2013 Half Year Results

Incorporating the requirements of Appendix 4D

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

The half year consolidated report is to be read in conjunction with the 2012 Annual Financial Report.

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

National Australia Bank

Results for announcement to the market

Report for the half year ended 31 March 2013

						31 March 2013 $m
Revenue from ordinary activities [1]	page 86	down	0.9%	*	to	8,882
Profit after tax from ordinary activities attributable to owners of the Company	page 86	up	22.8%	*	to	2,520
Net profit attributable to owners of the Company [2]	page 86	up	22.8%	*	to	2,520

* *On prior corresponding period (six months ended 31 March 2012).*

[1] *Required to be disclosed by ASX Listing Rule Appendix 4D. Reported as the sum of the following items from the Group's consolidated income statement: net interest income, net life insurance income and total other income. On a cash earnings basis revenue increased by 1.6%.*

[2] *Net profit attributable to owners of the Company was up 22.8% to $2,520 million, as a result of strong performances in Wholesale Banking and Personal Banking, and charges for the impairment of goodwill and capitalised software in the UK during the March 2012 half year not recurring in the current period.*

Dividends	**Amount per share cents**	**Franked amount per share %**
Interim dividend	93	100
Record date for determining entitlements to the interim dividend		5 June 2013

Highlights [3]

Group cash earnings	up	3.1%	Cash earnings of $2,915 million for the March 2013 half year increased by $87 million or 3.1% on the March 2012 half year. This was largely driven by higher earnings in Personal Banking, reflecting continued strong growth in home lending volumes and improved lending margins, and Wholesale Banking, as a result of higher revenue in both the Customer and Risk businesses. These results were partially offset by losses in the UK Commercial Real Estate portfolio reflecting challenging economic and operating conditions in the UK. The difference between cash earnings and statutory net profit attributable to the owners of the Company was primarily due to fair value and hedge ineffectiveness and the effects of adjusting for treasury shares. Refer to information on cash earnings on page 2 of Section 1, of the 2013 Half Year Results.
Cash return on equity (ROE)	down to	14.7%	Cash ROE decreased by 30 basis points due to higher levels of capital being held as a result of the transition to Basel III, partially offset by higher earnings.
Diluted cash earnings per share (cents)	down to	123.7	Diluted cash earnings per share decreased by 1.1%.
Banking cost to income ratio	down	10 bps	The Group’s banking cost to income ratio declined by 10 basis points to 41.7%.
Common Equity Tier 1 capital ratio [4]	-	8.22%	The Common Equity Tier 1 capital ratio (Basel III basis) is 8.22%. It remains above the Group's target.
Full time equivalent employees	down	731	Full time equivalent employees decreased to 42,668 driven by a continued focus on efficiency programs and convergence activities.

[3] *All growth rates are calculated on a cash earnings basis on the prior corresponding period (six months ended 31 March 2012).*

[4] *Common Equity Tier 1 capital ratio is presented for the first time under Basel III.*

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 2013 half year are references to the six months ended 31 March 2013. Other six month periods are referred to in a corresponding manner. National Australia Bank Limited's consolidated financial statements, prepared in accordance with the *Corporations Act* 2001 (Cth), are included in Section 5.

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Half Year Results

2013

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National Australia Bank Limited
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AUSTRALIA
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ASX ANNOUNCEMENT

Thursday, 9 May 2013

NAB 2013 Half Year Results

Stronger results from the Australian businesses

Key Points

The 31 March 2013 half year results are compared with 31 March 2012 half year results unless otherwise stated.

- On a statutory basis, net profit attributable to owners of the Company was $2.52 billion, an increase of $468 million or 22.8%.
- Cash earnings[1] were $2.92 billion, an increase of $87 million or 3.1% on the March 2012 half year, mainly due to higher earnings in Personal Banking and Wholesale Banking. The difference between net profit attributable to owners of the Company and cash earnings was primarily due to fair value and hedge ineffectiveness and the effects of adjusting for treasury shares.
- On a cash earnings basis:
  - Revenue increased by 1.6% driven by growth in Personal Banking, NZ Banking and Wholesale Banking. Group net interest margin (NIM) was 2.03%, three basis points lower than in the September 2012 half year. Excluding the movement in Markets and Treasury, NIM was up by two basis points.
  - Operating expenses increased by $24 million or 0.6%, reflecting ongoing investment in the Australian franchise, partially offset by efficiency initiatives and disciplined management of discretionary expenditure.
  - The charge to provide for bad and doubtful debts (B&DDs) was broadly in line with the March 2012 half year and, excluding the economic cycle adjustment in September 2012, was $142 million lower than the September 2012 half year, reflecting a lower charge in the UK and in Business Banking.
- The Group raised $12.1 billion of term wholesale funding (including secured funding) in the first half of the 2013 financial year. The weighted average maturity of term wholesale funding raised by the Group over the half year to 31 March 2013 was approximately 5.0 years. The stable funding index was 86% at 31 March 2013, in line with September 2012.
- The Group's Basel III Common Equity Tier 1 (CET1) ratio was 8.22% as at 31 March 2013, an increase of 32 basis points against the pro-forma CET 1 ratio as at 30 September 2012[2]. The internationally harmonised Basel III CET1 was 9.99%[3]. The Group targets a CET1 ratio of above 7.5% and will look to operate at an appropriate buffer to that target.
- The interim dividend is 93 cents per share fully franked, an increase of three cents per share on the prior interim dividend.

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1 Cash earnings is not a statutory financial measure and does not represent the cash flows, funding or liquidity position of the Group, nor any amount represented on a cash flow statement. Refer to note on cash earnings on page 4 of this ASX announcement.
2 The Group commenced calculating capital on a Basel III basis on 1 January 2013.
3 The Group's March 2013 Common Equity Tier 1 ratio (BIS) is consistent with the Australian Bankers' Association Fact Sheet "Comparison of APRA and the Basel Committee on Banking Supervision Basel III Capital Ratios", released 14 December 2012

Executive Commentary

"NAB has delivered a solid March half year result, with continued growth in the Australian and New Zealand businesses and a stronger balance sheet," National Australia Bank CEO, Cameron Clyne, said today.

"Personal Banking again delivered a good result, further strengthening its position in housing lending and customer deposits as the business continued to build on its differentiated customer proposition. Wholesale Banking was also a key contributor to the Group's positive result as it increased cross-sell to the Group's customers. Business Banking maintained its market leading position in business lending and the Wealth Investments business also performed well with stronger client acquisition.

"The UK Strategic Review is proceeding ahead of plan. The UK Banking business is managing a smaller and stronger balance sheet following the transfer of the vast majority of its commercial real estate portfolio to National Australia Bank Limited in October 2012. Pleasingly, the transferred portfolio has contracted further since then, falling from £5.6 billion at October 2012 to £5.0 billion at March 2013.

"In March we announced our refreshed strategic agenda to ensure that our structure is attuned to the changing economic and social landscape. We have begun centralising our product management function to rationalise, standardise and innovate products, and we are further centralising our operations, technology and project services to deliver quicker cycle times, fewer errors and lower costs,.

"Our ongoing technology transformation has allowed us to organise our business to better service customers and to better respond to market developments, particularly those driven by digitisation. During the March half year, we have built and deployed the Oracle Credit Risk Engine, single customer view capability, the new data centre and NAB private cloud. We also began the rollout of 130,000 state-of-the-art merchant acquiring terminals and launched a range of innovative digital customer solutions including MoneyTracker, and PeopleLikeU. These initiatives will further enhance the customer experience, achieve productivity gains and lower costs across the Australian franchise," he said.

Business Commentary

Business Banking cash earnings were slightly lower against the March 2012 half year and were $95 million or 8.3% higher than the September 2012 half year, due to a $120 million lower charge for B&DDs compared to September 2012. Business Banking maintained its leading market share in business lending[4] and increased average customer deposits despite subdued business conditions. The asset quality metrics of the portfolio improved relative to the September 2012 half year.

Personal Banking continued to deliver strong results with an $89 million or 19.2% increase in cash earnings compared to the March 2012 half year, driven by growth in home lending volumes and improved margins. Market share in housing lending[5] and household deposits[6] continued to grow.

Wholesale Banking cash earnings increased by $97 million or 18.7% to $615 million. Customer income continued to grow, with good momentum in sales of risk management products to Group customers. Risk income increased against the March 2012 half year, but was lower than the September 2012 half year, which was a particularly strong period. Specialised Finance performed well, with increased infrastructure project activity, while Global Capital Markets continued to expand its debt and distribution capabilities.

4 APRA Banking System, as at March 2013.
5 RBA Financial System / NAB, as at March 2013.
6 APRA Banking System / NAB, as at March 2013.

NAB Wealth cash earnings before IoRE[7] were stable compared to March 2012. Earnings in the Investments business grew strongly, reflecting growth in funds under management and increased earnings from direct asset management. Funds under management increased by $13.2 billion or 10.7% as a result of strong market performance and positive net flows. Insurance cash earnings were $45 million lower than the March 2012 half year due to a deteriorating claims and lapse experience, reflecting difficult industry conditions. Inforce premiums as at 31 March 2013 were $1.5 billion, up by $43 million or 2.9% compared to March 2012.

New Zealand Banking cash earnings increased by 0.5% on the March 2012 half year and by 8.7% compared to the September 2012 half year as a result of lending volume growth and higher fee income. BNZ grew market share in Agribusiness, while housing share remained relatively stable[8]. Customer deposits grew strongly, with average volumes increasing by $3.6 billion or 10.7% compared to March 2012.

UK Banking cash earnings were £41 million compared to a loss of £25 million at March 2012, largely reflecting the transfer of the NAB UK CRE portfolio in October 2012. Operating expenses were broadly flat, as benefits from restructuring the business were offset by an increase in the provision for customer redress. Clydesdale Bank plc is now 91.6% customer funded, with a Tier 1 capital ratio of 11.8% (on a UK Prudential Regulation Authority basis) at 31 March 2013.

Cash earnings in the NAB UK CRE business amounted to a loss of £149 million. The charge to provide for B&DDs was £185 million, reflecting ongoing economic pressure on distressed assets and falling property values. As an indicative comparison, this was lower than the charge of £249 million booked against the commercial real estate portfolio in the UK Banking business in the September 2012 half year. Asset quality metrics continued to deteriorate, but at a slower pace than experienced in the September 2012 half year.

Great Western Bank (GWB) cash earnings increased by US$5 million or 10.0% to US$55 million compared to the March 2012 half year, and asset quality metrics improved. GWB remains fully deposit funded.

Group Asset Quality Commentary

Asset quality metrics improved slightly in the March 2013 half year. The Group ratio of 90+ days past due and gross impaired assets to gross loans and acceptances decreased by four basis points to 1.74% at 31 March 2013 compared to September 2012. The ratio of collective provision to credit risk-weighted assets was 0.99% under the new Basel III risk weighted assets definition, and was relatively stable on a comparable Basel II basis over the prior half.

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7 Investment earnings on shareholders' retained profits and capital in the life business, net of capital funding costs.
8 Reserve Bank of New Zealand data, as at March 2013.

Disclaimer

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

Note on Cash Earnings

Full detail on how cash earnings is defined, a discussion of non-cash earnings items and a full reconciliation of statutory net profit attributable to owners is set out on pages 2 to 7 of the 2013 Half Year Results Announcement under the heading "Profit Reconciliation.

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

Section 1

Profit Reconciliation

Information about Cash Earnings

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

Cash Earnings explanation and definition

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

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

- Distributions
- Treasury shares
- Fair value and hedge ineffectiveness
- IoRE discount rate variation
- Litigation expense
- Amortisation of acquired intangible assets.

In prior comparative periods, cash earnings has been adjusted for Hedging costs of SCDO Assets, Property revaluation, Customer redress provision, Impairment of goodwill and software, Restructure costs and Due diligence, acquisition and integration costs. These items either did not recur in the March 2013 half or were not considered sufficiently material or necessary to adjust cash earnings.

Reconciliation to Statutory Profit

The financial report section of the 2013 Half Year Results includes the Consolidated Income Statement of the Group, including statutory net profit. The Group's financial statements, prepared in accordance with the *Corporations Act* 2001 (Cth) and Australian Accounting Standards, and reviewed by the auditors in accordance with Australian Auditing Standards, are included in the financial report section of the 2013 Half Year Results Announcement.

A reconciliation of cash earnings to statutory net profit attributable to owners of the Company (statutory net profit) is set out on page 3, and full reconciliations between statutory net profit and cash earnings are included in this section on pages 5-7 of the 2013 Half Year Results Announcement.

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

Underlying profit

Underlying profit is a performance measure used by NAB. It represents net operating income less operating expenses on a cash earnings basis, as presented in the table on page 3. It is not a statutory financial measure and is not presented in accordance with Australian Accounting Standards nor audited or reviewed in accordance with Australian Auditing Standards.

Group Results

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

	Half Year to Mar 13 $m	Sep 12 $m	Mar 12 $m	Mar 13 v Sep 12 %	Mar 13 v Mar 12 %
Net interest income	**6,608**	6,589	6,708	0.3	(1.5)
Other operating income	**1,943**	1,772	1,640	9.7	18.5
NAB Wealth net operating income	**699**	755	760	(7.4)	(8.0)
Net operating income	**9,250**	9,116	9,108	1.5	1.6
Operating expenses	**(3,976)**	(3,876)	(3,952)	(2.6)	(0.6)
Underlying profit	**5,274**	5,240	5,156	0.6	2.3
Charge to provide for bad and doubtful debts	**(1,092)**	(1,484)	(1,131)	26.4	3.4
Cash earnings before tax, IoRE, distributions and non-controlling interest	**4,182**	3,756	4,025	11.3	3.9
Income tax expense	**(1,170)**	(1,057)	(1,121)	(10.7)	(4.4)
Cash earnings before IoRE, distributions and non-controlling interest	**3,012**	2,699	2,904	11.6	3.7
Net profit - non-controlling interest	**(3)**	-	(1)	large	large
IoRE	**-**	8	30	large	large
Distributions	**(94)**	(102)	(105)	7.8	10.5
Cash earnings	**2,915**	2,605	2,828	11.9	3.1
Non-cash earnings items (after tax):					
Distributions	**94**	102	105	(7.8)	(10.5)
Treasury shares	**(198)**	(63)	(92)	large	large
Fair value and hedge ineffectiveness	**(248)**	(225)	(40)	(10.2)	large
IoRE discount rate variation	**10**	21	(5)	(52.4)	large
Hedging costs on SCDO assets	**-**	-	(99)	-	large
Property revaluation	**-**	(5)	-	large	-
Litigation expense	**(17)**	(77)	(24)	77.9	29.2
Amortisation of acquired intangible assets	**(36)**	(48)	(51)	25.0	29.4
Customer redress provision	**-**	(57)	(182)	large	large
Impairment of goodwill and software	**-**	-	(349)	-	large
Restructure costs	**-**	(174)	-	large	-
Due diligence, acquisition and integration costs	**-**	(49)	(39)	large	large
Net profit attributable to owners of the Company	**2,520**	2,030	2,052	24.1	22.8

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 distributions on other equity instruments are set out in Section 5, Note 6 Dividends and Distributions. The effect of this in the March 2013 half year is to reduce cash earnings by $94 million.

Treasury Shares

For statutory reporting purposes, the Group eliminates the effect on statutory income of the Group's life insurance business investment in National Australia Bank Limited shares. The elimination includes unrealised mark-to-market movements arising from changes in the Company's share price, dividend income and realised profits and losses on the disposal of shares. In determining cash earnings in the March 2013 half year, a net gain of $231 million ($198 million after tax) attributable to these adjustments has been included to ensure there is no asymetric impact on profit because the treasury shares relate to life policy liabilities which are revalued in deriving income.

Fair Value and Hedge Ineffectiveness

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

In the March 2013 half year there was a reduction in statutory profit of $354 million ($248 million after tax) from fair value and hedge ineffectiveness. This was largely due to changes in the fair value of derivatives used to hedge long-term funding from movements in spreads between Australian and overseas interest rates, and mark-to-market movement of assets and liabilities designated at fair value reflecting current market conditions.

IoRE Discount Rate Variation

The IoRE discount rate variation represents the impact on earnings of the change in value of deferred acquisition costs (net of reinsurance) included in insurance policy liabilities resulting from a movement in inflation and the risk free discount rate. This item resulted in a pre-tax gain of $15 million ($10 million after tax).

Litigation Expense

The Group recognised $25 million ($17 million after tax) in litigation expenses during the March 2013 half year relating to the final settlement of a class action against the Group related to certain ABS CDOs in the legacy SGA portfolio. All amounts in respect of this litigation have been reflected through non-cash earnings in prior periods and this amount represents the final balance of interest and costs not covered by existing provisions and insurance proceeds.

Amortisation of Acquired Intangible Assets

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

The following non-cash earnings items were reported for 30 September 2012 and 31 March 2012.

Customer Redress Provision

Customer redress provisions included the following pre-tax amounts:

- $184 million (£120 million) provision for claims relating to payment protection insurance (PPI)
- $73 million (£48 million) relating to other customer redress, including claims relating to interest rate derivative products.

In the half year to 31 March 2013 additional provisions related to other customer redress matters, including claims and associated costs relating to interest rate derivative products, of $58 million (£38 million) were recognised in cash earnings.

UK Banking Strategic Review

On 30 April 2012, the Group announced the outcome of the UK Banking strategic review. The outcomes of the review included the following non-cash earnings items:

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

Property Revaluation

Property revaluation relates to revaluation losses on bank occupied properties that are carried at fair value. As there is no intention to sell these properties, the revaluation movements are reflected in non-cash earnings.

Hedging Costs on SCDO Assets

As announced on 22 March 2012, the Group entered into transactions to remove the economic risk on the Group's two remaining Synthetic Collateralised Debt Obligation (SCDO) assets.

As previously disclosed, the recognition of remaining hedging costs related to the SCDO risk mitigation trades have been accelerated by expensing the carrying value of these hedge costs to non-cash earnings. During the March 2012 half year, $141 million ($99 million after tax), of such costs were expensed through non-cash earnings.

Due Diligence, Acquisition and Integration Costs

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

There were no non-cash earnings due diligence, acquisition or integration costs for the half year ended 31 March 2013. Details of such amounts reported in the half years to 30 September 2012 and 31 March 2012 are set out below.

