net interest margin** increased by 5 basis points. This was the result of increased lending margins, partially offset by lower earnings on capital.

As a consequence, **net interest income** increased by £9 million or 1.9%.

Other operating income was in-line with the prior half year. Higher income from insurance profit share was offset by a £2 million higher charge for PPI refunds in the period and non-recurring property sales income in the prior half year.

Operating expenses increased by £4 million or 1.1 %, which was below the level of inflation. This reflected increases due to higher personnel costs, partly offset by a reduction in discretionary costs, as the business demonstrated rigorous expense control.

The **cost to income ratio** at 59.0% decreased by 20 basis points.

The **charge to provide for bad and doubtful debts** decreased by £13 million or 7.9% when compared to the prior half year. This was primarily due to reduced specific provisions related to business lending.

Other Items

Asset Quality

	As at		
	Mar 11	**Sep 10**	**Mar 10**
Specific provision for doubtful debts (£m)	**89**	65	68
Collective provision for doubtful debts (£m)	**275**	282	290
Specific provision on loans at fair value (£m)	**37**	26	19
Collective provision on loans at fair value (£m)	**97**	104	81
90+ DPD assets (£m)	**261**	265	292
Gross impaired assets (£m) (1)	**867**	766	684
90+ DPD plus gross impaired assets to gross loans and acceptances	**3.44%**	3.15%	2.98%
Specific provision to gross impaired assets	**14.5%**	11.9%	12.7%
Net write-offs to gross loans and acceptances (annualised)	**0.84%**	0.99%	0.93%
Total provision as a percentage of net write-offs	**181%**	147%	150%
Total provision to gross loans and acceptances	**1.52%**	1.46%	1.40%
Bad and doubtful debt charge to credit risk weighted assets	**1.02%**	1.13%	1.25%

(1) *Gross impaired assets for March 2011 includes £48 million gross impaired fair value assets. (September 2010 £42 million, March 2010 £65 million).*

The total 90+ DPD balances have remained broadly stable through the period at £261 million in March 2011 compared to £265 million in September 2010. Within this, the residential mortgages portfolio has proved resilient, with 90+ DPD arrears held at the September 2010 level of 0.76%. The average Loan-to-Value ratio of the mortgage book has increased from 51.9% in September 2010 to 53.5% in March 2011 on a basis adjusted for underlying house price movements. Over 80% of mortgages approved in the period had a loan to value ratio below 80%.

The increase in gross impaired asset balances reflects the impact of the ongoing difficult economic and market conditions. Property business remains the dominant component of the gross impaired asset portfolio and has shown modest growth in the half to March 2011. Whilst there has been some stabilisation in property prices, the market for disposing of these assets is still operating below normal levels. This has resulted in assets remaining in the impaired asset category longer than has been previously experienced.

The collective provision balance has fallen to £275 million in March 2011 from £282 million at September 2010 and £290 million at March 2010. This reflects both a reduction in the size and improvement in the loss rate of the personal loan portfolio.

The charge for bad and doubtful debts fell over the period, primarily due to the reduction in provisions associated with business lending. The business book generated the largest proportion of provisions and losses. The level of commercial property and construction losses has slowed. However, trading business losses have increased as the SME sector, in particular hospitality, is affected by the prolonged slowdown. Retail product provisions have also decreased, with the low interest rate environment assisting affordability, particularly for mortgages, and continued reduction in the personal loan portfolio.

Asset quality measures remain under close management to ensure that the actions in place remain appropriate.

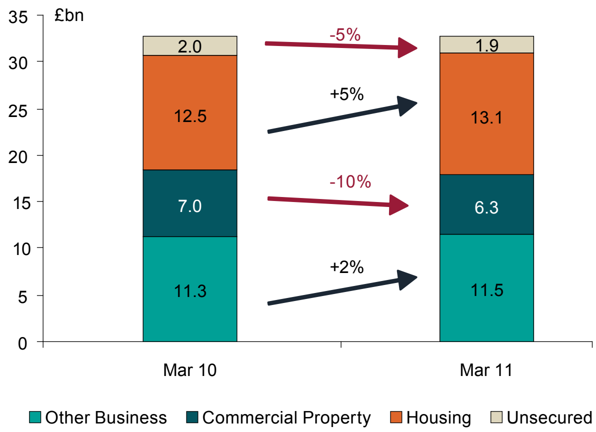
Lending Book

Rebalancing of the lending portfolio has continued, with overall spot balances remaining stable at £32.8 billion in March 2011 and September 2010.

There has been growth of £0.3 billion in mortgage lending, with a reduction in business lending of £0.2 billion and a reduction of £0.1 billion in unsecured personal lending. Mortgage lending growth has been achieved without any weakening of credit criteria and with an average approved Loan-to-Value ratio of 63%.

The balance of loans outstanding on commercial property has now fallen by 18% from £7.7 billion at September 2009 to £6.3 billion as at the end of March 2011. This represents 19.2% of gross loans and acceptances (35% of the business book). Of this, approximately 80% was investment lending and 20% development lending. The largest commercial property loan represents about 1.9% of the commercial property portfolio or 0.4% of the total portfolio. The portfolio is broadly spread around the UK.

Lending Book (Spot)



As a whole, the portfolio remains well secured and diversified, both geographically and by lending type. The average rating of new business lending continues to improve.

Overall asset quality indicators have remained broadly stable. However, the market is challenging for both trading and property businesses alike, with the flow of new files referred for close monitoring and review falling in number, but rising in exposure value.

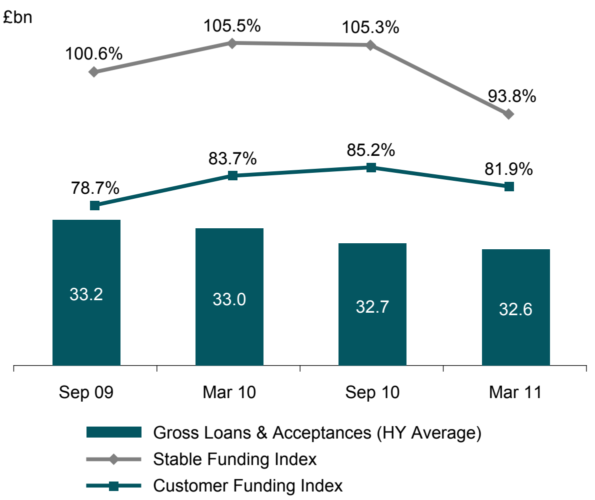
The key ratio of total provisions to gross loans and acceptances has improved from 1.46% to 1.52% as a result of growth in balance sheet provisions and a stable portfolio.

Capital and Funding Position

Clydesdale Bank PLC diversity of funding	As at Mar 11	Sep 10	Mar 10
Retail deposits	**62%**	64%	61%
Market short term	**16%**	14%	16%
Subordinated debt	**3%**	3%	3%
Structured finance	**2%**	2%	3%
Securitisation	**4%**	5%	5%
Parent company	**7%**	6%	6%
Medium term notes	**6%**	6%	6%
CB PLC Funding	**100%**	100%	100%

Attracting and retaining retail deposits continues to be a priority for Clydesdale Bank PLC. Wholesale funding also remains strong. The wholesale funding sources and mix remain diverse - short and long-term, parent company funding, medium term notes, securitisation and covered bonds. As existing wholesale funding matures and is replaced with more expensive new funding, the overall margin paid on wholesale funding will increase.

UK Stable Funding Index



UK Banking's portfolio of liquid assets totals £9.8 billion* as at March 2011 compared to £10.1 billion as at September 2010. This portfolio includes UK Government gilts, Bank of England Reserve Account, Treasury bills, note cover required to cover Clydesdale's notes in circulation and lending to other banks.

Clydesdale Bank continues to strengthen its Tier 1 capital position and issued £200 million of internal preference shares in December 2010 improving its Tier 1 capital ratio (FSA basis) from 9.0% as at September 2010 to 9.8% as at March 2011.

* *£1.5 billion of note cover and £1.3 billion of Credit Guarantee Scheme debt securities are included in this amount but are excluded from FSA regulatory liquidity.*

Investment Spend

UK Banking continued to maintain its investment in the business at a similar level to that of prior periods. This was focused on regulatory and compliance, efficiency and simplification and revenue generation categories.

The delivery of an enhanced customer proposition continued to be a significant focus during the March 2011 half year. Key achievements during the half year included successfully migrating the first phase of printing services to a new provider. The completion of the outsourcing of technical infrastructure and the operational management of the ATMs in February 2011, with the migration of debit card services to follow in the second half of 2011.

Building on the success of the Bank's current Business Internet Banking platform, the pilot of the BusinessOnline product commenced in February. BusinessOnline offers extended functionality and payment types to Business and Corporate customers.

A programme to deliver improved online and telephone sales channels was mobilised in the first half of the year. This programme will be in place by the end of the financial year.

In addition to ensuring that the Bank's systems remain fully regulatory compliant and adequately supported, there is a continued drive to identify new opportunities to gain business benefits from future investment.

UK Banking

Results presented in Australian dollars. See page 82 for results in local currency

	Half Year to				
	Mar 11 $m	**Sep 10 $m**	**Mar 10 $m**	**Mar 11 v Sep 10 %**	**Mar 11 v Mar 10 %**
Net interest income	**768**	801	864	(4.1)	(11.1)
Other operating income	**214**	229	223	(6.6)	(4.0)
Net operating income	**982**	1,030	1,087	(4.7)	(9.7)
Operating expenses	**(580)**	(610)	(622)	4.9	6.8
Underlying profit	**402**	420	465	(4.3)	(13.5)
Charge to provide for bad and doubtful debts	**(241)**	(279)	(322)	13.6	25.2
Cash earnings before tax	**161**	141	143	14.2	12.6
Income tax expense	**(39)**	(44)	(36)	11.4	(8.3)
Cash earnings	**122**	97	107	25.8	14.0

Impact of foreign exchange rate movements

Favourable/ (unfavourable) March 11	**Half year since Sep 10 $m**	**Mar 11 v Sep 10 Ex FX %**	**Half year since Mar 10 $m**	**Mar 11 v Mar 10 Ex FX %**
Net interest income	**(50)**	1.9	**(79)**	(1.8)
Other operating income	**(14)**	-	**(22)**	5.5
Operating expenses	**38**	(1.1)	**59**	(2.8)
Charge to provide for bad and doubtful debts	**16**	7.9	**25**	17.5
Income tax expense	**3**	7.7	**4**	(20.0)
Cash earnings	**(7)**	35.1	**(13)**	26.2

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Specialised Group Assets

Peter Thodey

The Specialised Group Assets (SGA) business comprises non-franchise assets with approximately $18.0 billion of credit risk weighted assets.

The portfolio of assets which is primarily domiciled in the UK and the US, consists of nine portfolios:

- Structured Asset Management (SAM).
- Private Equity & Real Estate Investment Funds USA.
- Infrastructure Finance USA.
- Corporate Lending USA.
- Corporate & Non-Bank Financial Institutions (NBFI) Lending UK.
- Commercial Property UK.
- Leverage Finance UK.
- Structured Asset Finance UK.
- Credit Wrapped Bonds.

Strategic Highlights and Business Developments

SGA's role is to actively manage its credit risk and to selectively pursue options to reduce risk weighted assets and improve capital release. The contractual maturity profiles of the assets, some of which are long-dated (ie. more than three years), are potentially subject to refinance risk. The SGA portfolio continues to contract in-line with management expectations. The business's ongoing performance is vulnerable to the recovery of the UK and US economies and the financial results remain sensitive to market conditions.

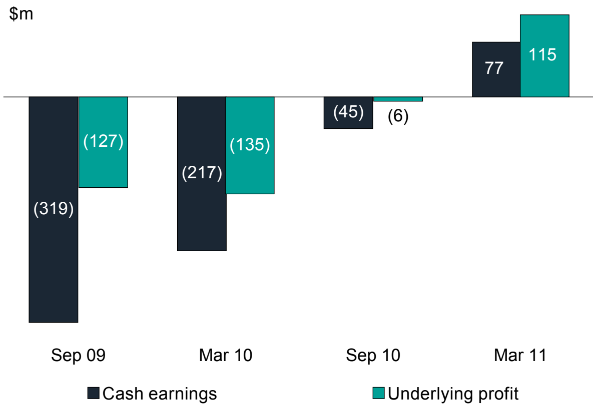
Cash earnings improved on the March 2010 half year primarily due to mark-to-market gains and a reduced bad and doubtful debt charge.

The run-off of the portfolio has occurred in-line with management expectations, with further benefit derived from the strength of the Australian dollar.

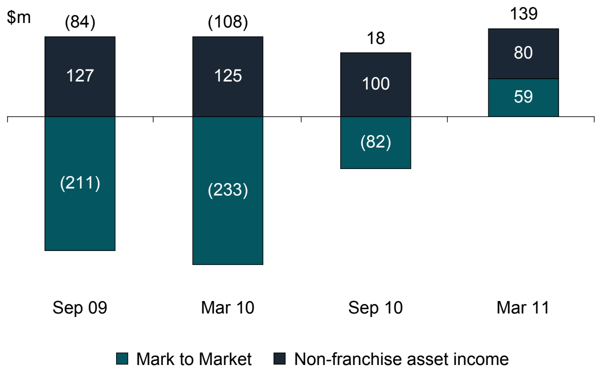
Management continue to explore opportunities to reduce the economic risk relating to the six SCDO assets. Such transactions, while incurring an additional cost largely in the form of foregone yield to maturity, will release capital as economic risk is removed. After 31 March 2011, transactions were entered into to remove the economic risk of the three SCDO assets which have the shortest duration. The accounting loss arising on these transactions was $17 million ($9 million after tax) and risk weighted assets were reduced by $2 billion.

As disclosed in 2008, the Group has expensed over the life of the SCDO assets ongoing hedging costs to mitigate the risk of this portfolio. Should an opportunity arise to exit the economic risk relating to the three remaining SCDO assets which would reduce risk weighted assets by a further $2.0 billion, the Group would accelerate the remaining recognition of the cost of hedging by expensing the carrying value of these hedge costs which at 31 March 2011 was $360 million. This expense would be included in non-cash earnings. Any additional losses/expenses that arise in relation to the exit of the economic risk of the SCDO assets will be applied against the existing $160 million management overlay for conduits and derivatives.

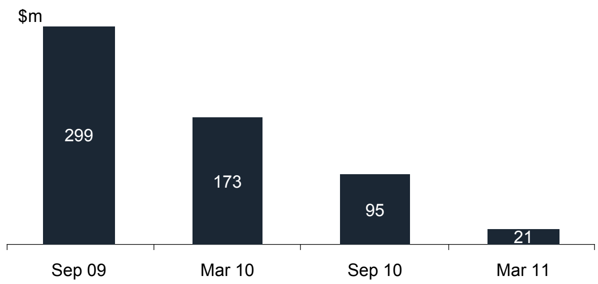
Specialised Group Assets Cash Earnings and Underlying Profit



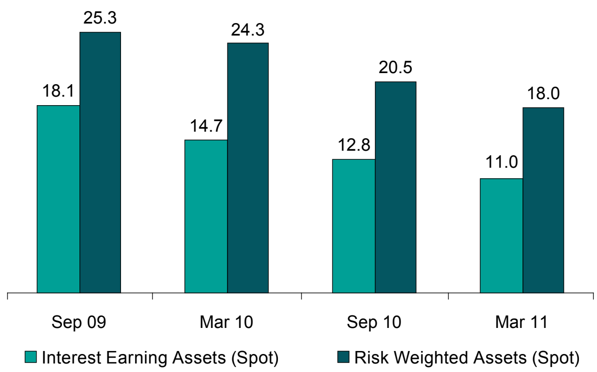
Specialised Group Assets Net Operating Income



Specialised Group Assets Charge to Provide for Bad and Doubtful Debts



Specialised Group Assets Risk Weighted Assets



Operating Environment

Economic data in the March 2011 half year indicates that the environment will remain challenging and is vulnerable to further economic downturn.

Amongst the developed economies, the fiscal position in the US and UK has deteriorated most rapidly due to the depth of the recession with the skew towards finance, property and construction. Whilst there have been some steady signs of recovery in the US, it has been slower than expected for the UK, which remains vulnerable to further confidence shocks such as sovereign crises.

To date there have been limited consequences from the UK Government's austerity budget, but it is anticipated that the full flow-on effect will be felt in the 3rd and 4th quarters. VAT increased from 17.5% to 20.0% (January 2011) and a negative GDP rate (-0.5%) was recorded for the quarter ending December 2010. A lack of growth in credit underlies the difficulty in achieving refinancing.

The subdued performance of the UK and the US economies continued to have an adverse impact on SGA, with Leverage Finance, Commercial Property and NBFIs in the UK most affected. In the past six months, there has been some indication that the rate of credit deterioration of SGA assets has decreased, but performance remains highly dependent upon the recovery of the economies to which the portfolios are exposed.

Specialised Group Assets

Results presented at actual exchange rates

	Half Year to				
	Mar 11 $m	**Sep 10 $m**	**Mar 10 $m**	**Mar 11 v Sep 10 %**	**Mar 11 v Mar 10 %**
Net interest income	**65**	73	105	(11.0)	(38.1)
Other operating income	**74**	(55)	(213)	large	large
Net operating income	**139**	18	(108)	large	large
Operating expenses	**(24)**	(24)	(27)	-	11.1
Underlying profit	**115**	(6)	(135)	large	large
Charge to provide for bad and doubtful debts	**(21)**	(95)	(173)	77.9	87.9
Cash earnings before tax	**94**	(101)	(308)	large	large
Income tax expense	**(17)**	56	91	large	large
Cash earnings / (deficit)	**77**	(45)	(217)	large	large
Average Volumes ($bn)					
Gross loans and acceptances	**5.6**	7.5	8.4	(25.3)	(33.3)
Interest earning assets	**11.8**	15.0	16.2	(21.3)	(27.2)
Capital ($bn)					
Risk-weighted assets - credit risk (spot)	**18.0**	20.5	24.3	(12.2)	(25.9)
Total risk-weighted assets (spot)	**18.0**	20.5	24.3	(12.2)	(25.9)

The accounting effect of the losses to the original CLN assets, which form part of the SCDO exposures, and related recovery from the hedge counterparty are reflected net in the above financial extract.

Impact of foreign exchange rate movements

Favourable/ (unfavourable) March 11	**Half year since Sep 10 $m**	**Mar 11 v Sep 10 Ex FX %**	**Half year since Mar 10 $m**	**Mar 11 v Mar 10 Ex FX %**
Net interest income	**(4)**	(5.5)	**(5)**	(33.3)
Other operating income	**1**	large	**-**	large
Operating expenses	**2**	(8.3)	**3**	-
Charge to provide for bad and doubtful debts	**3**	74.7	**4**	85.5
Income tax expense	**(1)**	large	**-**	large
Cash earnings	**1**	large	**2**	large

Specialised Group Assets

Financial Analysis

March 2011 v March 2010

Cash earnings improved by $294 million on the March 2010 half year to $77 million. This was mainly due to gains on the SCDO risk mitigation trades and a lower bad and doubtful debts charge.

Net operating income improved by $247 million on the March 2010 half year to $139 million. This was due to the favourable mark-to-market on the SCDO risk mitigation trades as a result of the improved global credit market.

Non-franchise asset income decreased, consistent with the run-down of the lending portfolio.

Operating expenses decreased by $3 million or 11.1% on the March 2010 half year to $24 million. This was due to the run-off of the business, with FTE numbers contracting from 47 to 42.

The **charge to provide for bad and doubtful debts** decreased by $152 million in the March 2011 half year to $21 million. This was due to write-backs on collective provisions as clients repaid or cancelled facilities.

The **effective tax rate credit** of 29.5% in the March 2010 half year changed to a tax rate charge of 18.1% in the March 2011 half year, primarily as a result of the change in mix of earnings across the regions.

Average interest earning assets decreased by $4.4 billion or 27.2% to $11.8 billion. Excluding foreign exchange rate movements of $1 billion, the asset decrease was $3.4 billion.

Risk Weighted Assets decreased by $6.3 billion or 25.9% to $18.0 billion. Excluding foreign exchange rate movements of $1.1 billion, the decrease was $5.2 billion.

March 2011 v September 2010

Cash earnings improved by $122 million on the September 2010 half year primarily due to gains on the SCDO risk mitigation trades and a reduction in the bad and doubtful debts charge.

Net operating income improved by $121 million primarily due to increased mark-to-market gains on the SCDO risk mitigation trades during the March 2011 half year.

Operating expenses were flat on the September 2010 half.

The **charge to provide for bad and doubtful debts** decreased by $74 million or 77.9%. This was due to write-backs on collective provisions as clients repaid or cancelled facilities.

The **effective tax rate credit** of 55.4% in the September 2010 half year changed to a tax rate charge of 18.1% in the March 2011 half year, primarily as a result of the change in mix of earnings across the regions.

Average interest earning assets decreased by $3.2 billion or 21.3%. Excluding foreign exchange rate movements of $0.7 billion, the decrease was $2.5 billion.

Risk Weighted Assets decreased by $2.5 billion or 12.2%. Excluding foreign exchange rate movements of $0.7 billion, the decrease was $1.8 billion.

Other Items

Asset Quality

	As at		
	Mar 11	**Sep 10**	**Mar 10**
Specific provision for doubtful debts ($m)	**147**	150	173
Collective provision for doubtful debts ($m)	**210**	303	305
Collective provision on derivatives at fair value ($m)	**189**	203	232
Gross impaired assets ($m)	**513**	558	582
Gross impaired assets to gross loans and acceptances	**9.71%**	8.78%	7.70%
Specific provision to gross impaired assets	**28.7%**	26.9%	29.7%
Net write-offs to gross loans and acceptances	**3.07%**	3.04%	2.23%

The internal credit ratings of SGA portfolio assets have stabilised during the March 2011 half year, which has assisted in reducing the bad and doubtful debt charge.

The bad and doubtful debts charge for the March 2011 half was $21 million, which is a decrease of $152 million, or 87.9%, on the March 2010 half year. During the current half year, specific provisions across the portfolios stemmed principally from the UK Leveraged Finance, Commercial Property and Corporate portfolios, which remain the portfolios that are most vulnerable to adverse economic conditions. A number of impaired assets have been written-off, reducing specific provisions.

Provisions for the non-SAM portfolio (totalling 151 clients) have been set according to each client's individual circumstances.

The exposures across the portfolios are predominantly in the UK and Europe (57%) and North America (28%), with a further 7% spread across Europe, North America and Asia, and minor concentrations in Australia and New Zealand (8%).

A number of assets in these portfolios are under the review and oversight of the Strategic Business Services risk team.

SGA continues to actively manage the SAM portfolio. As at March 2011, the exposures in the SAM portfolio fell to $4.9 billion from $5.5 billion at March 2010.

With respect to the SCDOs, there was one credit event during the financial half-year, which did not have an impact on the hedge positions.

Internal and external credit ratings for the SCDOs have remained stable, with some modest improvement in the internal ratings during the period. Market values of the SCDO transactions continued to benefit from improved credit conditions during the period. The future values of SCDO assets remain uncertain and will reflect developments in credit markets.

Impaired Assets - Loans and Advances

The level of gross impaired assets has decreased by $69 million from March 2010 to $513 million at March 2011. The ratio of gross impaired assets to gross loans and acceptances increased to 9.71% at March 2011 from 7.70% at March 2010.

SGA has applied a write-off of $80.6 million in the March 2011 half year. This has reduced the specific provision to gross impaired assets ratio from 29.7% at March 2010 to 28.7% at March 2011.

Great Western Bank

Andrew Thorburn

With 195 locations through the Midwest United States, Great Western Bank (GWB) is a regional bank maintaining core community banking values. When coupled with the strength of the NAB Group this provides a compelling distinction between the large US mega-banks and the smaller community banks with fewer capital resources.

GWB is fully deposit funded and offers a range of traditional banking and wealth management products, together with diversified lending in Agribusiness, small and medium sized businesses, commercial property and a growing retail offering.

Strategic Highlights and Business Developments

While maintaining focus on the integration of recently acquired banks and securing asset quality, GWB has also continued to review additional opportunities to grow the banking franchise through the regional Midwest United States.

During the six months to March 2011 GWB focused on the effective integration of the two franchises acquired in the second half of 2010. The acquisitions of F&M Bank in Iowa and certain assets and liabilities of TierOne Bank in Nebraska are now effectively integrated into the GWB business model, including risk and reporting frameworks, management structures and people and culture.

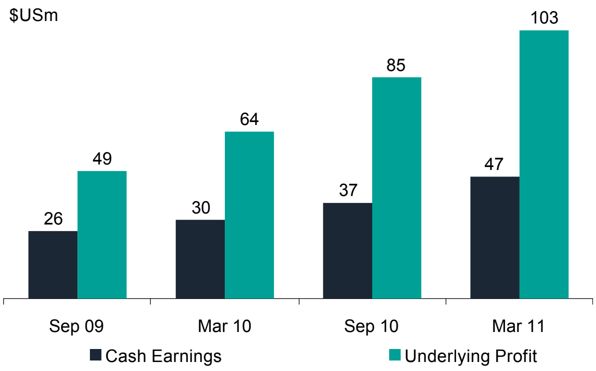
The acquisition of TierOne assets is supported by a loss share agreement with the FDIC (Federal Deposit Insurance Commission) covering the majority of loans and repossessed property. GWB has instituted systems, processes and procedures to comply with the terms of the loss share arrangement. As at March 2011 GWB has received approximately US$19.1 million in loss share payments from the FDIC with no material effect on earnings given these assets were recorded at fair value upon acquisition. Approximately US$318 million of non-core loans and foreclosed property in the acquired portfolio have been sold or paid down since September 2010.

Over the period, stagnant or negative system growth was seen across the majority of the GWB footprint and pressure on loan yields and regulatory change lowered fee and interchange income. Despite these challenges GWB maintained a positive trend in revenue and expense growth, with the cost to income ratio and 'Jaws' both improving over the previous six months.

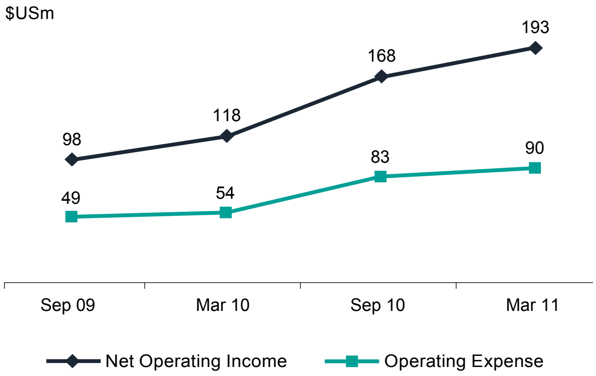
GWB has continued to fund loans entirely through customer deposits. The ratio of retail deposits to gross loans and acceptances at March 2011 was 129%. Excess deposits remain invested primarily in high quality US government backed or agency securities.

A key pillar of the success of GWB has been the continued development of the Agribusiness strategy, with core lending continuing to grow through the relationship model together with a diversification of product offering. With an Agribusiness portfolio of US$936 million, based on industry data collected by the FDIC, GWB is the 8th largest Agri lending bank in the US as at December 2010. While maintaining the strategy of Agri lending, GWB is poised to further diversify the portfolio through expanding high quality consumer lending, realising the full potential of its customer base which is now over 400,000 strong.

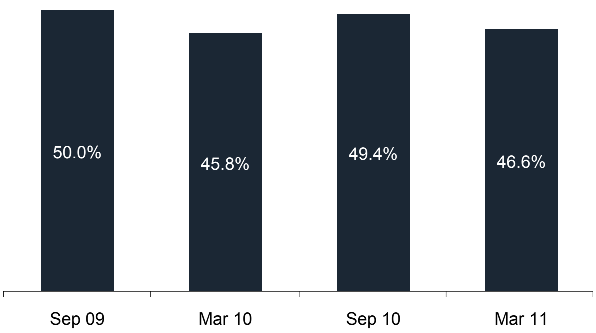
Great Western Bank Cash Earnings and Underlying Profit



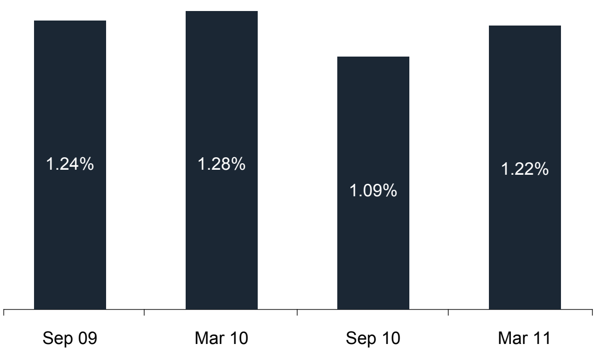
Great Western Bank Income and Expense Trends



Great Western Bank Cost to Income Ratio



Great Western Bank Cash Earnings on Average Assets [1]



[1] *Average assets exclude goodwill and other intangible assets.*

Operating Environment

The overall economic environment in the US remains relatively poor, with current unemployment of 8.8% and significant levels of under-employment. There are varying signs of economic improvement through the GWB footprint.

Overall consumer demand and confidence is subdued, however with the core GWB business being in the relatively conservative regional Midwest agri-based region, GWB has maintained asset quality that is better than the national average (Source: FDIC data - December 2010). Sustained high commodity prices have helped to de-leverage the agricultural supply chain. This has improved relative asset quality in the region and has also stemmed the demand for traditional seasonal financing, reflecting flat loan volumes over the past six months and possibly through the remainder of 2011.

Historically high levels of consumer liquidity, with continued low interest rates, has helped to maintain a stable funding base with a reduced cost of funds, supporting lower lending yields and a strong net interest margin. It is unlikely that GWB will gain further pricing benefit in the second half of 2011, with a contraction in margins possible.

Total loan demand across the US remains subdued, with the FDIC reporting that the December 2010 quarter loans outstanding continued to fall. Total banking sector loans fell by 0.2% or US$13.6 billion in the December 2010 quarter (Source: FDIC).

Banking sector performance in the US has improved over the course of the six months. However, this has mainly been driven by the larger nationwide banks that were the first institutions to record historically high loan provisions at the beginning of the GFC, some of which have been released in recent periods.

Against this backdrop of improved sector performance, in the December 2010 quarter, GWB generated a pre-tax return on tangible assets of 1.69% against the average pre-tax return on assets of 0.98% for all commercial banks regulated by the FDIC (Source: FDIC).

Great Western Bank

Results presented in local currency. See page 96 for results in $AUDm.

	Half Year to				
	Mar 11 US$m	**Sep 10 US$m**	**Mar 10 US$m**	**Mar 11 v Sep 10 %**	**Mar 11 v Mar 10 %**
Net interest income	**155**	130	91	19.2	70.3
Other operating income	**38**	38	27	-	40.7
Net operating income	**193**	168	118	14.9	63.6
Operating expenses	**(90)**	(83)	(54)	(8.4)	(66.7)
Underlying profit	**103**	85	64	21.2	60.9
Charge to provide for bad and doubtful debts	**(32)**	(31)	(18)	(3.2)	(77.8)
Cash earnings before tax	**71**	54	46	31.5	54.3
Income tax expense	**(24)**	(17)	(16)	(41.2)	(50.0)
Cash earnings	**47**	37	30	27.0	56.7
Average Volumes (US$bn)					
Gross loans and acceptances	**5.3**	4.9	3.5	8.2	51.4
Interest earning assets	**7.1**	6.5	4.5	9.2	57.8
Total assets	**7.7**	6.8	4.7	13.2	63.8
Retail deposits	**6.6**	5.8	3.9	13.8	69.2
Capital (US$bn)					
Risk-weighted assets - credit risk (spot)	**5.7**	6.2	4.0	(8.1)	42.5
Total risk-weighted assets (spot)	**5.9**	6.2	4.0	(4.8)	47.5
Performance Measures					
Cash earnings on average assets	**1.22%**	1.09%	1.28%	13 bps	(6 bps)
Net interest margin	**4.38%**	3.99%	4.06%	39 bps	32 bps
Cost to income ratio	**46.6%**	49.4%	45.8%	280 bps	(80 bps)
'Jaws' [(1)]	**6.5%**	(9.2%)	3.8%		
Cash earnings per average FTE (US$'000s)	**62**	59	61		
FTEs (spot)	**1,515**	1,596	960		

(1) *The 'Jaws' for September 2010 and March 2010 excludes the impact of the acquisition of F&M Bank and TierOne assets.*

Great Western Bank

Financial Analysis (in local currency)

March 2011 v March 2010

Cash earnings grew by 56.7% to $47 million compared to March 2010 half year, reflecting growth in assets, both organically and through acquisition. This result reflects a full six month contribution of the June 2010 acquisition of the assets of TierOne Bank in Nebraska and Iowa branches and the April 2010 acquisition of F&M Bank in Iowa.

Underlying profit increased by $39 million versus the March 2010 half year, driven by the full six month integration of the acquisitions, with the resulting revenue and expense growth highly correlated.

Cash earnings were supported by a 32 basis point rise in the **net interest margin**. This was primarily driven by a continued reduction in the cost of deposit funding that outpaced the reduction on loan yields and the fall in yield on the investment portfolio as GWB shortened the duration and interest rate risk in that portfolio during 2010. The uplift in the value of the acquired TierOne loan portfolio, reflecting increases in the value of the future cash flows arising from the portfolio also contributed to the increase.

Net operating income increased by 63.6% to $193 million, supported by a strong net interest margin of 4.38% and improved operating efficiencies gained from acquisitions. Other operating income increased by 40.7% to $38 million despite a reduction in overdraft and service fees. This was due to the larger customer base and additional sources of revenue such as insurance and trust activity generated by the acquisitions.

Operating expenses increased by 66.7% against the March 2010 half year, largely reflecting the impact of acquisitions together with a $7 million write down of bank owned foreclosed properties outside those assets covered by the loss share agreement with the FDIC.

The **cost to income ratio** of 46.6% at March 2011 deteriorated 80 basis points from March 2010, as a result of the rise in expenses.

The **charge to provide for bad and doubtful debts** increased by $14 million to $32 million when compared to March 2010. Asset quality deteriorated through to September 2010, before stabilising over the last half.

March 2011 v September 2010

Cash earnings for the six months to March 2011 were $10 million or 27% higher than the September 2010 half year. The full six month impact of the 2010 acquisitions is reflected in the March 2011 half as compared with September 2010, which included approximately four months of trading in the half year.

Underlying profit was 21.2% higher than the September 2010 half year, outstripping the growth in average interest earning assets of 9.2%. This largely reflects efficiency gains realised from the 2010 acquisitions and higher net interest margin.

Changes in the fee structure for overdraft and non-service fees reduced **other operating income** in the March 2011 half, offset by the full six months contribution of the TierOne franchise.

Operating expenses grew in-line with the full six months consolidation of acquisitions made in September 2010.

The **cost to income** ratio of 46.6% for the six months to March 2011, improved from 49.4% in September 2010, reflecting operational efficiencies gained through the acquisitions, together with higher margins.

While asset quality remains under pressure, this has stabilised since the September 2010 half year. Accordingly, the **charge to provide for bad and doubtful debts** at $32 million is consistent with September 2010 half year where it was $31 million.

Other Items

Asset Quality

	As at		
Excluding covered loans [1]	**Mar 11**	**Sep 10**	**Mar 10**
Specific provision for doubtful debts (US$m)	**20**	17	12
Collective provision for doubtful debts (US$m)	**41**	38	23
Gross impaired assets (US$m)	**97**	61	58
90+ DPD plus gross impaired assets to non-covered gross loans and acceptances	**2.37%**	1.48%	1.62%
Specific provision to gross impaired assets	**20.6%**	27.9%	20.7%
Total provision to non-covered gross loans and acceptances	**1.49%**	1.35%	0.98%

	As at		
Including covered loans [1]	**Mar 11**	**Sep 10**	**Mar 10**
90+ DPD assets (US$m)	**197**	221	-
Specific provision for doubtful debts (US$m)	**20**	17	12
Collective provision for doubtful debts (US$m)	**41**	38	23
Gross impaired assets (US$m)	**97**	61	58
90+ DPD plus gross impaired assets to gross loans and acceptances	**5.65%**	5.21%	1.62%
Specific provision to gross impaired assets	**20.6%**	27.9%	20.7%
Net write-offs to gross loans and acceptances (annualised)	**0.69%**	0.50%	0.89%
Total provision to gross loans and acceptances	**1.17%**	1.02%	0.98%

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

As part of the TierOne asset acquisition, GWB purchased approximately US$1.6 billion of loans, of which at March 2011, US$1.1 billion remain covered by the loss share agreement with the FDIC. All loans purchased as part of this transaction are carried at fair value on acquisition date. The FDIC loss share agreement covers 80% of credit losses on the gross value of covered loans and repossessed assets as at acquisition date (before being marked to fair value).

The loss share agreement with the FDIC has been operating effectively. Through to March 2011, US$19.1 million in loss share payments have been received from the FDIC. The economic effect of credit losses has been minimal, as the loss share arrangement is based on the face value of the loan and not the discounted fair value as recognised by GWB when accounting for the acquisition.

Accordingly, while the 90+ DPD plus gross impaired assets to gross loans and acceptances for GWB in total is 5.65%, when excluding the covered loans this ratio is 2.37%.

The growth in non-covered gross impaired assets since September 2010 reflects a small number of commercial facilities that, while impaired, are adequately collateralised with no significant losses expected. Covered assets 90+ DPD have decreased over the six months, largely reflecting work-out strategies in this portfolio which is performing in-line with expectations. The ratio of 90+ DPD to total loans and acceptances, inclusive of covered loans is higher at 5.65%. This reflects an overall reduction in the covered loans rather than an increase in 90+ DPD.

Overall asset quality has stabilised through the six months to March 2011. The total charge for bad and doubtful debts was US$18 million in the six months to March 2010, rising to US$31 million by September 2010, and has since levelled at US$32 million over the six months to March 2011.

Capital and Funding Position

Positioned as a high performing community based bank, GWB maintains a strong core funding base with US$1.3 billion more deposits than loans. These funds are invested in predominantly US government backed securities serving as both an income stream and source of liquidity.

GWB also maintains a strong regulatory capital position and has consistently met the requirements of a 'well capitalised' institution under the guidelines of the FDIC. Risk weighted assets have fallen. This has been due to the reduction in non-core loans purchased as part of the TierOne transaction and a shift in the investment portfolio from government agency securities towards fully backed government investment securities.

Results presented in Australian dollars. See page 93 for results in local currency.

	Half Year to				
	Mar 11 $m	Sep 10 $m	Mar 10 $m	Mar 11 v Sep 10 %	Mar 11 v Mar 10 %
Net interest income	**155**	145	100	6.9	55.0
Other operating income	**38**	43	29	(11.6)	31.0
Net operating income	**193**	188	129	2.7	49.6
Operating expenses	**(90)**	(93)	(59)	3.2	(52.5)
Underlying profit	**103**	95	70	8.4	47.1
Charge to provide for bad and doubtful debts	**(32)**	(34)	(20)	5.9	(60.0)
Cash earnings before tax	**71**	61	50	16.4	42.0
Income tax expense	**(24)**	(20)	(17)	(20.0)	(41.2)
Cash earnings	**47**	41	33	14.6	42.4

Impact of foreign exchange rate movements

Favourable/ (unfavourable) March 11	Half year since Sep 10 $m	Mar 11 v Sep 10 Ex FX %	Half year since Mar 10 $m	Mar 11 v Mar 10 Ex FX %
Net interest income	**(19)**	19.2	**(17)**	70.3
Other Operating Income	**(4)**	-	**(4)**	40.7
Operating expenses	**10**	(8.4)	**9**	(66.7)
Charge to provide for bad and doubtful debts	**4**	(3.2)	**4**	(77.8)
Income tax expense	**3**	(41.2)	**2**	(50.0)
Cash earnings	**(6)**	27.0	**(6)**	56.7

Corporate Functions and Other

The Group's 'Corporate Functions' business includes NAB's operations in Asia and functions that support all businesses including Group Funding and Other Corporate Functions 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.

Other Corporate Functions activities include Group Business Services, Office of the CEO, Group Risk, Group Governance, Group Strategy and Finance, Group Treasury, Corporate Affairs and Marketing and Human Capital Strategy.

	Half Year to				
	Mar 11 $m	**Sep 10 $m**	**Mar 10 $m**	**Mar 11 v Sep 10 %**	**Mar 11 v Mar 10 %**
Net operating income	**308**	283	306	8.8	0.7
Operating expenses	**(263)**	(261)	(260)	(0.8)	(1.2)
Underlying profit	**45**	22	46	large	(2.2)
Charge to provide for bad and doubtful debts	**(75)**	(1)	1	large	large
Cash earnings before tax and non-controlling interest	**(30)**	21	47	large	large
Income tax benefit	**47**	35	11	34.3	large
Cash earnings	**17**	56	58	(69.6)	(70.7)

March 2011 v March 2010

Cash earnings declined by $41 million mainly due to an increase in the charge to provide for bad and doubtful debts.

Net operating income increased by $2 million primarily due to the benefit derived from a stronger capital position and interest on the ExCaps settlement, partially offset by movements in derivatives used to hedge funding and costs incurred in retirement of Government Guaranteed debt.

Operating expenses increased by $3 million mainly due to increased activity in relation to the Next Generation Banking IT Platform (NGP). This was partly offset by savings in Corporate Functions.

The **charge to provide for bad and doubtful debts** increased by $76 million due to the $75 million collective provision overlay raised as a result of the Queensland and Victorian floods which occurred during the March 2011 half year.

The **income tax benefit** increased by $36 million largely as a result of lower cash earnings.

March 2011 v September 2010

Cash earnings declined by $39 million against the September 2010 half mainly due to an increase in the collective charge for bad and doubtful debts which was partly offset by an increase in net operating income.

Net operating income increased by $25 million primarily due to the benefit derived from a stronger capital position and the interest on the ExCaps settlement, partially offset by costs incurred in the retirement of Government Guaranteed debt.

Operating expenses increased by $2 million against the September 2010 half year.

The **charge to provide for bad and doubtful debts** increased by $74 million against the September 2010 half year due to the collective provision overlay raised as a result of the Queensland and Victorian floods which occurred during the March 2011 half year.

The **income tax benefit** increased by $12 million due to lower cash earnings.

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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 2011.

The directors of the Company have a significant responsibility with respect to the integrity of 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 2010 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
Managing Director and Group Chief Executive Officer since 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 A Waller
Director since February 2009

Sir Malcolm Williamson
Director since May 2004

Anthony KT Yuen
Director since March 2010

Rounding of Amounts

Pursuant to Class Order 98/100 made by the Australian Securities and Investments Commission on 10 July 1998, 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 owners of the Company for the half year ended 31 March 2011 of $2,428 million increased $333 million or 15.9% compared to the prior comparative period.

Net interest income increased $182 million or 3.0% due to repricing of the lending portfolio driven by the alignment of pricing to current market conditions and growth in home lending, partially offset by higher funding costs and greater competitive pressures on deposit margins. Net life insurance income decreased $157 million or 34.7% as positive investment returns were more than offset by changes in policy liabilities and the external unit holders' liability. Total other income decreased $420 million or 19.7% as mark-to-market gains in the March 2011 half year in the SCDO portfolio were more than offset by a hedging recovery received in this portfolio in the March 2010 half year.

Operating expenses decreased $6 million or 0.1 % due to foreign exchange gains. Excluding foreign exchange rate movements, expenses increased $91 million or 2.2% to support additional frontline resources on key strategic projects. These were partly offset by benefits from efficiency initiatives and savings from the integration of Aviva and JBWere.

The bad and doubtful debt charge decreased $796 million or 46.3% as the stabilising economic environment lead to improvement in customer credit ratings and consequently lower specific and collective provision charges.

Total assets increased $39,103 million or 6.0%, mainly from strong growth in lending, principally from continued momentum in housing lending in the Australian based businesses. Total liabilities increased $37,482 million or 6.1% mainly from the focus on growing customer deposits to support lending growth.

The Board has received assurance from the Group Chief Executive Officer and the Group Executive Director, Finance that the Company's half year financial report for the period ended 31 March 2011 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

5 May 2011

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

In relation to our review of the financial report of National Australia Bank Limited for the half year ended 31 March 2011, 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
Melbourne
5 May 2011

Consolidated Income Statement

	Note	Half Year to Mar 11 $m	Sep 10 $m	Mar 10 $m
Interest income		**16,700**	15,683	14,141
Interest expense		**(10,421)**	(9,524)	(8,044)
Net interest income		**6,279**	6,159	6,097
Premium and related revenue		**666**	674	620
Investment revenue		**3,528**	(10)	2,779
Fee income		**277**	243	236
Claims expense		**(367)**	(367)	(328)
Change in policy liabilities		**(2,823)**	336	(2,060)
Policy acquisition and maintenance expense		**(455)**	(490)	(440)
Investment management expense		**(6)**	(14)	(21)
Movement in external unitholders' liability		**(524)**	(12)	(333)
Net life insurance income	14	**296**	360	453
Gains less losses on financial instruments at fair value	3	**(200)**	(46)	168
Other operating income	3	**1,912**	1,853	1,964
Total other income		**1,712**	1,807	2,132
Personnel expenses	4	**(2,323)**	(2,380)	(2,264)
Occupancy-related expenses	4	**(310)**	(285)	(307)
General expenses	4	**(1,484)**	(1,753)	(1,552)
Total operating expenses		**(4,117)**	(4,418)	(4,123)
Charge to provide for doubtful debts	9	**(923)**	(1,072)	(1,719)
Profit before income tax expense		**3,247**	2,836	2,840
Income tax expense	5	**(818)**	(707)	(744)
Net profit for the period		**2,429**	2,129	2,096
Attributable to:				
Owners of the Company		**2,428**	2,129	2,095
Non-controlling interest in controlled entities		**1**	-	1
Net profit for the period		**2,429**	2,129	2,096
		cents	**cents**	**cents**
Basic earnings per share		**108.8**	96.0	95.5
Diluted earnings per share		**108.3**	95.4	95.1

Consolidated Statement of Comprehensive Income

	Note	Half Year to Mar 11 $m	Sep 10 $m	Mar 10 $m
Net profit for the period		**2,429**	2,129	2,096
Other comprehensive income				
Actuarial gains/(losses) on defined benefit pension schemes	12	**225**	6	(120)
Cash flow hedges				
(Losses)/gains taken to equity	12	**(98)**	254	170
Losses/(gains) transferred to the income statement	12	**4**	14	(11)
Exchange differences on translation of foreign operations	12	**(592)**	(233)	(736)
Reclassification to profit or loss on disposal of foreign operations	12	**(2)**	-	-
Tax on items transferred directly from equity	12	**(35)**	(81)	(11)
Investments - available for sale				
Revaluation (losses)/gains	12	**(26)**	41	19
Gains from sale transferred to the income statement	12	**(9)**	(14)	(14)
Impairment transferred to the income statement	12	**10**	3	-
Revaluation of land and buildings	12	**-**	9	-
Other comprehensive income for the period, net of income tax		**(523)**	(1)	(703)
Total comprehensive income for the period		**1,906**	2,128	1,393
Attributable to:				
Owners of the Company		**1,905**	2,128	1,392
Non-controlling interest in controlled entities		**1**	-	1
Total comprehensive income for the period		**1,906**	2,128	1,393

Consolidated Balance Sheet

	Note	As at 31 Mar 11 $m	30 Sep 10 $m	31 Mar 10 $m
Assets				
Cash and liquid assets		**22,534**	26,072	23,819
Due from other banks		**37,341**	37,679	38,631
Trading derivatives		**27,022**	38,340	29,558
Trading securities		**29,913**	25,821	24,219
Investments - available for sale		**14,693**	14,572	7,529
Investments - held to maturity		**13,393**	13,789	13,609
Investments relating to life insurance business	14	**67,155**	64,560	61,990
Other financial assets at fair value		**42,779**	37,409	31,763
Hedging derivatives		**2,645**	3,712	3,260
Loans and advances	8	**365,378**	354,835	343,880
Due from customers on acceptances	8	**45,935**	49,678	52,699
Current tax assets		**385**	222	394
Property, plant and equipment		**1,761**	1,778	1,698
Goodwill and other intangible assets		**7,113**	7,077	6,939
Deferred tax assets		**1,780**	2,026	3,116
Other assets		**9,636**	8,382	7,256
Total assets		**689,463**	685,952	650,360
Liabilities				
Due to other banks		**37,449**	37,612	43,735
Trading derivatives		**34,573**	40,587	28,230
Other financial liabilities at fair value		**19,557**	19,887	19,566
Hedging derivatives		**5,336**	1,444	1,737
Deposits and other borrowings	11	**364,311**	353,232	332,497
Liability on acceptances		**11,774**	12,549	15,771
Life policy liabilities	14	**56,810**	54,354	53,058
Provisions		**1,167**	1,445	1,048
Bonds, notes and subordinated debt		**91,449**	93,203	86,079
Other debt issues		**2,404**	2,502	2,514
Defined benefit pension scheme liabilities		**182**	522	593
External unitholders' liability	14	**10,229**	10,241	8,969
Deferred tax liabilities		**95**	19	1,009
Other liabilities		**14,307**	19,401	17,355
Total liabilities		**649,643**	646,998	612,161
Net assets		**39,820**	38,954	38,199
Equity				
Contributed equity	12	**24,365**	23,551	23,363
Reserves	12	**(1,491)**	(639)	(879)
Retained profits	12	**16,931**	16,028	15,693
Total equity (parent entity interest)		**39,805**	38,940	38,177
Non-controlling interest in controlled entities		**15**	14	22
Total equity		**39,820**	38,954	38,199