	Half year to		
	Mar 13 $m	Sep 12 $m	Mar 12 $m
Aviva	-	14	24
JBWere	-	41	28
Advantedge	-	-	4
Great Western Bank	-	6	1
Due diligence costs	-	3	3
Pre-tax total	-	64	60

Reconciliation between Statutory Net Profit after Tax and Cash Earnings

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

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

Half Year ended 30 September 2012	Statutory Net Profit $m	NAB Wealth adj. (1) $m	Distri-butions $m	Treasury shares $m	Fair value and hedge ineffec. $m	IoRE disc. rate $m	Property revaluation $m	Litigation expense $m	Amortisation of intangible assets $m	Customer redress provision $m	Restructure costs $m	Due diligence, acquisition and integration costs $m	Cash Earnings $m
Net interest income	6,570	19	-	-	-	-	-	-	-	-	-	-	**6,589**
Net life insurance income	352	(393)	-	72	-	(31)	-	-	-	-	-	-	**-**
Other operating income	1,833	(488)	-	-	407	-	-	-	18	2	-	-	**1,772**
NAB Wealth net operating income	-	755	-	-	-	-	-	-	-	-	-	-	**755**
Net operating income	8,755	(107)	-	72	407	(31)	-	-	18	2	-	-	**9,116**
Operating expenses	(4,420)	31	-	-	-	-	5	109	40	73	222	64	**(3,876)**
Operating profit/(loss) pre-charge to provide for doubtful debts	4,335	(76)	-	72	407	(31)	5	109	58	75	222	64	**5,240**
Charge to provide for doubtful debts	(1,413)	-	-	-	(71)	-	-	-	-	-	-	-	**(1,484)**
Operating profit/(loss) before tax	2,922	(76)	-	72	336	(31)	5	109	58	75	222	64	**3,756**
Income tax (expense)/benefit	(893)	69	-	(9)	(111)	10	-	(32)	(10)	(18)	(48)	(15)	**(1,057)**
Operating profit/(loss) before distributions and non-controlling interest	2,029	(7)	-	63	225	(21)	5	77	48	57	174	49	**2,699**
Net profit - non-controlling interest	1	(1)	-	-	-	-	-	-	-	-	-	-	**-**
IoRE (after tax)	-	8	-	-	-	-	-	-	-	-	-	-	**8**
Distributions	-	-	(102)	-	-	-	-	-	-	-	-	-	**(102)**
Net profit/(loss) attributable to owners of the Company	**2,030**	**-**	**(102)**	**63**	**225**	(21)	5	77	48	**57**	174	49	**2,605**

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

Half Year ended 31 March 2012	Statutory Net Profit $m	NAB Wealth adj. (1) $m	Distri-butions $m	Treasury shares $m	Fair value and hedge ineffec. $m	IoRE disc. rate $m	Hedging costs on exited SCDO assets $m	Litigation expense $m	Amortisation of acquired intangible assets $m	Customer redress provision $m	Impairment of goodwill and software $m	Due diligence, acquisition and integration costs $m	Cash Earnings $m
Net interest income	6,672	36	-	-	-	-	-	-	-	-	-	-	**6,708**
Net life insurance income	388	(498)	-	103	-	7	-	-	-	-	-	-	**-**
Other operating income	1,900	(432)	-	-	(151)	-	141	-	-	182	-	-	**1,640**
NAB Wealth net operating income	-	760	-	-	-	-	-	-	-	-	-	-	**760**
Net operating income	8,960	(134)	-	103	(151)	7	141	-	-	182	-	-	**9,108**
Operating expenses	(4,402)	(56)	-	-	-	-	-	32	65	-	349	60	**(3,952)**
Operating profit/(loss) pre-charge to provide for doubtful debts	4,558	(190)	-	103	(151)	7	141	32	65	182	349	60	**5,156**
Charge to provide for doubtful debts	(1,321)	-	-	-	190	-	-	-	-	-	-	-	**(1,131)**
Operating profit/(loss) before tax	3,237	(190)	-	103	39	7	141	32	65	182	349	60	**4,025**
Income tax (expense)/benefit	(1,183)	159	-	(11)	1	(2)	(42)	(8)	(14)	-	-	(21)	**(1,121)**
Operating profit/(loss) before distributions and non-controlling interest	2,054	(31)	-	92	40	5	99	24	51	182	349	39	**2,904**
Net profit - non-controlling interest	(2)	1	-	-	-	-	-	-	-	-	-	-	**(1)**
IoRE (after tax)	-	30	-	-	-	-	-	-	-	-	-	-	**30**
Distributions	-	-	(105)	-	-	-	-	-	-	-	-	-	**(105)**
Net profit/(loss) attributable to owners of the Company	**2,052**	**-**	**(105)**	**92**	**40**	**5**	**99**	**24**	**51**	**182**	**349**	**39**	**2,828**

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

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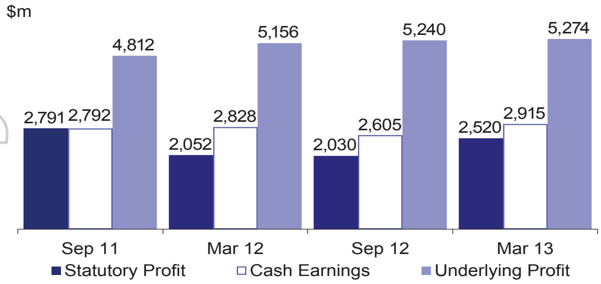
Section 2

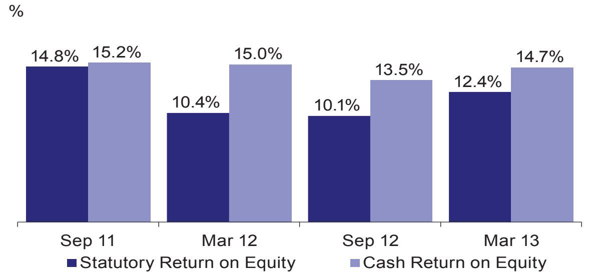
Highlights

Key Performance Measures [1]

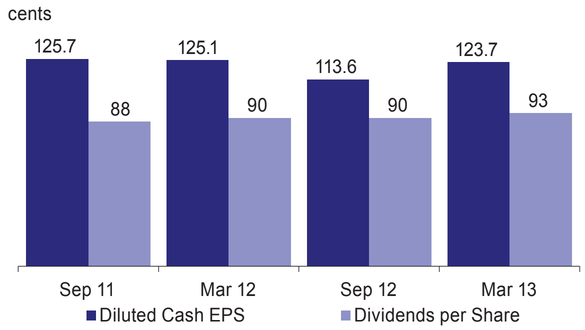
Statutory Profit, Cash Earnings and Underlying Profit - half year



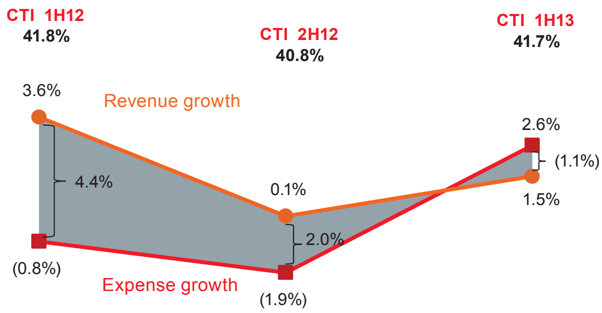
Statutory and Cash Return on Equity (ROE) - half year



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 13	**Sep 12**	**Mar 12**
Key Indicators			
Statutory earnings per share (cents) - basic	**105.8**	86.8	88.8
Statutory earnings per share (cents) - diluted	**105.1**	86.3	88.4
Cash earnings per share (cents) - basic	**124.5**	114.6	126.2
Cash earnings per share (cents) - diluted	**123.7**	113.6	125.1
Statutory return on equity	**12.4%**	10.1%	10.4%
Cash return on equity (ROE)	**14.7%**	13.5%	15.0%
Profitability, performance and efficiency measures			
Dividend per share (cents)	**93**	90	90
Dividend payout ratio	**74.7%**	78.5%	71.3%
Cash earnings on average assets	**0.75%**	0.67%	0.76%
Cash earnings on risk-weighted assets	**1.72%**	1.55%	1.67%
Cash earnings per average FTE ($'000)	**136**	120	129
Banking cost to income (CTI) ratio	**41.7%**	40.8%	41.8%
Net interest margin	**2.03%**	2.06%	2.17%
Capital [3]			
Common Equity Tier 1 ratio (Basel III)/Core Tier 1 (Basel II)	**8.22%**	8.29%	8.03%
Tier 1 ratio	**10.19%**	10.27%	10.17%
Total capital ratio	**11.71%**	11.67%	11.52%
Risk-weighted assets [4] ($bn)	**351.4**	331.3	335.6
Volumes ($bn)			
Gross loans and acceptances [4] [5]	**500.6**	500.9	490.4
Average interest earning assets	**652.5**	641.0	618.9
Total average assets	**782.4**	771.6	745.1
Total customer deposits [4]	**342.4**	339.2	320.0
Asset quality			
90+ days past due and gross impaired assets to gross loans and acceptances	**1.74%**	1.78%	1.73%
Collective provision to credit risk-weighted assets	**0.99%**	1.05%	1.02%
Collective provision including GRCL (top-up) to credit risk-weighted assets	**1.22%**	1.30%	1.32%
Specific provision to gross impaired assets	**32.9%**	30.3%	26.8%
Other			
Funds under management and administration [6] ($bn)	**136.7**	124.7	123.5
Annual inforce premiums ($m)	**1,536.2**	1,523.5	1,492.9
Full Time Equivalent Employees (FTE) (spot)	**42,668**	43,336	43,399
Full Time Equivalent Employees (FTE) (average)	**43,007**	43,443	44,013

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

(4) *Spot balance at reporting date.*

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

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

Divisional Performance

	Half Year to				
	Mar 13 $m	Sep 12 $m	Mar 12 $m	Mar 13 v Sep 12 %	Mar 13 v Mar 12 %
Business Banking	**1,240**	1,145	1,264	8.3	(1.9)
Personal Banking	**553**	581	464	(4.8)	19.2
Wholesale Banking	**615**	574	518	7.1	18.7
NAB Wealth (before IoRE and after non-controlling interest)	**253**	259	259	(2.3)	(2.3)
NZ Banking	**309**	278	297	11.2	4.0
UK Banking	**62**	(177)	(36)	large	large
Great Western Bank	**53**	50	48	6.0	10.4
NAB UK Commercial Real Estate	**(226)**	-	-	large	large
Corporate Functions and Other	**150**	(11)	89	large	68.5
IoRE	**-**	8	30	large	large
Distributions	**(94)**	(102)	(105)	7.8	10.5
Cash earnings	**2,915**	2,605	2,828	11.9	3.1
Non-cash earnings items	**(395)**	(575)	(776)	31.3	49.1
Net profit attributable to owners of the Company	**2,520**	2,030	2,052	24.1	22.8

There have been the following changes to the presentation of divisional results.
1. Following the transfer of the NAB UK Commercial Real Estate (NAB UK CRE) business from Clydesdale Bank PLC to the Company, the results of NAB UK CRE are separately reported and not included in UK Banking for March 2013.
2. The results of the Specialised Group Assets portfolio are no longer separately reported and have been included in the results for Corporate Functions and Other for all periods shown.
3. The results of NAB Asia are reported in the results of Business Banking and NAB Wealth for March 2013, and Corporate Functions and Other for September 2012 and March 2012.

Divisional Performance Indicators

	Half Year to				
	Mar 13	Sep 12	Mar 12	Mar 13 v Sep 12	Mar 13 v Mar 12
Business Banking					
Cash earnings ($m)	**1,240**	1,145	1,264	8.3%	(1.9%)
Cash earnings on average assets	**1.25%**	1.16%	1.29%	9 bps	(4 bps)
Cash earnings on risk-weighted assets	**1.75%**	1.62%	1.78%	13 bps	(3 bps)
Net interest margin	**2.53%**	2.50%	2.56%	3 bps	(3 bps)
Net operating income ($m)	**3,052**	3,015	3,047	1.2%	0.2%
Cost to income ratio	**29.2%**	28.7%	28.7%	(50 bps)	(50 bps)
Personal Banking					
Cash earnings ($m)	**553**	581	464	(4.8%)	19.2%
Cash earnings on average assets	**0.71%**	0.78%	0.65%	(7 bps)	6 bps
Cash earnings on risk-weighted assets	**2.71%**	2.89%	2.31%	(18 bps)	40 bps
Net interest margin	**2.09%**	2.04%	2.02%	5 bps	7 bps
Net operating income ($m)	**1,908**	1,835	1,731	4.0%	10.2%
Cost to income ratio	**48.9%**	50.9%	52.1%	200 bps	320 bps
Wholesale Banking					
Cash earnings ($m)	**615**	574	518	7.1%	18.7%
Cash earnings on risk-weighted assets	**2.63%**	2.73%	2.60%	(10 bps)	3 bps
Net operating income ($m)	**1,317**	1,282	1,219	2.7%	8.0%
Cost to income ratio	**37.3%**	37.7%	38.1%	40 bps	80 bps
NAB Wealth					
Cash earnings before IoRE and non-controlling interest ($m)	**256**	259	260	(1.2%)	(1.5%)
Investment operating expenses to average FUM	**52 bps**	61 bps	62 bps	9 bps	10 bps
Insurance cost to average inforce premium	**16%**	16%	16%	-	-
NZ Banking ($NZ)					
Cash earnings ($NZm)	**387**	356	385	8.7%	0.5%
Cash earnings on average assets	**1.27%**	1.18%	1.30%	9 bps	(3 bps)
Cash earnings on risk-weighted assets	**1.88%**	1.77%	1.93%	11 bps	(5 bps)
Net interest margin	**2.40%**	2.38%	2.41%	2 bps	(1 bps)
Net operating income ($NZm)	**981**	937	944	4.7%	3.9%
Cost to income ratio	**40.3%**	41.4%	39.7%	110 bps	(60 bps)
UK Banking (£)					
Cash earnings/(deficit) (£m)	**41**	(114)	(25)	large	large
Cash earnings on average assets	**0.21%**	(0.51%)	(0.11%)	72 bps	32 bps
Cash earnings on risk-weighted assets	**0.30%**	(0.74%)	(0.16%)	104 bps	46 bps
Net interest margin	**2.06%**	1.97%	2.09%	9 bps	(3 bps)
Net operating income (£m)	**490**	553	592	(11.4%)	(17.2%)
Cost to income ratio	**70.4%**	63.1%	58.8%	(730 bps)	(1,160 bps)
Great Western Bank ($US)					
Cash earnings ($USm)	**55**	50	50	10.0%	10.0%
Cash earnings on average assets [1]	**1.33%**	1.23%	1.27%	10 bps	6 bps
Cash earnings on risk-weighted assets	**1.74%**	1.68%	1.75%	6 bps	(1 bps)
Net interest margin	**3.77%**	3.73%	3.78%	4 bps	(1 bps)
Net operating income ($USm)	**187**	183	173	2.2%	8.1%
Cost to income ratio	**49.2%**	50.3%	49.7%	110 bps	50 bps

(1) *Average assets exclude goodwill.*

Group Performance

Cameron Clyne

Net Profit Attributable to Owners of the Company

Net profit attributable to owners of the Company (statutory net profit) for the March 2013 half year increased by $468 million or 22.8% compared to the March 2012 half year, and $490 million or 24.1% compared to the September 2012 half year. Net Profit attributable to owners of the Company is prepared in accordance with the *Corporations Act* 2001 (Cth), and Australian Accounting Standards.

Shareholder Returns

The Group's Statutory return on equity has increased 200 basis points to 12.4% compared to the March 2012 half year. The Group's cash return on equity decreased by 30 basis points to 14.7% compared to the March 2012 half year, and has increased 120 basis points compared to the September 2012 half year, primarily due to higher earnings partially offset by higher levels of capital.

The interim dividend for March 2013 is 93 cents per share. This represents a dividend payout ratio of 74.7% for the March 2013 half year on a cash earnings basis. The dividend payment is 100% franked and will be paid on 16 July 2013. Shares will be quoted ex-dividend on 30 May 2013.

Earnings per Share

Basic **statutory** earnings per share increased by 17.0 cents or 19.1% and diluted earnings per share increased by 16.7 cents or 18.9% on the March 2012 half year. This reflects the Group's increase in statutory profit.

Basic **statutory** earnings per share increased by 19.0 cents or 21.9% and diluted earnings per share increased by 18.8 cents or 21.8% on the September 2012 half year. This reflects the Group's increase in statutory profit.

Basic **cash earnings per share** decreased by 1.7 cents or 1.3% and diluted cash earnings per share decreased by 1.4 cents or 1.1% on the March 2012 half year. This reflects the increase in the weighted average number of ordinary shares, partially offset by the Group's increase in cash earnings.

Basic **cash earnings per share** increased by 9.9 cents or 8.6% and diluted cash earnings per share increased by 10.1 cents or 8.9% on the September 2012 half year. This reflects the Group's increase in cash earnings, partially offset by an increase in the weighted average number of ordinary shares.

Strategic Highlights & Business Developments

The Group maintains its overall objective to deliver sustainable, satisfactory returns to shareholders. During the March 2013 half year, NAB continued to transform the way it does business through the strategic priorities announced in 2009. These are:

- Focusing on the strong Australian franchise and managing international businesses for value
- Maintaining balance sheet strength
- Reducing cost and complexity
- Enhancing the Group's reputation.

NAB made good progress on its strategic agenda during the half year with strong cash earnings gains in its Australian banking franchises. It improved the strength of its balance sheet over the period and complies with APRA's Basel III capital rules implemented on 1 January 2013. The Group continued to invest in the business while maintaining a strong focus on costs.

In March 2013, NAB sharpened the focus of its strategic agenda to address five market priorities: the economic outlook for credit growth; the evolving regulatory and funding environment; evolving digital trends; an ageing population; and Australia's increasing integration with Asia. NAB's response has been to focus the Australian franchise on:

- Simplification and digitisation of products, technology, and operations
- Customer management to enhance sales capability and enable self-service
- Further development of customer propositions for the ageing population and superannuation industry
- Broadening support to customers with links to Asia.

The strategic highlights of the March 2013 half year are described below:

Focusing on the strong Australian franchise and managing international businesses for value

Personal Banking continued to deliver strong performance, a result of the differentiated fair value proposition and improved customer experience. This was reflected in NAB achieving a Main Financial Institution customer satisfaction rating in the 6 months to March of 81.9% and during the half year an all time high figure for a big four bank of 82.9%, in November 2012[(1)]. The business's strong growth continued, with a net increase of 139,000 transaction accounts and NAB's home lending growth of 1.7 times system[(2)].

Third party channel performance remained strong. This was reflected with Homeside being awarded 'Major Lender of the Year' in The Adviser's 2013 Third Party Banking Report. This reinforces NAB's ongoing commitment to the broker channel and the continued improvements in product and service. UBank continued its growth in deposits and lending and has now won six awards at *Money* magazine's Best of the Best 2013[(3)].

Business Banking has maintained its market leading position in business lending (24.6%) and continued to grow deposits with market share of 20.5%[(4)]. During the half year the business remained focused on deepening customer relationships and achieved considerable success in its cross-sell initiatives with Wholesale Banking. So far this year, 94% of relationship managers in nabBusiness have sold an FX product, and 67% have sold an interest rate risk management product.