Consolidated Cash Flow Statement

	Note	Half Year to Mar 11 $m	Sep 10 $m	Mar 10 $m
Cash flows from operating activities				
Interest received		**16,077**	15,201	13,298
Interest paid		**(10,079)**	(8,750)	(7,549)
Dividends received		**11**	12	4
Life insurance				
Premiums and other revenue received		**4,030**	5,270	3,589
Investment revenue received		**938**	483	1,893
Policy and other payments		**(3,832)**	(3,067)	(3,208)
Fees and commissions paid		**(244)**	(270)	(213)
Net trading revenue received		**1,249**	228	5
Other operating income received		**1,459**	2,422	2,257
Cash payments to employees and suppliers				
Personnel expenses paid		**(2,454)**	(1,984)	(2,272)
Other operating expenses paid		**(1,786)**	(1,917)	(1,737)
Net goods and services tax received/(paid)		**19**	(17)	(15)
Cash payments for income taxes		**(854)**	(530)	(656)
Cash flows from operating activities before changes in operating assets and liabilities		**4,534**	7,081	5,396
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		**(14)**	(8)	(16)
Net payments for and receipts from transactions in acceptances		**2,967**	(193)	1,216
Net funds advanced to and receipts from customers for loans and advances		**(15,361)**	(11,139)	(3,605)
Net acceptance from and repayment of deposits and other borrowings		**17,662**	19,607	7,013
Net movement in life insurance business investments		**108**	(328)	(1,813)
Net movement in other life insurance assets and liabilities		**(182)**	21	(332)
Net receipts from and payments for transactions in treasury bills and other eligible bills held for trading and not part of cash equivalents		**392**	(1,116)	756
Net payments for and receipts from transactions in trading securities		**(4,420)**	(2,362)	(3,776)
Net payments for and receipts from trading derivatives		**(705)**	3,083	(1,805)
Net funds advanced to and receipts from hedging derivative assets and other financial assets at fair value		**(5,308)**	(5,810)	(1,636)
Net receipts from and payments for hedging derivative liabilities and other financial liabilities at fair value		**(2,479)**	206	(950)
Net decrease/(increase) in other assets		**2,371**	(3,473)	1,448
Net decrease in other liabilities		**(2,388)**	(103)	(1,497)
Changes in operating assets and liabilities arising from cash flow movements		**(7,357)**	(1,615)	(4,997)
Net cash (used in)/provided by operating activities	**13(a)**	**(2,823)**	5,466	399

	Note	Half Year to Mar 11 $m	Sep 10 $m	Mar 10 $m
Cash flows from investing activities				
Movement in investments - available for sale				
Purchases		**(13,974)**	(14,113)	(5,881)
Proceeds from disposal		**1,108**	773	357
Proceeds on maturity		**13,252**	7,253	5,490
Movement in investments - held to maturity				
Purchases		**(11,664)**	(10,637)	(13,829)
Proceeds on maturity		**11,815**	10,801	17,183
Purchase of controlled entities and business combinations, net of cash acquired	**13(d)**	**(6)**	550	(5,544)
Proceeds from sale of controlled entities, net of cash disposed	**13(e)**	**11**	-	-
Purchase of property, plant, equipment and software		**(482)**	(472)	(325)
Proceeds from sale of property, plant, equipment and software, net of costs		**69**	22	4
Net cash provided by/(used in) investing activities		**129**	(5,823)	(2,545)
Cash flows from financing activities				
Repayments of bonds, notes and subordinated debt		**(10,895)**	(6,152)	(12,174)
Proceeds from issue of bonds, notes and subordinated debt, net of costs		**15,766**	14,534	12,769
Dividends and distributions paid (excluding dividend reinvestment plan)		**(1,142)**	(1,407)	(1,093)
Net cash provided by/(used in) financing activities		**3,729**	6,975	(498)
Net increase/(decrease) in cash and cash equivalents		**1,035**	6,618	(2,644)
Cash and cash equivalents at beginning of period		**25,683**	19,244	24,154
Effects of exchange rate changes on balance of cash held in foreign currencies		**(1,487)**	(179)	(2,266)
Cash and cash equivalents at end of period	**13(b)**	**25,231**	25,683	19,244

Consolidated Statement of Changes in Equity

Group	Contributed equity $m	Reserves (2) $m	Retained profits (2) $m	Total $m	Non-controlling interest in controlled entities $m	Total equity $m
Balance at 1 October 2009	22,781	(976)	16,010	37,815	20	**37,835**
Net profit for the period	-	-	2,095	2,095	1	**2,096**
Other comprehensive income for the period	-	(617)	(86)	(703)	-	**(703)**
Transactions with owners, recorded directly in equity:						
Contributions by and distributions to owners						
Issue of ordinary shares	535	-	-	535	-	**535**
Transfer from equity-based compensation reserve - issued shares	73	(73)	-	-	-	**-**
Transfer from equity-based compensation reserve - purchased shares	16	(16)	-	-	-	**-**
Net gain realised on treasury shares	2	-	-	2	-	**2**
Movement in treasury shares relating to life insurance business	(44)	-	-	(44)	-	**(44)**
Transfer from/(to) retained profits	-	704	(704)	-	-	**-**
Equity-based compensation	-	102	-	102	-	**102**
Tax on equity-based compensation	-	(3)	-	(3)	-	**(3)**
Dividends paid	-	-	(1,500)	(1,500)	-	**(1,500)**
Distributions on other equity instruments	-	-	(103)	(103)	-	**(103)**
Adjustment from adoption of new Accounting Standard	-	-	(19)	(19)	-	**(19)**
Changes in ownership interests (1)						
Movement of non-controlling interest in controlled entities	-	-	-	-	1	**1**
Balance at 31 March 2010	23,363	(879)	15,693	38,177	22	**38,199**
Net profit for the period	-	-	2,129	2,129	-	**2,129**
Other comprehensive income for the period	-	5	(6)	(1)	-	**(1)**
Transactions with owners, recorded directly in equity:						
Contributions by and distributions to owners						
Issue of ordinary shares	273	-	-	273	-	**273**
Transfer from equity-based compensation reserve - issued shares	11	(11)	-	-	-	**-**
Transfer from equity-based compensation reserve - purchased shares	1	(1)	-	-	-	**-**
Net loss realised on treasury shares	(8)	-	-	(8)	-	**(8)**
Movement in treasury shares relating to life insurance business	(89)	-	-	(89)	-	**(89)**
Transfer from/(to) retained profits	-	137	(137)	-	-	**-**
Equity-based compensation	-	111	-	111	-	**111**
Tax on equity-based compensation	-	(1)	-	(1)	-	**(1)**
Dividends paid	-	-	(1,539)	(1,539)	-	**(1,539)**
Distributions on other equity instruments	-	-	(112)	(112)	-	**(112)**
Changes in ownership interests (1)						
Movement of non-controlling interest in controlled entities	-	-	-	-	(8)	**(8)**
Balance at 30 September 2010	23,551	(639)	16,028	38,940	14	**38,954**
Net profit for the period	-	-	2,428	2,428	1	**2,429**
Other comprehensive income for the period	-	(679)	156	(523)	-	**(523)**
Transactions with owners, recorded directly in equity:						
Contributions by and distributions to owners						
Issue of ordinary shares	635	-	-	635	-	**635**
On market purchase of shares for equity-based compensation	(33)	-	-	(33)	-	**(33)**
Transfer from equity-based compensation reserve - issued shares	147	(147)	-	-	-	**-**
Transfer from equity-based compensation reserve - purchased shares	3	(3)	-	-	-	**-**
Net loss realised on treasury shares	(30)	-	-	(30)	-	**(30)**
Movement in treasury shares relating to life insurance business	92	-	-	92	-	**92**
Transfer (to)/from retained profits	-	(61)	61	-	-	**-**
Equity-based compensation	-	40	-	40	-	**40**
Tax on equity-based compensation	-	(2)	-	(2)	-	**(2)**
Dividends paid	-	-	(1,628)	(1,628)	-	**(1,628)**
Distribution on other equity instruments	-	-	(114)	(114)	-	**(114)**
Balance at 31 March 2011	24,365	(1,491)	16,931	39,805	15	**39,820**

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

(2) *Refer to Note 12 Contributed Equity and Reserves for detail.*

1. Principal Accounting Policies

This report is a general purpose financial report for the half year reporting period ended 31 March 2011 which has been prepared in accordance with the Australian Securities Exchange (ASX) Listing Rules, the *Corporations Act* 2001 (Cth) and AASB 134 "Interim Financial Reporting".

This interim financial report complies with Australian Accounting Standards issued by the Australian Accounting Standards Board as they relate to interim financial reports, which also ensures compliance with International Financial Reporting Standards issued by the International Accounting Standards Board.

This interim financial report does not contain all disclosures of the type normally found within an annual financial report and therefore cannot be expected to provide as full an understanding of the financial position and financial performance of the Group as that given by the annual financial report. This report should be read in conjunction with the annual financial report for the year ended 30 September 2010 and any public announcements made in the half year ended 31 March 2011 by the Group in accordance with continuous disclosure obligations under the *Corporations Act* 2001 (Cth) and the ASX Listing Rules.

This interim financial report has been prepared on the basis of accounting policies consistent with those applied in the 30 September 2010 annual financial report.

Adoption of the following Accounting Standards, Amending Pronouncements and Interpretations, which were applicable from 1 October 2010, have not had a material impact on the Group:

- AASB 2009-5 "Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project" which made non-urgent amendments to several Accounting Standards arising from the 2009 annual improvements project.
- AASB 2009-8 "Amendments to Australian Accounting Standards - Group Cash-settled Share-based Payment Transactions" which clarified the scope of AASB 2 "Share-based Payment" and superseded AASB Interpretations 8 and 11.
- AASB 2009-10 "Amendments to Australian Accounting Standard - Classification of Rights Issues" which clarified that the rights, options or warrants to acquire a fixed number of an entity's own equity instruments for a fixed amount in any currency are equity instruments if the entity offers the rights, options or warrants pro-rata to all existing owners of the same class of its own non-derivative equity instruments.
- AASB 2010-3 "Amendments to Australian Accounting Standards arising from the Annual Improvements Project" which made non-urgent amendments to several Accounting Standards arising from the 2010 annual improvements project.
- AASB Interpretation 19 "Extinguishing Financial Liabilities with Equity Instruments" which clarified the accounting treatment when the terms of a financial liability are renegotiated and result in an entity issuing equity instruments to a creditor to extinguish all or part of the financial liability.

The preparation of financial statements 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 estimates.

The financial statements have been prepared under the historical cost convention, as modified by the application of fair value measurements required or allowed by relevant Accounting Standards.

Currency of presentation

All amounts are expressed in Australian dollars unless otherwise stated.

2. Segment Information

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

Major Customers

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

Reportable Segments

	Half year ended 31 March 2011			
	Cash earnings $m	Net interest income $m	Total other operating and MLC & NAB Wealth income $m	Total assets $m
Business Banking	1,181	2,446	492	191,574
Personal Banking	432	1,368	301	129,864
Wholesale Banking	393	522	475	189,051
MLC & NAB Wealth	298	160	789	95,140
NZ Banking	215	487	171	43,134
UK Banking	122	768	214	68,000
Specialised Group Assets	77	65	74	10,653
Great Western Bank	47	155	38	8,015
Corporate Functions & Other	17	333	(25)	16,480
Distributions/Eliminations	(114)	-	(34)	(62,448)
Total	**2,668**	**6,304**	**2,495**	**689,463**

	Half year ended 30 September 2010			
	Cash earnings $m	Net interest income $m	Total other operating and MLC & NAB Wealth income $m	Total assets $m
Business Banking	1,098	2,352	485	187,115
Personal Banking	426	1,286	303	118,850
Wholesale Banking	302	573	322	196,046
MLC & NAB Wealth	311	153	780	92,433
NZ Banking	214	506	178	43,958
UK Banking	97	801	229	72,691
Specialised Group Assets	(45)	73	(55)	12,572
Great Western Bank	41	145	43	8,570
Corporate Functions & Other	56	285	(2)	8,525
Distributions/Eliminations	(112)	-	(56)	(54,808)
Total	**2,388**	**6,174**	**2,227**	**685,952**

	Half year ended 31 March 2010			
	Cash earnings $m	Net interest income $m	Total other operating and MLC & NAB Wealth income $m	Total assets $m
Business Banking	1,095	2,312	470	184,505
Personal Banking	317	1,215	301	108,577
Wholesale Banking	403	616	417	174,426
MLC & NAB Wealth	298	142	766	88,465
NZ Banking	202	472	173	44,518
UK Banking	107	864	223	72,676
Specialised Group Assets	(217)	105	(213)	14,397
Great Western Bank	33	100	29	6,087
Corporate Functions & Other	58	288	18	856
Distributions/Eliminations	(103)	-	(61)	(44,147)
Total	**2,193**	**6,114**	**2,123**	**650,360**

Reconciliation of cash earnings to net profit attributable to owners of the Company	Half Year to Mar 11 $m	Sep 10 $m	Mar 10 $m
Cash earnings [(1)]	**2,668**	2,388	2,193
Non cash earnings items (after tax):			
Distributions	**114**	112	103
Treasury shares	**(41)**	39	67
Fair value and hedge ineffectiveness	**(327)**	(132)	(221)
IoRE discount rate variation	**(22)**	43	(9)
Efficiency, quality and service initiatives	**-**	(170)	(67)
Litigation expense	**-**	(12)	-
Property revaluation	**-**	(4)	-
Provision for tax - NZ structured finance transactions	**-**	-	128
MLC reinsurance dispute	**-**	(1)	(35)
Refund of tax on exchangeable capital units settlement	**142**	-	-
Amortisation of acquired intangible assets	**(41)**	(43)	(30)
Due diligence, acquisition and integration costs	**(65)**	(91)	(34)
Net profit attributable to owners of the Company	**2,428**	2,129	2,095

(1) *Includes distributions.*

Reconciliation of net interest income	Half Year to Mar 11 $m	Sep 10 $m	Mar 10 $m
Net interest income for reportable segments	**6,304**	6,174	6,114
MLC & NAB Wealth net adjustment	**(25)**	(15)	(17)
Net interest income	**6,279**	6,159	6,097

Reconciliation of other operating and MLC & NAB Wealth income	Half Year to Mar 11 $m	Sep 10 $m	Mar 10 $m
Total other operating and MLC & NAB Wealth income [(1)]	**2,495**	2,227	2,123
MLC & NAB Wealth net adjustment	**123**	(34)	224
Treasury shares	**(47)**	50	83
Fair value and hedge ineffectiveness	**(532)**	(180)	(321)
IoRE discount rate variation	**(31)**	61	(13)
Gains on bargain purchase	**-**	4	-
Recovery on SCDO risk mitigation trades	**-**	39	489
Total other operating and MLC & NAB Wealth income	**2,008**	2,167	2,585

(1) *Includes distributions.*

3. Other Income

	Half Year to		
	Mar 11 $m	Sep 10 $m	Mar 10 $m
Gains less losses on financial instruments at fair value			
Trading securities	**240**	392	321
Trading derivatives			
Trading purposes	**86**	(316)	(314)
Recovery on SCDO risk mitigation trades	**-**	39	489
Risk management purposes [(1)]	**287**	(291)	6
Assets, liabilities and derivatives designated in hedge relationships [(2)]	**(344)**	(85)	(223)
Assets and liabilities designated at fair value [(1)]	**(475)**	196	(104)
Impairment of investments - available for sale	**(10)**	(3)	-
Other	**16**	22	(7)
	(200)	(46)	168
Other operating income			
Dividend revenue	**11**	12	4
Gains from sale of investments - available for sale	**9**	14	14
Gains from sale of loans and advances	**-**	-	3
Gains from sale of property, plant and equipment and other assets	**1**	9	1
Banking fees	**448**	470	460
Money transfer fees	**323**	329	323
Fees and commissions	**898**	784	949
Investment management fees	**139**	155	150
Fleet management fees	**10**	12	10
Rentals received on leased vehicle assets	**10**	9	10
Revaluation gains/(losses) on investment properties	**3**	-	6
Other income	**60**	59	34
	1,912	1,853	1,964
Total other income	**1,712**	1,807	2,132

(1) *The impact on net profit of assets and liabilities designated at fair value is the sum of 'Gains less losses on trading derivatives - risk management purposes' and 'Assets and liabilities designated at fair value'.*

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

4. Operating Expenses

	Half Year to		
	Mar 11 $m	**Sep 10 $m**	**Mar 10 $m**
Personnel expenses			
Salaries and related on-costs	**1,654**	1,579	1,510
Superannuation costs - defined contribution plans	**126**	122	113
Superannuation costs - defined benefit plans	**24**	24	28
Performance-based compensation			
Cash	**233**	260	231
Equity-based compensation	**40**	106	102
Other expenses	**246**	289	280
	2,323	2,380	2,264
Occupancy-related expenses			
Operating lease rental expense	**217**	169	216
Other expenses	**93**	116	91
	310	285	307
General expenses			
Fees and commission expense	**149**	58	217
Depreciation and amortisation of property, plant and equipment	**145**	152	152
Amortisation of intangible assets	**177**	189	168
Depreciation on leased vehicle assets	**4**	5	4
Operating lease rental expense	**16**	22	14
Advertising and marketing	**93**	120	108
Charge to provide for operational risk event losses	**19**	48	8
Communications, postage and stationery	**142**	157	143
Computer equipment and software	**202**	179	163
Data communication and processing charges	**58**	62	62
Transport expenses	**37**	37	34
Professional fees	**220**	270	190
Travel	**40**	59	39
Loss on disposal of property, plant and equipment and other assets	**3**	20	16
Impairment losses recognised	**-**	(1)	8
Other expenses	**179**	376	226
	1,484	1,753	1,552
Total	**4,117**	4,418	4,123

5. Income Tax Expense

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

	Half Year to		
	Mar 11 $m	Sep 10 $m	Mar 10 $m
Profit before income tax expense	**3,247**	2,836	2,840
Deduct profit before income tax expense attributable to the statutory funds of the life insurance business and their controlled trusts	**(346)**	(316)	(374)
Total profit excluding that attributable to the statutory funds of the life insurance business and their controlled trusts, before income tax expense	**2,901**	2,520	2,466
Prima facie income tax at 30%	**870**	756	740
Add/(deduct): Tax effect of amounts not deductible/(assessable)			
Treasury shares adjustment	**8**	(5)	(8)
Assessable foreign income	**4**	4	4
Depreciation on buildings not deductible	**2**	1	2
Refund of tax on exchangeable capital units settlement	**(142)**	-	-
Foreign branch income not assessable	**(34)**	(22)	(22)
Offshore banking unit income	**(12)**	(4)	(10)
Restatement of deferred tax balances for changes in UK and NZ tax rates	**(7)**	5	-
Over provision in prior years	**(5)**	(46)	(6)
Foreign tax rate differences	**-**	(21)	6
Investment allowance	**-**	(1)	(4)
Provision for New Zealand structured finance tax case	**-**	-	(66)
Provision for interest on New Zealand structured finance tax case	**-**	-	(66)
Other	**(15)**	(20)	(17)
Total income tax expense on profit excluding that attributable to the statutory funds of the life insurance business and their controlled trusts	**669**	647	553
Income tax expense attributable to the statutory funds of the life insurance business and their controlled trusts	**149**	60	191
Total income tax expense	**818**	707	744
Effective tax rate, excluding statutory funds attributable to the life insurance business and their controlled trusts	**23.1%**	25.7%	22.4%

6. Dividends and Distributions

Dividends on ordinary shares	Amount per share cents	Franked amount per share %	Foreign income per share %	Total amount $m
Interim dividend declared in respect of the six months ended 31 March 2011	84	100	Nil	**1,823**

The record date for determining entitlements to the 2011 interim dividend is 8 June 2011. The interim dividend has been declared by the directors of the Company and is payable on 6 July 2011. The financial effect of this dividend has not been brought to account in the financial statements for the half year ended 31 March 2011 and will be recognised in subsequent financial reports.

Final dividend paid in respect of the year ended 30 September 2010	78	100	Nil	**1,667**
Interim dividend paid in respect of the six months ended 31 March 2010	74	100	Nil	**1,570**
Total dividends paid or payable in respect of the year ended 30 September 2010	152			**3,237**

	Half Year to					
	31 Mar 11		30 Sep 10		31 Mar 10	
Dividends on preference shares	Amount per security cents [(1)]	Total amount $m	Amount per security cents [(1)]	Total amount $m	Amount per security cents [(1)]	Total amount $m
BNZ Income Securities	2.67	**12**	2.89	13	2.67	12
BNZ Income Securities 2	2.31	**6**	2.31	6	2.69	7
Total dividends on preference shares		**18**		19		19

[(1)] *$A equivalent.*

	Half Year to					
	31 Mar 11		30 Sep 10		31 Mar 10	
Distributions on other equity instruments	Amount per security $	Total amount $m	Amount per security $	Total amount $m	Amount per security $	Total amount $m
National Income Securities	3.10	**62**	2.90	58	2.45	49
Trust Preferred Securities [(1)]	45.00	**18**	47.50	19	50.00	20
Trust Preferred Securities II [(1)]	27.50	**22**	31.25	25	30.00	24
National Capital Instruments	1,500.00	**12**	1,250.00	10	1,250.00	10
Total distributions		**114**		112		103

[(1)] *$A equivalent.*

Dividend and distribution plans

The dividend is paid in cash or as part of a dividend plan. Cash dividends are paid by way of cash or cash equivalents and direct credit. The dividend plans in operation are the Dividend Reinvestment Plan and the Bonus Share Plan (closed to new participants). As separately announced, NAB has terminated its United Kingdom Dividend Plan, effective 5 May 2011.

The last date for receipt of election notices for the Dividend Reinvestment Plan and the Bonus Share Plan is 5pm (Australian Eastern Standard time) on 8 June 2011.

7. Net Tangible Assets

	As at		
	31 Mar 11	30 Sep 10	31 Mar 10
Net tangible assets per ordinary share ($)	**12.80**	12.63	12.41

8. Loans and Advances including Acceptances

	As at		
	31 Mar 11 $m	30 Sep 10 $m	31 Mar 10 $m
Overdrafts	**15,331**	15,407	15,324
Credit card outstandings	**7,679**	7,427	7,416
Asset and lease financing	**15,530**	16,109	16,550
Housing loans	**237,312**	224,900	211,014
Other term lending	**129,755**	126,402	123,549
Other	**6,758**	6,642	6,793
Fair value adjustment	**946**	1,416	1,131
Gross loans and advances	**413,311**	398,303	381,777
Acceptances	**45,935**	49,678	52,699
Gross loans and advances including acceptances	**459,246**	447,981	434,476
Represented by:			
Loans at fair value [1]	**41,567**	36,700	30,909
Loans at amortised cost	**371,744**	361,603	350,868
Acceptances	**45,935**	49,678	52,699
Gross loans and advances including acceptances	**459,246**	447,981	434,476
Unearned income and deferred net fee income	**(2,286)**	(2,494)	(2,497)
Provision for doubtful debts	**(4,080)**	(4,274)	(4,491)
Net loans and advances including acceptances	**452,880**	441,213	427,488
Securitised loans [2]	**4,121**	4,731	5,269

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

[2] *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 2011						
Overdrafts	7,895	5,830	1,575	7	24	**15,331**
Credit card outstandings	5,874	782	1,018	5	-	**7,679**
Asset and lease financing	13,027	2,479	16	-	8	**15,530**
Housing loans	195,319	20,464	19,783	586	1,160	**237,312**
Other term lending	77,717	27,005	18,659	5,019	1,355	**129,755**
Other	4,410	1,380	169	410	389	**6,758**
Fair value adjustment	263	564	115	4	-	**946**
Gross loans and advances	304,505	58,504	41,335	6,031	2,936	**413,311**
Acceptances	45,924	11	-	-	-	**45,935**
Gross loans and advances including acceptances	350,429	58,515	41,335	6,031	2,936	**459,246**
Represented by:						
Loans at fair value	19,700	7,348	14,311	208	-	**41,567**
Loans at amortised cost	284,805	51,156	27,024	5,823	2,936	**371,744**
Acceptances	45,924	11	-	-	-	**45,935**
Gross loans and advances including acceptances	350,429	58,515	41,335	6,031	2,936	**459,246**

By product and geographic location	Australia $m	Europe $m	New Zealand $m	United States $m	Asia $m	Total Group $m
As at 30 September 2010						
Overdrafts	7,648	6,090	1,625	19	25	**15,407**
Credit card outstandings	5,517	862	1,042	6	-	**7,427**
Asset and lease financing	13,415	2,667	18	-	9	**16,109**
Housing loans	181,997	20,941	20,101	772	1,089	**224,900**
Other term lending	71,803	28,955	19,032	5,484	1,128	**126,402**
Other	4,247	1,593	157	645	-	**6,642**
Fair value adjustment	336	916	154	10	-	**1,416**
Gross loans and advances	284,963	62,024	42,129	6,936	2,251	**398,303**
Acceptances	49,665	13	-	-	-	**49,678**
Gross loans and advances including acceptances	334,628	62,037	42,129	6,936	2,251	**447,981**
Represented by:						
Loans at fair value	13,984	8,237	14,310	169	-	**36,700**
Loans at amortised cost	270,979	53,787	27,819	6,767	2,251	**361,603**
Acceptances	49,665	13	-	-	-	**49,678**
Gross loans and advances including acceptances	334,628	62,037	42,129	6,936	2,251	**447,981**

By product and geographic location	Australia $m	Europe $m	New Zealand $m	United States $m	Asia $m	Total Group $m
As at 31 March 2010						
Overdrafts	7,456	6,182	1,648	7	31	**15,324**
Credit card outstandings	5,530	835	1,046	5	-	**7,416**
Asset & lease financing	13,664	2,856	21	-	9	**16,550**
Housing loans	169,060	20,581	20,108	259	1,006	**211,014**
Other term lending	66,623	30,936	19,540	4,735	1,715	**123,549**
Other	4,120	1,560	112	976	25	**6,793**
Fair value adjustment	201	763	167	-	-	**1,131**
Gross loans and advances	266,654	63,713	42,642	5,982	2,786	**381,777**
Acceptances	52,689	10	-	-	-	**52,699**
Gross loans and advances including acceptances	319,343	63,723	42,642	5,982	2,786	**434,476**
Represented by:						
Loans at fair value	7,889	8,351	14,669	-	-	**30,909**
Loans at amortised cost	258,765	55,362	27,973	5,982	2,786	**350,868**
Acceptances	52,689	10	-	-	-	**52,699**
Gross loans and advances including acceptances	319,343	63,723	42,642	5,982	2,786	**434,476**

	Increase / (Decrease) from 30 Sep 10					
Movement from 30 September 2010 excluding foreign exchange	**Australia %**	**Europe %**	**New Zealand %**	**United States %**	**Asia %**	**Total Group %**
Overdrafts	3.2	0.7	0.2	(61.1)	4.3	**1.8**
Credit card outstandings	6.5	(4.6)	1.0	(16.7)	-	**4.5**
Asset and lease financing	(2.9)	(2.2)	(5.9)	-	-	**(2.8)**
Housing loans	7.3	2.8	1.7	(18.8)	13.9	**6.4**
Other term lending	8.2	(1.9)	1.3	(2.1)	28.6	**4.7**
Other	2.0	(18.5)	(5.6)	(32.4)	large	**(2.3)**
Total gross loans and advances	6.9	(0.8)	1.4	(7.0)	39.5	**5.1**

	Increase / (Decrease) from 31 Mar 10					
Movement from 31 March 2010 excluding foreign exchange	**Australia %**	**Europe %**	**New Zealand %**	**United States %**	**Asia %**	**Total Group %**
Overdrafts	5.9	(0.3)	0.6	16.7	(11.1)	**2.9**
Credit card outstandings	6.2	(1.0)	2.5	25.0	-	**4.9**
Asset and lease financing	(4.7)	(8.3)	(20.0)	-	-	**(5.3)**
Housing loans	15.5	5.1	3.6	large	30.2	**13.7**
Other term lending	16.7	(7.7)	0.5	19.7	(10.8)	**8.0**
Other	8.1	(11.6)	7.2	(52.1)	large	**0.4**
Total gross loans and advances	14.2	(2.9)	2.1	13.8	19.0	**10.2**

9. Provision for Doubtful Debts

	As at		
	31 Mar 11 $m	30 Sep 10 $m	31 Mar 10 $m
Specific provision for doubtful debts	1,299	1,409	1,479
Collective provision for doubtful debts	2,781	2,865	3,012
Total provision for doubtful debts	4,080	4,274	4,491
Specific provision on loans at fair value (1)	120	115	111
Collective provision on loans and derivatives at fair value (1) (2)	707	705	598
Total provision for doubtful debts and provisions held on assets at fair value (3)	4,907	5,094	5,200

(1) *Included within the carrying value of loans and derivatives recorded at fair value.*

(2) *Included within this balance for March 2011 is a management overlay in relation to conduit assets and derivatives of $160 million (September 2010 $160 million, March 2010 $160 million).*

(3) *Not included in total provisions for doubtful debts are provisions on investments - held to maturity of $187 million (September 2010 $181million, March 2010 $175 million).*

Movement in provisions for doubtful debts

	Half Year to Mar 11			Half Year to Sep 10		
	Specific $m	Collective $m	Total $m	Specific $m	Collective $m	Total $m
Opening balance	1,409	2,865	4,274	1,479	3,012	4,491
Transfer to/(from) specific/collective provision	939	(939)	-	1,152	(1,152)	-
Bad debts recovered	93	-	93	103	-	103
Bad debts written off	(1,123)	-	(1,123)	(1,324)	-	(1,324)
Charge to income statement	-	904	904	-	1,018	1,018
Foreign currency translation and other adjustments	(19)	(49)	(68)	(1)	(13)	(14)
Total provision for doubtful debts	1,299	2,781	4,080	1,409	2,865	4,274

	Half Year to Mar 10		
	Specific $m	Collective $m	Total $m
Opening balance	1,453	2,948	4,401
Acquisition of controlled entities	-	9	9
Transfer to/(from) specific/collective provision	1,083	(1,083)	-
Bad debts recovered	74	-	74
Bad debts written off	(1,100)	-	(1,100)
Charge to income statement	-	1,218	1,218
Foreign currency translation and other adjustments	(31)	(80)	(111)
Total provision for doubtful debts	1,479	3,012	4,491

	Half Year to		
Total charge for doubtful debts by geographic location	Mar 11 $m	Sep 10 $m	Mar 10 $m
Australia	543	549	655
Europe	278	359	447
New Zealand	72	78	70
United States	11	31	47
Asia	-	1	(1)
Total charge to provide for doubtful debts - recognised in provision	904	1,018	1,218
Total charge on investments - held to maturity	19	54	501
Total charge to provide for doubtful debts - recognised in income statement	923	1,072	1,719

10. Asset Quality

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 collectability of principal and interest; and impaired off-balance sheet credit exposures where current circumstances indicate that losses may be incurred. Unsecured portfolio managed facilities are classified as impaired when they become 180 days past due (if not written off).

	As at		
Summary of total impaired assets	**31 Mar 11 $m**	**30 Sep 10 $m**	**31 Mar 10 $m**
Impaired assets (1) (2) (3)	**6,063**	5,809	5,384
Restructured loans (4)	**212**	239	465
Gross total impaired assets	**6,275**	6,048	5,849
Less: Specific provisions - total impaired assets	**(1,419)**	(1,524)	(1,590)
Net total impaired assets	**4,856**	4,524	4,259

(1) *Impaired assets do not include conduit assets classified as Investments - held to maturity in the balance sheet. There were $215 million of impaired conduit assets within this category at 31 March 2011 (30 September 2010 $233 million, 31 March 2010 $248 million).*

(2) *Gross impaired assets for March 2011 includes $255 million of Gross impaired fair value assets (September 2010 $284 million, March 2010 $344 million).*

(3) *In the United States there is US$135 million (September 2010 US$133 million, March 2010 US$9 million) of 'Other Real Estate Owned' where the Group assumed ownership or foreclosed in the settlement of debt. Of this amount, US$113 million (September 2010 US$111 million, March 2010 US$nil) is covered by loss sharing arrangements with the Federal Deposit Insurance Corporation (FDIC), where the FDIC will absorb 80% of any losses arising in recovery of these assets. The real estate assets are included in other assets and are not included in impaired assets.*

(4) *These loans represent facilities which have been classified as restructured for reasons relating to the financial difficulty of the counterparty. The restructured loans include $24 million of restructured fair value assets (September 2010 nil, March 2010 nil).*

Movement in gross impaired assets	**Australia $m**	**Europe $m**	**New Zealand $m**	**United States $m**	**Asia $m**	**Total Group $m**
Balance at 30 September 2009	3,195	1,673	523	109	-	**5,500**
New	1,381	941	243	63	-	**2,628**
Written off	(456)	(340)	(58)	(73)	-	**(927)**
Returned to performing or repaid	(627)	(390)	(108)	(19)	-	**(1,144)**
Foreign currency translation adjustments	-	(175)	(30)	(3)	-	**(208)**
Balance at 31 March 2010	3,493	1,709	570	77	-	**5,849**
New	1,469	930	228	116	-	**2,743**
Written off	(618)	(403)	(81)	(21)	-	**(1,123)**
Returned to performing or repaid	(776)	(410)	(114)	(92)	-	**(1,392)**
Foreign currency translation adjustments	-	(13)	(12)	(4)	-	**(29)**
Balance at 30 September 2010	3,568	1,813	591	76	-	**6,048**
New	1,406	1,108	244	57	2	**2,817**
Written off	(599)	(276)	(64)	(20)	-	**(959)**
Returned to performing or repaid	(685)	(688)	(136)	(3)	-	**(1,512)**
Foreign currency translation adjustments	-	(92)	(21)	(6)	-	**(119)**
Gross impaired assets at 31 March 2011	3,690	1,865	614	104	2	**6,275**

Gross impaired assets to gross loans & acceptances - by geographic location	As at 31 Mar 11 %	30 Sep 10 %	31 Mar 10 %
Australia	**1.05**	1.07	1.09
Europe	**3.19**	2.92	2.68
New Zealand	**1.49**	1.40	1.34
United States	**1.72**	1.10	1.29
Asia	**0.07**	-	-
Total gross impaired assets to gross loans & acceptances	**1.37**	1.35	1.35

Group coverage ratios	31 Mar 11	30 Sep 10	31 Mar 10
Net impaired assets to total equity [(1)] [(2)]	**12.2**	11.6	11.2
Specific provision to gross impaired assets [(3)]	**22.6**	25.2	27.2
Collective provision to credit risk-weighted assets (excluding housing) [(4)]	**1.46**	1.48	1.55
90+ days past due plus gross impaired assets to gross loans and acceptances [(3)]	**1.92**	1.88	1.86
Net write-offs to gross loans and acceptances (annualised)	**0.45**	0.50	0.47
Total provision as a percentage of net write-offs [(5)]	**238**	227	253
Total provision to gross loans and acceptances [(5)]	**1.07**	1.14	1.20

(1) *Total equity of the parent.*
(2) *Net impaired assets for March 2011 include $159 million of net impaired fair value assets (September 2010 $169 million, March 2010 $233 million).*
(3) *Gross impaired assets for March 2011 includes $255 million of gross impaired fair value assets (September 2010 $284 million, March 2010 $344 million) and $24 million of restructured fair value assets (September 2010 nil, March 2010 nil).*
(4) *Includes economic cycle adjustment, doubtful debt provision against loans at amortised cost and collective provisions held on assets at fair value.*
(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 11 $m	30 Sep 10 $m	31 Mar 10 $m
Total non-impaired assets past due 90 days or more with adequate security	**2,346**	1,953	2,032
Total non-impaired assets portfolio facilities past due 90 to 180 days	**195**	413	214
Total 90+ days past due loans	**2,541**	2,366	2,246
Total 90 days past due loans to gross loans and acceptances (%)	**0.55**	0.53	0.52

Non-impaired loans 90+ days past due - by geographic location	As at 31 Mar 11 $m	30 Sep 10 $m	31 Mar 10 $m
Australia	**1,749**	1,556	1,544
Europe	**407**	434	481
New Zealand	**194**	148	221
United States	**190**	228	-
Asia	**1**	-	-
Total 90+ day past due loans	**2,541**	2,366	2,246

11. Deposits and Other Borrowings

	As at 31 Mar 11 $m	30 Sep 10 $m	31 Mar 10 $m
Deposits not bearing interest	**18,415**	17,393	15,027
On-demand and short-term deposits	**138,455**	134,250	126,312
Certificates of deposit	**61,501**	60,178	57,150
Term deposits	**137,728**	131,520	126,423
Total deposits	**356,099**	343,341	324,912
Securities sold under agreements to repurchase	**3,220**	4,410	2,942
Borrowings	**13,409**	15,474	13,998
Fair value adjustment	**233**	219	168
Total deposits and other borrowings	**372,961**	363,444	342,020
Represented by:			
Deposits and other borrowings at fair value [(1)]	**8,650**	10,212	9,523
Deposits and other borrowings at amortised cost	**364,311**	353,232	332,497
Total deposits and other borrowings	**372,961**	363,444	342,020

[(1)] *On the balance sheet this amount is included within 'Other financial liabilities at fair value'. These amounts are included in the product and geographical analysis below.*

By product and geographic location	Australia $m	Europe $m	New Zealand $m	United States $m	Asia $m	Total Group $m
As at 31 March 2011						
Deposits not bearing interest	14,603	2,086	667	1,056	3	**18,415**
On-demand and short-term deposits	95,199	27,880	8,493	6,666	217	**138,455**
Certificates of deposit	19,688	28,668	1,678	11,467	-	**61,501**
Term deposits	94,073	14,641	14,931	5,151	8,932	**137,728**
Total deposits	223,563	73,275	25,769	24,340	9,152	**356,099**
Securities sold under agreements to repurchase	731	427	-	2,062	-	**3,220**
Borrowings	4,048	-	3,962	5,399	-	**13,409**
Fair value adjustment	-	223	7	3	-	**233**
Total deposits and other borrowings	228,342	73,925	29,738	31,804	9,152	**372,961**
Represented by:						
Deposits and other borrowings at fair value	-	1,169	7,478	3	-	**8,650**
Deposits and other borrowings at amortised cost	228,342	72,756	22,260	31,801	9,152	**364,311**
Total deposits and other borrowings	228,342	73,925	29,738	31,804	9,152	**372,961**

By product and geographic location	Australia $m	Europe $m	New Zealand $m	United States $m	Asia $m	Total Group $m
As at 30 September 2010						
Deposits not bearing interest	13,715	1,975	609	1,092	2	**17,393**
On-demand and short-term deposits	91,175	31,176	8,223	3,437	239	**134,250**
Certificates of deposit	23,360	27,174	1,338	8,306	-	**60,178**
Term deposits	88,066	15,908	14,740	5,019	7,787	**131,520**
Total deposits	216,316	76,233	24,910	17,854	8,028	**343,341**
Securities sold under agreements to repurchase	1,248	218	-	2,944	-	**4,410**
Borrowings	4,949	-	5,631	4,894	-	**15,474**
Fair value adjustment	-	209	4	6	-	**219**
Total deposits and other borrowings	222,513	76,660	30,545	25,698	8,028	**363,444**
Represented by:						
Deposits and other borrowings at fair value	-	1,139	9,067	6	-	**10,212**
Deposits and other borrowings at amortised cost	222,513	75,521	21,478	25,692	8,028	**353,232**
Total deposits and other borrowings	222,513	76,660	30,545	25,698	8,028	**363,444**

By product and geographic location	Australia $m	Europe $m	New Zealand $m	United States $m	Asia $m	Total Group $m
As at 31 March 2010						
Deposits not bearing interest	11,827	1,780	539	879	2	**15,027**
On-demand and short-term deposits	85,857	28,183	8,331	3,679	262	**126,312**
Certificates of deposit	22,766	28,502	2,175	3,707	-	**57,150**
Term deposits	84,394	15,953	14,195	3,085	8,796	**126,423**
Total deposits	204,844	74,418	25,240	11,350	9,060	**324,912**
Securities sold under agreements to repurchase	659	720	-	1,563	-	**2,942**
Borrowings	4,113	-	4,430	5,455	-	**13,998**
Fair value adjustment	-	164	4	-	-	**168**
Total deposits and other borrowings	209,616	75,302	29,674	18,368	9,060	**342,020**
Represented by:						
Deposits and other borrowings at fair value	-	1,097	8,426	-	-	**9,523**
Deposits and other borrowings at amortised cost	209,616	74,205	21,248	18,368	9,060	**332,497**
Total deposits and other borrowings	209,616	75,302	29,674	18,368	9,060	**342,020**

	Increase / (Decrease) from 30 Sep 10					
Movement from 30 September 2010 excluding foreign exchange	**Australia %**	**Europe %**	**New Zealand %**	**United States %**	**Asia %**	**Total Group %**
Deposits not bearing interest	6.5	11.1	13.2	3.4	50.0	**7.0**
On-demand and short-term deposits	4.4	(6.0)	6.7	large	(2.7)	**4.7**
Certificates of deposit	(15.7)	10.9	29.6	47.7	-	**5.6**
Term deposits	6.8	(3.0)	4.7	9.7	22.7	**6.4**
Total deposits	3.4	1.1	6.9	45.9	22.0	**5.6**
Securities sold under agreements to repurchase	(41.4)	large	-	(25.1)	-	**(23.5)**
Borrowings	(18.2)	-	(27.3)	18.0	-	**(10.4)**
Total deposits and other borrowings	2.6	1.4	0.6	32.4	22.0	**4.6**

	Increase / (Decrease) from 31 Mar 10					
Movement from 31 March 2010 excluding foreign exchange	**Australia %**	**Europe %**	**New Zealand %**	**United States %**	**Asia %**	**Total Group %**
Deposits not bearing interest	23.5	23.9	30.3	35.7	50.0	**24.4**
On-demand and short-term deposits	10.9	4.6	7.3	large	(6.5)	**11.7**
Certificates of deposit	(13.5)	6.3	(18.8)	large	-	**11.7**
Term deposits	11.5	(2.5)	10.8	88.7	14.7	**11.6**
Total deposits	9.1	4.1	7.5	large	14.1	**12.2**
Securities sold under agreements to repurchase	10.9	(37.3)	-	49.0	-	**18.2**
Borrowings	(1.6)	-	(5.8)	11.8	-	**2.0**
Total deposits and other borrowings	8.9	3.8	5.5	95.5	14.1	**11.9**

12. Contributed Equity and Reserves

Contributed equity	As at 31 Mar 11 $m	30 Sep 10 $m	31 Mar 10 $m
Issued and paid-up ordinary share capital			
Ordinary shares, fully paid	19,451	18,637	18,449
Issued and paid-up preference share capital			
BNZ Income Securities	380	380	380
BNZ Income Securities 2	203	203	203
Other contributed equity			
National Income Securities	1,945	1,945	1,945
Trust Preferred Securities	975	975	975
Trust Preferred Securities II	1,014	1,014	1,014
National Capital Instruments	397	397	397
Total contributed equity	24,365	23,551	23,363

Movements in contributed equity	Half Year to Mar 11 $m	Sep 10 $m	Mar 10 $m
Ordinary share capital			
Balance at beginning of period	18,637	18,449	17,867
Shares issued			
Dividend reinvestment plan	635	273	535
On market purchase of shares for equity-based compensation	(33)	-	-
Transfer from equity-based compensation reserve - issued shares	147	11	73
Transfer from equity-based compensation reserve - purchased shares	3	1	16
Net (loss)/gain realised on treasury shares	(30)	(8)	2
Movement in treasury shares relating to life insurance business	92	(89)	(44)
Balance at end of period	19,451	18,637	18,449
BNZ Income Securities			
Balance at beginning of period	380	380	380
Movement during period	-	-	-
Balance at end of period	380	380	380
BNZ Income Securities 2			
Balance at beginning of period	203	203	203
Movement during period	-	-	-
Balance at end of period	203	203	203
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 11 $m	30 Sep 10 $m	31 Mar 10 $m
General reserve	**1,052**	1,166	975
Asset revaluation reserve	**68**	68	76
Foreign currency translation reserve	**(4,088)**	(3,494)	(3,261)
Cash flow hedge reserve	**114**	182	(32)
Equity-based compensation reserve	**556**	668	570
General reserve for credit losses	**751**	698	738
Available for sale investments reserve	**56**	73	55
Total reserves	**(1,491)**	(639)	(879)

Movements in reserves	Half Year to Mar 11 $m	Sep 10 $m	Mar 10 $m
General reserve			
Balance at beginning of period	**1,166**	975	1,009
Transfer (to)/from retained profits	**(114)**	191	(34)
Balance at end of period	**1,052**	1,166	975
Asset revaluation reserve			
Balance at beginning of period	**68**	76	76
Revaluation of land and buildings	**-**	9	-
Transfer to retained profits	**-**	(14)	-
Tax on revaluation adjustments	**-**	(3)	-
Balance at end of period	**68**	68	76
Foreign currency translation reserve			
Balance at beginning of period	**(3,494)**	(3,261)	(2,525)
Currency translation reserve	**(592)**	(233)	(736)
Reclassification to profit or loss on disposal of foreign operations	**(2)**	-	-
Balance at end of period	**(4,088)**	(3,494)	(3,261)
Cash flow hedge reserve			
Balance at beginning of period	**182**	(32)	(142)
(Losses)/Gains on cash flow hedging instruments	**(98)**	254	170
Losses/(Gains) transferred to the income statement	**4**	14	(11)
Tax on cash flow hedging instruments	**26**	(54)	(49)
Balance at end of period	**114**	182	(32)
Equity-based compensation reserve			
Balance at beginning of period	**668**	570	560
Equity-based compensation	**40**	111	102
Transfer to contributed equity - issued shares	**(147)**	(11)	(73)
Transfer to contributed equity - purchased shares	**(3)**	(1)	(16)
Tax on equity-based compensation	**(2)**	(1)	(3)
Balance at end of period	**556**	668	570

	Half Year to		
	Mar 11 $m	**Sep 10 $m**	**Mar 10 $m**
General reserve for credit losses			
Balance at beginning of period	**698**	738	-
Transfer from/(to) retained profits [(1)]	**53**	(40)	738
Balance at end of period	**751**	698	738

[(1)] *The Group has created a general reserve from retained profits to meet prudential requirements relating to a general reserve for credit losses.*

Available for sale investments reserve			
Balance at beginning of period	**73**	55	46
Revaluation (losses)/gains	**(26)**	41	19
Gains from sale transferred to the income statement	**(9)**	(14)	(14)
Impairment transferred to the income statement	**10**	3	-
Tax on available for sale investments reserve	**8**	(12)	4
Balance at end of period	**56**	73	55

	Half Year to		
Reconciliation of movement in retained profits	**Mar 11 $m**	**Sep 10 $m**	**Mar 10 $m**
Balance at beginning of period	**16,028**	15,693	16,010
Adjustment from adoption of new accounting standard	**-**	-	(19)
Actuarial gains/(losses) on defined benefit pension schemes	**225**	6	(120)
Tax on items taken directly to equity	**(69)**	(12)	34
Net profit/(loss) attributable to owners of the Company	**2,428**	2,129	2,095
Total available for appropriation	**18,612**	17,816	18,000
Transfer (to)/from general reserve for credit losses	**(53)**	40	(738)
Transfer from/(to) general reserves	**114**	(191)	34
Transfer from asset revaluation reserve	**-**	14	-
Dividends paid	**(1,628)**	(1,539)	(1,500)
Distributions on other equity instruments	**(114)**	(112)	(103)
Balance at end of period	**16,931**	16,028	15,693

13. Notes to the Cash Flow Statement

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

	Half Year to		
	Mar 11 $m	Sep 10 $m	Mar 10 $m
Net profit attributable to owners of the Company	**2,428**	2,129	2,095
(Deduct)/add non-cash items in the income statement:			
Increase in interest receivable	**(447)**	(475)	(615)
Increase in interest payable	**342**	774	495
Decrease in unearned income and deferred net fee income	**(176)**	(7)	(228)
Fair value movements:			
Assets, liabilities and derivatives held at fair value	**1,455**	293	(170)
Net adjustment to bid/offer valuation	**(16)**	(22)	7
(Decrease)/increase in personnel provisions	**(166)**	275	(144)
(Decrease)/increase in other operating provisions	**(101)**	130	(415)
Equity-based compensation recognised in equity or reserves	**7**	110	103
Superannuation costs - defined benefit pension schemes	**24**	24	28
Impairment (gains)/losses on non-financial assets	**-**	(1)	8
Impairment losses on financial assets	**10**	3	-
Charge to provide for doubtful debts	**923**	1,072	1,719
Depreciation and amortisation expense	**326**	346	324
Gain on bargain purchase	**-**	(4)	-
Movement in life insurance policyholder liabilities	**2,445**	1,317	1,913
Unrealised (gain)/loss on investments relating to life insurance business	**(2,113)**	555	(470)
(Increase)/decrease in other assets	**(374)**	558	229
Increase/(decrease) in other liabilities	**21**	(170)	428
(Decrease)/increase in income tax payable	**(209)**	286	42
Increase/(decrease) in deferred tax liabilities	**81**	(120)	103
Decrease/(increase) in deferred tax assets	**92**	11	(57)
Operating cash flow items not included in profit	**(7,357)**	(1,615)	(4,997)
Investing or financing cash flows included in profit			
Profit on sale of controlled entities, before income tax	**(11)**	-	-
Profit on investments classified as available for sale	**(9)**	(14)	(14)
Loss on sale of property, plant, equipment and other assets	**2**	11	15
Net cash (used in)/provided by operating activities	**(2,823)**	5,466	399

(b) Reconciliation of cash and cash equivalents

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

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

	Half Year to		
Cash and cash equivalents	Mar 11 $m	Sep 10 $m	Mar 10 $m
Assets			
Cash and liquid assets	**22,534**	26,072	23,819
Treasury and other eligible bills	**773**	157	619
Due from other banks (excluding mandatory deposits with supervisory central banks)	**36,552**	34,148	38,541
	59,859	60,377	62,979
Liabilities			
Due to other banks	**(34,628)**	(34,694)	(43,735)
Total cash and cash equivalents	**25,231**	25,683	19,244

(c) Non-cash financing and investing activities

	Half Year to		
	Mar 11 $m	Sep 10 $m	Mar 10 $m
New share issues			
Dividend reinvestment plan	**635**	273	535
Bonus share plan	**22**	21	25
Movement in assets under finance lease	**10**	(7)	(7)

(d) Acquisitions of controlled entities and business combinations

The following acquisitions were made during the half year to March 2011:

- On 31 March 2011, National Australia Bank Limited acquired 100% of the issued share capital of Invia Custodian Pty Limited (Invia), an Australian based custodial services business. As part of the 1 November 2009 JBWere Pty Limited (JBWere) acquisition, National Wealth Management Holdings Limited acquired the Goldman Sachs private wealth management client base as well as the employees of Invia. The JBWere acquisition did not include acquisition of the Invia legal entity and this acquisition enhances the strategic benefits from the JBWere acquisition.
- On 30 November 2010, MLC Wealth Management Holdings Limited acquired the remaining 51% of the issued share capital of Meritum Financial Group Pty Limited (Meritum), bringing the Group's interest to 100%. Meritum is an Australian based financial planning business and the acquisition enhances the Group's network of financial planning providers. The acquisition agreement contains provision for contingent cash consideration of up to $8 million to be payable based on retention of specified management personnel and funds under management performance. The fair value of this contingent consideration has been assessed as $7 million as at the acquisition date.