(1) *Roy Morgan Research, Australian Main Financial Institution customers aged 14+, 6 month moving average. Customer satisfaction is based on customers who answered very/fairly satisfied.*
(2) *RBA Financial System / NAB - March 2013.*
(3) *Money magazine's Best of the Best Awards - 2013.*
(4) *APRA Banking System - March 2013.*

Cross-sell into NAB Wealth also gained momentum during the half year, with the successful transition of 13 Corporate Super plans from NAB's Corporate and Institutional client base adding over $2.7 billion in FUM and 27,000 new members.

NAB's Australia in Asia strategy is focused on supporting trade and investment flows between Australia and New Zealand and Asia in addition to supporting migrants in Australia and New Zealand. During the half year key product capabilities, such as enhancements to trade and UnionPay offerings were completed. Additionally NAB continued to build out and strengthen its partnerships with local financial institutions in Asia to support its customers in the Asia region.

Wholesale Banking remained focused on supporting the Group's franchise customers(5) over the March 2013 half year, achieving strong customer revenue growth of 5.7% relative to the March 2012 half year. The business continued to invest in core systems to enhance customer experience and improve operational efficiency. Key initiatives included the integration of real time FX rates onto Internet Banking and the successful launch of 'Travellercard'. Wholesale Banking continued to expand its debt capital markets and distribution capability during the period, acting as sole or joint lead arranger on a number of significant customer funding transactions.

During the first half of 2013 NAB Wealth's superannuation and investment businesses generated strong flows in corporate super and improved its market position in the corporate superannuation segment, moving from number two to number one during the December 2012 quarter(6). Additionally, the business made market share gains in the retail investment segment(6).

NAB Wealth continued to deliver innovative customer solutions over the period, including the launch of investment protection on MasterKey and SuperFit - a website that enables customers to have live chats with advisers. The launch of nabtrade in November 2012 was also well received.

Bank of New Zealand (BNZ) continues to develop innovative products that deliver a differentiated customer experience. Following the October 2012 launch of the new brand "Helping New Zealand be good with money", initial results show brand consideration among non-customers has increased from 26% in September 2012 to 30% in March 2013(7). During the half year, BNZ Retail and BNZ Partners both achieved equal first position on customer satisfaction(7).

Implementation of the results of the UK Strategic Review proceeded ahead of plan despite the challenging external economic and regulatory environment. Key achievements during the half year as a result of the restructure were:

- A smaller and stronger UK Banking balance sheet following the transfer of £5.6 billion UK Commercial Real Estate assets to NAB in October 2012 and the associated repayment of a similar amount of parent funding. Clydesdale Bank is now 91.6% customer funded and had a Tier 1 capital ratio of 11.8% (on a UK Prudential Regulation Authority basis) at 31 March 2013
- A simpler and safer business refocused on its core franchise
- The closure of 38 Financial Solutions Centres
- A reduction of 1,110 FTEs since 30 September 2011.

Maintaining Balance Sheet Strength

The Group continued its focus on balance sheet strength. The Group successfully met APRA's Basel III capital requirements with the Common Equity Tier 1 ratio of 8.22%, which is above the regulatory minimums as at 31 March 2013.

Conditions improved in wholesale markets supporting term funding issuance of $12.1 billion during the March 2013 half year. National Australia Bank Limited has raised $10.9 billion, including $6.0 billion senior unsecured, $4.0 billion secured (comprising of both covered bonds and RMBS) and $950 million subordinated debt. Deposits continue to be a key source of funding with the Customer Funding Index up to 67.3%.

The Group is well placed to meet Basel III funding and liquidity reforms, with initiatives underway to continue to improve the quality of the deposit book, liquid asset portfolio and manage the duration of short-term wholesale funding.

Reducing Cost and Complexity

The Group maintained its disciplined approach to cost management during the first half of 2013 through its focus on process simplification and continuous improvement. Compared to the September 2012 half year, FTEs reduced by 668, while the banking cost to income ratio deteriorated slightly to 41.7%.

Key highlights of NAB's continued progress on transforming technology and operations include:

- Initial deployment of the Next Generation Banking IT Platform (NextGen) into the banking environment and implementation into UBank, including the migration of over 300,000 customers
- Convergence of nine hardwired voice systems into one web based system
- Construction of a new world class data centre, which is now complete, with final migration planned for 2014
- Significant progress on the transformation of mortgage processes.

(5) Customers of: Personal Banking; Business Banking; Wealth; and Financial Institutions Group.
(6) Plan for Life; Australian Retail and United Wholesale Market Share and Dynamics Report - December 2012.
(7) TNS; Retail and Comms Tracking Programme - March 2013.

Enhancing the Group's Reputation

During the first half of 2013 NAB maintained focus on its differentiated reputation, through its responsible approach to customers, people, communities and the environment.

NAB also continued to take a leadership role in developing a 'fairer' financial industry. The Group maintained its focus on assisting customers experiencing financial hardship, particularly those affected by natural disasters. NAB's response was multi-faceted, committing up to $700,000 towards community relief efforts and providing access to free counselling and hardship assistance to customers and employees. NAB has also continued its work to address financial exclusion, providing over 12,000 Microfinance loans in the first half of 2013.

The Group has maintained its investment in its people, by creating a diverse, inclusive and engaged workplace. Key highlights over the half year include launching the Accessibility Action Plan 2012-2014 in December 2012 and offering 53% of NAB's 2013 Graduate Program positions to women. BNZ continued to strengthen the support it provides its employees and was recognised by the United Nations with the prestigious "Benchmarking for Change" award for promoting gender equality and the empowerment of women in senior management roles.

NAB has also remained focused on supporting the community during the March 2013 half year, primarily through investment in education and inclusion. NAB Schools First has opened applications for a further $2 million in award funding, available to Australian schools in 2013. In March 2013, NAB launched its fifth Reconciliation Action Plan, the first to receive Reconciliation Australia's 'Elevate' stamp of approval. This recognition is reserved for organisations that have demonstrated a long-term commitment to addressing Indigenous disadvantage.

NAB's Environmental Agenda responds to some of the more significant environmental risks and opportunities facing the business. NAB continues to finance renewable energy projects in Australia. NAB has financed close to 70% of Australian wind energy projects since 2000 and in the first half of 2013 has financed or re-financed a total 315MW of energy generation through wind energy projects.

Section 3

Review of Operating Environment, Group Operations and Results

Review of Group Operating Environment

Global Business Environment

Global economic growth is forecast to pick up only slightly this year, from around 3% in 2012 to 3.2%. But in 2014 the pace of growth in the global economy is predicted to accelerate to almost 4%.

Global trade and industrial output have shown only modest rates of expansion since mid-2012. In the big advanced economies, the level of output in the Euro-zone and the UK fell in the final quarter of last year, while US and Japanese GDP stagnated. Among the emerging market economies, Chinese growth slowed in early 2013, Indian growth fell to a rate rarely seen in the last decade and Brazilian growth accelerated last year, but to only just over 1% year-on-year.

Despite the positive predictions on global growth, there is still only fragmentary evidence that the expected pick-up has commenced. Some of the business surveys show more positive sentiment about future trading conditions. Exports and industrial output are growing again in the very trade-dependent "Tiger" economies of East Asia. Markets have also become less risk averse, as concerns have abated over the Euro-zone break-up, an economic hard landing in China and excessive fiscal tightening in the US.

But the strongest evidence comes from the emerging market economies, where in the last few years economic growth has been much stronger than in the big advanced economies and that looks set to continue. In the advanced economies, however, the predicted growth levels depend on monetary stimulus actually achieving an upswing in demand along with the slow unwinding of the forces that drove Western Europe and Japan into recession.

The gap between the growth rates of the emerging and advanced economies does look set to narrow slightly in the next few years. Growth in the emerging market economies is expected to remain in the 5% to 6% range through 2013 and 2014, while growth in the advanced economies is predicted to quicken from 1.2% in 2012 to 1.4% this year and 2.3% in 2014. This continued solid growth in the emerging economies, with their commodity-intensive pattern of development, is of particular importance for commodity exporting economies like Australia and New Zealand.

Australian Economy

Australia has been one of the main beneficiaries of the commodity intensive growth in the emerging economies. The surge in global mineral prices has triggered a multi-phase stimulus to the economy. Initially the rise in commodity prices took the terms of trade to levels seldom achieved in Australian history. However commodity export prices peaked in mid-2011 and by late 2012 the terms of trade were more than 15% below their previous peak. The second phase of the boom has taken the form of greatly increased investment in the mining industry, but now the focus is on when this phase of capital spending will peak and no longer contribute to economic growth. The third phase of the boom is now gaining momentum and takes the form of increases in mineral and energy exports.

The mining industry boom has produced pressures that are leading to structural changes across the rest of the economy. Appreciation of the Australian dollar has contributed to a marked deterioration in the competitiveness of other trade-exposed sectors. Australian industry competitiveness has not been so poor since the mid-1970s and this has been reflected in problems in several sectors including tourism, export education and manufacturing.

Economic growth through the next couple of years looks to be facing headwinds from two directions: competitive problems in the non-mining traded goods industries; and the realisation of the predicted peak in mining investment. This highlights the importance of boosting growth in other parts of the economy, especially in the interest-rate sensitive areas of domestic demand.

Lifting the mood of consumer caution and improving the sluggish performance of housing markets seen in the last few years would certainly help sustain domestic economic growth as the stimulus from the mining investment boom fades. The persistently high household savings rates, the weakness of credit demand and the fact that house prices remain below their 2010 level all highlight the need for a protracted period of low interest rates to boost activity in interest-sensitive areas of the economy such as housing and consumer durable goods.

New Zealand Economy

Economic growth is picking up in New Zealand with a very strong close to 2012 and positive business survey results for early 2013. GDP rose by 2.5% in 2012 with a jump of 1.5% in the final quarter. The business surveys show a broad-based lift in confidence with the notable exception of parts of the manufacturing sector, which are facing an uncomfortably high local currency.

After a long period of modest growth in domestic spending, momentum is building as confidence returns to the economy. The housing market has become more positive with median prices and sales rising and houses selling faster than at the same time last year. The pace of credit growth is also quickening and consumer spending, particularly in durable goods, accelerated in the closing months of 2012. The reconstruction of earthquake damaged areas of Christchurch is also expected to provide a large boost to the construction industry and the building materials part of manufacturing.

The high New Zealand dollar has put exporters under the same sort of pressure in New Zealand as in Australia but commodity producers have been sheltered by high commodity export prices. The terms of trade in late 2012 were over 10% below their mid-2011 peak, but world prices for New Zealand's basket of commodities have started rising again and this should support farm incomes. Higher dairy prices have driven much of this recent upturn in commodity returns but drought has recently been an important issue facing the farming sector, and it poses a risk to the growth forecasts for 2013.

United Kingdom Economy

Economic performance remains disappointing in the UK with the level of output falling in the final quarter of last year, followed by modest growth in early 2013.

The UK Government's strategy of re-balancing demand in the UK economy away from consumption and public spending toward exports stalled in 2011 as the recovery trend in business investment stopped. The Euro-zone recession has depressed exports, offsetting the boost to

UK competitiveness that came from the big depreciation of Sterling. Weak business confidence has undermined investment spending, further undercutting the expected recovery in private demand.

At the same time, austerity in the public sector, weak property markets and pressure on real household incomes have hit consumer spending and construction. Consequently, the sectors that were expected to experience more difficult conditions through the required re-balancing of demand have duly suffered, while the level of activity in those industries expected to underpin sustained growth has fallen well short of initial expectations.

Although the UK Government has emphasised its determination to address the UK's growing public debt, it has allowed the weakness in the economy to affect the budget deficit which has helped support demand.

The Bank of England has also aimed monetary policy at supporting activity with a long period of historically low interest rates and measures to boost liquidity and risk appetites. Other measures have been adopted to support credit growth, but the growth rate of lending to individuals in early 2013 was still running at less than 1% year-on-year, while the stock of business credit was still below levels seen a year earlier.

United States of America Economy

Behind the volatility in the quarterly national accounts, the US economy is continuing to experience a moderately paced recovery. The housing market is growing, albeit from a very low base. Industrial output and business investment have started growing again, after a slowdown in the latter half of 2012. Corporate profits remain high and employment growth is solid. Fiscal policy is still a drag on economic growth, but monetary policy is still supporting demand through very low interest rates.

After a long period of de-leveraging, growth in system credit is picking up. The business sector has been at the forefront of this rising credit demand, the household sector is still de-leveraging, but at a much slower pace. Banks are becoming more willing to extend credit with growing confidence that the economy can navigate its way through government budgetary difficulties without a slowdown in economic growth.

The Great Western Bank region continues to experience moderate growth outside of the farm sector, similar to the wider US economy. The unemployment rate continues to fall and remains well below that of the rest of the country. Much of the region remains in drought but conditions have improved recently. The impact on crop production in the Great Western region was greater than for the rest of the country. While an increase in some agricultural prices and crop insurance provided support, farm income declined in 2012. However, farm income in the region remains high by historical standards.

Outlook

Since 2008, in many of the advanced economies, a combination of caution and a lack of clarity and confidence concerning the future have produced a wave of de-leveraging, increased savings and a preference to hold safe liquid assets. All of the Group's main markets have been affected by these trends but, more recently, there has been a greater differentiation in economic conditions.

Although Australian economic growth is expected to continue at a moderate pace of 2.4% in 2013 and 3.0% in 2014, there are large variations in performance between industries and regions as well as uncertainty over when the mining investment boom will peak. Completion of the big mining and energy projects under construction should be followed by higher export volumes, providing a reasonably certain boost to growth through the next few years. There is much greater uncertainty over the extent to which the interest rate sensitive components of demand will respond to low interest rates and the extent to which further easing is required in monetary policy. While there are signs of improvement in the housing market, credit growth remains very low and is expected to remain weak until 2014.

New Zealand has seen a substantial improvement in its trading environment. A fair amount of de-leveraging has been accomplished, household savings have become less negative and deposit growth has been solid. System credit growth has resumed and started to accelerate, although it remains modest by pre-2008 standards. Domestic demand is strengthening and the business surveys show a fair degree of confidence across large parts of the economy. The drought, an unemployment rate of around 7% and the high New Zealand dollar are the main problems facing the economy but growth of around 3% is expected this year and 3.6% in 2014.

Economic conditions in the UK are expected to remain tougher than in any other key market. Weak activity levels in the Euro-zone will weigh on UK exports. The UK government intends to pursue its policy of winding back a very large budget deficit to stabilise a large and rapidly rising public debt burden and business confidence remains fragile, as the long expected upturn in business investment has been repeatedly postponed. Facing weak property prices and job uncertainty, households will probably want to maintain a high savings ratio and real incomes look set to remain under pressure. This is likely to keep credit growth weak, despite the programs to boost lending and there is still scope for more de-leveraging. GDP is likely to grow by less than 1% this year and by 1.8% in 2014, which means that it will not be before the end of 2014 that UK GDP will reach the size it was in early 2008. There has not been a comparable 7-year period of economic stagnation in the last century.

The recovery is expected to continue in the US with growth of 2.1% in 2013 and 2.9% in 2014. The household sector has already de-leveraged heavily, rising house and equity prices are boosting wealth and households saved more last year than before the crisis began. High corporate profits and cash holdings should support business investment and credit demand, while low inventories and an increasing number of households should boost the housing sector.

Review of Group Operations and Results

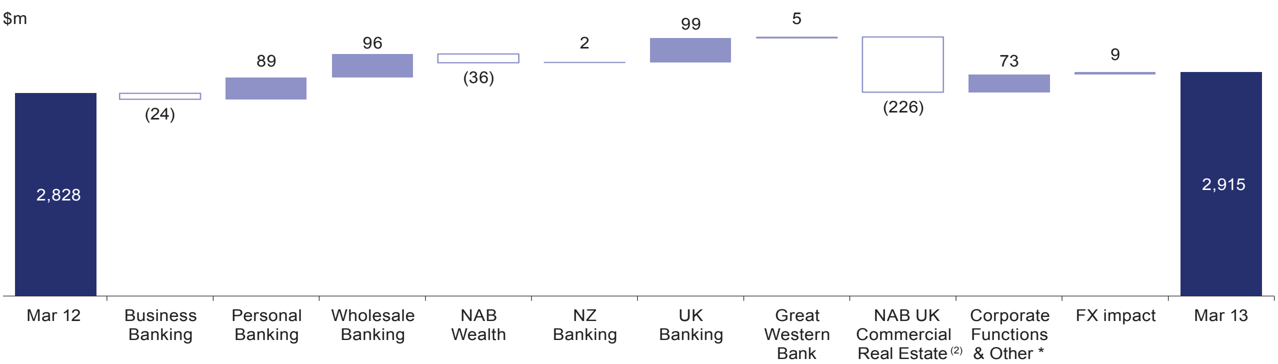
Mark Joiner

Group Results

	Half Year to				
	Mar 13 $m	**Sep 12 $m**	**Mar 12 $m**	**Mar 13 v Sep 12 %**	**Mar 13 v Mar 12 %**
Net interest income	**6,608**	6,589	6,708	0.3	(1.5)
Other operating income	**1,943**	1,772	1,640	9.7	18.5
NAB Wealth net operating income	**699**	755	760	(7.4)	(8.0)
Net operating income	**9,250**	9,116	9,108	1.5	1.6
Operating expenses	**(3,976)**	(3,876)	(3,952)	(2.6)	(0.6)
Underlying profit	**5,274**	5,240	5,156	0.6	2.3
Charge to provide for bad and doubtful debts	**(1,092)**	(1,484)	(1,131)	26.4	3.4
Cash earnings before tax, IoRE, distributions and non-controlling interest	**4,182**	3,756	4,025	11.3	3.9
Income tax expense	**(1,170)**	(1,057)	(1,121)	(10.7)	(4.4)
Cash earnings before IoRE, distributions and non-controlling interest	**3,012**	2,699	2,904	11.6	3.7
Net profit - non-controlling interest	**(3)**	-	(1)	large	large
IoRE	**-**	8	30	large	large
Distributions	**(94)**	(102)	(105)	7.8	10.5
Cash earnings (1)	**2,915**	2,605	2,828	11.9	3.1
Non-cash earnings items	**(395)**	(575)	(776)	31.3	49.1
Net profit attributable to owners of the Company	**2,520**	2,030	2,052	24.1	22.8

(1) *Cash earnings is a key financial performance measure used by the Group, the investment community and Australian peers. It is not a statutory financial measure and is not presented in accordance with Australian Accounting Standards. For a full reconciliation between the Group's cash earnings and net profit attributable to owners of the Company refer to pages 5 - 7 in Section 1.*

Cash Earnings (1)



(1) *At constant exchange rates.*
(2) *NAB UK CRE amounts in the above chart reflect its results for the half year ended 31 March 2013.*
* *Corporate Functions and Other includes Group Funding, Group Business Services, Specialised Group Assets and other supporting units.*

Review of Group Operations and Results

Financial Analysis

March 2013 v March 2012

Net profit attributable to owners of the Company increased by $468 million or 22.8% compared to the March 2012 half year as a result of strong performances in Wholesale Banking and Personal Banking, combined with charges for the impairment of goodwill and capitalised software in the UK during the March 2012 half year not recurring in the current period. Net profit attributable to owners of the Company (statutory net profit) is prepared in accordance with the *Corporations Act* 2001 (Cth), and Australian Accounting Standards.