Accounting for these acquisitions has been provisionally determined as at 31 March 2011 given the proximity of the acquisition dates to the reporting date. Goodwill may arise from these acquisitions if they included a premium for the intrinsic value in expanded distribution networks and capabilities which result in an expanded offering to customers. These assets may not be separately recognised from goodwill if they are not capable of being separated from the Group and sold, transferred or licensed or exchanged, either individually or together. None of the goodwill arising from these acquisitions is expected to be deductible for tax purposes.

Since their respective acquisition dates, the acquired entities have not contributed a material amount to the net operating income and net profit of the Group. If the acquisitions had been effected at 1 October 2010, there would not have been a material impact on the net operating income and net profit of the Group for the half year.

In December 2010, the provisionally determined accounting for the acquisition of certain assets and liabilities of TierOne Bank was finalised resulting in a $4 million increase in goodwill and an equivalent decrease in other assets relating to the indemnification asset arising from the loss sharing arrangement with the Federal Deposit Insurance Corporation.

Details of the acquisitions were as follows:

	Half Year to		
Consideration transferred	**Mar 11 $m**	**Sep 10 $m**	**Mar 10 $m**
Cash paid	**14**	152	5,864
Deferred consideration	**13**	5	16
Total consideration transferred	**27**	157	5,880

	Half Year to		
Recognised amounts of identifiable assets acquired and liabilities assumed	**Mar 11 $m**	**Sep 10 $m**	**Mar 10 $m**
Cash and liquid assets	**8**	539	320
Due from other banks	**-**	163	-
Trading derivatives	**-**	-	3
Investments - available for sale	**-**	269	18
Investments relating to life insurance business	**-**	-	4,553
Loans and advances [(1)]	**-**	2,093	4,522
Property, plant and equipment	**-**	13	7
Goodwill and other intangible assets	**-**	135	417
Deferred tax assets	**-**	-	50
Other assets	**2**	354	137
Deposits and other borrowings	**-**	(3,385)	-
Life policy liabilities	**-**	(4)	(3,780)
Current tax liabilities	**-**	1	(13)
Provisions	**(1)**	7	(73)
External unitholders' liability	**-**	-	(434)
Deferred tax liabilities	**-**	(26)	(120)
Other liabilities	**-**	(35)	(129)
Net identifiable assets and liabilities	**9**	124	5,478
Less: Fair value of equity interest in the acquiree held before the acquisition date included in other assets [(2)]	**(11)**	-	-
Goodwill on acquisition	**29**	37	402
Gain on bargain purchase	**-**	(4)	-
Total purchase consideration	**27**	157	5,880
Less: Deferred consideration	**(13)**	(5)	(16)
Less: Cash and cash equivalents acquired			
Cash and liquid assets	**(8)**	(539)	(320)
Due from other banks	**-**	(163)	-
Net cash outflow/(inflow)	**6**	(550)	5,544

(1) *At the date of the respective acquisitions, loans and advances had gross contractual amounts receivable of $2,342 million and $4,532 million for acquisitions in the September 2010 and March 2010 half years, respectively. At the date of the respective acquisitions, the best estimate of the contractual cash flows not expected to be collected was $251 million and $10 million for acquisitions in the September 2010 and March 2010 half years, respectively. In respect of cash flows not expected to be collected in the September 2010 half an indemnification asset was recognised and included in other assets of $209 million in relation to the loss sharing agreement entered into with the Federal Deposit Insurance Corporation as part of the acquisition.*

(2) *There was nil gain or loss recognised as a result of remeasuring to fair value of the equity interest in the acquiree held before the business combination.*

(e) Loss of control of controlled entities

Control was lost over the following controlled entity during the half year to March 2011 - on 15 February 2011, the Company disposed of Relationship Services Pty Limited, the holding company of an interest in a joint venture that administers the FlyBuys program.

The contribution to net profit of the Group from entities over which control has been lost during the half year to March 2011 is not material, both for the half year ended 31 March 2011 and for the year ended September 2010.

	Half year to		
Loss of control of controlled entities	**Mar 11 $m**	**Sep 10 $m**	**Mar 10 $m**
Net assets over which control was lost	**-**	-	-
Gain on disposal	**11**	-	-
Cash consideration received	**11**	-	-
Less: Cash and cash equivalents disposed	**-**	-	-
Net cash inflow from loss of control of controlled entities	**11**	-	-

(f) Reconciliation of goodwill

The following is a reconciliation of the carrying amount of goodwill:

	Half year to		
Movements in goodwill	**Mar 11 $m**	**Sep 10 $m**	**Mar 10 $m**
Balance at beginning of period	**5,546**	5,554	5,182
Additions from the acquisition of controlled entities and business combinations (1)	**33**	37	402
Foreign currency translation adjustments	**(46)**	(45)	(30)
Balance at end of period	**5,533**	5,546	5,554

(1) *Includes an increase to goodwill from the revision to provisionally determined acquisition accounting of $4 million (September 2010 nil, March 2010 nil).*

(g) Investments in associates and joint ventures

The Group holds no material interests in associates or joint venture entities as at 31 March 2011.

14. Life Insurance Operations

Income statement items	Half Year to Mar 11 $m	Sep 10 $m	Mar 10 $m
Premium and related revenue	**666**	674	620
Investment revenue	**3,528**	(10)	2,779
Fee income	**277**	243	236
Claims expense	**(367)**	(367)	(328)
Change in policy liabilities	**(2,823)**	336	(2,060)
Policy acquisition and maintenance expense	**(455)**	(490)	(440)
Investment management expense	**(6)**	(14)	(21)
Movement in external unitholders' liability	**(524)**	(12)	(333)
Net life insurance income	**296**	360	453
Profit before income tax expense attributable to the statutory funds of the life insurance business and their controlled trusts	**346**	316	374
Income tax expense attributable to the statutory funds of the life insurance business and their controlled entities	**149**	60	191

Related balance sheet items	As at 31 Mar 11 $m	30 Sep 10 $m	31 Mar 10 $m
Investments relating to life insurance business	**67,155**	64,560	61,990
Life policy liabilities	**56,810**	54,354	53,058
External unitholders' liability	**10,229**	10,241	8,969

Investment revenue includes returns on assets held in the Group's investment-linked business and returns on assets held in the life insurance business.

Life policy liabilities and external unitholders' liability on issue represent amounts owed to policyholders and unitholders of consolidated trusts. Movements in these liabilities reflect policy and unitholders' share in the performance of investment assets and their share of net life insurance income.

Overall positive investment market experience within domestic and global financial markets over the course of the March 2011 half year, has affected individual components of the Group's life insurance operations as follows:

- Positive investment revenue attributable to unit linked investments and life insurance business that is largely offset by movements in amounts owing to policyholders.
- Positive investment revenue attributable to equity investment holdings in consolidated trusts. The external unitholders of the trusts share in these gains; their share is reflected as the movement in external unitholders' liability.
- The income tax expense attributable to life insurance business includes both policyholder and shareholder tax across a range of products and fluctuates in line with earnings for both policyholders and shareholders.

15. Contingent Liabilities

(i) Legal proceedings

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

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.

(ii) Contingent liability - Class action / Potential class action

On 18 November 2010, Maurice Blackburn Lawyers (an Australian law firm) commenced a class action proceeding against NAB in the Supreme Court of Victoria in relation to its exposure to certain Collateralised Debt Obligations in nabCapital sponsored conduits (CDOs). NAB announced a provision of $181 million against an approximate US$1.1 billion exposure to the CDOs when it released its half year result to March 2008, and increased its provision by $830 million in July 2008. Maurice Blackburn allege that in 2008 NAB contravened certain misleading and deceptive conduct and continuous disclosure provisions of the *Corporations Act* 2001 (Cth) in relation to its exposure to the CDOs. The loss claimed by class members has not yet been identified in the proceeding. The proceeding will be vigorously defended.

On 12 May 2010, Maurice Blackburn Lawyers announced it was preparing 12 class actions against banks operating in Australia, including NAB, in relation to the payment of exception fees. On 22 September 2010, an exception fee class action was issued against Australia and New Zealand Banking Group Limited. Maurice Blackburn had suggested that another four or five actions against other banks would be ready before Christmas 2010. To date an exception fees class action has not been issued by Maurice Blackburn Lawyers against NAB. If an exception fees class action is issued by Maurice Blackburn Lawyers against NAB, it will be vigorously defended.

(iii) Contingent liability - 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 borrowings 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. In the interim, the FSCS has estimated levies due to 31 March 2012 and an accrual of £9 million is presently held for the NAB Group's calculated liability for this period. If the assets of the failed institutions are insufficient to repay the Government loan, additional levies will become payable in future periods.

(iv) Claims for potential mis-selling of payment protection insurance

Market wide issues relating to Payment Protection Insurance (PPI) claims handling are ongoing. On behalf of the industry, the British Bankers' Association has sought a review of proposals by the Financial Services Authority as to how such claims should be approached. The case was heard by the High Court in England and Wales in January 2011. On 20 April 2011, the High Court ruled in favour of the Financial Services Authority. The British Bankers' Association has indicated that it is considering taking steps to appeal to the Court of Appeal. Until these proceedings are finalised, including the outcome of any potential appeals, the implications for banks' complaints handling and remediation practices remains uncertain. It is also uncertain how many PPI claims will be made against Clydesdale Bank PLC, for what value, and the prospects of mis-selling being established in relation to those claims. Provision has been made for payments arising from claims received to date.

16. Events Subsequent to Balance Date

No matter, item, transaction or event of a material or unusual nature has arisen in the interval between the end of the financial year and the date of this report that, in the opinion of the directors, has significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future years.

Directors' Declaration

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

a) as at the date of this declaration, there are reasonable grounds to believe that 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 102 to 131, 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 2011, and of the performance of the Group for the six months ended 31 March 2011.

Dated this 5th day of May, 2011 and signed in accordance with a resolution of the directors.

Michael A Chaney
Chairman

Cameron Clyne
Group Chief Executive Officer

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To the members of National Australia Bank Limited

Report on the Half Year Financial Report

We have reviewed the accompanying half-year financial report of National Australia Bank Limited ("the Company"), which comprises the consolidated balance sheet as at 31 March 2011, the consolidated income statement, consolidated statement of comprehensive income, consolidated cash flow statement and consolidated statement of changes in equity and for the half year ended on that date, other explanatory notes 1 to 16, and the directors' declaration set out on pages 102 to 132 of the consolidated entity comprising the Company and the entities it controlled at the half year end or from time to time during the half year.

Directors' Responsibility for the Half Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 March 2011 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:

a) giving a true and fair view of the consolidated entity's financial position as at 31 March 2011 and of its performance for the half year ended on that date; and

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

Ernst & Young

AJ (Tony) Johnson
Partner
Melbourne
5 May 2011

Section 6

Supplementary Information

1. Disclosures on Special Purpose Entities

The following supplementary disclosures are based on Financial Stability Board (FSB) recommendations that were included in a report entitled *Enhancing Market and Institutional Resilience*.

(a) Special Purpose Entities

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.

These supplementary disclosures focus on the exposure of the Group through its use of SPEs for various types of programs (both on and off balance sheet) including:

- Securitisation SPEs.
- Funding program SPEs.
- Other SPEs.

(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 IFRS in 2006 as the derecognition criteria are not met.

The first category represents third party asset securitisation SPEs. The Group's participation in these SPEs is discussed below.

Third party asset securitisation SPEs

NAB sponsored securitisation SPEs for client securitisation assets and third party transactions

For these transactions, securitisation structures are established by the Group, comprising one or numerous SPEs to purchase and fund customer assets, including in securitised form. Previously, securitisation structures also included purchasing of rated securities arbitrage assets (purchased assets). Securities arbitrage activities have been discontinued by the Group. Each SPE funds the acquisition of assets or securities backed by the assets by:

- The issuance of debt securities (medium term notes or MTN) directly into the market (term securitisation).
- The issuance of debt securities (asset backed commercial paper or ABCP) via an issuing entity (ABCP conduit funding). Standby liquidity facilities are typically made available to the ABCP conduits to fund acquired assets in the event that ABCP cannot be rolled or reissued to external investors.
- 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.

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. The Group undertakes one or more of the following roles of arranger, manager (through wholly-owned subsidiaries), standby liquidity provider, securitisation funding facility provider, asset liquidity provider, warehouse facility provider, derivative provider and dealer.

The NAB sponsored securitisation SPEs are consolidated in the financial statements.

Non-NAB sponsored securitisation SPEs for third party securitisation assets

For these transactions, securitisation SPEs are established by market participants, other than the Group, to acquire and fund various assets by issuing securities to external investors. The Group's exposures to these SPEs arise from provision of standby liquidity facilities that can be drawn in the event that ABCP cannot be rolled or reissued to external investors and, in some cases, other facilities provided to fund and support acquired assets. These entities are generally not consolidated, with facilities provided by the Group (and drawn) being included in loans and advances.

Securitisation funding and standby liquidity facilities

The Group's securitisation SPE exposures fall into two categories: purchased assets, which were acquired on set investment criteria to seed a new ABCP conduit 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. *Table 2* separates those exposures which are managed by Specialised Group Assets (SGA) and Wholesale Banking. Both tables show 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 rolled or reissued to external investors. 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 2010 is provided, with further detail available in the 2010 Full Year Results.

[(1)] Securities arbitrage (funding of purchased assets) activities have been discontinued 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 managed separately as part of the Specialised Group Assets division.

Table 1 As at 31 March 2011	Limit $m	Drawn & Available[1] $m	Drawn-down $m	Provisions[2] $m	Securities on issue[3] $m	Total asset value[4] $m	Fair value[5] $m
	Group facilities				SPE		
SPE purchased ABS CDOs:							
Senior tranche ABS CDO	215	**215**	215	(102)	-	215	76
Mezzanine tranche ABS CDO	-	**-**	-	-	-	-	2
Total SPE purchased ABS CDOs [6]	215	**215**	215	(102)	-	215	78
SPE other purchased assets:							
Infrastructure (credit wrapped bonds) [7]	260	**260**	260	-	-	260	259
Leveraged loans (CLOs)	1,366	**1,366**	1,366	-	-	1,366	1,256
Commercial property (CMBS)	608	**608**	608	-	-	608	545
Corporates (SCDO) [8]	1,452	**1,452**	1,452	-	-	1,452	1,148
Total SPE other purchased assets	3,686	**3,686**	3,686	-	-	3,686	3,208
NAB client originated assets:							
Auto / Equipment	154	**65**	65	(4)	17	82	78
Credit wrapped bonds	750	**674**	674	-	449	1,123	1,029
Prime residential mortgages	2,712	**2,153**	1,293	-	1,415	2,708	2,708
Non-conforming residential mortgages	439	**328**	328	-	102	430	421
Sub-prime residential mortgages	100	**100**	100	-	-	100	92
Subscription loans	421	**407**	407	-	-	407	407
Commercial Property (CMBS)	64	**64**	64	-	94	158	158
NAB CLO	397	**397**	397	-	-	397	397
Credit wrapped ABS	566	**566**	566	-	-	566	328
Other [9]	534	**333**	333	-	79	412	400
Total NAB client originated assets	6,137	**5,087**	4,227	(4)	2,156	6,383	6,018
Represented by:							
NAB sponsored SPEs	3,484	**3,360**	3,360	-	550	3,910	3,550
Non-NAB sponsored SPEs	2,653	**1,727**	867	-	1,606	2,473	2,468
Total NAB client originated assets	6,137	**5,087**	4,227	(87)	2,156	6,383	6,018
Total standby liquidity facilities [10]	10,038	**8,988**	8,128	(193)	2,156	10,284	9,304

As at 30 September 2010	Group facilities Limit $m	Drawn & Available[(1)] $m	Drawn-down $m	Provisions[(2)] $m	SPE Securities on issue[(3)] $m	Total asset value[(4)] $m	Fair value[(5)] $m
Total SPE purchased ABS CDOs [(6)]	233	**233**	233	(109)	-	233	78
Total SPE other purchased assets	3,788	**3,788**	3,788	-	-	3,788	3,056
Total NAB client originated assets	6,665	**5,948**	5,088	(4)	2,338	7,426	6,956
Represented by:							
NAB sponsored SPEs	4,275	**4,027**	4,027	-	676	4,703	4,237
Non-NAB sponsored SPEs	2,390	**1,921**	1,061	-	1,662	2,723	2,719
Total NAB client originated assets	6,665	**5,948**	5,088	(84)	2,338	7,426	6,956
Total standby liquidity facilities [(10)]	10,686	**9,969**	9,109	(197)	2,338	11,447	10,090

(1) *Drawn and available represents amounts drawn-down under the facility, and amounts currently available to be drawn (for standby liquidity facilities and securitisation funding facilities this is limited to the amounts that maybe required to repay maturing ABCP if it cannot be rolled).*

(2) *Includes both specific and collective provisions. Provisions include exchange rate movements. The specific provisions have been allocated against the specific asset classes whilst the collective provisions have been included in the totals. The provisions disclosed are shown net of any expected recoveries under the risk mitigation strategy (refer "Protection purchased to hedge exposure to SPE other purchased assets"). A separate management overlay of $160 million still exists in respect of conduit related assets and derivative transactions to reflect the uncertainty created by the deteriorating economic conditions and impact of any potential default. The specific provisions have been allocated against the specific asset classes whilst the collective provisions have been included in the totals.*

(3) *Securities on issue exclude amounts drawn under the facilities and include ABCP issued of $860 million (NAB does not hold any ABCP on issues) and medium term notes of $1,296 million.*

(4) *Comprises total gross non-cash assets before provisions of the SPEs. For non-NAB sponsored SPEs, this only includes that portion of the SPE assets to which the Group is exposed through the securitisation funding facilities or the standby liquidity facilities. The drawn-down amounts on these facilities are recorded on the Group's balance sheet.*

(5) *The estimated fair values are based on relevant information at 31 March 2011 and 30 September 2010 respectively. These estimates involve matters of judgement, as changes in assumptions could have a material impact on the amounts estimated. There are various limitations inherent in this fair value disclosure particularly in the current market where, due to the uncertainty in the market, prices may not represent the underlying value. Not all of the Group's financial instruments can be exchanged in an active trading market. The Group obtains the fair values for investment securities from quoted market prices, where available. Where securities are unlisted and quoted market prices are not available, the Group obtains the fair value by means of anticipated 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 depressed 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 SCDOs 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 ascribes minimal value to the protection afforded by insurance policies from financial guarantee (monoline) insurers.*

(6) *SGA has exposure to a portfolio of ABS CDOs that contain exposure to US sub-prime mortgage assets. Provisions in the aggregate of $1,011 million were taken in 2008 to reflect expected losses on this portfolio. While most assets within this portfolio were written off in full, a single asset remains. The specific provision against this asset is approximately 47% 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.*

(8) *The limit, drawn and available and drawn amounts and asset value includes exposures which have been subject to recovery under the risk mitigation strategy (refer "Protection purchased to hedge exposure to SPE other purchased assets"). $528 million in write-offs have been recovered to date under the risk management strategy.*

(9) *Other exposures include trade receivable and other asset backed securities.*

(10) *The movement from 30 September 2010 to 31 March 2011 is comprised of a reduction for repayments and restructured facilities of $0.7 billion and a decrease of $0.3 billion attributable to exchange rate movements.*

Table 2 shows the SPE exposures, related provisions, carrying value of the SPE assets (other than cash) and the associated fair value by Division.

Table 2 Divisional distribution [1]	Group facilities Limit $m	 Drawn & Available $m	 Drawn-down $m	 Provisions[2] $m	SPE Securities on issue $m	 Total asset value $m	 Fair value $m
As at 31 March 2011							
Specialised Group Assets managed:							
Senior tranche ABS CDO	215	**215**	215	(102)	-	215	76
Mezzanine tranche ABS CDO	-	**-**	-	-	-	-	2
Leveraged loans (CLOs)	1,366	**1,366**	1,366	-	-	1,366	1,256
Commercial property (CMBS)	608	**608**	608	-	-	608	545
Corporates (SCDO)	1,452	**1,452**	1,452	-	-	1,452	1,148
Infrastructure (credit wrapped bonds)	260	**260**	260	-	-	260	259
Credit wrapped bonds	750	**674**	674	-	-	674	611
Credit wrapped ABS	566	**566**	566	-	-	566	328
Auto / Equipment	89	**-**	-	-	-	-	-
Non-conforming residential mortgages	122	**122**	122	-	-	122	113
Sub-prime residential mortgages	100	**100**	100	-	-	100	92
Subscription loans	421	**407**	407	-	-	407	407
NAB CLO	397	**397**	397	-	-	397	397
Other	34	**34**	34	-	-	34	22
Total Specialised Group Assets [3]	6,380	**6,201**	6,201	(102)	-	6,201	5,256
Represented by:							
NAB sponsored SPEs	6,291	**6,201**	6,201	-	-	6,201	5,256
Non-NAB sponsored SPEs	89	**-**	-	-	-	-	-
Total Specialised Group Assets [2] [3]	6,380	**6,201**	6,201	(189)	-	6,201	5,256
Wholesale Banking managed:							
Auto / Equipment	65	**65**	65	(4)	17	82	78
Commercial property (CMBS)	64	**64**	64	-	94	158	158
Prime residential mortgages	2,712	**2,153**	1,293	-	1,415	2,708	2,708
Non-conforming residential mortgages	317	**206**	206	-	102	308	308
Credit wrapped bonds [4]	-	**-**	-	-	449	449	418
Other	500	**299**	299	-	79	378	378
Total Wholesale Banking [5]	3,658	**2,787**	1,927	(4)	2,156	4,083	4,048
Represented by:							
NAB sponsored SPEs	1,094	**1,060**	1,060	-	550	1,610	1,580
Non-NAB sponsored SPEs	2,564	**1,727**	867	-	1,606	2,473	2,468
Total Wholesale Banking [2] [5]	3,658	**2,787**	1,927	(4)	2,156	4,083	4,048
Total exposure to standby liquidity facilities	10,038	**8,988**	8,128	(193)	2,156	10,284	9,304

As at 30 September 2010	Group facilities Limit $m	 Drawn & Available $m	 Drawn-down $m	 Provisions[2] $m	SPE Securities on issue $m	 Total asset value $m	 Fair value $m
Specialised Group Assets managed:							
Represented by:							
NAB sponsored SPEs	6,904	**6,699**	6,699	-	-	6,699	5,390
Non-NAB sponsored SPEs	95	**-**	-	-	-	-	-
Total Specialised Group Assets [3]	6,999	**6,699**	6,699	(192)	-	6,699	5,390
Wholesale Banking managed:							
Represented by:							
NAB sponsored SPEs	1,392	**1,349**	1,349	-	676	2,025	1,981
Non-NAB sponsored SPEs	2,295	**1,921**	1,061	-	1,662	2,723	2,719
Total Wholesale Banking [5]	3,687	**3,270**	2,410	(5)	2,338	4,748	4,700
Total exposure to standby liquidity facilities	10,686	**9,969**	9,109	(197)	2,338	11,447	10,090

(1) *Management of underlying exposure ie. the management of the exposure between Wholesale Banking and Specialised Group Assets.*

(2) *Provisions include both specific and collective provisions. Collective provisions for SGA ($87 million) and Wholesale Banking ($0.4 million) have been calculated across the portfolio of NAB sponsored and non-NAB sponsored assets. The specific provisions have been allocated against the specific asset classes whilst the collective provisions have been included in the totals.*

(3) *The movement from 30 September 2010 to 31 March 2011 is comprised of a reduction for repayments and restructured facilities of $0.2 billion and a decrease of $0.3 billion attributable to exchange rate movements.*

(4) *The Group only provides a standby letter of credit of $202,159 to fund unexpected expenses of the SPE. The facility has never been drawn. The SPE has issued medium term notes to investors who are exposed to all the risk and reward of the underlying assets of the SPE.*

(5) *The movement from 30 September 2010 to 31 March 2011 is comprised of a reduction for repayments and restructured facilities of $0.5 billion.*

Table 3 shows the total drawn and available securitisation funding and standby liquidity facility of the Group to all securitisation SPEs by Geography.

Table 3 Geographic distribution [1]	**Australia & New Zealand $m**	**Europe $m**	**North America $m**	**Asia & Other $m**	**Total drawn & available $m**	**Weighted Average Term to Maturity** [2] **yrs**
As at 31 March 2011						
SPE purchased ABS CDOs:						
Senior tranche ABS CDO	-	-	215	-	**215**	26.6
Total SPE purchased ABS CDOs	-	-	215	-	**215**	26.6
SPE other purchased assets:						
Infrastructure (credit wrapped bonds) [3]	150	110	-	-	**260**	1.0
Leveraged loans (CLOs) [4]	-	699	667	-	**1,366**	4.4
Commercial property (CMBS) [5]	-	560	48	-	**608**	2.6
Corporates (SCDO) [6]	57	563	746	86	**1,452**	4.7
Total SPE other purchased assets	207	1,932	1,461	86	**3,686**	4.0
NAB client originated assets:						
Auto / Equipment	65	-	-	-	**65**	0.8
Credit wrapped bonds [3]	674	-	-	-	**674**	6.3
Prime residential mortgages	2,153	-	-	-	**2,153**	20.6
Non-conforming residential mortgages	206	122	-	-	**328**	23.1
Sub-prime residential mortgages	-	-	100	-	**100**	24.2
Subscription loans	-	55	267	85	**407**	0.9
Commercial Property (CMBS)	64	-	-	-	**64**	0.7
NAB CLO	307	59	17	14	**397**	1.7
Credit wrapped ABS [3]	-	-	547	19	**566**	24.4
Other	300	-	33	-	**333**	3.8
Total NAB client originated assets	3,769	236	964	118	**5,087**	14.7
Total exposure to standby liquidity facilities	3,976	2,168	2,640	204	**8,988**	10.0
Managed within:						
Wholesale Banking	2,787	-	-	-	**2,787**	18.5
Specialised Group Assets	1,189	2,168	2,640	204	**6,201**	6.9
Total exposure to standby liquidity facilities	3,976	2,168	2,640	204	**8,988**	10.0

As at 30 September 2010	**Australia & New Zealand $m**	**Europe $m**	**North America $m**	**Asia & Other $m**	**Total drawn & available $m**	**Weighted Average Term to Maturity yrs**
Total SPE purchased ABS CDOs	-	-	233	-	**233**	27.1
Total SPE other purchased assets	203	1,997	1,499	89	**3,788**	4.3
Total NAB client originated assets	4,307	329	1,199	113	**5,948**	14.8
Total exposure to standby liquidity facilities	4,510	2,326	2,931	202	**9,969**	10.4

(1) *Location of underlying exposure i.e. the location of the ultimate borrower/reference entity within the portfolios on a look through basis.*

(2) *Reflects the weighted average contractual maturity of the underlying exposure of the SPE on a look through basis.*

(3) *Credit wrapped bonds and ABS are wrapped by financial guarantee (monoline) insurers.*

(4) *Includes nine transactions, in all but one case with exposure to the most senior class of notes, and initial subordination ranging from 27-38%. Reported defaults to date range from 3-15% with modest realised losses on underlying corporate loan collateral. Excess spread available to cover ongoing losses generally exceeds 1% per annum of the current principal balance of each CLO transaction.*

(5) *Includes four UK transactions backed by Greater London and regional properties, with exposure to the most senior bonds, and ratio of relevant note tranche to property value ranging from 60-83%. In general, the properties securing larger loans are let with quality tenants, have low vacancy rates and good lease profiles. The loan vintages are generally 2006 and 2007.*

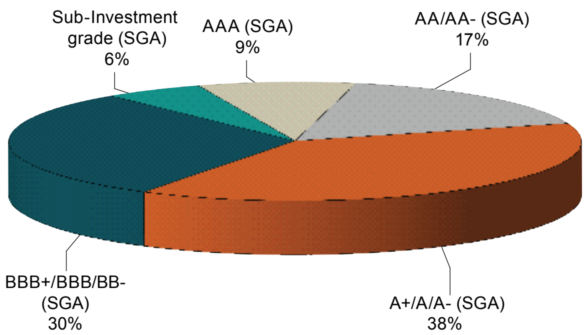
(6) *Includes six credit linked notes backed by six single tranche corporate credit CDOs (portfolios of credit default swaps) and collateral. The drawn and available amount includes exposures which have been subject to recovery under the risk mitigation strategy (refer "Protection purchased to hedge exposure to SPE other purchased assets"). $528 million in write-offs have been recovered to date under the risk mitigation strategy.*

Further analysis of facilities

Rating analysis

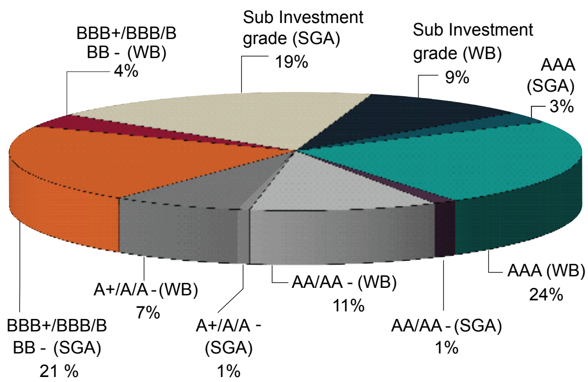
The ABS CDO of $215 million not written-off is currently rated CC by S&P and Ca by Moody's.

Current S&P equivalent ratings - $3.7 billion SPE other purchased assets [(1)]



(1) *Includes internally rated assets mapped to S&P risk grades, taking into account the risk mitigation strategy on the SCDO's. These exposures only exist within SGA.*

Current S&P equivalent ratings - $5.1 billion NAB client originated assets split by business [(1) (2)]



(1) *Includes NAB internally rated assets mapped to S&P risk grades.*

(2) *The current ratings of credit wrapped bonds are based on the BBB+ ratings of the underlying assets.*

Asset Quality information relevant to specific exposures

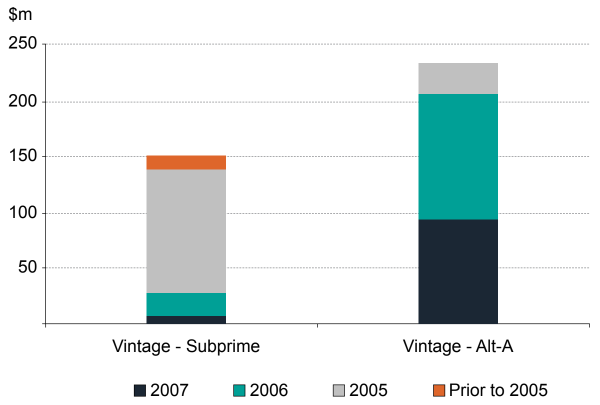
Table 4 shows asset quality and past due analysis of underlying collateral of NAB client originated assets.

Table 4 As at 31 March 2011	**Weighted average current LVR %**	**Mortgage Insurance coverage %**	**Days Past Due 31-60 %**	**Days Past Due 61-90 %**	**Days Past Due >90 %**
Specialised Group Assets managed:					
Non-conforming residential mortgages [(2)]	82.79%	-	4.30%	3.91%	16.34%
Sub-prime residential mortgages [(2)]	81.31%	52.29%	4.64%	2.05%	11.35%
Wholesale Banking managed:					
Auto / Equipment [(1)]	n/a	n/a	0.20%	0.07%	1.05%
Prime residential mortgages	68.93%	92.46%	1.31%	0.43%	1.62%
Non-conforming residential mortgages	62.66%	1.85%	0.85%	0.34%	1.96%

(1) *All auto/equipment transactions benefit from various types of credit enhancements including subordination and excess spread.*

(2) *Current mortgage insurance coverage on sub-prime residential mortgages is shown. The >90 days percentage for sub-prime residential mortgages does not include loans in foreclosure or homes foreclosed upon but not liquidated. Total sub-prime foreclosures represents an additional 29.39% of the current principal balance. Foreclosures and repossessed for non-conforming residential mortgages represent 1.20% of the current principal balance which together with >90 days represents 17.54% of the current principal balance.*

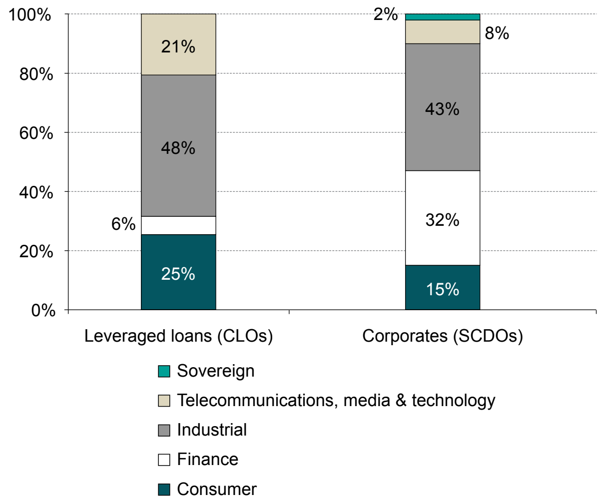
Vintage of sub-prime and Alt-A exposures (1) (2)



(1) *US sub-prime exposure of the Group was $151 million as at 31 March 2011. This amount represents $14 million included in ABS CDOs not written off, $100 million of sub-prime residential mortgage backed securities and $37 million as part of credit wrapped ABS in the NAB client originated assets. These exposures only exist within SGA.*

(2) *US Alt-A exposure of the Group was $234 million as at 31 March 2011. This amount represents $105 million included in ABS CDOs not written off, and $129 million as part of credit wrapped ABS in the NAB client originated assets. These exposures only exist within SGA.*

Industry splits - SPE other purchased assets (1) (2)



(1) *Leverage loans (CLOs) total $1.4 billion.*

(2) *Corporates (SCDOs) total $1.5 billion.*

Securitisation SPE credit exposure to the financial guarantor sector (monoline insurers)

Table 5 summarises the indirect exposures to third party transactions supported by monoline financial guarantees and contingent risk via guaranteed investment contracts (SCDOs). In the event of monoline failure, the benefit of the financial guarantee falls away resulting in exposure to the underlying asset.

Table 5	**Exposures to monoline insurers**	
	Mar 11 $m	**Sep 10 $m**
Specialised Group Assets managed:		
Infrastructure (credit wrapped bonds) (1)	260	260
Guaranteed investment contracts (provided to SCDOs) (2)	-	271
Credit wrapped bonds (1)	750	758
Credit wrapped ABS (3)	566	639
Other	34	36
Total Specialised Group Assets (4)	1,610	1,964

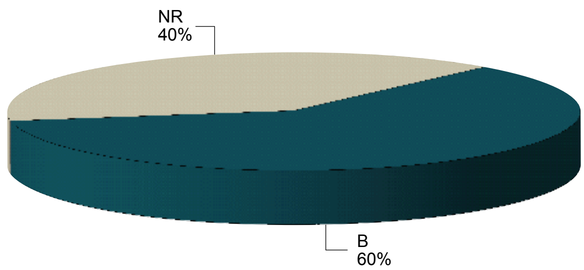
(1) *These bonds includes those issued by well known essential infrastructure and energy borrowers and are themselves high quality investment grade assets.*

(2) *Funds invested by SPEs in two of the six SCDOs were placed in guaranteed investment contracts, which have been guaranteed by a monoline insurer resulting in a contingent exposure. During the period the monoline insurer was acquired by a bank therefore the exposure to the monoline insurer through the guaranteed investment contracts no longer exists.*

(3) *Monoline-wrapped portfolio of ABS, some of which have also been individually monoline-wrapped.*

(4) *There are no Wholesale Banking exposures which rely on monoline insurers.*

Current S&P rating of monolines (1)



(1) *The unrated (NR) monoline provides a guarantee on the credit wrapped bonds. The ratings of the two underlying assets are rated between A-and 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 and substantially reduced the likelihood of loss arising from the SCDOs. Subordination was improved as a result of risk mitigation activities, and the portfolio is managed to maintain the credit quality of the tranche.

To date the Group has recovered losses of $528 million relating to write downs of the underlying notes as a result of credit events within the portfolio. Consistent with the Group's expectation and the above risk mitigation strategy the Group has recovered all of its losses on the original investment associated with this write down. The recovery under the hedging strategy is recognised within other income in the Income Statement.

Further ratings migration and defaults are expected. The exposure is being managed by a dedicated specialised team together with input from an external portfolio manager. Additional modest hedging may be considered from time to time. The SCDOs are currently rated between A+ and BBB-. During 2009 a management overlay of $160 million was taken in respect of conduit related assets and derivative transactions to reflect the uncertainty created by the deteriorating economic conditions and any potential default. This management overlay remains on the Group's balance sheet.

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 6), asset liquidity facilities ($554 million), credit enhancements ($59 million), investments in non-NAB sponsored SPE's ($2,829 million), derivatives ($185 million) and redrawn facilities ($17 million).

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 6 shows the limit and drawn amount under the facility. The undrawn limit is available to fund additional assets.

Table 6 **As at 31 March 2011**	**Limit** **$m**	**Drawn-down** **$m**
Specialised Group Assets managed:		
Non-conforming residential mortgages	273	273
Wholesale Banking managed:		
Prime residential mortgages	2,914	2,464
Non-conforming residential mortgages	1,178	1,028
Total warehouse facilities - Wholesale Banking [(1)]	4,092	3,492
Total warehouse facilities	4,365	3,765

As at 30 September 2010	**Limit** **$m**	**Drawn-down** **$m**
Total warehouse facilities - Specialised Group Assets	303	303
Total warehouse facilities - Wholesale Banking	4,032	3,024
Total warehouse facilities	4,335	3,327

(1) *Of the drawn down amount $1.6 billion (September 2010 $1.6 billion) is via consolidated NAB-sponsored SPEs resulting in the recognition of the underlying assets on the balance sheet.*

Table 7 shows the available asset quality and past due analysis of underlying collateral of warehouse facilities.

Table 7 **As at 31 March 2011**	**Weighted average current LVR** **%**	**Mortgage Insurance coverage** **%**	**Days Past Due** **31-60** **%**	**61-90** **%**	**> 90** **%**
Specialised group assets managed					
Non-conforming residential mortgages	57.44%	-	5.74%	3.67%	3.49%
Wholesale Banking managed					
Prime residential mortgages [(1)]	68.52%	96.61%	0.41%	0.35%	0.89%
Non-conforming residential mortgages	72.77%	-	1.29%	0.86%	1.83%

(1) *Includes the most senior position in a transaction, structured to invest in fully insured non-performing prime mortgages.*

Risk Weights for Securitisation Exposure

Table 8 shows the risk weights for securitisation exposures as calculated under the Australian Prudential Standard for Securitisation (APS 120), predominantly using the Standardised Approach and includes SPE exposures (Table 1), warehouse facilities (Table 6) and other securitisation SPE exposures disclosed in the "Other Exposures" section above. The table separates the risk weights between SGA and Wholesale Banking.

Table 8	**Mar 11**		**Sep 10**	
	Exposure [1] $m	**RWA $m**	**Exposure [1] $m**	**RWA $m**
Specialised Group Assets managed:				
> 10% ≤ 25%	1,353	257	1,465	277
> 25% ≤ 35%	196	69	206	72
> 35% ≤ 50%	960	480	991	495
> 50% ≤ 75%	189	134	199	141
> 75% ≤ 100%	1,722	1,722	2,068	2,068
>100% ≤ 650%	2,018	6,398	2,140	6,872
Deductions	112	-	126	-
Total Specialised Group Assets	6,550	9,060	7,195	9,925
Wholesale Banking managed:				
≤ 10%	7,149	514	6,143	444
> 10% ≤ 25%	2,852	383	2,801	389
> 25% ≤ 35%	40	13	47	15
> 35% ≤ 50%	12	6	-	-
> 50% ≤ 75%	160	116	179	129
> 75% ≤ 100%	47	47	158	158
>100% ≤ 650%	23	70	10	43
Deductions	92	-	126	-
Total Wholesale Banking [2]	10,375	1,149	9,464	1,178
Total securitisation exposure	16,925	10,209	16,659	11,103

(1) *Refer to Table 9 for further details on how the exposures relate to the other tables within the FSB report.*

(2) *Wholesale Banking includes BNZ exposures of $48 million (September 2010 $72 million). The risk weighted assets for these exposures are $28 million (September 2010 $42 million).*

Securitisation Exposures

Table 9 shows how the various securitisation exposures as disclosed in the FSB reconcile to the above securitisation exposure as calculated under APS 120.

Table 9	**Mar 11 $m**	**Sep 10 $m**
Total group facilities (Table 1)	10,038	10,686
Total warehouse facilities (Table 6)	4,365	4,335
Total other exposures [1]	3,644	2,794
Less:		
Other banking book exposures [2]	(1,016)	(1,043)
Specific provisions (Table 1) [3]	(106)	(113)
Total securitisation exposures	16,925	16,659
Other derivatives and securities [4]	16	248
Total securitisation exposures	16,941	16,907

(1) *The other exposures includes asset liquidity facilities $554 million (September 2010 $488 million), redrawn facilities $17 million (September 2010 $17 million), derivative transactions $185 million (September 2010 $2 million), credit enhancements $59 million (September 2010 $66 million) and investments in securitisation debt securities $2,829 million (September 2010 $2,221 million). The increase reflects investments within Global Capital Markets.*

(2) *The banking book exposures relate to those exposures which are treated as mortgages from a prudential standard perspective and therefore excluded from the securitisation exposures under APS 120.*

(3) *The specific provisions relate to the ABS CDO and Auto/Equipment asset classes as disclosed in Table 1.*

(4) *Includes exposure to securitisation SPEs which are not subject to APS 120 but rather APS 113 & APS 116 for the purposes of calculating the associated risk weighted assets. These exposures are required to be disclosed under APS 330 and therefore included in the Risk and Capital Report.*

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 legal structures).
- 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 one 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).
- Dealer (a buyer and seller in the primary and secondary markets of securities).

Accounting Treatment

In general, facilities provided to securitisations are treated the same way as facilities to any other borrower or counterparty.

Interest and line fees received are treated as revenue in the period in which they are accrued. Arrangement fees are treated as revenue and recognised as revenue over the life of the securitisation transaction.

Most of these facilities fund NAB sponsored securitisation SPEs which are consolidated by the Group. On consolidation the facilities are eliminated and the underlying liabilities and assets, including held to maturity investments in the SPEs are brought onto the Group's balance sheet. Held to maturity investments are accounted for at amortised cost, net of any provision for impairment.

Derivatives such as interest rate swaps, basis swaps or cross-currency swaps have the same accounting treatment as non-securitisation derivatives.

(c) Funding program SPEs

The Group has established programs to raise funding from the issue of equity instruments.

Material funding programs of the Group that use SPEs are as follows:

Table 10	Mar 11 $m	Sep 10 $m
Trust Preferred Securities	975	975
Trust Preferred Securities II	1,014	1,014
National Capital Instruments	397	397
BNZ Income Securities	380	380
BNZ Income Securities 2	203	203

The SPEs used in the above funding programs are controlled by the Group under Australian Accounting Standards and the IFRS as issued by the IASB and are recorded on balance sheet as equity items of the Group.

Other funding programs of the Group do not use SPEs and are recorded in the books of the Company. Further details on funding programs can be found at www.nabgroup.com.

(d) Other SPEs

The Group is involved in transactions that involve the use of SPEs. All of these SPEs are recorded on the balance sheet.

Table 11	Mar 11 $m	Sep 10 $m
Consolidated SPEs		
Group exposure excluding SGA		
Investments in debt securities	709	800
Investments in property trusts	157	142
Lease finance	70	75
Funding transactions	(1,870)	(1,147)
SGA Exposure		
Lease finance	827	889

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, hedging and review processes.

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 11 %	Sep 10 %	Mar 10 %	Mar 11 v Sep 10 %	Mar 11 v Mar 10 %
Net interest spread [1]	**1.79**	1.88	1.97	(9 bps)	(18 bps)
Benefit of net free liabilities, provisions and equity	**0.43**	0.35	0.28	8 bps	15 bps
Net interest margin [2] - statutory basis	**2.22**	2.23	2.25	(1 bps)	(3 bps)

[1] Net interest spread represents the difference between the average interest rate earned and the average interest rate incurred on funds.

[2] Net interest margin is net interest income as a percentage of average interest earning assets.

Average interest earning assets	Half Year to Mar 11 $bn	Mix %	Mar 10 $bn	Mix %	Movement in mix % of Group AIEA
Business Banking	**190.6**	**33.6**	184.5	33.9	(0.3)
Personal Banking	**123.8**	**21.8**	104.3	19.2	2.6
Wholesale Banking	**153.5**	**27.1**	146.5	27.0	0.1
NZ Banking	**43.5**	**7.7**	45.4	8.4	(0.7)
UK Banking	**66.2**	**11.7**	72.0	13.2	(1.5)
Specialised Group Assets	**11.8**	**2.1**	16.2	3.0	(0.9)
Great Western Bank	**7.1**	**1.3**	5.0	0.9	0.4
Other [1]	**(29.9)**	**(5.3)**	(30.5)	(5.6)	0.3
Group	**566.6**	**100.0**	543.4	100.0	-

Net interest income and margins	Half Year to Mar 11 $m	NIM %	Mar 10 $m	NIM %	NIM Change
Business Banking	**2,446**	**2.57**	2,312	2.51	6 bps
Personal Banking	**1,368**	**2.22**	1,215	2.34	(12 bps)
Wholesale Banking	**522**	**0.68**	616	0.84	(16 bps)
NZ Banking	**487**	**2.24**	472	2.08	16 bps
UK Banking	**768**	**2.33**	864	2.40	(7 bps)
Specialised Group Assets	**65**	**1.10**	105	1.30	(20 bps)
Great Western Bank	**155**	**4.38**	100	4.06	32 bps
Other [1]	**493**	**n/a**	430	n/a	n/a
Group - cash earnings basis	**6,304**	**2.23**	6,114	2.26	(3 bps)
MLC net interest income	**(25)**	**(0.01)**	(17)	(0.01)	0 bps
Group - statutory basis	**6,279**	**2.22**	6,097	2.25	(3 bps)

Half year ended March 11 v Half year ended March 10

Contribution to Group Margin	Impact of Change in NIM [2]	Change in MIX [3]	Impact on Group NIM
Business Banking	2 bps	0 bps	**2 bps**
Personal Banking	(2 bps)	0 bps	**(2 bps)**
Wholesale Banking	(5 bps)	0 bps	**(5 bps)**
NZ Banking	1 bps	0 bps	**1 bps**
UK Banking	(1 bps)	0 bps	**(1 bps)**
Specialised Group Assets	(1 bps)	1 bps	**0 bps**
Great Western Bank	0 bps	1 bps	**1 bps**
Other [1]	3 bps	(2 bps)	**1 bps**
Group - cash earnings basis	(3 bps)	0 bps	**(3 bps)**
MLC net interest income	0 bps	0 bps	**0 bps**
Group - statutory basis	(3 bps)	0 bps	**(3 bps)**

[1] Includes MLC & NAB Wealth, Group Funding, other supporting units and eliminations.

[2] The increase/(decrease) in net interest margin assuming no change in mix of average interest earning assets (AIEA).

[3] The increase/(decrease) in net interest margin caused by changes in divisional mix of AIEA.