Cash earnings increased by $87 million or 3.1% compared to the March 2012 half year. Excluding foreign exchange rate movements, cash earnings increased by $78 million or 2.8%. This was largely driven by higher earnings in Personal Banking, reflecting continued strong growth in home lending volumes and improved lending margins, and Wholesale Banking, as a result of higher revenue in both the Customer and Risk businesses.These results were partially offset by losses in the NAB UK Commercial Real Estate portfolio reflecting challenging economic and operating conditions in the UK.

Cash earnings on risk-weighted assets increased by 5 basis points, reflecting higher earnings, which were partially offset by higher risk-weighted assets as a result of the transition to Basel III.

Net interest income decreased by $100 million or 1.5%. Excluding foreign exchange rate movements, net interest income decreased by $116 million or 1.7%. This was largely driven by Wholesale Banking's losses on economically hedged positions relating to the Group's funding activities of $180 million (offset in other operating income), and lower business lending income in UK Banking. This was partially offset by higher net interest income in both Personal Banking and NZ Banking.

Other operating income increased by $303 million or 18.5%. Excluding foreign exchange rate movements, other operating income grew by $295 million or 18.0%. Excluding the effects of gains on economically hedged positions relating to the Group's funding activities, the underlying increase of $123 million was largely attributable to Wholesale Banking as a result of higher sales of risk management products, and an improved trading performance.

NAB Wealth net operating income decreased by $61 million or 8.0% as a result of higher insurance claims and lapse related costs, which was partially offset by higher fee revenue from the growth in average funds under management.

Operating expenses increased by $24 million or 0.6%. Excluding foreign exchange rate movements, operating expenses increased by $15 million or 0.4%. This mainly reflects higher technology and operational costs associated with the delivery of strategic technology investments during the March 2013 half year, including further NextGen releases, and nabtrade, and additional provisions for customer redress matters. These effects were partially offset by disciplined management of discretionary expenditure, reduced performance based incentives and lower expenses in UK Banking, following the restructure of the business.

The **charge to provide for bad and doubtful debts** decreased by $39 million or 3.4% ($41 million or 3.6% excluding foreign exchange rate movements). This mainly reflects lower charges in Wholesale Banking and Specialised Group Assets, and lower charges in the combined UK Banking and NAB UK CRE portfolios. These decreases were partially offset by higher charges for bad and doubtful debts in Business Banking, Personal Banking and NZ Banking.

March 2013 v September 2012

Net profit attributable to owners of the Company increased by $490 million or 24.1% compared to the September 2012 half year, reflecting lower charges for bad and doubtful debts and a strong performance in Wholesale Banking, combined with the effects of the economic cycle adjustment and restructuring costs in UK Banking during the September 2012 half year.

Cash earnings increased by $310 million or 11.9% compared to the September 2012 half year. Excluding foreign exchange rate movements, cash earnings increased by $304 million or 11.7%. Excluding the $250 million ($175 million post tax) economic cycle adjustment in September 2012, cash earnings increased by $135 million or 4.8%. This increase was largely driven by higher earnings in Business Banking as a result of lower charges for bad and doubtful debts, higher sales revenue in Wholesale Banking and higher lending volumes in NZ Banking.

Cash earnings on risk-weighted assets increased by 17 basis points, largely reflecting the uplift in cash earnings in the March 2013 half year, which was partially offset by higher risk-weighted assets as a result of the transition to Basel III.

Net interest income increased by $19 million or 0.3%. Excluding foreign exchange rate movements, net interest income increased by $21 million or 0.3%. Net interest income was stronger due to housing lending growth and repricing for current market conditions offsetting increased deposit and term funding costs. These increases were offset by lower net interest income in Wholesale Banking of $151 million as a result of losses on economically hedged positions relating to the Group's funding activities (offset in other operating income), and in UK Banking due to lower business lending.

Other operating income increased by $171 million or 9.7%. Excluding foreign exchange rate movements, other operating income increased by $174 million or 9.8%. Excluding the effects of gains on economically hedged positions relating to the Group's funding activities, the underlying increase of $20 million was largely due to Wholesale Banking, as a result of higher sales of risk management products and higher income in the Specialised Finance and Fixed Income Currencies and Commodities businesses.

NAB Wealth net operating income decreased by $56 million or 7.4% largely as a result of higher claims and lower earnings in the annuities portfolio, partially offset by higher revenue from the growth in average funds under management.

Operating expenses increased by $100 million or 2.6%. Excluding foreign exchange rate movements, operating expenses increased by $106 million or 2.7%. This mainly reflects higher technology and operational costs associated with ongoing investment in the business, combined with higher depreciation and amortisation charges and additional provisions for customer redress matters. The increase was also due to Enterprise Bargaining Agreement wage increases and higher performance based compensation. These effects were partially offset by disciplined management of discretionary expenditure and lower expenses in UK Banking, following the restructure of the business.

The **charge to provide for bad and doubtful debts** decreased by $392 million or 26.4% ($385 million or 25.9% excluding foreign exchange rate movements). Excluding the $250 million economic cycle adjustment in September 2012, the charge to provide for bad and doubtful debts decreased by $142 million or 11.5%, reflecting lower charges both in Business Banking and across the combined UK Banking and NAB UK Commercial Real Estate businesses. This was partially offset by higher charges in Personal Banking, reflecting seasonality in the unsecured portfolios and the release of single event related provisions in the prior period.

Impact of Foreign Exchange Rate Movements

Excluding foreign exchange rate movements, cash earnings increased by $78 million or 2.8% on the March 2012 half year and rose by $304 million or 11.7% against the September 2012 half year. Foreign exchange rate movements have had a favourable effect of $9 million on the March 2012 half year, and $6 million when compared to the September 2012 half year result.

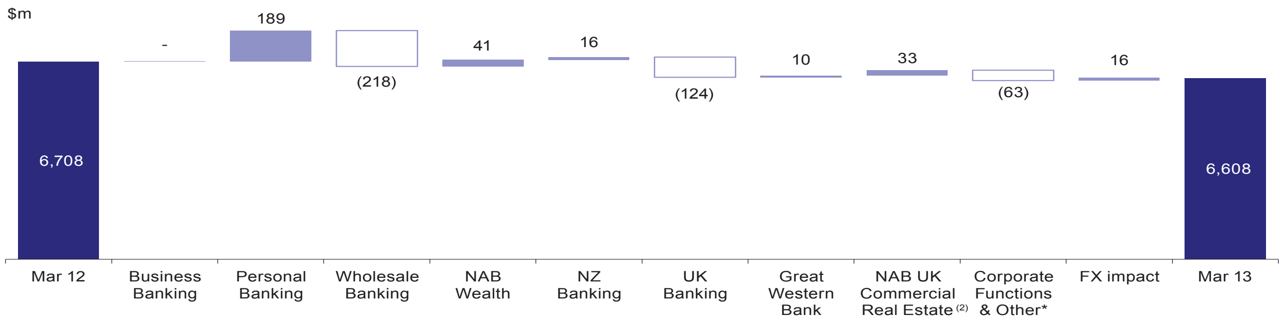
See pages 138 to 139 for the half year divisional performance summaries excluding foreign exchange rate movements.

Net Interest Income

	Half Year to				
	Mar 13	**Sep 12**	**Mar 12**	**Mar 13 v Sep 12**	**Mar 13 v Mar 12**
Net interest income ($m)	**6,608**	6,589	6,708	0.3%	(1.5%)
Average interest earning assets ($bn)	**652.5**	640.3	618.9	1.9%	5.4%
Net interest margin (%)	**2.03**	2.06	2.17	(3 bps)	(14 bps)
Composition of Net Interest Income					
Banking ($m)	**5,999**	5,828	5,870	2.9%	2.2%
Wholesale Banking ($m)	**566**	735	784	(23.0%)	(27.8%)
Other ($m)	**43**	26	54	65.4%	(20.4%)
Net interest income ($m)	**6,608**	6,589	6,708	0.3%	(1.5%)

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 Decrease [(1)]



(1) *At constant exchange rates.*
(2) *NAB UK CRE amounts in the above chart reflect its results for the half year ended 31 March 2013.*
* *Corporate Functions and Other includes Group Funding, Group Business Services, Specialised Group Assets and other supporting units.*

March 2013 v March 2012

Net interest income decreased by $100 million or 1.5% compared to March 2012 half year ($116 million or 1.7% excluding foreign exchange).

Banking net interest income increased by $129 million or 2.2% ($113 million or 1.9% excluding foreign exchange). This was driven by housing lending growth across the franchise, repricing of the portfolio for current market conditions and lower short-term funding costs. These increases were partially offset by the rising average cost of deposits and term funding.

Wholesale Banking's net interest income decreased by $218 million or 27.8% (no impact of foreign exchange). Of the decrease in net interest income, $180 million was driven by losses on economically hedged positions relating to the Group's funding activities (offset in other operating income). The underlying decrease in net interest income of $38 million was driven primarily by lower yields on interest earning assets to support the Group's funding and liquidity requirements.

March 2013 v September 2012

Net interest income increased by $19 million or 0.3% compared to September 2012 half year ($21 million or 0.3% excluding foreign exchange).

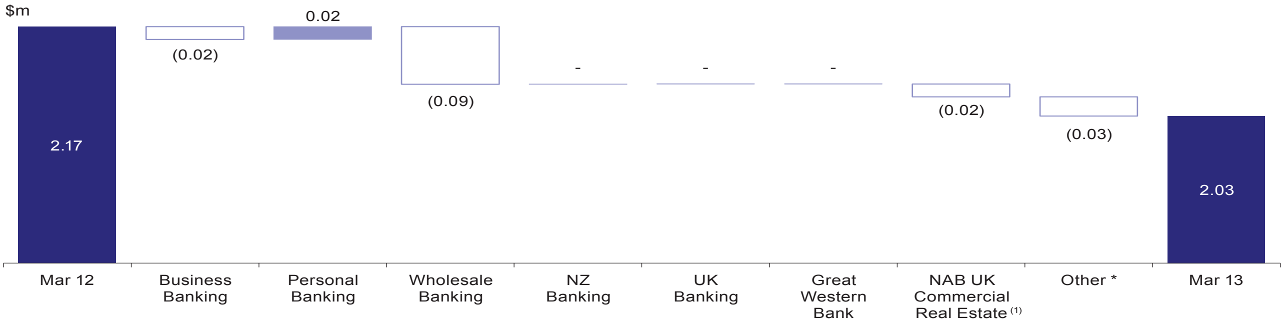
Banking net interest income increased by $171 million or 2.9% ($170 million or 2.9% excluding foreign exchange). This was driven by housing lending growth in Personal Banking, New Zealand Banking, and UK Banking combined with repricing of the portfolio for current market conditions and lower short-term funding costs. These increases were partially offset by the rising average cost of deposits and term funding.

Wholesale Banking's net interest income decreased by $169 million or 23.0% ($167 million or 22.7% excluding foreign exchange). Of the decrease in net interest income, $151 million was driven by losses on economically hedged positions relating to the Group's funding activities (offset in other operating income). The underlying decrease in net interest income of $18 million was driven primarily by lower yields on interest earning assets to support the Group's funding and liquidity requirements.

Net Interest Margin

	Half Year to				
	Mar 13 %	Sep 12 %	Mar 12 %	Mar 13 v Sep 12	Mar 13 v Mar 12
Business Banking	**2.53**	2.50	2.56	3 bps	(3 bps)
Personal Banking	**2.09**	2.04	2.02	5 bps	7 bps
NZ Banking	**2.40**	2.38	2.41	2 bps	(1 bps)
UK Banking	**2.06**	1.97	2.09	9 bps	(3 bps)
Great Western Bank	**3.77**	3.73	3.78	4 bps	(1 bps)
Group net interest margin	2.03	2.06	2.17	(3 bps)	(14 bps)

Net interest margin - Business unit contributions to Group Net Interest Margin



(1) *NAB UK CRE amounts in the above chart reflect its results for the half year ended 31 March 2013.*
* *Includes NAB Wealth, Group Funding , Specialised Group Assets and other supporting units.*

March 2013 v March 2012

The Group's **net interest margin** has decreased by 14 basis points over the March 2012 half year. Key contributions to the Group net interest margin movements were:

- A two basis point decrease from Business Banking, attributable to higher deposit costs, partly offset by repricing parts of the lending portfolio to reflect current market conditions, and changes in portfolio mix
- A two basis point increase in Personal Banking due to repricing the lending portfolio to reflect current market conditions, which was partially offset by higher deposit costs
- A nine basis point decrease from Wholesale Banking driven by losses on economically hedged positions relating to the Group's funding activities (offset in other operating income), combined with the impact of an unfavourable portfolio mix effect due to the increase in liquid assets as part of the Group's transition to Basel III
- A two basis point decrease from UK operations driven by increased funding and deposit costs
- The remaining three basis point decrease was driven by changes in portfolio mix and a lower capital earnings rate, reflective of a declining interest rate environment.

March 2013 v September 2012

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

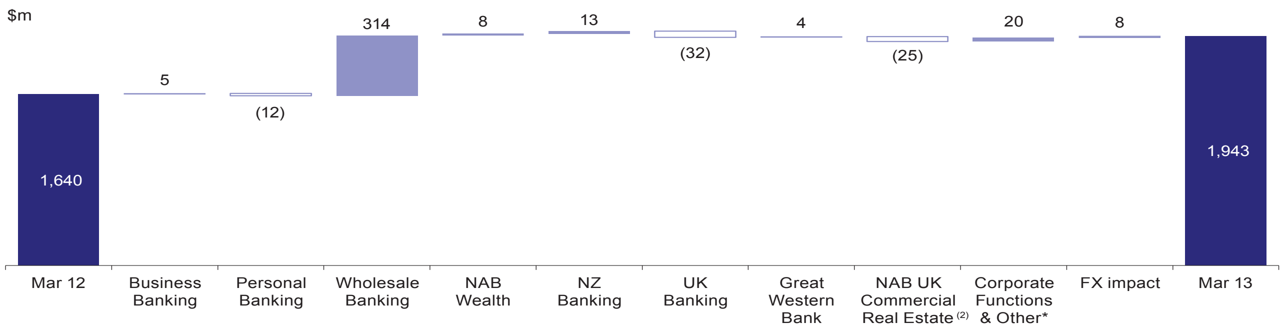
- A one basis point increase from Business Banking attributable to the repricing of parts of the lending portfolio to reflect current market conditions, which was partially offset by higher deposit costs
- A one basis point increase from Personal Banking due to repricing the lending portfolio to reflect current market conditions, which was partially offset by higher deposit costs
- A six basis point decrease from Wholesale Banking driven by losses on economically hedged positions relating to the Group's funding activities (offset in other operating income), combined with the impact of an unfavourable portfolio mix effect due to the increase in liquid assets as part of the Group's transition to Basel III
- A one basis point decrease from UK operations mainly due to the annual Financial Services Compensation Scheme (FSCS) levy
- The remaining two basis point increase was driven by favourable changes in portfolio mix, partially offset by a lower capital earnings rate, reflective of a declining interest rate environment.

Other Operating Income

	Half Year to				
	Mar 13 $m	**Sep 12 $m**	**Mar 12 $m**	**Mar 13 v Sep 12 %**	**Mar 13 v Mar 12 %**
Fees and commissions	**1,233**	1,234	1,234	(0.1)	(0.1)
Trading income	**604**	331	295	82.5	large
Other	**106**	207	111	(48.8)	(4.5)
Other operating income	**1,943**	1,772	1,640	9.7	18.5
Composition of Trading Income (1)					
Wholesale Banking	**588**	362	268	62.4	large
Group Funding	**(36)**	(32)	(64)	(12.5)	43.8
Other	**52**	1	91	large	(42.9)
Trading income	**604**	331	295	82.5	large

(1) *Excluding internal funding transactions.*

Other Operating Income - Contribution to Net Increase (1)



(1) *At constant exchange rates.*
(2) *NAB UK CRE amounts in the above chart reflect its results for the half year ended 31 March 2013.*
* *Corporate Functions and Other includes Group Funding, Group Business Services, Specialised Group Assets and other supporting units.*

March 2013 v March 2012

Other operating income increased by $303 million or 18.5% from March 2012 ($295 million or 18.0% excluding foreign exchange).

Fees and commissions were stable. Excluding foreign exchange the decrease was $5 million or 0.4% from March 2012.

Trading income increased by $309 million ($307 million excluding foreign exchange).

Wholesale Banking's contribution to trading income increased by $320 million ($318 million excluding foreign exchange). Excluding the effects of mark-to-market gains of $180 million on economic hedges relating to the Group's funding activities (offset in net interest income), the underlying increase of $140 million was mainly the result of higher sales of risk management products to the Group's customers, coupled with a favourable risk management and trading performance in the Fixed Income Currencies and Commodities (FICC) business.

Other trading income decreased by $39 million or 42.9% ($39 million or 42.9% excluding foreign exchange) mainly due to a loss on a customer derivative transaction in NAB UK CRE.

Other income decreased by $5 million or 4.5% ($8 million or 7.2% excluding foreign exchange) mainly due to lower income in Specialised Finance within Wholesale Banking.

March 2013 v September 2012

Other operating income increased by $171 million or 9.7% ($174 million or 9.8% excluding foreign exchange) from September 2012.

Fees and commissions were stable. Excluding foreign exchange the decrease was $1 million or 0.1% from September 2012.

Trading income increased by $273 million or 82.5% ($276 million or 83.4% excluding foreign exchange).

Wholesale Banking's contribution to trading income increased by $226 million or 62.4% ($228 million or 63.0% excluding foreign exchange). Excluding the effects of mark-to-market gains of $151 million on economic hedges relating to the Group's funding activities (offset in net interest income), the underlying increase of $75 million was mainly the result of higher sales of risk management products and increased deal flows in Specialised Finance, combined with a favourable trading performance in FICC.

Other trading income increased by $51 million ($52 million excluding foreign exchange) mainly due to gains on the closure of a specific derivative position on a large credit exposure in the SGA portfolio.

Other income decreased by $101 million or 48.8% (no impact of foreign exchange) mainly due to lower dividend income in Asia, lower performance related fees in NAB Wealth and gains arising from the sale-and-leaseback of UK Banking property not repeated in the March 2013 half year.