Average interest earning assets	Half Year to Mar 11 $bn	Mix %	Sep 10 $bn	Mix %	Movement in mix % of Group AIEA
Business Banking	**190.6**	**33.6**	187.7	34.1	(0.5)
Personal Banking	**123.8**	**21.8**	112.6	20.5	1.3
Wholesale Banking	**153.5**	**27.1**	143.2	26.1	1.0
NZ Banking	**43.5**	**7.7**	45.1	8.2	(0.5)
UK Banking	**66.2**	**11.7**	70.1	12.8	(1.1)
Specialised Group Assets	**11.8**	**2.1**	15.0	2.7	(0.6)
Great Western Bank	**7.1**	**1.3**	7.2	1.3	-
Other [(1)]	**(29.9)**	**(5.3)**	(31.1)	(5.7)	0.4
Group	**566.6**	**100.0**	549.8	100.0	-

Net interest income and margins	Half Year to Mar 11 $m	NIM %	Sep 10 $m	NIM %	NIM Change
Business Banking	**2,446**	**2.57**	2,352	2.50	7 bps
Personal Banking	**1,368**	**2.22**	1,286	2.28	(6 bps)
Wholesale Banking	**522**	**0.68**	573	0.80	(12 bps)
NZ Banking	**487**	**2.24**	506	2.24	0 bps
UK Banking	**768**	**2.33**	801	2.28	5 bps
Specialised Group Assets	**65**	**1.10**	73	0.97	13 bps
Great Western Bank	**155**	**4.38**	145	3.99	39 bps
Other [(1)]	**493**	**n/a**	438	n/a	n/a
Group - cash earnings basis	**6,304**	**2.23**	6,174	2.24	(1 bps)
MLC net interest income	**(25)**	**(0.01)**	(15)	(0.01)	0 bps
Group - statutory basis	**6,279**	**2.22**	6,159	2.23	(1 bps)

Half year ended March 11 v Half year ended September 10

Contribution to Group Margin	Impact of Change in NIM [(2)]	Change in MIX [(3)]	Impact on Group NIM
Business Banking	2 bps	0 bps	**2 bps**
Personal Banking	(1 bps)	0 bps	**(1 bps)**
Wholesale Banking	(3 bps)	(2 bps)	**(5 bps)**
NZ Banking	0 bps	0 bps	**0 bps**
UK Banking	1 bps	0 bps	**1 bps**
Specialised Group Assets	0 bps	1 bps	**1 bps**
Great Western Bank	1 bps	0 bps	**1 bps**
Other [(1)]	3 bps	(3 bps)	**0 bps**
Group - cash earnings basis	3 bps	(4 bps)	**(1 bps)**
MLC net interest income	0 bps	0 bps	**0 bps**
Group - statutory basis	3 bps	(4 bps)	**(1 bps)**

(1) *Includes MLC & NAB Wealth, Group Funding and other supporting units.*
(2) *The increase/(decrease) in net interest margin assuming no change in mix of average interest earning assets (AIEA).*
(3) *The increase/(decrease) in net interest margin caused by changes in divisional mix of AIEA.*

3. Loans and Advances by Industry and Geography

As at 31 March 2011	Australia $m	Europe [1] $m	New Zealand $m	United States $m	Asia $m	Total $m
Government and public authorities	1,489	61	366	126	9	**2,051**
Agriculture, forestry, fishing and mining	14,851	2,781	7,276	919	19	**25,846**
Financial, investment and insurance	10,338	3,458	570	790	70	**15,226**
Real estate - construction	2,163	7,560	434	512	-	**10,669**
Manufacturing	7,705	1,810	1,659	22	88	**11,284**
Instalment loans to individuals and other personal lending (including credit cards)	9,542	4,072	1,936	127	5	**15,682**
Real estate - mortgage	195,319	20,464	19,783	586	1,160	**237,312**
Asset and lease financing	13,027	2,479	16	-	8	**15,530**
Commercial property services	45,050	5,322	5,098	36	152	**55,658**
Other commercial and industrial	50,945	10,508	4,197	2,913	1,425	**69,988**
Gross loans and advances including acceptances [2]	350,429	58,515	41,335	6,031	2,936	**459,246**
Deduct:						
Unearned income and deferred net fee income	(1,750)	(481)	(30)	(11)	(14)	**(2,286)**
Provisions for doubtful debts	(2,835)	(872)	(290)	(73)	(10)	**(4,080)**
Total net loans and advances including acceptances	345,844	57,162	41,015	5,947	2,912	**452,880**

(1) *For the half year ended 31 March 2011, $5,610 million has been reclassified from Commercial Property Services to Real Estate - Construction and $935 million has been reclassified from Commercial Property Services to Financial, Investment and Insurance, due to changes to the Standard Industrial Classification of Economic Activities (SIC) 2007 codes issued by the UK Office for National Statistics.*

(2) *Includes loans at fair value.*

As at 30 September 2010	Australia $m	Europe $m	New Zealand $m	United States $m	Asia $m	Total $m
Government and public authorities	1,473	60	429	133	7	**2,102**
Agriculture, forestry, fishing and mining	15,898	2,987	7,426	1,045	20	**27,376**
Financial, investment and insurance	10,208	2,809	871	1,141	36	**15,065**
Real estate - construction	1,990	1,519	426	660	-	**4,595**
Manufacturing	7,364	2,086	1,615	40	69	**11,174**
Instalment loans to individuals and other personal lending (including credit cards)	9,204	4,498	1,708	160	7	**15,577**
Real estate - mortgage	181,997	20,941	20,101	772	1,089	**224,900**
Asset and lease financing	13,415	2,667	18	-	9	**16,109**
Commercial property services	47,255	13,099	5,253	26	227	**65,860**
Other commercial and industrial	45,824	11,371	4,282	2,959	787	**65,223**
Gross loans and advances including acceptances [2]	334,628	62,037	42,129	6,936	2,251	**447,981**
Deduct:						
Unearned income and deferred net fee income	(1,898)	(539)	(34)	(14)	(9)	**(2,494)**
Provisions for doubtful debts	(2,984)	(937)	(267)	(75)	(11)	**(4,274)**
Total net loans and advances including acceptances	329,746	60,561	41,828	6,847	2,231	**441,213**

(2) *Includes loans at fair value.*

As at 31 March 2010	Australia $m	Europe $m	New Zealand $m	United States $m	Asia $m	Total $m
Government and public authorities	1,268	64	500	138	-	**1,970**
Agriculture, forestry, fishing and mining	15,295	3,071	7,423	734	7	**26,530**
Financial, investment and insurance	9,684	3,208	994	1,757	62	**15,705**
Real estate - construction	1,940	1,564	434	330	-	**4,268**
Manufacturing	7,327	1,956	1,906	122	63	**11,374**
Instalment loans to individuals and other personal lending (including credit cards)	9,266	4,594	1,443	377	8	**15,688**
Real estate - mortgage	169,060	20,581	20,108	259	1,006	**211,014**
Asset and lease financing	13,664	2,856	21	-	9	**16,550**
Commercial property services	48,559	14,054	5,711	-	857	**69,181**
Other commercial and industrial	43,280	11,775	4,102	2,265	774	**62,196**
Gross loans and advances including acceptances [1]	319,343	63,723	42,642	5,982	2,786	**434,476**
Deduct:						
Unearned income and deferred net fee income	(1,877)	(564)	(34)	(13)	(9)	**(2,497)**
Provisions for doubtful debts	(3,177)	(959)	(259)	(83)	(13)	**(4,491)**
Total net loans and advances including acceptances	314,289	62,200	42,349	5,886	2,764	**427,488**

(1) *Includes loans at fair value.*

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 incurred by the Group. Averages are predominantly daily averages. Amounts classified as Other International represent interest earning assets and interest bearing liabilities of the controlled entities and overseas branches domiciled in New Zealand, United States and Asia. Impaired assets are included within loans and advances in interest earning assets.

Average assets and interest income

	Half Year Ended Mar 11			Half Year Ended Sep 10			Half Year Ended Mar 10		
	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	13,552	260	3.8	14,131	292	4.1	13,983	218	3.1
Europe	24,137	58	0.5	18,485	45	0.5	26,035	65	0.5
Other International	4,488	34	1.5	3,725	29	1.6	3,977	25	1.3
Marketable debt securities									
Australia	26,805	692	5.2	25,351	422	3.3	23,043	551	4.8
Europe	15,058	94	1.3	13,764	80	1.2	13,748	64	0.9
Other International	14,557	124	1.7	11,365	133	2.3	8,983	85	1.9
Loans and advances - housing									
Australia	188,286	6,286	6.7	175,024	5,681	6.5	163,886	4,747	5.8
Europe	20,656	344	3.3	21,466	363	3.4	21,898	372	3.4
Other International	21,979	672	6.1	22,240	696	6.2	21,624	681	6.3
Loans and advances - non-housing									
Australia	104,626	4,115	7.9	98,097	3,769	7.7	94,331	3,428	7.3
Europe	38,699	833	4.3	43,188	877	4.1	46,532	950	4.1
Other International	29,281	870	6.0	31,543	825	5.2	30,809	751	4.9
Acceptances									
Australia	48,032	1,845	7.7	51,652	2,058	7.9	54,244	1,861	6.9
Europe	14	-	-	13	-	-	5	-	-
Other interest earning assets									
Australia	2,733	407	n/a	2,791	262	n/a	3,729	258	n/a
Europe	9,722	38	n/a	13,557	122	n/a	14,393	65	n/a
Other International	3,999	29	n/a	3,416	29	n/a	2,140	20	n/a
Total average interest earning assets and interest revenue by:									
Australia	384,034	13,605	7.1	367,046	12,484	6.8	353,216	11,063	6.3
Europe	108,286	1,367	2.5	110,473	1,487	2.7	122,611	1,516	2.5
Other International	74,304	1,729	4.7	72,289	1,712	4.7	67,533	1,562	4.6
Total average interest earning assets and interest revenue	566,624	16,701	5.9	549,808	15,683	5.7	543,360	14,141	5.2
Average non-interest earning assets									
Investments relating to life insurance business [(1)]									
Australia	65,767			61,741			58,867		
Other International	40			42			42		
Other assets	57,405			65,129			62,123		
Total average non-interest earning assets	123,212			126,912			121,032		
Provision for doubtful debts									
Australia	(3,006)			(3,125)			(3,159)		
Europe	(866)			(1,004)			(978)		
Other International	(366)			(379)			(343)		
Total average assets	685,598			672,212			659,912		
Percentage of total average interest earning assets applicable to international operations	32.2%			33.2%			35.0%		

[(1)] *Included within investments relating to life insurance business are interest earning debt securities. The interest earned from these securities is reported in life insurance income, and has therefore been treated as non-interest earning for the purposes of this note. The assets and liabilities held in the statutory funds of the Group's Australian life insurance business are subject to the restrictions of the Life Insurance Act 1995 (Cth).*

Average liabilities and interest expense

	Half Year Ended Mar 11			Half Year Ended Sep 10			Half Year Ended Mar 10		
	Average balance	Interest	Average rate	Average balance	Interest	Average rate	Average balance	Interest	Average rate
	$m	$m	%	$m	$m	%	$m	$m	%
Average interest bearing liabilities									
Due to other banks									
Australia	**20,753**	**441**	**4.3**	20,402	404	3.9	14,502	284	3.9
Europe	**11,448**	**12**	**0.2**	15,553	16	0.2	16,169	11	0.1
Other International	**3,908**	**44**	**2.3**	3,938	36	1.8	6,370	44	1.4
On-demand and short-term deposits									
Australia	**93,366**	**1,810**	**3.9**	87,845	1,586	3.6	86,259	1,189	2.8
Europe	**28,079**	**78**	**0.6**	30,084	84	0.6	29,684	63	0.4
Other International	**14,203**	**98**	**1.4**	13,959	94	1.3	13,033	84	1.3
Certificates of deposit									
Australia	**18,386**	**448**	**4.9**	22,634	527	4.6	26,986	519	3.9
Europe	**29,228**	**61**	**0.4**	29,830	65	0.4	37,688	80	0.4
Other International	**13,209**	**46**	**0.7**	7,862	42	1.1	6,924	52	1.5
Term deposits									
Australia	**91,734**	**2,657**	**5.8**	84,761	2,344	5.5	77,159	1,803	4.7
Europe	**17,104**	**162**	**1.9**	18,184	189	2.1	18,196	205	2.3
Other International	**28,974**	**467**	**3.2**	29,010	446	3.1	26,780	405	3.0
Other borrowings									
Australia	**5,423**	**137**	**5.1**	7,301	147	4.0	9,097	171	3.8
Europe	**254**	**1**	**0.8**	34	-	-	254	1	0.8
Other International	**12,174**	**17**	**0.3**	12,672	22	0.3	14,146	31	0.4
Liability on acceptances									
Australia	**12,696**	**485**	**7.7**	14,505	533	7.3	16,321	589	7.2
Europe	**14**	**-**	**-**	13	-	-	5	-	-
Bonds, notes and subordinated debt									
Australia	**88,964**	**3,010**	**6.8**	82,284	2,483	6.0	78,248	2,087	5.3
Europe	**6,837**	**51**	**1.5**	7,673	54	1.4	8,761	57	1.3
Other International	**8,120**	**156**	**3.9**	7,957	144	3.6	6,443	111	3.5
Other interest bearing liabilities									
Australia	**238**	**11**	**n/a**	206	12	n/a	250	11	n/a
Europe	**35**	**6**	**n/a**	38	71	n/a	40	22	n/a
Other International	**1,777**	**224**	**n/a**	2,437	225	n/a	2,483	225	n/a
Total average interest bearing liabilities and interest expense by:									
Australia	331,560	8,999	5.4	319,938	8,036	5.0	308,822	6,653	4.3
Europe	92,999	371	0.8	101,409	479	0.9	110,797	439	0.8
Other International	82,365	1,052	2.6	77,835	1,009	2.6	76,179	952	2.5
Total average interest bearing liabilities and interest expense	506,924	10,422	4.1	499,182	9,524	3.8	495,798	8,044	3.3

Average liabilities and interest expense

	Half Year Ended		
	Mar 11 $m	**Sep 10 $m**	**Mar 10 $m**
Average non-interest bearing liabilities			
Deposits not bearing interest			
Australia	**14,124**	12,292	11,526
Europe	**1,996**	1,947	1,831
Other International	**1,699**	1,522	1,382
Life insurance policy liabilities			
Australia	**55,706**	52,485	50,919
Other liabilities	**65,873**	65,647	60,479
Total average non-interest bearing liabilities	**139,398**	133,893	126,137
Total average liabilities	**646,322**	633,075	621,935
Average equity			
Ordinary shares	**19,017**	17,913	17,749
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	380
BNZ Income Securities 2	**203**	203	203
Contributed equity	**23,931**	22,827	22,663
Reserves	**(1,044)**	288	(574)
Retained profits	**16,374**	16,013	15,867
Parent entity interest	**39,261**	39,128	37,956
Non-controlling interest in controlled entities	**15**	9	21
Total average equity	**39,276**	39,137	37,977
Total average liabilities and equity	**685,598**	672,212	659,912
Percentage of total average interest bearing liabilities applicable to international operations	**34.6%**	35.9%	37.7%

5. Capital Adequacy

Under APRA's Prudential Standards, life insurance and funds management activities are de-consolidated from the National Australia Bank Group for the purposes of calculating capital adequacy and excluded from the risk based capital adequacy framework. The intangible component of the investment in these controlled entities is deducted from Tier 1 capital, with the balance of the investment deducted 50% from Tier 1 and 50% from Tier 2 capital. Additionally, any profits from these activities included in the Group's results are excluded from the determination of Tier 1 capital to the extent that they have not been remitted to the company.

	As at		
Reconciliation to shareholder's funds	**31 Mar 11 $m**	**30 Sep 10 $m**	**31 Mar 10 $m**
Contributed equity	**24,365**	23,551	23,363
Reserves	**(1,491)**	(639)	(879)
Retained profits	**16,931**	16,028	15,693
Non-controlling interest	**15**	14	22
Total equity per consolidated balance sheet	**39,820**	38,954	38,199
Liability-accounted Residual Tier 1 hybrid capital (1)	**2,242**	2,330	2,331
Treasury shares	**1,040**	1,064	1,056
Eligible deferred fee income	**251**	231	269
Revaluation reserves	**(124)**	(141)	(131)
General reserve for credit losses (6)	**(751)**	(698)	(738)
Estimated dividend	**(1,823)**	(1,664)	(1,570)
Estimated reinvestment under dividend reinvestment plan and bonus share plan	**720**	582	314
Deconsolidation of Wealth Management profits (net of dividends)	**(345)**	(540)	(343)
Adjusted total equity for capital purposes	**41,030**	40,118	39,387
Banking goodwill	**(1,667)**	(1,747)	(1,680)
Wealth Management goodwill and other intangibles	**(4,277)**	(4,248)	(4,307)
DTA (excluding DTA on the collective provision for doubtful debts) (2)	**(717)**	(916)	(1,008)
Non qualifying non-controlling interest	**(12)**	(12)	(19)
Capitalised expenses (3)	**(87)**	(121)	(151)
Capitalised software (excluding Wealth Management)	**(1,077)**	(962)	(880)
Defined benefit pension scheme surplus	**(12)**	(12)	(12)
Change in own creditworthiness	**(37)**	(32)	(29)
Cash flow hedge reserve (4)	**(127)**	(146)	83
Deductions taken 50% from Tier 1 and 50% from Tier 2			
Investment in non-consolidated controlled entities (net of intangible component)	**(866)**	(791)	(891)
Expected loss in excess of eligible provisions	**(252)**	(312)	(96)
Other	**(161)**	(126)	(145)
Tier 1 capital	**31,738**	30,693	30,252

	As at		
	31 Mar 11	**30 Sep 10 $m**	**31 Mar 10 $m**
Collective provision for doubtful debts [5]	**682**	720	723
Revaluation reserves	**56**	64	59
Perpetual floating rate notes	**162**	173	183
Eligible dated subordinated debt	**7,761**	8,749	10,101
Deductions taken 50% from Tier 1 and 50% from Tier 2			
Investment in non-consolidated controlled entities (net of intangible component)	**(866)**	(791)	(891)
Expected loss in excess of eligible provisions	**(252)**	(312)	(96)
Other	**(161)**	(126)	(145)
Tier 2 capital	**7,382**	8,477	9,934
Total capital	**39,120**	39,170	40,186
Risk-weighted assets - credit risk	**311,625**	312,345	301,473
Risk-weighted assets - market risk	**3,159**	3,079	3,305
Risk-weighted assets - operational risk	**21,862**	22,234	22,402
Risk-weighted assets - interest rate risk in the banking book	**8,565**	7,000	5,653
Total risk-weighted assets	**345,211**	344,658	332,833
Risk adjusted capital ratios			
Tier 1	**9.19%**	8.91%	9.09%
Total capital	**11.33%**	11.36%	12.07%

	As at		
Regulatory capital summary	**31 Mar 11 $m**	**30 Sep 10 $m**	**31 Mar 10 $m**
Fundamental Tier 1 capital	**33,874**	32,874	32,141
Non-innovative residual Tier 1 capital	**2,742**	2,742	2,740
Innovative residual Tier 1 capital	**4,414**	4,502	4,506
Total residual Tier 1 capital	**7,156**	7,244	7,246
Tier 1 deductions	**(9,292)**	(9,425)	(9,135)
Tier 1 capital	**31,738**	30,693	30,252
Tier 2 capital	**7,382**	8,477	9,934
Total capital	**39,120**	39,170	40,186

(1) *Residual Tier 1 capital that is classified as debt for accounting purposes but qualifies as Tier 1 capital for regulatory purposes. This includes National Capital Instruments issued in September 2006, Residual Tier 1 Convertible Notes issued in September 2008, Residual Tier 1 Stapled Securities issued in September 2008 and September 2009, and Residual Tier 1 Capital Notes issued in September 2009.*

(2) *APRA requires any excess deferred tax assets (DTA) (excluding DTA on the collective provision for doubtful debts) over deferred tax liabilities to be deducted from Tier 1 capital.*

(3) *Comprises capitalised costs associated with debt raisings and securitisations. Loan origination fees are netted against eligible deferred fee income.*

(4) *For regulatory capital purposes the cash flow hedge reserve is treated on a pre-tax basis.*

(5) *Under Basel II, this includes the component of the Group's collective provision relating to securitisation exposure and assets where RWAs are calculated under the standardised approach.*

(6) *The GRCL calculation methodology includes an additional reserve to cover these credit losses estimated but not certain to arise in the future extending over the life of all facilities. This additional reserve has been reflected as a transfer from retained earnings, and the portion relating to the IRB portfolio added to eligible provisions for the purpose of calculating the eligible provisions to expected loss capital deduction.*

Basel II	Risk Weighted Assets as at 31 Mar 11 $m	30 Sep 10 $m	31 Mar 10 $m	Exposures as at 31 Mar 11 $m	30 Sep 10 $m	31 Mar 10 $m
Credit risk (1)						
IRB approach						
Corporate (including SME)	**116,297**	116,128	124,314	**177,571**	168,186	179,582
Sovereign (2)	**1,028**	1,044	957	**26,913**	25,287	22,193
Bank (3)	**6,651**	5,842	5,560	**58,223**	65,009	68,969
Residential Mortgage (3)	**51,389**	48,909	45,932	**239,040**	226,507	213,635
Qualifying revolving retail (3)	**4,186**	3,991	4,110	**10,693**	10,277	10,120
Retail SME	**8,985**	9,174	7,973	**19,706**	20,181	16,949
Other retail	**3,699**	3,749	3,879	**4,542**	4,629	4,756
Total IRB approach	**192,235**	188,837	192,725	**536,688**	520,076	516,204
Specialised lending (SL)	**41,762**	40,606	30,038	**46,842**	47,433	35,485
Standardised approach						
Australian and foreign governments	**49**	41	41	**2,951**	3,864	2,765
Bank	**269**	270	312	**6,753**	7,613	11,199
Residential mortgage	**21,785**	22,944	22,910	**41,023**	40,155	38,850
Corporate	**27,698**	29,333	28,491	**28,065**	29,800	30,194
Other	**9,171**	11,036	7,926	**9,724**	11,778	7,915
Total standardised approach	**58,972**	63,624	59,680	**88,516**	93,210	90,923
Other						
Securitisation	**10,209**	11,103	12,048	**16,925**	16,659	15,731
Equity	**1,541**	1,342	1,261	**399**	362	331
Other (4)	**6,906**	6,833	5,721	**9,955**	10,039	8,840
Total Other	**18,656**	19,278	19,030	**27,279**	27,060	24,902
Total credit risk	**311,625**	312,345	301,473	**699,325**	687,779	667,514
Market risk	**3,159**	3,079	3,305			
Operational risk	**21,862**	22,234	22,402			
Interest rate risk in the banking book	**8,565**	7,000	5,653			
Total risk-weighted assets & exposures	**345,211**	344,658	332,833			

(1) *Risk weighted assets 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) *'Sovereign' includes government guaranteed exposures.*

(3) *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.*

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

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.