NAB Wealth Net Operating Income

	Half Year to				
	Mar 13 $m	Sep 12 $m	Mar 12 $m	Mar 13 v Sep 12 %	Mar 13 v Mar 12 %
Investments net operating income	505	524	510	(3.6)	(1.0)
Insurance net operating income	194	231	250	(16.0)	(22.4)
NAB Wealth net operating income	699	755	760	(7.4)	(8.0)

March 2013 v March 2012

Investments net operating income decreased by $5 million or 1.0% compared to March 2012 as a result of lower earnings on the annuities portfolio and changes in business mix, partially offset by growth in average FUM.

Insurance net operating income decreased by $56 million or 22.4% compared to the March 2012 half year. This result was largely driven by higher claims, an increase in lapses and changes in the profile of the retail insurance book, partially offset by an increase in inforce premiums.

March 2013 v September 2012

Investments net operating income decreased by $19 million or 3.6% against the September 2012 half year as a result of lower earnings on the annuities portfolio and changes in business mix, partially offset by growth in average FUM.

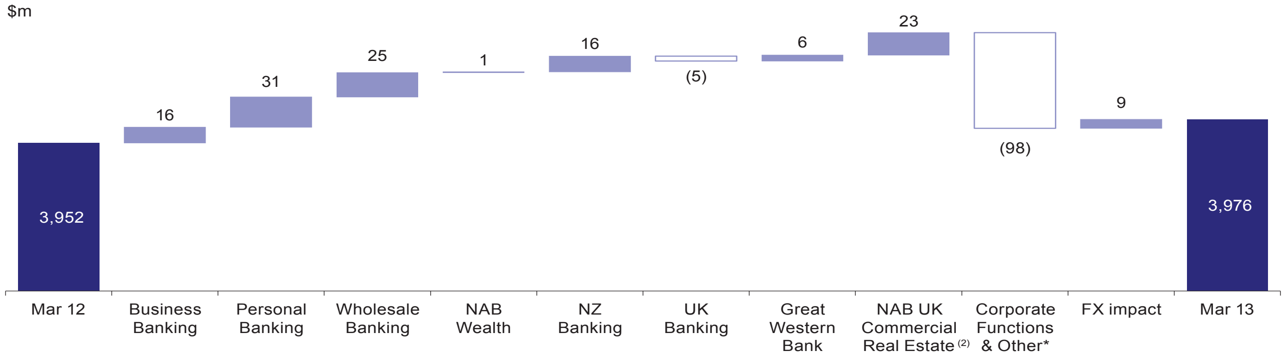
Insurance net operating income decreased by $37 million or 16.0% due to higher claims reflective of difficult industry conditions. This was partially offset by higher earnings on assets backing insurance policy liabilities and growth in average inforce premiums.

Operating Expenses

	Half Year to Mar 13 $m	Sep 12 $m	Mar 12 $m	Mar 13 v Sep 12 %	Mar 13 v Mar 12 %
Personnel expenses	**1,940**	1,875	2,040	(3.5)	4.9
Occupancy related expenses	**357**	349	341	(2.3)	(4.7)
General expenses	**1,248**	1,162	1,078	(7.4)	(15.8)
NAB Wealth Investments and Insurance operating expenses [1]	**431**	490	493	12.0	12.6
Total operating expenses	**3,976**	3,876	3,952	(2.6)	(0.6)

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

Operating Expenses - Contribution to Net Increase [1]



(1) *At constant exchange rates.*
(2) *NAB UK CRE amounts in the above chart reflect its results for the half year ended 31 March 2013.*
* *Corporate Functions and Other includes Group Funding, Group Business Services, Specialised Group Assets and other supporting units.*

March 2013 v March 2012

Operating expenses increased by $24 million or 0.6% against March 2012 ($15 million or 0.4% excluding foreign exchange), reflecting higher technology and operational costs associated with ongoing investment in the business, partially offset by disciplined management of discretionary expenditure.

Personnel expenses decreased by $100 million or 4.9% ($104 million or 5.1% excluding foreign exchange). This decrease was primarily driven by lower redundancy costs combined with lower personnel costs in UK Banking reflecting the restructure of the business, and reduced performance based incentives.

Occupancy related expenses increased by $16 million or 4.7% ($15 million or 4.4% excluding foreign exchange) reflecting higher operating lease expenses.

General expenses increased by $170 million or 15.8% ($166 million or 15.4% excluding foreign exchange). The increase was due to higher technology and operational costs supporting the implementation of NextGen, and additional provisions for claims and associated costs related to UK customer redress matters.

NAB Wealth operating expenses decreased by $62 million or 12.6% mainly due to efficiency initiatives and the re-classification of sales incentives for JBWere from operating expenses to volume related expenses in net operating income.

March 2013 v September 2012

Operating expenses increased by $100 million or 2.6% against September 2012 ($106 million or 2.7% excluding foreign exchange), reflecting higher technology and operational costs associated with ongoing investment in the business.

Personnel expenses increased by $65 million or 3.5% ($67 million or 3.6% excluding foreign exchange). This increase was largely driven by higher performance based compensation and Enterprise Bargaining Agreement wage increases, combined with higher project related personnel costs supporting ongoing investment in the business.

Occupancy related expenses increased by $8 million or 2.3% ($9 million or 2.6% excluding foreign exchange) reflecting higher operating lease expenses.

General expenses increased by $86 million or 7.4% ($89 million or 7.7% excluding foreign exchange). The increase was due to higher technology and operational costs supporting the implementation of NextGen, combined with higher depreciation and amortisation charges and additional provisions for claims and associated costs related to UK customer redress matters.

NAB Wealth operating expenses decreased by $59 million or 12.0% mainly due to efficiency initiatives and the re-classification of sales incentives for JBWere from operating expenses to volume related expenses in net operating income.

Full Time Equivalent Employees

	As at				
	31 Mar 13	30 Sep 12	31 Mar 12	Mar 13 v Sep 12%	Mar 13 v Mar 12%
Business Banking	**4,715**	5,076	5,081	7.1	7.2
Personal Banking	**7,962**	8,348	8,493	4.6	6.3
Wholesale Banking	**2,504**	2,830	2,819	11.5	11.2
NAB Wealth	**5,880**	5,777	5,635	(1.8)	(4.3)
NZ Banking	**4,579**	4,534	4,554	(1.0)	(0.5)
UK Banking	**7,150**	7,883	8,146	9.3	12.2
Great Western Bank	**1,531**	1,569	1,478	2.4	(3.6)
NAB UK Commercial Real Estate	**201**	-	-	n/a	n/a
Corporate Functions and Other					
Group Business Services	**5,091**	5,066	5,001	(0.5)	(1.8)
Other [1]	**3,055**	2,253	2,192	(35.6)	(39.4)
Total full time equivalent employees (FTEs)	**42,668**	43,336	43,399	1.5	1.7
Average half year FTEs	**43,007**	43,443	44,013	1.0	2.3

[1] *Other includes Group Funding, Specialised Group Assets and other supporting units.*

March 2013 v March 2012

Total FTEs have decreased by 731 since the March 2012 half year. The decrease has been achieved by continued focus on efficiency programs and convergence activity that has been occurring across the Group.

Key FTE movements in each business were as follows:
- Business Banking reduced FTEs by 366 mainly through convergence activities
- Personal Banking FTEs fell by 531 primarily through convergence initiatives. This was partially offset by an increase in staff in customer support centres
- Wholesale Banking FTEs decreased by 315 mainly due to convergence activity
- NAB Wealth increased FTEs by 245 to develop and roll-out new products, services and initiatives such as Stronger Super, Future of Financial Advice (FOFA) and nabtrade
- UK Banking reduced FTEs by 996 as part of the restructuring of the business (including the transfer of operations staff to NAB UK CRE)
- The 201 new FTEs in NAB UK CRE were the result of the transfer of staff from UK Banking operations
- Great Western Bank FTEs increased by 53 primarily due to the acquisition of First Federal Savings Bank of Iowa. This was partly offset by retail outlet closures
- Corporate Functions and Other increased FTEs by 953, largely as a result of convergence activity across the Group, where support roles have been consolidated from various business units into the Corporate Centre.

March 2013 v September 2012

Total FTEs have decreased by 668 against the September 2012 half year.

Key FTE movements in each business were as follows:
- Business Banking decreased FTEs by 361 mainly due to convergence activities
- Personal Banking FTEs decreased by 386 primarily driven by convergence initiatives. This was partly offset by an increase in staff in customer support centres
- Wholesale Banking FTEs decreased by 326 due to convergence activity
- NAB Wealth increased FTEs by 103 to support the development and roll-out of new products and services, such as Stronger Super, FOFA and nabtrade
- NZ Banking increased FTEs by 45 to implement strategic initiatives
- UK Banking reduced FTEs by 733 to restructure the business (including the transfer of operations staff to NAB UK CRE)
- The 201 new FTEs in NAB UK CRE were the result of the transfer of staff from UK Banking operations
- Great Western Bank reduced FTEs by 38 as a result of efficiency gains
- Corporate Functions and Other increased FTEs by 827 as a result of convergence activity across the Group, where support roles have been consolidated from various business units into the Corporate Centre.

Investment Spend

	Half Year to				
	Mar 13 $m	Sep 12 $m	Mar 12 $m	Mar 13 v Sep 12 %	Mar 13 v Mar 12 %
Infrastructure	**307**	301	309	2.0	(0.6)
Compliance / Operational Risk	**91**	76	57	19.7	59.6
Efficiency and Sustainable Revenue	**105**	158	120	(33.5)	(12.5)
Other	**22**	36	30	(38.9)	(26.7)
Total Investment Spend	**525**	571	516	(8.1)	1.7

Investment spend is expenditure on projects and initiatives designed to enhance the customer experience, comply with legal and regulatory requirements, and improve capabilities and efficiencies in NAB's business processes. Investment spend in the March 2013 half year totalling $525 million focused on delivering on the Group's strategic objectives. This reflected an increase of $9 million or 1.7% against the March 2012 half year, and a decrease of $46 million or 8.1% against the September 2012 half year.

March 2013 v March 2012

Investment in infrastructure projects has remained broadly stable against the March 2012 half year, decreasing by $2 million or 0.6%. There was continuing investment in NextGen, a multi-year program to build a new banking platform and to simplify NAB's banking, finance and risk systems, processes and tools. Further NextGen releases in the March 2013 half year included the Information Analytics Platform and the continued build-out of capability into UBank. This was partly offset by reduced expenditure during the March 2013 half year compared to previous periods, on store refurbishments and relocations in Australia and New Zealand.

Spend on compliance and operational risk increased by $34 million or 59.6% against the March 2012 half year, driven by continued activities in Wholesale Banking to address derivatives reforms and compliance with Basel III regulatory requirements. Initiatives in NAB Wealth focused on supporting financial planning requirements, compliance with the Financial Advisors Act in New Zealand and stronger superannuation reforms.

While investment in efficiency and sustainable revenue projects decreased by $15 million or 12.5% against the March 2012 half year, the Group continues to identify opportunities to provide better services to its customers. Initiatives in the March 2013 half year included:

- Personal Banking developing mobile phone applications to increase self-service capabilities and real time payments authorisations, following the relaunch of the Homeside brand in the previous period
- Business Banking continuing to enhance NAB Connect to improve customer offerings through online channels
- Wholesale Banking concentrating on developing software platforms for cross-sell activities and international trade, and on enhancing eCommerce platforms to strengthen employee capability
- NZ Banking improving its Internet banking offering to meet the evolving needs of its customers.

March 2013 v September 2012

Investment in infrastructure projects increased by $6 million or 2% against the September 2012 half year, with spending predominantly dedicated to continued delivery of programs in NextGen.

Spend on compliance and operational risk increased by $15 million or 19.7% against the September 2012 half year with continued efforts in Wholesale Banking on compliance with derivatives reforms, and on Basel III regulatory requirements which became effective in January 2013. Initiatives across the Group include enhancing risk management and payments compliance systems to meet regulatory requirements.

Investment in efficiency and sustainable revenue projects decreased by $53 million or 33.5% against the September 2012 half year. This reflects higher levels of spend in the September 2012 half year on improvements in NAB Connect in Business Banking, and on NAB Wealth's customer facing technology and back office infrastructure.

Taxation

	Half Year to				
	Mar 13	Sep 12	Mar 12	Mar 13 v Sep 12	Mar 13 v Mar 12
Income tax expense ($m)	**1,170**	1,057	1,121	(10.7%)	(4.4%)
Effective tax rate (%)	**28.0**	28.1	27.9	10 bps	(10 bps)

March 2013 v March 2012

Income tax expense for the March 2013 half year was $49 million or 4.4% higher than the March 2012 half year, mainly due to an increase in cash earnings before tax.

The **effective income tax rate** for the March 2013 half year of 28.0% is comparable to the effective tax rate of 27.9% for the March 2012 half year.

March 2013 v September 2012

Income tax expense for the March 2013 half year was $113 million or 10.7% higher than the September 2012 half year, mainly due to an increase in cash earnings before tax.

The **effective income tax** rate for the March 2013 half year of 28.0% is comparable to the effective income tax rate of 28.1% for the September 2012 half year.

Lending

	As at				
	31 Mar 13 $m	30 Sep 12 $m	31 Mar 12 $m	Mar 13 v Sep 12 %	Mar 13 v Mar 12 %
Housing					
Business Banking	**59,654**	60,223	60,346	(0.9)	(1.1)
Personal Banking	**150,197**	143,330	136,221	4.8	10.3
Wholesale Banking	**320**	367	421	(12.8)	(24.0)
NAB Wealth	**17,622**	16,113	16,087	9.4	9.5
NZ Banking	**23,258**	22,485	21,954	3.4	5.9
UK Banking	**22,883**	23,894	22,466	(4.2)	1.9
Great Western Bank	**669**	703	540	(4.8)	23.9
Corporate Functions and Other	**-**	1,614	1,399	large	large
Total housing	**274,603**	268,729	259,434	2.2	5.8
Non-housing					
Business Banking	**140,300**	139,720	138,309	0.4	1.4
Personal Banking	**9,114**	9,076	9,196	0.4	(0.9)
Wholesale Banking	**17,025**	17,464	17,144	(2.5)	(0.7)
NAB Wealth	**2,686**	2,564	2,690	4.8	(0.1)
NZ Banking	**25,242**	24,337	23,803	3.7	6.0
UK Banking	**16,440**	27,742	29,030	(40.7)	(43.4)
Great Western Bank	**5,290**	5,193	4,677	1.9	13.1
NAB UK Commercial Real Estate	**7,281**	-	-	n/a	n/a
Corporate Functions and Other	**2,593**	6,032	6,124	(57.0)	(57.7)
Total non-housing	**225,971**	232,128	230,973	(2.7)	(2.2)
Gross loans and advances including acceptances	**500,574**	500,857	490,407	(0.1)	2.1
Represented by:					
Loans and advances at fair value	**66,920**	63,027	56,596	6.2	18.2
Loans at amortised cost	**400,497**	400,873	394,039	(0.1)	1.6
Acceptances	**33,157**	36,957	39,772	(10.3)	(16.6)
Gross loans and advances including acceptances	**500,574**	500,857	490,407	(0.1)	2.1

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

March 2013 v March 2012

Lending (gross loans and advances including acceptances) increased by $10.2 billion or 2.1% on March 2012. Excluding foreign exchange, lending increased by $12.3 billion or 2.5%. This increase was primarily due to continuing momentum in housing lending.

Housing lending increased by $15.2 billion or 5.8% on March 2012. Excluding foreign exchange, the increase was $15.9 billion or 6.1%. Growth in market share was achieved in Australia and the UK as a result of the effective execution of competitive strategies across the Group.

Non-housing lending decreased by $5.0 billion or 2.2% on March 2012. Excluding foreign exchange, the decrease was $3.6 billion or 1.6%. This decline was mainly due to:

- A $5.3 billion or 18.3% decrease in UK lending (including NAB UK CRE) following the strategic decision to reduce the Group's exposure to UK business lending, and continued run-off of the NAB UK CRE portfolio
- A decline of $3.5 billion in Corporate Functions. Excluding the transfer of Asia non-housing lending ($2.6 billion), the underlying decrease of $0.9 billion was due to the continued run-off of the SGA portfolio
- An increase of $2.0 billion or 1.4% in Business Banking. Excluding the transfer of Asia non-housing lending ($2.4 billion), the underlying movement was flat due to the business credit environment and continuing customer deleveraging
- Growth of $1.4 billion or 6.0% in NZ Banking, largely due to improvement in business sentiment particularly in the agribusiness sector.

March 2013 v September 2012

Lending decreased by $0.3 billion or 0.1% on September 2012. Excluding foreign exchange, lending increased by $3.0 billion or 0.6%.

Housing lending increased by $5.9 billion or 2.2% on September 2012. Excluding foreign exchange, lending increased by $7.2 billion or 2.7%. Growth was mainly achieved in Personal Banking.

Non-housing lending decreased by $6.2 billion or 2.7% on September 2012. Excluding foreign exchange, lending decreased by $4.2 billion or 1.8%. This decline was mainly due to:

- A decline in UK lending (including NAB UK CRE) of $4.0 billion or 14.5%, due to the strategic decision to reduce the Group's exposure to UK business lending and continued run-off of the NAB UK CRE portfolio
- A decline in Corporate Functions of $3.4 billion or 57.0%. Excluding the transfer of Asia non-housing lending of ($2.8 billion), the underlying decrease of $0.6 billion was due to the continued run-off of the SGA portfolio
- Growth in NZ Banking of $0.9 billion or 3.7%, due to improved business sentiment particularly in the agribusiness sector
- An increase in Business Banking of $0.6 billion or 0.4%. Excluding the transfer of Asia non-housing lending ($2.7 billion), the underlying decrease of $2.1 billion was largely due to the business credit environment and continuing customer deleveraging.

Goodwill and Other Intangible Assets

Goodwill increased by $2 million or 0.04% from September 2012, due to the effects of foreign exchange.

Intangible assets comprise capitalised software and other intangible assets. Intangible assets increased by $156 million from September 2012. The increase was mainly due to investment in internally generated software. This was offset by amortisation and the effects of foreign exchange.

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

- In Australia, investment of $89 million during the half year in software related to NextGen
- In the UK, continued investment in software to support regulatory and compliance initiatives, as well as investment in the refreshing of key banking systems
- In Wholesale Banking, continued focus on efficiency and revenue generating technology projects, including the development of platforms for FICC, Market Sales, Asset Servicing and Treasury, as well as investment in systems to improve credit risk management information, compliance and operational risk initiatives
- In New Zealand, additional spend on capabilities to support the implementation of the BNZ strategic plan, including Data Centre Software and compliance with Anti-Money Laundering legislation.

The movement in capitalised software is as follows:

	Half year ended		
	Mar 13 $m	**Sep 12 $m**	**Mar 12 $m**
Balance at beginning of period	**1,454**	1,291	1,252
Additions	**336**	273	243
Disposals and write-offs	**-**	(5)	(1)
Amortisation	**(126)**	(109)	(132)
Impairment losses recognised	**-**	-	(54)
Foreign currency translation adjustments	**(18)**	4	(17)
Capitalised software	**1,646**	1,454	1,291

Customer Deposits

	As at				
	31 Mar 13 $m	**30 Sep 12 $m**	**31 Mar 12 $m**	**Mar 13 v Sep 12 %**	**Mar 13 v Mar 12 %**
Business Banking	**106,942**	105,520	103,243	1.3	3.6
Personal Banking	**90,872**	87,886	80,780	3.4	12.5
Wholesale Banking	**52,747**	49,826	45,430	5.9	16.1
NAB Wealth	**18,743**	11,479	11,731	63.3	59.8
NZ Banking	**30,395**	28,777	26,873	5.6	13.1
UK Banking	**36,033**	40,272	39,155	(10.5)	(8.0)
Great Western Bank	**6,664**	6,584	6,312	1.2	5.6
NAB UK Commercial Real Estate	**5**	-	-	n/a	n/a
Corporate Functions and Other	**-**	8,854	6,492	large	large
Total customer deposits	342,401	339,198	320,016	0.9	7.0

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

March 2013 v March 2012

Customer deposits have increased by $22.4 billion or 7.0% since March 2012. Excluding foreign exchange, customer deposits have increased by $24.2 billion or 7.6%, as a result of the Group's strategy to focus on sustainable customer deposits as a source of funding to strengthen the balance sheet. This growth was mainly due to:

- An increase of $10.1 billion or 12.5% in Personal Banking, due to growth in both UBank and in the retail network demand for term deposits and transaction accounts
- An increase of $7.3 billion or 16.1% in Wholesale Banking, largely driven by growth in term deposits through new distribution channels
- An increase of $7.0 billion or 59.8% in NAB Wealth. Excluding the transfer of Asia customer deposits ($4.3 billion), the underlying growth ($2.7 billion) was largely the result of growth in term deposits
- An increase of $3.7 billion or 3.6% in Business Banking. Excluding the transfer of Asia customer deposits ($2.8 billion), the underlying growth ($0.9 billion) was driven by term deposits and transaction accounts
- An increase of $3.5 billion or 13.1% in NZ Banking, mainly due to growth in savings deposits in line with the strategy to improve balance sheet strength
- A decrease of $3.1 billion or 8.0% in UK Banking, largely reflecting the managed run-off of higher cost term deposits
- A decrease of $6.5 billion in Corporate Functions and Other mainly due to the transfer of Asia into Business Banking and NAB Wealth.

March 2013 v September 2012

Customer deposits have increased by $3.2 billion or 0.9% since September 2012. Excluding foreign exchange, customer deposits have increased by $5.8 billion or 1.7%. This growth was mainly attributable to:

- An increase of $7.3 billion or 63.3% in NAB Wealth. Excluding the transfer of Asia customer deposits ($5.0 billion), the underlying growth ($2.3 billion) was due to demand for term deposits
- An increase of $3.0 billion or 3.4% in Personal Banking, through continued momentum in UBank and the retail network, driven by growth in high interest on-line deposits and home loan offset accounts
- An increase of $2.9 billion or 5.9% in Wholesale Banking, reflecting the continued focus on increasing term deposits through new distribution channels
- An increase of $1.6 billion or 5.6% in NZ Banking, due to growth in savings deposits in line with the strategy to improve balance sheet strength
- An increase of $1.4 billion or 1.3% in Business Banking. Excluding the transfer of Asia customer deposits ($3.8 billion), the underlying decline ($2.4 billion) was due to a seasonal decrease in corporate deposits
- A decrease of $4.2 billion or 10.5% in UK Banking, largely reflecting the managed run-off of higher cost term deposits
- A decrease of $8.9 billion in Corporate Functions and Other mainly due to the transfer of Asia into Business Banking and NAB Wealth.

Asset Quality

General business and economic confidence in the Group's key trading markets remains subdued and whilst there has been recent improvement in financial markets sentiment, overall trading and credit conditions remain difficult. Despite these subdued conditions, the Group's asset quality has improved against September 2012 but remained stable compared to the March 2012 half year.

Bad and Doubtful Debt Charge

	Half Year to		
	Mar 13 $m	Sep 12 $m	Mar 12 $m
Specific charge to provide for bad and doubtful debts	1,094	1,482	1,278
Collective (write-back)/charge to provide for bad and doubtful debts	(13)	3	(142)
Total charge/(write-back) on investments - held to maturity	11	(1)	214
Recovery from SCDO risk mitigation trades	-	-	(219)
Total charge to provide for bad and doubtful debts	1,092	1,484	1,131

	Half Year to		
	Mar 13	Sep 12	Mar 12
Bad and doubtful debts charge to gross loans and acceptances (annualised)	0.44%	0.59%	0.46%
Net write-offs to gross loans and acceptances (annualised)	0.39%	0.44%	0.47%

Provisions for Bad and Doubtful Debts

	As at		
	Mar 13 $m	Sep 12 $m	Mar 12 $m
Collective provision for bad and doubtful debts	3,049	3,142	3,058
Specific provision for bad and doubtful debts	2,010	1,983	1,634
Total provision for bad and doubtful debts (1)	5,059	5,125	4,692

(1) *Not included in total provisions for doubtful debts are provisions on investments - held to maturity of $89 million (September 2012 $80 million, March 2012 $91 million).*

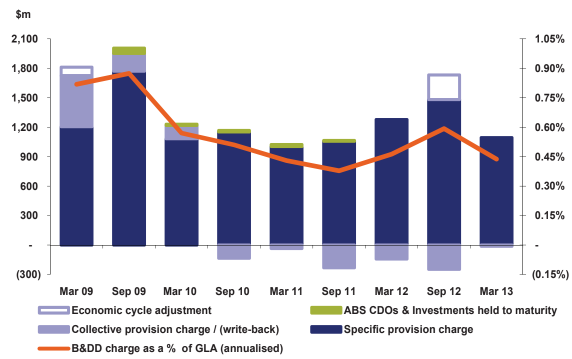
	As at		
	Mar 13	Sep 12	Mar 12
Total provision to gross loans and acceptances	1.01%	1.02%	0.96%
Specific provision to gross impaired assets	32.9%	30.3%	26.8%
Collective provision to credit risk-weighted assets (1)	0.99%	1.05%	1.02%
Collective provision including GRCL on a pre-tax basis (top-up) to credit risk-weighted assets (2)	1.22%	1.30%	1.32%
Collective provision to gross loans and acceptances (excluding impaired assets)	0.62%	0.64%	0.63%

(1) *On a comparable Basel II basis the collective provision to credit risk weighted assets for March 2013 is 1.04%.*

(2) *On a comparable Basel II basis the collective provision including GRCL on a pre-tax basis (top-up) to credit risk weighted assets for March 2013 is 1.29%.*

Bad and Doubtful Debt Charge

Half Yearly Total Bad and Doubtful Debt Charge



The total charge for bad and doubtful debts (B&DDs) for the March 2013 half year was $1,092 million, largely attributable to:

- Business Banking, spread across the portfolio
- NAB UK CRE and UK Banking, with continued weakness in the UK economy and ongoing difficult property conditions
- Personal Banking, with seasonal factors affecting the unsecured retail portfolio.

March 2013 v September 2012

B&DD charges for the March 2013 half year decreased by $392 million.

Excluding the economic cycle adjustment of $250 million from the September 2012 half year, the total B&DD charges for the March 2013 half year decreased by $142 million, primarily due to a reduction of $388 million in specific provision charges, largely in:

- Business Banking, from reduced new impairments and lower additional charges on existing impaired assets
- NAB UK CRE and UK Banking where new impairments were relatively stable over the half year.

Accentuating the lower specific provision charge was a collective provision write-back of $13 million This reduction was primarily the net effect of:

- Lower migration of clients to impaired status
- Some seasonal increase in the delinquency profiles in the Personal Banking unsecured portfolio
- The non-recurrence of provision overlay releases in Personal Banking in the prior half year
- An otherwise stable credit risk profile across the Group.

March 2013 v March 2012

B&DD charges for the March 2013 half year decreased by $39 million, largely due to:
- Non-recurrence of large impairments in SGA and Wholesale Banking
- Lower specific charges for new impairments in Business Banking.

These were partially offset by lower write-backs for collective provisions, mainly due to the release of single event related provisions in the prior period.

Provisions for Bad and Doubtful Debts

Total provision for B&DDs decreased from $5,125 million at September 2012 to $5,059 million at March 2013. Excluding foreign exchange effects, the total economic cycle adjustment across the Group has remained unchanged since September 2012 at $523 million.

The specific provision balance was broadly stable at $2,010 million at March 2013 and as a ratio to gross impaired assets, increased to 32.9%.

The collective provision balance decreased by $93 million during the March 2013 half year to $3,049 million. The reduction was mainly due to the transition of assets to impaired status and the positive re-rating of a number of SGA customers, partially offset by some seasonality in the Personal Banking unsecured retail portfolio.

The Group ratio for collective provision to credit risk weighted assets was 0.99% at March 2013 and now reflects Basel III credit risk weighted assets. The change in methodology has decreased this from September 2012, which was based on Basel II credit risk weighted assets, by six basis points. On a comparable Basel II basis, this ratio was broadly stable during the half year.

When the general reserve for credit losses (GRCL) top-up is added to the Group's ratio of collective provision to credit risk weighted assets, the ratio increases from 0.99% to 1.22% at March 2013. On a comparable Basel II basis this ratio is 1.29% compared to 1.30% at September 2012.

90+ Days Past Due and Gross Impaired Assets

	As at		
	Mar 13	**Sep 12**	**Mar 12**
90+ days past due loans ($m)	**2,592**	2,357	2,373
Gross impaired assets ($m)	**6,102**	6,543	6,088
90+ days past due and gross impaired assets ($m)	**8,694**	8,900	8,461

	As at		
	Mar 13	**Sep 12**	**Mar 12**
90+ days past due loans to gross loans and acceptances	**0.52%**	0.47%	0.49%
Gross impaired assets to gross loans and acceptances	**1.22%**	1.31%	1.24%
90+ days past due and gross impaired assets to gross loans and acceptances	**1.74%**	1.78%	1.73%

The difficult credit conditions remained a feature of the environment as a result of sustained global economic uncertainty, further deterioration in the UK economy, and stable but low credit and asset growth conditions in Australia. Despite these factors, the Group's asset quality metrics improved compared to September 2012 but remained broadly stable against the March 2012 half year.

During the March 2013 half year, the Group ratio of 90+DPD and gross impaired assets to gross loans and acceptances decreased by four basis points to 1.74%. The positive signs of a reduction to impaired volumes were partly offset by an increase in 90+DPD volumes. Excluding UK Banking and NAB UK CRE, the Group 90+DPD and gross impaired assets to gross loans and acceptances ratio decreased by 12 basis points to 1.31%.

Non-Impaired Assets 90+ Days Past Due

The Group ratio of non-impaired 90+DPD loans to gross loans and acceptances increased by five basis points from 0.47% at September 2012 to 0.52% at March 2013. This reflects:
- A rise in Business Banking 90+DPD in industries already identified as being under stress
- NAB UK CRE, where a small number of large customers migrated from watch status
- A seasonal rise in Personal Banking mortgages and credit cards.

Excluding UK Banking and NAB UK CRE, the ratio increased by four basis points to 0.45%.

Gross Impaired Assets

The Group ratio of gross impaired assets to gross loans and acceptances decreased by nine basis points from 1.31% at September 2012 to 1.22% at March 2013.

The decrease in the ratio was primarily driven by:
- Lower new impairments in Australia and New Zealand, most noticeably in the mid-sized and large corporate portfolios in Business Banking
- Successful work-out strategies for large long standing impairments, mainly in Business Banking.

These were partially offset by new impairments for UK Banking and NAB UK CRE, which grew albeit at a slower rate.

Excluding UK Banking and NAB UK CRE, the ratio decreased by 16 basis points to 0.86%.

Net Write-Offs

Net write-offs for the March 2013 half year were $976 million, a decrease of 11% when compared to the September 2012 half year. The decrease in net write-offs was predominantly driven by Business Banking, and was partially offset by higher net write-offs for the combined UK Banking and NAB UK CRE portfolios.

The gross 12 month rolling write-off rate for the Group retail portfolio decreased marginally from 0.21% for the September 2012 half year to 0.19% for the March 2013 half year, driven by lower loss rates for both the mortgage and unsecured lending portfolios. For mortgages, the loss rate decreased marginally by one basis point during the March 2013 half year to 0.06%.

Commercial Property Portfolio

The **Group's** commercial property portfolio[1] contracted by $1.1 billion to $60.1 billion during the March 2013 half year compared to September 2012. The contraction was largely attributable to the run-off of the NAB UK CRE portfolio together with a reduction relating to the foreign currency translation effect. All other regions remained broadly stable during the half year. As at March 2013, the commercial property portfolio represented 12.0% of the Group's gross loans and acceptances (GLAs), down by 20 basis points when compared to September 2012. Since March 2010, the proportion of the Group's commercial property portfolio to GLAs has decreased by 4.2%.

For **Business Banking**, the commercial property portfolio was marginally larger at $45.1 billion as at March 2013, representing 11.7% of its GLAs in the Australian geography. Asset quality within the portfolio remained broadly stable during the half year, with rising 90+DPD volumes being more than offset by lower gross impaired assets as a result of a small number of large work-out strategies for long-standing impaired customers during the half year.

Since the transfer of the **NAB UK CRE** portfolio from Clydesdale Bank PLC to National Australia Bank Limited in October 2012, the portfolio has been in run-off, with a balance of £5.0 billion[2] (gross of provisions for bad and doubtful debts) as at March 2013. For the combined commercial property portfolio within NAB UK CRE and UK Banking the gross impaired assets at March 2013 were £1.1 billion compared to £0.9 billion at September 2012. The growth in the impaired asset balances declined from £0.3 billion in the September 2012 half year to £0.2 billion in the March 2013 half year.

The **NZ Banking** commercial property portfolio remained stable during the March 2013 half year at NZ$6.8 billion, and was 11.2% of the division's GLAs at March 2013. The commercial property 90+DPD and gross impaired assets to GLAs ratio decreased by six basis points to 2.06% during the March 2013 half year.

Group Commercial Property by Type

	As at		
	Mar 13	**Sep 12**	**Mar 12**
Office	**27.0%**	26.5%	27.0%
Retail	**26.4%**	26.0%	24.0%
Industrial	**14.0%**	14.0%	15.0%
Residential	**12.5%**	13.4%	14.0%
Land	**8.4%**	8.6%	9.0%
Other	**6.7%**	6.5%	6.0%
Tourism & Leisure	**5.0%**	5.0%	5.0%
Total	100.0%	100.0%	100.0%

(1) *Measured as balances outstanding at March 2013 per APRA Commercial Property Return ARF230.*
(2) *Includes £0.2 billion of non-commercial real estate assets.*

Group Commercial Property by Geography

	As at		
	Mar 13	**Sep 12**	**Mar 12**
Australia	**75.2%**	73.5%	72.0%
United Kingdom	**12.3%**	13.9%	15.0%
New Zealand	**9.1%**	8.9%	9.0%
USA	**2.0%**	2.0%	2.0%
Asia	**1.1%**	1.3%	1.0%
SGA	**0.3%**	0.4%	1.0%
Total	100.0%	100.0%	100.0%

Capital Management and Funding

Balance Sheet Management Overview

The Group continued its focus on balance sheet strength and is well positioned to meet future regulatory reforms.

Improved market conditions over the first half of 2013 enabled the Group to continue to diversify its wholesale funding sources by accessing senior, secured and subordinated debt markets, as well as the domestic retail hybrid market.

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

Regulatory Reform

In September 2012, the Australian Prudential Regulation Authority (APRA) released its final capital standards relating to its implementation of Basel III, which has been in effect since 1 January 2013.

In May 2013, APRA released an updated draft of its APS 210 liquidity standard on the implementation of the Basel III liquidity reforms in Australia. As part of the consultation process, industry submissions are due to APRA by 17 June 2013, and this standard is expected to be finalised in mid-2013.

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

APRA's update adopted a number of the inflow and outflow assumption changes announced by the Basel Committee on Banking Supervision (BCBS) in their final Basel III liquidity standard released in January 2013, including a reduced run-off assumption for Non-Financial Corporate deposits.

In contrast to the BCBS, APRA will not adopt a phased implementation to LCR compliance and no widening of the definition of High Quality Liquid Assets (HQLAs) is proposed for the purposes of LCR. The availability of the RBA's Committed Liquidity Facility remains central to APRA's proposed standard and engagement with APRA around the practical requirements concerning access to this Facility continues.

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

Other Reform Proposals

In addition to the BCBS reforms, the Group remains focused on other areas of regulatory change. Key reform proposals that may affect its capital and funding include:

- APRA's Level 3 Conglomerate Supervision proposals that have a proposed implementation date of 1 January 2014. Draft proposals have been released for risk exposures and group governance, with the proposals for capital and risk management expected in the coming months
- The potential impacts of the US Dodd-Frank Act, with prudential requirements impacting NAB under Title I released for consultation and expected to take effect in 2015
- The UK Government's Financial Services (Bank Reform) Bill which is currently under consideration in Parliament. In general terms, the Bill seeks to enact the recommendations of the Independent Commission on Banking. Once enacted, the reforms may affect the structure of banks and the amount of capital held in the UK business. However, the shape and content of the final legislation is still unclear.

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.

Since 1 January 2013, the Group has moved to the Basel III Common Equity Tier 1 (CET1) ratio target of above 7.50% and will look to operate at a buffer to this target. The Group's CET1 ratio was 8.22% as at 31 March 2013. The Group will continue to regularly review its capital levels.