6. Earnings per Share

Earnings per Share	Half Year to Mar 11 Basic	Mar 11 Diluted	Sep 10 Basic	Sep 10 Diluted [1]	Mar 10 Basic	Mar 10 Diluted
Earnings ($m)						
Net profit attributable to owners of the Company	**2,428**	**2,428**	2,129	2,129	2,095	2,095
Distributions on other equity instruments	**(132)**	**(132)**	(131)	(131)	(122)	(122)
Potential dilutive adjustments						
Interest expense on convertible notes (after tax)	**-**	**45**	-	20	-	35
Adjusted earnings	**2,296**	**2,341**	1,998	2,018	1,973	2,008
Weighted average ordinary shares (no. '000)						
Weighted average ordinary shares (net of treasury shares)	**2,109,971**	**2,109,971**	2,082,328	2,082,328	2,065,864	2,065,864
Potential dilutive ordinary shares						
Performance options and performance rights	**-**	**1,646**	-	3,012	-	623
Partly paid ordinary shares	**-**	**114**	-	123	-	125
Employee share plans	**-**	**6,550**	-	7,116	-	3,869
Convertible notes	**-**	**44,207**	-	22,625	-	39,697
Total weighted average ordinary shares	**2,109,971**	**2,162,488**	2,082,328	2,115,204	2,065,864	2,110,178
Earnings per share (cents)	**108.8**	**108.3**	96.0	95.4	95.5	95.1

[1] *During the half year ended 30 September 2010, the impact of some 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 11 Basic	Mar 11 Diluted	Sep 10 Basic	Sep 10 Diluted	Mar 10 Basic	Mar 10 Diluted
Earnings ($m)						
Cash earnings	**2,668**	**2,668**	2,388	2,388	2,193	2,193
Distributions on other equity instruments	**(18)**	**(18)**	(19)	(19)	(19)	(19)
Potential dilutive adjustments						
Interest expense on convertible notes (after tax)	**-**	**45**	-	40	-	35
Adjusted cash earnings	**2,650**	**2,695**	2,369	2,409	2,174	2,209
Weighted average ordinary shares (no. '000)						
Weighted average ordinary shares	**2,154,891**	**2,154,891**	2,126,749	2,126,749	2,110,483	2,110,483
Potential dilutive weighted average ordinary shares						
Performance options and performance rights	**-**	**1,646**	-	3,012	-	623
Partly paid ordinary shares	**-**	**114**	-	123	-	125
Employee share plans	**-**	**6,550**	-	7,116	-	3,869
Convertible notes	**-**	**44,207**	-	42,561	-	39,697
Total weighted average ordinary shares	**2,154,891**	**2,207,408**	2,126,749	2,179,561	2,110,483	2,154,797
Cash earnings per share (cents)	**123.0**	**122.1**	111.4	110.5	103.0	102.5

7. Number of Ordinary Shares

	Half Year to Mar 11 No. '000	Sep 10 No. '000	Mar 10 No. '000
Ordinary shares, fully paid			
Balance at beginning of period	**2,133,341**	2,121,067	2,095,595
Shares issued			
Dividend reinvestment plan	**27,273**	10,910	19,275
Bonus share plan	**949**	841	889
Employee share plans	**7,901**	334	5,202
Executive option plan no. 2	**194**	184	91
Paying up of partly paid shares	**-**	5	15
	2,169,658	2,133,341	2,121,067
Ordinary shares, partly paid to 25 cents			
Balance at beginning of period	**183**	188	203
Paying up of partly paid shares	**-**	(5)	(15)
	183	183	188
Total number of ordinary shares on issue at end of period (including treasury shares)	**2,169,841**	2,133,524	2,121,255
Less: treasury shares	**(42,608)**	(47,232)	(41,610)
Total number of ordinary shares on issue at end of period (excluding treasury shares)	**2,127,233**	2,086,292	2,079,645

8. Exchange Rates

	Income Statement - average Half Year to			Balance Sheet - spot As at		
	Mar 11	**Sep 10**	**Mar 10**	**Mar 11**	**Sep 10**	**Mar 10**
British Pounds	**0.6261**	0.5874	0.5678	**0.6417**	0.6103	0.6071
Euros	**0.7311**	0.6966	0.6341	**0.7304**	0.7120	0.6826
United States Dollars	**0.9962**	0.8935	0.9069	**1.0335**	0.9660	0.9153
New Zealand Dollars	**1.3161**	1.2599	1.2619	**1.3578**	1.3138	1.2895

9. Australian Life Company Margins

Sources of Operating Profit from Australian Life Companies' life insurance funds	Half Year to Mar 11 $m	Sep 10 $m	Mar 10 $m	Mar 11 v Sep 10 %	Mar 11 v Mar 10 %
Life company - planned profit margins	**153**	160	137	(4.4)	11.7
Life company - experience profit [(1)]	**20**	(8)	(8)	large	large
Life company operating margins [(2)]	**173**	152	129	13.8	34.1
IoRE (after tax) [(3)]	**30**	84	41	(64.3)	(26.8)
Net profit of life insurance funds after non-controlling interest	**203**	236	170	(14.0)	19.4

(1) *Life company - experience profits include $34.9 million from the settlement of a tax dispute with the ATO in March 2010.*

(2) *Reflects operating profit of all business types (investment or insurance) written through life insurance funds.*

(3) *Includes investment earnings on shareholders' retained profits and capital from life businesses after non-controlling interest of $52 million (HY Sep 10 $41 million; HY Mar10 $50 million) and IoRE discount rate variation of ($22 million) (HY Sep 10 $43 million; HY Mar 10 ($9 million)); IoRE attributable to non life insurance funds of ($23 million) (HY Sep 10 ($15 million); HY Mar 10 ($15 million)) is excluded.*

10. ASX Appendix 4D

11. Reconciliation between Statutory Net Profit after Tax and Cash Earnings

Half Year ended 31 March 2011	Statutory Profit $m	MLC Adj. [(1)] $m	Distributions $m	Treasury Shares $m	Fair Value and Hedge Ineffec. $m	IoRE Disc. Rate $m	Amortisation of acquired intangible assets $m	ExCaps Taxation Assmt. $m	Due Diligence, Acquisition and Integration Costs $m	Cash Earnings $m
Net interest income	6,279	25	-	-	-	-	-	-	-	**6,304**
Net life insurance income	296	(374)	-	47	-	31	-	-	-	**-**
Other operating income	1,712	(519)	-	-	532	-	-	-	-	**1,725**
MLC net operating income	-	770	-	-	-	-	-	-	-	**770**
Net operating income	8,287	(98)	-	47	532	31	-	-	-	**8,799**
Operating expenses	(4,117)	(22)	-	-	-	-	52	-	96	**(3,991)**
Operating profit pre charge to provide for doubtful debts	4,170	(120)	-	47	532	31	52	-	96	**4,808**
Charge to provide for doubtful debts	(923)	-	-	-	(65)	-	-	-	-	**(988)**
Operating profit before tax	3,247	(120)	-	47	467	31	52	-	96	**3,820**
Income tax expense	(818)	91	-	(6)	(140)	(9)	(11)	(142)	(31)	**(1,066)**
Operating profit before distributions and non-controlling interest	2,429	(29)	-	41	327	22	41	(142)	65	**2,754**
Net profit - non-controlling interest	(1)	-	-	-	-	-	-	-	-	**(1)**
IoRE (after tax)	-	29	-	-	-	-	-	-	-	**29**
Distributions	-	-	(114)	-	-	-	-	-	-	**(114)**
Net profit attributable to owners of the Company	2,428	-	(114)	41	327	22	41	(142)	65	**2,668**

(1) *Refer to Note 12 in Section 6 for further details regarding the MLC adjustment.*

Half Year ended 30 September 2010	Statutory Profit $m	MLC Adj. [1] $m	Distri-butions $m	Treasury Shares $m	Fair Value and Hedge Ineffec. $m	IoRE Disc. Rate $m	Efficiency, quality and service initiatives $m	Provision for Litigation $m	Property Revaluation $m	MLC Re-insurance Dispute - Interest & expenses $m	Hedging recovery $m	Amortis ation of acquired intangible assets $m	Due Diligence, Acquisition and Integration Costs $m	Cash Earnings $m
Net interest income	6,159	15	-	-	-	-	-	-	-	-	-	-	-	**6,174**
Net life insurance income	360	(249)	-	(50)	-	(61)	-	-	-	-	-	-	-	**-**
Other operating income	1,807	(481)	-	-	180	-	-	-	-	-	(39)	(4)	-	**1,463**
MLC net operating income	-	764	-	-	-	-	-	-	-	-	-	-	-	**764**
Net operating income	8,326	49	-	(50)	180	(61)	-	-	-	-	(39)	(4)	-	**8,401**
Operating expenses	(4,418)	(46)	-	-	-	-	243	18	7	-	-	62	133	**(4,001)**
Operating profit pre charge to provide for doubtful debts	3,908	3	-	(50)	180	(61)	243	18	7	-	(39)	58	133	**4,400**
Charge to provide for doubtful debts	(1,072)	-	-	-	-	-	-	-	-	-	39	-	-	**(1,033)**
Operating profit before tax	2,836	3	-	(50)	180	(61)	243	18	7	-	-	58	133	**3,367**
Income tax expense	(707)	(29)	-	11	(48)	18	(73)	(6)	(3)	1	-	(15)	(42)	**(893)**
Operating profit before distributions and non-controlling interest	2,129	(26)	-	(39)	132	(43)	170	12	4	1	-	43	91	**2,474**
Net profit - non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
IoRE (after tax)	-	26	-	-	-	-	-	-	-	-	-	-	-	**26**
Distributions	-	-	(112)	-	-	-	-	-	-	-	-	-	-	**(112)**
Net profit attributable to owners of the Company	2,129	-	(112)	(39)	132	(43)	170	12	4	1	-	43	91	**2,388**

[1] *Refer to Note 12 in Section 6 for further details regarding the MLC adjustment.*

Half Year ended 31 March 2010	Statutory Profit $m	MLC Adj. (1) $m	Distri-butions $m	Treasury Shares $m	Fair Value and Hedge Ineffec. $m	IoRE Disc. Rate $m	Efficiency, quality and service initiatives $m	Provision for Tax on NZ Struct. Fin. Trans. $m	MLC Re-insurance Dispute - Interest & expenses $m	Hedging recovery $m	Amortisation of acquired intangible assets $m	Due Diligence, Acquisition and Integration Costs $m	Cash Earnings $m
Net interest income	6,097	17	-	-	-	-	-	-	-	-	-	-	**6,114**
Net life insurance income	453	(383)	-	(83)	-	13	-	-	-	-	-	-	**-**
Other operating income	2,132	(589)	-	-	321	-	-	-	-	(489)	-	-	**1,375**
MLC net operating income	-	748	-	-	-	-	-	-	-	-	-	-	**748**
Net operating income	8,682	(207)	-	(83)	321	13	-	-	-	(489)	-	-	**8,237**
Operating expenses	(4,123)	75	-	-	-	-	96	4	-	-	39	48	**(3,861)**
Operating profit pre charge to provide for `doubtful debts	4,559	(132)	-	(83)	321	13	96	4	-	(489)	39	48	**4,376**
Charge to provide for doubtful debts	(1,719)	-	-	-	-	-	-	-	-	489	-	-	**(1,230)**
Operating Profit before tax	2,840	(132)	-	(83)	321	13	96	4	-	-	39	48	**3,146**
Income tax expense	(744)	97	-	16	(100)	(4)	(29)	(132)	35	-	(9)	(14)	**(884)**
Operating profit before distributions and non-controlling interest	2,096	(35)	-	(67)	221	9	67	(128)	35	-	30	34	**2,262**
Net profit - non-controlling interest	(1)	-	-	-	-	-	-	-	-	-	-	-	**(1)**
IoRE (after tax)	-	35	-	-	-	-	-	-	-	-	-	-	**35**
Distributions	-	-	(103)	-	-	-	-	-	-	-	-	-	**(103)**
Net profit attributable to owners of the Company	2,095	-	(103)	(67)	221	9	67	(128)	35	-	30	34	**2,193**

(1) *Refer to Note 12 in Section 6 for further details regarding the MLC adjustment.*

12. MLC & NAB Wealth Reconciling Items

Half Year ended 31 March 2011	Life Reclassification (a) Cash IoRE (i) $m	Policyholder tax (ii) $m	Other NLII reclassification (iii) $m	Non-Life Reclassification (b) $m	Other $m	MLC Adj $m
Net interest income	32	-	-	(7)	-	**25**
Net life insurance income	(70)	(64)	(240)	-	-	**(374)**
Other operating income	-	-	21	(540)	-	**(519)**
MLC net operating income	-	-	392	385	(7)	**770**
Net operating income	(38)	(64)	173	(162)	(7)	**(98)**
Operating expenses	-	-	(184)	162	-	**(22)**
Operating profit pre charge to provide for doubtful debts	(38)	(64)	(11)	-	(7)	**(120)**
Charge to provide for doubtful debts	-	-	-	-	-	**-**
Operating profit before tax	(38)	(64)	(11)	-	(7)	**(120)**
Income tax expense	9	64	11	-	7	**91**
Operating profit before distributions and non-controlling interest	(29)	-	-	-	-	**(29)**
Net profit - non-controlling interest	-	-	-	-	-	**-**
IoRE (after tax)	29	-	-	-	-	**29**
Distributions	-	-	-	-	-	**-**
Net profit attributable to owners of the Company	-	-	-	-	-	**-**

Half Year ended 30 September 2010	Life Reclassification (a) Cash IoRE (i) $m	Policyholder tax (ii) $m	Other NLII reclassification (iii) $m	Non-Life Reclassification (b) $m	Other $m	MLC Adj $m
Net interest income	21	-	-	(6)	-	**15**
Net life insurance income	(64)	53	(239)	-	1	**(249)**
Other operating income	-	-	20	(502)	1	**(481)**
MLC net operating income	-	-	431	324	9	**764**
Net operating income	(43)	53	212	(184)	11	**49**
Operating expenses	-	-	(227)	184	(3)	**(46)**
Operating profit pre charge to provide for doubtful debts	(43)	53	(15)	-	8	**3**
Charge to provide for doubtful debts	-	-	-	-	-	**-**
Operating profit before tax	(43)	53	(15)	-	8	**3**
Income tax expense	17	(53)	15	-	(8)	**(29)**
Operating profit before distributions and non-controlling interest	(26)	-	-	-	-	**(26)**
Net profit - non-controlling interest	-	-	-	-	-	**-**
IoRE (after tax)	26	-	-	-	-	**26**
Distributions	-	-	-	-	-	**-**
Net profit attributable to owners of the Company	-	-	-	-	-	**-**

Half Year ended		Life Reclassification [a]				
	Cash IoRE [i]	**Policyholder tax [ii]**	**Other NLII reclassification [iii]**	**Non-Life Reclassification [b]**	**Other**	**MLC Adj**
31 March 2010	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**
Net interest income	23	-	-	(6)	-	**17**
Net life insurance income	(70)	(68)	(244)	-	(1)	**(383)**
Other operating income	-	-	20	(610)	1	**(589)**
MLC net operating income	-	-	366	390	(8)	**748**
Net operating income	(47)	(68)	142	(226)	(8)	**(207)**
Operating expenses	-	-	(156)	226	5	**75**
Operating profit pre charge to provide for doubtful debts	(47)	(68)	(14)	-	(3)	**(132)**
Charge to provide for doubtful debts	-	-	-	-	-	**-**
Operating profit before tax	(47)	(68)	(14)	-	(3)	**(132)**
Income tax expense	12	68	14	-	3	**97**
Operating profit before distributions and non-controlling interest	(35)	-	-	-	-	**(35)**
Net profit - non-controlling interest	-	-	-	-	-	**-**
IoRE (after tax)	35	-	-	-	-	**35**
Distributions	-	-	-	-	-	**-**
Net profit attributable to owners of the Company	-	-	-	-	-	**-**

(a) *Reclassification of Net Life Insurance Income (NLII). NLII is a statutory disclosure only and as such all items shown under NLII are reclassified for management reporting purposes. A summary of the respective NLII adjustments is provided below:*

(i) *Cash IoRE: Interest on Retained Earnings is a separately 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.*

13. Divisional Performance Summary Excluding Foreign Currency Impacts

Half Year ended 31 March 2011 at 31 March 2010 FX rate	Business Banking $m	Personal Banking $m	Wholesale Banking $m	MLC & NAB Wealth $m	NZ Banking $m	UK Banking $m	Specialised Group Assets $m	GWB $m	Corporate Functions & Other [1] $m	Elimina-tions $m	Group Cash Earnings $m
Net interest income	2,446	1,368	540	160	507	847	70	172	338	-	**6,448**
Other operating income	492	301	483	19	179	236	74	42	(21)	(35)	**1,770**
MLC net operating income	-	-	-	770	-	-	-	-	-	-	**770**
Net operating income	2,938	1,669	1,023	949	686	1,083	144	214	317	(35)	**8,988**
Operating expenses	(879)	(891)	(466)	(561)	(293)	(639)	(27)	(99)	(269)	35	**(4,089)**
Underlying profit	2,059	778	557	388	393	444	117	115	48	-	**4,899**
Charge to provide for doubtful debts	(385)	(163)	14	(11)	(75)	(266)	(25)	(36)	(75)	-	**(1,022)**
Cash earnings before tax, IoRE, distribution and non-controlling interest	1,674	615	571	377	318	178	92	79	(27)	-	**3,877**
Income tax expense	(493)	(183)	(164)	(107)	(94)	(43)	(17)	(26)	46	-	**(1,081)**
Cash earnings before IoRE, distribution and non-controlling interest	1,181	432	407	270	224	135	75	53	19	-	**2,796**
Net profit - non-controlling interest	-	-	-	(1)	-	-	-	-	-	-	**(1)**
IoRE	-	-	-	29	-	-	-	-	-	-	**29**
Distributions	-	-	-	-	-	-	-	-	-	(120)	**(120)**
Cash earnings	1,181	432	407	298	224	135	75	53	19	(120)	**2,704**

[1] *Corporate Functions includes Group Funding, Group Business Services, other supporting units and Asia Banking.*

13. Divisional Performance Summary Excluding Foreign Currency Impacts

Half Year ended 31 March 2011 at 30 September 2010 FX rate	Business Banking $m	Personal Banking $m	Wholesale Banking $m	NAB Wealth $m	NZ Banking $m	UK Banking $m	Specialised Group Assets $m	GWB $m	Corporate Functions & Other [1] $m	Elimina-tions $m	Group Cash Earnings $m
Net interest income	2,446	1,368	536	160	508	818	69	174	342	-	**6,421**
Other operating income	492	301	481	19	179	228	73	42	(20)	(34)	**1,761**
MLC net operating income	-	-	-	770	-	-	-	-	-	-	**770**
Net operating income	2,938	1,669	1,017	949	687	1,046	142	216	322	(34)	**8,952**
Operating expenses	(879)	(891)	(465)	(561)	(294)	(618)	(26)	(100)	(268)	34	**(4,068)**
Underlying profit	2,059	778	552	388	393	428	116	116	54	-	**4,884**
Charge to provide for doubtful debts	(385)	(163)	14	(11)	(75)	(257)	(24)	(36)	(75)	-	**(1,012)**
Cash earnings before tax, IoRE, distribution and non-controlling interest	1,674	615	566	377	318	171	92	80	(21)	-	**3,872**
Income tax expense	(493)	(183)	(163)	(107)	(94)	(42)	(16)	(27)	47	-	**(1,078)**
Cash earnings before IoRE, distribution and non-controlling interest	1,181	432	403	270	224	129	76	53	26	-	**2,794**
Net profit - non-controlling interest	-	-	-	(1)	-	-	-	-	-	-	**(1)**
IoRE	-	-	-	29	-	-	-	-	-	-	**29**
Distributions	-	-	-	-	-	-	-	-	-	(121)	**(121)**
Cash earnings	1,181	432	403	298	224	129	76	53	26	(121)	2,701

(1) *Corporate Functions includes Group Funding, Group Business Services, other supporting units and Asia Banking.*

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.
ASX	Australian Securities Exchange
ATO	Australian Tax Office
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, institutional and agri-business banking operations operating in Business Banking, Personal Banking, UK Banking, NZ Banking, MLC and NAB Wealth and Great Western Bank. - Global Markets and Treasury, Specialised Finance, Financial Institutions business within Wholesale Banking. - Asian operations and Group Treasury within Corporate Functions.
Banking Cost to Income Ratio	Represents banking operating expenses (before inter-segment eliminations) plus the operating expenses of Specialised Group Assets (SGA) as a percentage of total banking operating revenue (before inter-segment eliminations) inclusive of the operating revenue of SGA.
Cash earnings	Is a non Generally Accepted Accounting Principles (GAAP) key performance measure that excludes certain items within the calculation of net profit attributable to members of the company. It is also a key performance measure used by the investment community, as well as by those Australian peers of the NAB Group with a similar business portfolio. These specified items are excluded in order to better reflect what NAB considers to be the underlying performance of the NAB Group. Many of the adjustments below are more effectively applied on a consolidated basis and therefore at a divisional level cash earnings reflects the performance of the business segment as it is managed. It does not refer to, or in any way purport to represent the cash flows, funding or liquidity position of the NAB 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 Adjusted for: Distributions Treasury shares Fair value and hedge ineffectiveness IoRE discount rate variation Efficiency, quality and service initiatives Litigation expense Property revaluation Provision for tax NZ structured finance transactions MLC reinsurance dispute ExCaps taxation assessment Amortisation of acquired intangible assets Due diligence, acquisition and integration costs Net profit/(loss) on sale of controlled entities Significant items
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 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.
Cash return on equity	Calculated as cash earnings - divided by average shareholders' equity, excluding non-controlling interests and other equity instruments and adjusted for treasury shares.
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	Represents loans and advances to customers and banks (including leases and acceptances), investments held to maturity, other financial assets at fair value, fixed assets and other assets; net of securitised assets and other liabilities.
Credit wrapped ABS	Securities backed by monoline-guaranteed portfolios of ABS.

Term	Description
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.
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.
Due diligence, acquisition and integration costs	Represent costs relating to due diligence on business acquisition and disposal activities and costs associated with integrating acquisitions with the NAB operating model and reporting platforms.
Earnings Per Share	Calculated in accordance with the requirements of AASB 133 "Earnings per Share."
Efficiency, quality and services initiatives	Represent those costs that the Group accelerated in response to the economic downturn to bring forward efficiency gains that would otherwise have been realised in subsequent periods.
ExCaps taxation assessment	Represents the reduction, in the year ended 30 September 2009, of the carrying value of the $309 million receivable due from the Australian Taxation Office in relation to its exchangeable capital units (ExCaps) to nil. The ATO has disallowed the Group's objections to the ExCaps taxation assessments and the Group intends to appeal.
Fair value	Fair value and hedge ineffectiveness cause volatility in statutory profit, which is excluded from cash earnings as it is income neutral over the full-term of transactions. This arises from: fair value movements relating to trading derivatives for risk management purposes; fair value movements relating to assets, liabilities and derivatives designated in hedge relationships; and fair value movements relating to assets and liabilities designated at fair value.
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.
FDIC	Federal Deposit Insurance Corporation
FSB	Financial Stability Board.
FSCS	United Kingdom Financial Services Compensation Scheme
Full time equivalent employees (FTEs)	Includes all Full time staff, Part time, Fixed Term and Casual staff equivalents, as well as agency temps and external contractors either self employed or employed by a third party agency. Note: This does not include Consultants, IT Professional Services, Outsourced Service Providers and Non Executive Directors.
GAAP	Represents generally accepted accounting principles.
GSJBW	Goldman Sachs JBWere.
GWB	Great Western Bank.
Impaired Assets	Consist of: - retail loans (excluding unsecured portfolio managed facilities) which are contractually past due 90 days with security insufficient to cover principal and arrears of interest revenue; - non retail loans which are contractually past due and there is sufficient doubt about the ultimate collectability of principal and interest; and - impaired off-balance sheet credit exposures where current circumstances indicate that losses may be incurred. Unsecured portfolio managed facilities are also classified as impaired assets when they become 180 days past due (if not written off).
Impairment of MLC & NAB Wealth re-insurance tax receivable	Represents a settlement with the Australian Tax Office (ATO) in relation to a reinsurance dispute.
Insurance	Includes the provision of personal and Group 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 items: - investment earnings on surplus assets which are held in the Statutory Funds to meet capital adequacy requirements under the Life Act. - interest on deferred acquisition costs (net of reinsurance) included in insurance policy liabilities resulting from the unwind of discounting. - less the borrowing costs of any capital funding initiatives.
IoRE discount rate variation	The profit impact of a change in value of deferred acquisition costs (net of reinsurance) included in insurance policy liabilities resulting from a movement in the inflation adjusted risk free discount rate.
IRB approach	The internal ratings based approach refers to the processes employed by the Group to estimate credit risk. This is achieved through the use of internally developed models to assess the potential credit losses using the outputs from the probability of default, loss given default and exposure at default models.
'Jaws'	The difference between the percentage growth in revenue on the preceding half year and the percentage growth in the expenses on the preceding half year.
Leveraged loans CLOs	CLOs backed by pools of broadly syndicated commercial bank loans.

Term	Description
Litigation expense	Represents litigation expenses in relation to non-recurring litigation matters.
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 owners 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 non-controlling interest	Reflects the allocation of profit to non-controlling 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, non-controlling 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.
Non-retail deposits and other borrowings	Comprises deposits held by Wholesale Banking and Specialised Group Assets, certificates of deposits, securities sold under agreements to repurchase, and borrowings.
Prime residential mortgages	In Australia, residential mortgage loans advanced by traditional residential mortgage lenders and eligible to be covered by an LMI policy.
Property revaluation	Represents revaluation decrements of land and buildings based on directors' valuations to reflect fair value.
Provision for tax NZ structured finance transactions	Represents the provision established in the year ended 30 September 2009 relating to the amended tax assessments issued by the New Zealand Inland Revenue Department (IRD) regarding certain structured finance transactions undertaken by the business. As a result of settlement with the IRD on 23 December 2009, BNZ released the unused portion of the provision previously made within income tax expense in the Group's results as at 31 March 2010.
Retail deposits	Comprises on-demand and savings deposits, term deposits and non-interest bearing deposits in Personal Banking, Business Banking (excluding institutional customers), UK Banking, NZ Banking, MLC and nabWealth, Great Western Bank and Asia Banking.
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.
Special Purpose Entity (SPE)	An entity created to accomplish a narrow well-defined objective (eg securitisation of financial assets). An SPE may take the form of a corporation, trust, partnership or unincorporated entity. SPEs are often created with legal arrangements that impose strict limits on the activities of the SPE.
Stable Funding Index (SFI)	Term Funding Index (TFI) plus Customer Funding Index (CFI).
Sub-prime residential mortgages	In USA, residential mortgage loans advanced to borrowers unable to qualify under traditional lending criteria due to poor credit history or debt payment capacity.
Subscription loans	Investment loans to equity investment funds.
Term Funding Index (TFI)	Term Wholesale Funding (with a remaining maturity to first call date greater than 12 months) divided by Core Assets.
Tier 1 ratio	Tier 1 capital as defined by APRA divided by risk weighted assets.
Tier 2 ratio	Tier 2 capital as defined by APRA divided by risk weighted assets.
Total Shareholder Return (TSR)	Total Shareholder Return (TSR) is a concept used to compare the performance of different companies' stocks and shares over time. It combines share price appreciation and dividends paid to show the total return to the shareholder. The absolute size of the TSR will vary with stock markets, but the relative position reflects the market perception of overall performance relative to a reference group.
Treasury shares	Shares in National Australia Bank Limited held by the Group's life insurance business and in trust by a controlled entity of the Group to meet the requirements of employee incentive schemes. The unrealised mark-to-market movements arising from changes in the share price, dividend income and realised profit and losses arising from share sales from shares held by the Group's life insurance business are eliminated for statutory reporting purposes.
Weighted Average Number of Shares	Calculated in accordance with the requirements of AASB 133 'Earnings per Share.'