Capital ratios

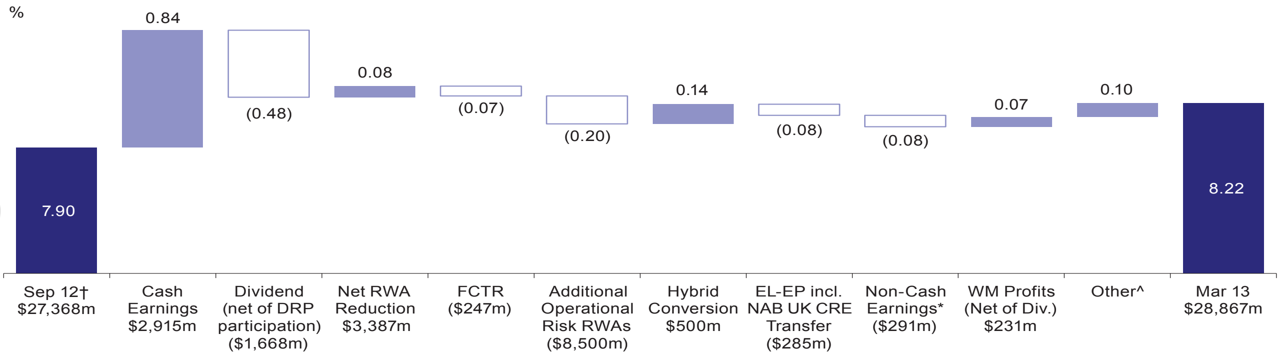
Capital ratios and risk-weighted assets (RWA) are set out below:

Capital Ratios	Target Ratio % Basel III	As at 31 Mar 13 % Basel III	As at 30 Sep 12 % Pro forma Basel III	As at 31 Mar 12 % Basel II	Mar 13 v Sep 12
Common Equity Tier 1 ratio (Basel III)/Core Tier 1 ratio (Basel II)	above 7.50%	**8.22**	7.90	8.03	32 bps
Tier 1 ratio		**10.19**	9.79	10.17	40 bps
Total capital ratio		**11.71**	11.58	11.52	13 bps

Risk-weighted assets	As at 31 Mar 13 $m Basel III	As at 30 Sep 12 $m Pro forma Basel III	As at 31 Mar 12 $m Basel II	Mar 13 v Sep 12%	Mar 13 v Mar 12%
Credit risk	**307,517**	314,813	300,185	(2.3)	2.4
Market risk [1]	**5,899**	4,436	5,277	33.0	11.8
Operational risk	**33,332**	23,008	23,810	44.9	40.0
Interest rate risk in the banking book	**4,643**	4,021	6,281	15.5	(26.1)
Total risk-weighted assets	**351,391**	346,278	335,553	1.5	4.7

(1) *Market risk risk-weighted assets are calculated on a Basel 2.5 basis for each period presented.*

Movements in Basel III Common Equity Tier 1 Ratio



† *The Group's September 2012 pro forma Common Equity Tier 1 ratio has been amended down by one basis point to 7.90% from the previously reported estimated position of 7.91%. This reflects minor refinements to NAB's interpretation of APRA's Basel III standards.*

* *Non-cash earnings impact after adjusting for distributions, treasury shares, and separately disclosed items not affecting regulatory capital.*

^ *"Other" includes movements in the Deferred Tax Assets (DTA), Pension Deficit, Capitalised Software and other immaterial movements.*

Capital Movements During the Period

The Group's CET1 ratio was 8.22% at 31 March 2013. The key movements in capital in the March 2013 half year include:

- Earnings less dividend net of Dividend Reinvestment Plan (DRP) participation (36 basis points)
- Net RWA reduction of $3.4 billion (eight basis points), which includes:
  - a decrease in Credit Risk RWAs of $7.3 billion
  - an increase in Operational Risk RWAs of $1.8 billion, not including the additional increase relating to regulatory requirements mentioned below
  - an increase in Market Risk RWAs of $1.5 billion
  - an increase in Interest Rate Risk in the Banking Book RWAs of $0.6 billion.
- Hybrid conversion to NAB ordinary shares on 30 November 2012 (14 basis points).

The unfavourable seven basis points movement in the FCTR was offset by the foreign exchange (FX) impact on RWAs (seven basis points).

The Group's capital position was affected by higher Operational Risk RWAs in the December 2012 quarter due to increased regulatory requirements. As at 31 March 2013, the estimated impact of this was 20 basis points of CET1 capital.

NAB UK Commercial Real Estate (NAB UK CRE) asset portfolio transferred from Clydesdale Bank PLC to National Australia Bank Limited and is now subject to an IRB approach for calculating RWAs. This has resulted in an increase in the Group's capital deduction relating to Expected Loss less Eligible Provisions.

Dividend and Dividend Reinvestment Plan

The interim dividend has been increased to 93 cents and the DRP discount remains nil, with no participation limit.

UK Defined Benefit Pension Scheme

The Group's UK subsidiary, Clydesdale Bank PLC participates in a defined benefit pension scheme ("the Scheme"). During the March 2013 half year, the Scheme's deficit decreased by £229 million to £72 million. The improvement in the funding position of the Scheme resulted from improvements in equity markets, annual contributions paid to the Scheme, and adjustments to discount rate assumptions.

Tier 1 Capital Initiatives

On 30 November 2012, the Group completed the conversion of $500 million of Tier 1 Stapled Securities. The Stapled Securities were converted into 21,242,246 ordinary shares with an issue price of $23.5380. The conversion has supported the Group's CET1 capital position.

On 20 March 2013, the Group issued $1.51 billion of Convertible Preference Shares (NAB CPS), which will mandatorily convert into ordinary shares on the mandatory conversion date, 22 March 2021. With prior written approval from APRA, NAB also has the option to convert, redeem or resell NAB CPS on 20 March 2019 or on the occurrence of particular events, provided certain conditions are met. NAB CPS may also convert in certain circumstances if required by prudential regulatory requirements. The issuance has supported the Group's Tier 1 capital position.

On 28 March 2013, National Australia Bank Limited exercised its right to call the BNZ Income Securities Limited Perpetual Non-cumulative Shares (BNZIS PNCS), originally issued on 28 March 2008. The BNZIS PNCS qualified as Tier 1 capital for the National Australia Bank Limited Group. National Equities Limited, a subsidiary of National Australia Bank Limited, repurchased the BNZIS PNCS from investors at the par value being NZ$449,725,000. National Equities Limited remains the sole investor in the BNZIS PNCS. The BNZIS PNCS remain as Tier 1 capital for BNZ.

Tier 2 Capital Initiatives

On 28 November 2012, the Group issued $950 million of 10 year subordinated notes with a non-call period of 5 years. These notes pay interest quarterly at a rate of 2.20% over the 90 day BBSW. These notes have been confirmed by APRA as transitional Tier 2 capital under Basel III.

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

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

Funding Indices

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

The Group SFI remains stable at 86% as at March 2013. The Group CFI increased from 66% to 67% over the half year whilst the movement in TFI reflects the impact of the buyback of government guaranteed debt in November 2012 and currency movements. The Group continues to focus on deposits as a key source of balance sheet strength, whilst taking into account current market conditions and funding requirements.

Group Funding Indices (CFI, TFI and SFI)*

	Half year to			
	Mar 13	Sep 12	Mar 12	Sep 11
Group Funding Indicies	%	%	%	%
Customer Funding Index	**67.3**	66.3	65.3	65.5
Term Funding Index	**18.7**	19.3	20.0	20.0
Stable Funding Index	**86.0**	85.6	85.3	85.5

** Funding metrics for September 2012 and March 2013 are in accordance with the redefinition of core assets in September 2012.*

Customer Funding

Deposit quality is an important feature of balance sheet strength and therefore the Group's deposit raising strategies focus on the household and small business segments. This is consistent with the Group's proactive approach to the Basel III transition and the broader strategy to acquire more customers.

Term Wholesale Funding

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

The Group maintains a well diversified funding profile and has raised $12.1 billion in the first half of the 2013 financial year in addition to the $6 billion of prefunding raised in FY12 ($18.1 billion in total).

National Australia Bank Limited has raised $10.9 billion, including $6.0 billion senior unsecured, $4.0 billion secured (comprising both covered bonds and residential mortgage backed securities (RMBS)) and $950 million subordinated debt during the March 2013 half year. In terms of subsidiaries, Bank of New Zealand raised $718 million and National Wealth Management Holdings Limited raised $450 million during the March 2013 half year.

The weighted average maturity of term wholesale funding raised by the Group over the half year to 31 March 2013 was approximately 5.0 years to the first call date. The weighted average remaining maturity of the Group's term wholesale portfolio funding is 3.1 years (3.8 years for TFI qualifying debt, which only includes debt with more than 12 months remaining term to maturity). The average cost of term wholesale funding raised by National Australia Bank Limited (including the cost of being swapped back to Australian dollars and fees) during the first half of the 2013 financial year was approximately 102 basis points over BBSW, compared to an average cost of 166 basis points over BBSW in the second half of the 2012 financial year. The average cost of the outstanding debt in the National Australia Bank Limited term funding portfolio for the first half of the 2013 financial year was 146 basis points over BBSW, compared to 144 basis points over BBSW for the second half of the 2012 financial year.

The Group undertook a global liability management exercise in November 2012, resulting in over $4.5 billion of Government guaranteed wholesale funding being repurchased and retired. The Group has a total of $5 billion of Government guaranteed wholesale funding outstanding, with 100% of this debt maturing in financial year 2014.

Half Year 2013 Wholesale Funding by Deal Type ($12.1 billion)*

	As at		
Wholesale Funding by Deal Type	**Mar 13***	**Sep 12**	**Mar 12**
Senior Public Offshore	28%	27%	27%
Senior Private	14%	12%	18%
Senior Public Domestic	17%	20%	24%
Subordinated Debt	8%	4%	0%
Secured Funding	33%	37%	31%
Total	100%	100%	100%

** Excluding $6.0 billion pre-funding in FY12.*

Half Year 2013 Wholesale Funding by Currency ($12.1 billion)*

	As at		
Wholesale Funding by Currency	**Mar 13***	**Sep 12**	**Mar 12**
USD	44%	32%	32%
AUD	33%	27%	25%
EUR	14%	14%	21%
GBP	4%	12%	5%
Other	5%	9%	9%
JPY	0%	6%	8%
Total	100%	100%	100%

** Excluding $6.0 billion pre-funding in FY12.*

Short-term Wholesale Funding

The Group consistently accessed international and domestic short-term wholesale markets over the March 2013 half year. The focus has also been on maintaining the longer average maturity of the short-term book to support the Group's liquidity position.

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

Liquid Asset Portfolio

The Group maintains well diversified and high quality liquid asset portfolios to support regulatory and internal requirements in the various countries in which it operates. Total liquid assets held at 31 March 2013 were $90 billion (excluding contingent liquidity), a decrease of $1 billion from 30 September 2012. Liquidity holdings will continue to be reassessed in light of market conditions and proposed regulatory changes.

In addition to these liquid assets, the Group holds $22 billion (post applicable central bank haircut) of internal securitisation pools of RMBS as at 31 March 2013 as a source of contingent liquidity to further support its liquid asset holdings.

Credit Ratings

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

The Group's current long-term debt ratings are: National Australia Bank Limited AA-/Aa2/AA- (S&P/Moody's/Fitch); BNZ AA-/Aa3/AA-; Clydesdale Bank PLC BBB+/A2/A; and National Wealth Management Holdings Limited A+ (S&P).

There have been no movements in any of the Group's ratings or outlooks during the year to date.

Other Matters

Corporate Responsibility (CR)

NAB's goal is to deliver sustainable and satisfactory returns to its investors. Fundamental to achieving this is NAB's belief in doing the right thing and helping employees and customers realise their potential. NAB's CR approach is founded on this belief. The approach focuses on: getting the fundamentals right for customers, making NAB a great place to work and driving the future prosperity of communities and the environment to create long-term value.

The highlights of NAB's CR performance to March 2013 are outlined below. (Further information on NAB's approach and performance in CR is available on the NAB website and in the *2012 Annual Review* and *Dig Deeper* papers.)

External awards, recognition and reporting

- NAB was recognised as a sustainability leader in the 2012 Dow Jones Sustainability Index
- Listed as a constituent company on the FTSE4Good Index and recognised as an Environmental, Social, Governance (ESG) Sector Leader
- Included in the Global 100 list of the most sustainable organisations in the world, from an initial list of over 4,000 companies
- Listed on the Ethisphere Institute's 'World's Most Ethical Companies' in 2013 for the third consecutive year
- Ranked fifth globally in Newsweek magazine's 2012 Green Rankings survey
- Achieved the highest carbon disclosure score of all Australian banks ranked in the 2012 Carbon Disclosure Project Global 500 sample, and included in its 2012 Carbon Performance Leadership Index for the third consecutive year
- Contributed to the development of the International Integrated Reporting Council's draft framework (as one of only three Australian companies involved in the global pilot program) through the publication of NAB's *2012 Annual Review.*

Customer-led initiatives

- NAB achieved record customer satisfaction during the half year and maintains customer satisfaction above peer average(1)
- NAB enacted its Disaster Relief Response Plan following flooding in Queensland and New South Wales and the bushfires in Tasmania. NAB committed up to $700,000 in donations to support relief efforts and enabled access for affected customers and employees to free counselling and hardship support
- The NAB Care team continues to assist customers experiencing financial hardship. In the first half of 2013, 48% of customers' accounts affected by hardship were back in order six months after assistance was provided
- NAB has launched Money Tracker, a free money management tool integrated within Internet Banking, which provides customers with a tool to better understand their financial situation
- In line with NAB's commitment to financial inclusion, it has:
    - Written over 12,000 Microfinance loans in the first half of 2013 to help Australians who have little or no access to safe and affordable credit
    - Opened the third Good Money store, Australia's first community finance hub, in conjunction with the Victorian Government and Good Shepherd Microfinance. During the first half of 2013 close to 2,000 people received assistance from a Good Money store
    - Assisted more than 5,700 clients through the NAB Indigenous Money Mentor program since 2009.

Employee initiatives

- NAB launched its Accessibility Action Plan in December 2012, a key step in facilitating change and improving awareness and access within its own organisation for people with disability. NAB's focus is on providing more effective long-term support and access for its people, customers and community
- 53% of positions available for NAB's 2013 Graduate Program were offered to women
- Over 13,600 employees have registered on NAB's Health & Wellbeing portal, receiving regular information to support their wellbeing
- NAB continues to run one of the biggest employee volunteering programs in Australia. In the first half of 2013, over 7,500 volunteer days have been contributed to the community from the NAB Group.

Community investment initiatives

- NAB continues to invest in the education of young people through the multi-award winning NAB Schools First program. Applications are now open, with $2 million available for outstanding school-community partnerships. The total award funding committed is now $20 million across 530 awards over five years. Close to 30% of Australian schools have applied
- NAB continues to research the impact of its community investment initiatives. In the first half of 2013, NAB commenced or completed Social Return on Investment studies over many of its key community programs
- NAB's fifth Reconciliation Action Plan was launched in March 2013. It is the first Reconciliation Action Plan to undergo independent assurance through a third party and the first to be granted 'Elevate' status by Reconciliation Australia, recognising NAB's progress and renewed commitments in the areas of financial inclusion, employment, cultural awareness and building business partnerships. In the first half of 2013, 55 Indigenous Australians have commenced work with NAB
- The MLC Community Foundation's primary focus is mental health and in the past five years has invested $5 million in grants and programs, including over $2.1 million of philanthropic capital to Lifeline Australia.

Environmental and supply chain initiatives

- NAB Group continues to make good progress against its environmental agenda which incorporates strategies around climate change, resource efficiency and natural value
- NAB is preparing to move over 6,000 employees into its new 6 Star Green Star design rated building at 700 Bourke Street, Melbourne
- The number of supplier signatories to NAB's Supplier Sustainability Principles in Australia and New Zealand has now increased to 563 from 436 in September 2012
- NAB continues to finance renewable energy projects in Australia. NAB has financed close to 70% of Australian wind energy projects since 2000 and in the first half of 2013 has financed or re-financed a total 315MW of energy generation through wind energy projects.

(1) *Source: Roy Morgan Research, March 2013. Australian Main Financial Institutions, population aged 14+, NAB compared with ANZ, Commonwealth Bank and Westpac*

Section 4

Review of Divisional Operations and Results

Divisional Performance Summary

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

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

Note: The Divisional Performance Summary excluding foreign exchange rate movements on pages 138 to 139.

Divisional Performance Summary

Half year ended 30 September 2012	Business Banking $m	Personal Banking $m	Wholesale Banking $m	NAB Wealth $m	NZ Banking $m	UK Banking $m	GWB $m	Corporate Functions & Other [1] $m	Distributions & Eliminations $m	Group Cash Earnings $m
Net interest income	2,496	1,522	735	162	557	640	140	337	-	**6,589**
Fees and commissions	418	282	131	18	152	198	32	3	-	**1,234**
Trading income	49	-	362	-	-	(3)	-	(77)	-	**331**
Other	52	31	54	12	23	17	7	57	(46)	**207**
Other operating income	519	313	547	30	175	212	39	(17)	(46)	**1,772**
NAB Wealth net operating income	-	-	-	755	-	-	-	-	-	**755**
Net operating income	3,015	1,835	1,282	947	732	852	179	320	(46)	**9,116**
Operating expenses	(866)	(934)	(483)	(572)	(303)	(538)	(90)	(136)	46	**(3,876)**
Underlying profit	2,149	901	799	375	429	314	89	184	-	**5,240**
Charge to provide for bad and doubtful debts	(521)	(73)	(20)	(7)	(50)	(538)	(11)	(264)	-	**(1,484)**
Cash earnings/(deficit) before tax, IoRE, distributions and non-controlling interest	1,628	828	779	368	379	(224)	78	(80)	-	**3,756**
Income tax (expense)/benefit	(483)	(247)	(205)	(109)	(101)	47	(28)	69	-	**(1,057)**
Cash earnings/(deficit) before IoRE, distributions and non-controlling interest	1,145	581	574	259	278	(177)	50	(11)	-	**2,699**
Net profit - non-controlling interest	-	-	-	-	-	-	-	-	-	**-**
IoRE	-	-	-	8	-	-	-	-	-	**8**
Distributions	-	-	-	-	-	-	-	-	(102)	**(102)**
Cash earnings/(deficit)	1,145	581	574	267	278	(177)	50	(11)	(102)	**2,605**
Key balance sheet items ($bn)										**Total**
Gross loans and acceptances (average)	199.8	148.5	17.3	18.7	45.5	51.5	5.7	8.2	-	**495.2**
Customer deposits (average)	102.4	83.0	50.7	11.3	27.7	39.5	6.5	9.2	-	**330.3**
Total risk-weighted assets (spot)	141.2	38.7	40.3	6.9	32.4	47.0	6.0	18.8	-	**331.3**

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

Divisional Performance Summary

Half year ended 31 March 2012	Business Banking $m	Personal Banking $m	Wholesale Banking $m	NAB Wealth $m	NZ Banking $m	UK Banking $m	GWB $m	Corporate Functions & Other (1) $m	Distributions & Eliminations $m	Group Cash Earnings $m
Net interest income	2,530	1,445	784	163	549	684	132	421	-	**6,708**
Fees and commissions	422	269	127	13	151	212	30	10	-	**1,234**
Trading income	54	7	268	1	-	2	-	(37)	-	**295**
Other	41	10	40	3	28	3	5	28	(47)	**111**
Other operating income	517	286	435	17	179	217	35	1	(47)	**1,640**
NAB Wealth net operating income	-	-	-	760	-	-	-	-	-	**760**
Net operating income	3,047	1,731	1,219	940	728	901	167	422	(47)	**9,108**
Operating expenses	(875)	(902)	(465)	(571)	(289)	(529)	(83)	(285)	47	**(3,952)**
Underlying profit	2,172	829	754	369	439	372	84	137	-	**5,156**
Charge to provide for bad and doubtful debts	(372)	(169)	(47)	(5)	(26)	(428)	(14)	(70)	-	**(1,131)**
Cash earnings/(deficit) before tax, IoRE, distributions and non-controlling interest	1,800	660	707	364	413	(56)	70	67	-	**4,025**
Income tax (expense)/benefit	(536)	(196)	(189)	(104)	(116)	20	(22)	22	-	**(1,121)**
Cash earnings/(deficit) before IoRE, distributions and non-controlling interest	1,264	464	518	260	297	(36)	48	89	-	**2,904**
Net profit - non-controlling interest	-	-	-	(1)	-	-	-	-	-	**(1)**
IoRE	-	-	-	30	-	-	-	-	-	**30**
Distributions	-	-	-	-	-	-	-	-	(105)	**(105)**
Cash earnings/(deficit)	1,264	464	518	289	297	(36)	48	89	(105)	**2,828**
Key balance sheet items ($bn)										**Total**
Gross loans and acceptances (average)	197.2	142.3	17.5	18.7	44.4	51.2	5.2	7.6	-	**484.1**
Customer deposits (average)	94.4	77.8	-	11.1	25.9	36.7	6.2	3.0	-	**255.1**
Total risk-weighted assets (spot)	140.6	40.4	42.5	6.9	31.7	48.5	5.3	19.7	-	**335.6**

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

Divisional Asset Quality Ratio Summary

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

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

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

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

As at 31 March 2012	Business Banking %	Personal Banking %	Wholesale Banking %	NAB Wealth %	NZ Banking %	UK Banking %	GWB (1) %	NAB UK Commercial Real Estate %	Group %
90+DPD to gross loans and acceptances	0.47	0.51	-	0.38	0.37	0.79	0.85	-	**0.49**
Gross impaired assets to gross loans and acceptances	1.76	0.09	0.24	0.26	0.91	2.89	2.10	-	**1.24**
90+DPD plus gross impaired assets to gross loans and acceptances	2.23	0.60	0.24	0.64	1.28	3.68	2.95	-	**1.73**
Specific provision to gross impaired assets	26.8	28.7	48.8	20.8	36.4	23.9	10.5	-	**26.8**
Collective provision to credit risk weighted assets	0.78	1.17	0.76	0.29	0.81	1.81	0.77	-	**1.02**
Total provision to gross loans and acceptances	1.01	0.32	0.47	0.15	0.84	2.23	0.94	-	**0.96**
Net write-offs to gross loans and acceptances (annualised)	0.42	0.21	0.74	0.13	0.25	1.12	0.56	-	**0.47**
Total provisions to net write-offs (annualised)	243	153	179	121	334	200	159	-	**203**
Bad and doubtful debt charge to credit risk weighted assets (annualised)	0.54	0.92	0.34	0.15	0.19	1.98	0.56	-	**0.75**

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

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Business Banking

Joseph Healy

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

	Half Year to				
	Mar 13 [1] $m	**Sep 12 $m**	**Mar 12 $m**	**Mar 13 v Sep 12 %**	**Mar 13 v Mar 12 %**
Net interest income	**2,530**	2,496	2,530	1.4	-
Other operating income	**522**	519	517	0.6	1.0
Net operating income	**3,052**	3,015	3,047	1.2	0.2
Operating expenses	**(891)**	(866)	(875)	(2.9)	(1.8)
Underlying profit	**2,161**	2,149	2,172	0.6	(0.5)
Charge to provide for bad and doubtful debts	**(401)**	(521)	(372)	23.0	(7.8)
Cash earnings before tax	**1,760**	1,628	1,800	8.1	(2.2)
Income tax expense	**(520)**	(483)	(536)	(7.7)	3.0
Cash earnings	**1,240**	1,145	1,264	8.3	(1.9)

Average Volumes ($bn)					
Gross loans and acceptances	**201.3**	199.8	197.2	0.8	2.1
Interest earning assets	**200.8**	199.6	197.6	0.6	1.6
Total assets	**199.2**	198.0	195.9	0.6	1.7
Customer deposits [2]	**108.3**	102.4	102.2	5.8	6.0

[1] *The March 2013 period includes 6 months of operating results for Business Banking Asia.*

[2] *Customer deposits includes retail and corporate deposits.*

Capital ($bn)					
Risk-weighted assets - credit risk (spot)	**136.8**	138.1	137.3	(0.9)	(0.4)
Total risk-weighted assets (spot)	**141.7**	141.2	140.6	0.4	0.8

Performance Measures					
Cash earnings on average assets	**1.25%**	1.16%	1.29%	9 bps	(4 bps)
Cash earnings on risk-weighted assets	**1.75%**	1.62%	1.78%	13 bps	(3 bps)
Net interest margin	**2.53%**	2.50%	2.56%	3 bps	(3 bps)
Cost to income ratio	**29.2%**	28.7%	28.7%	(50 bps)	(50 bps)
'Jaws'	**(1.7%)**	(0.1%)	(0.6%)	(160 bps)	(110 bps)
Cash earnings per average FTE ($'000s)	**516**	451	482	14.4	7.1
FTEs (spot)	**4,715**	5,076	5,081	7.1	7.2

	As at		
Market Share	**Mar 13**	**Sep 12**	**Mar 12**
Business lending [1]	**24.6%**	24.8%	24.6%
Business lending [2]	**22.3%**	22.6%	23.0%
Business deposits [1]	**20.5%**	20.9%	21.1%

[1] *Source: APRA Banking System.*

[2] *Source: RBA Financial System.*

Business Banking

Financial Analysis

March 2013 v March 2012

Conditions in the March 2013 half year have remained challenging, with negative system growth and associated intense competition. Against this backdrop, Business Banking has maintained its market position. **Cash earnings** decreased by $24 million or 1.9% against the March 2012 half year, driven by higher operating expenses and a higher bad and doubtful debts charge.

Cash earnings on average assets declined by four basis points, reflecting lower cash earnings.

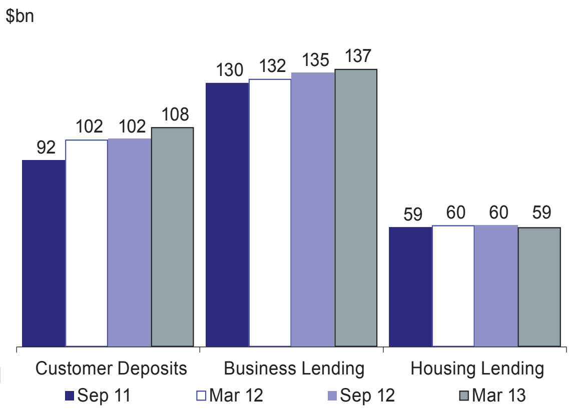
Cash earnings on risk-weighted assets declined by three basis points, reflecting the decline in cash earnings.

Net interest income was flat compared to the March 2012 half year, with volume growth offset by the rising cost of term deposits increasing the weighted average cost of funds.

Average interest earning assets grew by $3.2 billion or 1.6%. Excluding the transfer of Asia average interest earning assets, the underlying growth of $1.1 billion was driven by growth in Asia and a flat outcome in Australia.

Average customer deposits increased by $6.1 billion or 6.0%. Excluding the transfer of Asia customer deposits, the underlying growth of $3.8 billion was driven by the Group's efforts to reduce its reliance on wholesale funding. This growth was largely in term deposits and on-demand savings deposits.

Business Banking Average Volumes



* *March 2013 includes balances relating to Asia.*

Net interest margin declined by three basis points over the March 2012 half year, due to higher deposit costs, which were partly offset by re-pricing for current market conditions and changes in portfolio mix.

Other operating income increased by $5 million or 1.0%, largely due to fees earned on restructured arrangements.

Operating expenses increased by $16 million or 1.8%. Excluding the transfer of Asia operating expenses, the underlying increase of $6 million is due to expenditure in Asia as part of the Australia in Asia strategy, offset by continued tight expense management.

The **charge to provide for bad and doubtful debts** increased by $29 million compared to the March 2012 half year. The collective provision write-backs from the improvement in collateral matching in March 2012 half year were not repeated.

March 2013 v September 2012

Cash earnings increased by $95 million or 8.3% against the September 2012 half year, with higher revenue and underlying profit, and a significant reduction in the bad and doubtful debts charge.

Cash earnings on average assets increased by nine basis points, reflecting improved cash earnings.

Cash earnings on risk-weighted assets improved by 13 basis points, due to increased cash earnings.

Net interest income increased by $34 million or 1.4% compared to the September 2012 half year.

Average interest earning assets grew by $1.2 billion or 0.6%. Excluding the transfer of Asia average interest earning assets, the underlying decline of $1.5 billion was broadly in line with system decline in Australia.

Average customer deposits grew by $5.9 billion or 5.8%. Excluding the transfer of Asia customer deposits, the underlying growth of $2.3 billion reflects the Group's efforts to reduce its reliance on wholesale funding.

Net interest margin increased by three basis points on the September 2012 half year due to re-pricing in parts of the lending portfolio, partly offset by higher deposit costs.

Other operating income increased by $3 million or 0.6%, due to fees earned on restructured arrangements.

Operating expenses increased by $25 million or 2.9%. Excluding the transfer of Asia operating expenses, the underlying increase of $9 million reflects increased expenditure in Asia, contractual salary increases and a change to incentive arrangements for SME bankers to better align to the broader customer relationship strategy.

The **charge to provide for bad and doubtful debts** decreased by $120 million, largely due to fewer incidences of large single name provisions and lower top-ups to existing impaired exposures, particularly in the Corporate and Institutional businesses.

Other Items

Asset Quality

	As at		
	Mar 13	Sep 12	Mar 12
Specific provision for doubtful debts ($m)	**966**	961	937
Collective provision for doubtful debts ($m)	**767**	811	879
Collective provision on loans at fair value ($m)	**227**	218	194
90+DPD assets ($m)	**1,012**	887	935
Gross impaired assets ($m)	**2,954**	3,494	3,500
90+DPD assets to gross loans and acceptances	**0.50%**	0.44%	0.47%
Gross impaired assets to gross loans and acceptances	**1.48%**	1.75%	1.76%
90+DPD assets plus gross impaired assets to gross loans and acceptances	**1.98%**	2.19%	2.23%
Specific provision to gross impaired assets	**32.7%**	27.5%	26.8%
Net write-offs to gross loans and acceptances (annualised)	**0.41%**	0.47%	0.42%
Total provision as a percentage of net write-offs	**240%**	212%	243%
Total provision to gross loans and acceptances	**0.98%**	1.00%	1.01%
Bad and doubtful debt charge to credit risk weighted assets	**0.59%**	0.65%	0.54%

For the March 2013 half year as compared to the September 2012 half year, the quality of the portfolio improved.

The ratio of 90+DPD assets plus gross impaired assets to gross loans and acceptances improved by 21 basis points to 1.98%. There was a $540 million reduction in gross impaired assets, mainly due to a lower level of new impaired customers and successful workouts of long-term problem loans. The volume of 90+DPD assets rose by $125 million due to stressed assets identified in the September 2012 half year, migrating to 90+DPD.

The total provision to gross loans and acceptances dropped by two basis points to 0.98% over the March 2013 half year.

The proportion of investment grade equivalent exposures improved by 21 basis points to 47.0% over the March 2013 half year.

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Personal Banking

Lisa Gray

Personal Banking provides quality products and services to five 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.

	Half Year to				
	Mar 13 $m	**Sep 12 $m**	**Mar 12 $m**	**Mar 13 v Sep 12 %**	**Mar 13 v Mar 12 %**
Net interest income	**1,634**	1,522	1,445	7.4	13.1
Other operating income	**274**	313	286	(12.5)	(4.2)
Net operating income	**1,908**	1,835	1,731	4.0	10.2
Operating expenses	**(933)**	(934)	(902)	0.1	(3.4)
Underlying profit	**975**	901	829	8.2	17.6
Charge to provide for bad and doubtful debts	**(187)**	(73)	(169)	large	(10.7)
Cash earnings before tax	**788**	828	660	(4.8)	19.4
Income tax expense	**(235)**	(247)	(196)	4.9	(19.9)
Cash earnings	**553**	581	464	(4.8)	19.2
Average Volumes ($bn)					
Gross loans and acceptances	**155.6**	148.5	142.3	4.8	9.3
Interest earning assets	**157.1**	149.2	143.3	5.3	9.6
Total assets	**157.1**	149.6	143.5	5.0	9.5
Customer deposits	**89.3**	83.0	77.8	7.6	14.8
Capital ($bn)					
Risk-weighted assets - credit risk (spot)	**37.2**	35.4	36.9	5.1	0.8
Total risk-weighted assets (spot)	**42.6**	38.7	40.4	10.1	5.4
Performance Measures					
Cash earnings on average assets	**0.71%**	0.78%	0.65%	(7 bps)	6 bps
Cash earnings on risk-weighted assets	**2.71%**	2.89%	2.31%	(18 bps)	40 bps
Net interest margin	**2.09%**	2.04%	2.02%	5 bps	7 bps
Cost to income ratio	**48.9%**	50.9%	52.1%	200 bps	320 bps
'Jaws'	**4.1%**	2.5%	(1.1%)	160 bps	520 bps
Cash earnings per average FTE ($'000s)	**136**	137	108	(0.7)	25.9
FTEs (spot)	**7,962**	8,348	8,493	4.6	6.3

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

(1) *RBA Financial System / NAB.*

(2) *APRA Banking System / NAB.*

	As at		
Distribution	**Mar 13**	**Sep 12**	**Mar 12**
Number of retail outlets (1)	**784**	783	785
Number of ATMs	**3,168**	3,298	3,378
Number of internet banking customers (no. million)	**2.81**	2.54	2.28

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

Personal Banking

Financial Analysis

March 2013 v March 2012

Cash earnings increased by $89 million or 19.2% compared to the March 2012 half year, mainly due to continued strong growth in home lending volumes and improved lending margins.

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

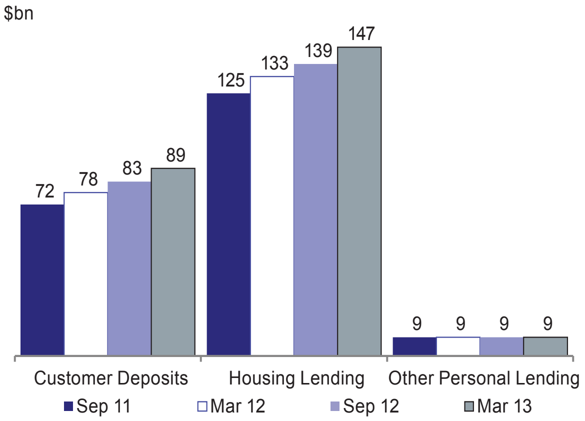
Cash earnings on risk-weighted assets increased by 40 basis points as a result of higher cash earnings.

Net interest income grew by $189 million or 13.1% compared to March 2012 half year, mainly as a result of repricing and higher lending volumes, that were partly offset by higher deposit costs.

Average interest earning assets grew by $13.8 billion or 9.6%, largely due to strong third party sourced home lending and continued momentum in the proprietary channel.

Average customer deposits increased by $11.5 billion or 14.8%, due to continued strong growth via UBank and the proprietary channel, in addition to careful margin management.

Personal Banking Average Volumes



Net interest margin increased by seven basis points compared to March 2012 half year, mainly due to repricing, partly offset by higher deposit costs and changes in lending mix, with strong momentum in home lending volumes.

Other operating income decreased by $12 million or 4.2% mainly due to lower interchange income and higher loyalty costs.

Operating expenses increased by $31 million or 3.4%, reflecting continued investment in the UBank franchise and NextGen readiness. This was partly offset by lower personnel costs, reflecting FTE reductions and a focus on continued cost management.

The **charge to provide for bad and doubtful debts** increased by $18 million or 10.7% compared to the March 2012 half year, reflecting volume growth and the seasonality of recently acquired credit card balances.

March 2013 v September 2012

Cash earnings decreased by $28 million or 4.8%, on the September 2012 half year, due to higher bad and doubtful debt charges in line with seasonal expectations, which were partly offset by continued strong growth in home lending volumes and improved lending margins.

Cash earnings on average assets decreased by seven basis points, reflecting a higher bad and doubtful debts expense in line with seasonal expectations.

Cash earnings on risk-weighted assets decreased by 18 basis points as a result of a higher bad and doubtful debts expense in the March 2013 half year, resulting in lower cash earnings, coupled with higher risk-weighted assets from home lending volume growth and increased regulatory operational risk capital requirements.

Net interest income increased by $112 million or 7.4% due to increased home lending volumes, and improved lending margins.

Average interest earning assets grew by $7.9 billion or 5.3%, reflecting strong third party sourced home lending and continued momentum in the proprietary channel.

Average customer deposits grew by $6.3 billion or 7.6%, with strong growth in retail deposits.

Net interest margin increased by five basis points due to repricing and lower funding costs, partly offset by lending mix changes and higher deposit costs.

Other operating income decreased by $39 million or 12.5% due to increases in non-transactional related income in the September 2012 half year that were not repeated in the March 2013 half year, coupled with lower interchange income and higher loyalty costs.

Operating expenses decreased by $1 million or 0.1%. Continued focus on delivering effective cost management resulted in personnel expenses remaining flat, with FTE reductions partly offset by contractual salary increases.

The **charge to provide for bad and doubtful debts** increased by $114 million on the September 2012 half year, reflecting volume growth and the normal seasonality in cards and personal loans, as well as the release of single event related provisions in the prior period.

Other Items

Asset Quality

	As at		
	Mar 13	**Sep 12**	**Mar 12**
Specific provision for doubtful debts ($m)	**50**	43	37
Collective provision for doubtful debts ($m)	**377**	329	431
90+DPD assets ($m)	**747**	674	744
Gross impaired assets ($m)	**176**	171	129
90+DPD to gross loans and acceptances	**0.47%**	0.44%	0.51%
Gross impaired assets to gross loans and acceptances	**0.11%**	0.11%	0.09%
90+DPD plus gross impaired assets to gross loans and acceptances	**0.58%**	0.55%	0.60%
Specific provision to gross impaired assets	**28.4%**	25.1%	28.7%
Net write-offs to gross loans and acceptances (annualised)	**0.17%**	0.21%	0.21%
Total provision as a percentage of net write-offs	**160%**	115%	153%
Total provision to gross loans and acceptances	**0.27%**	0.24%	0.32%
Bad and doubtful debt charge to credit risk weighted assets	**1.01%**	0.68%	0.92%

Economic conditions continued to provide a challenging environment for asset quality, with consumer sentiment and house price indices remaining somewhat flat and employment levels fluctuating across states. NAB customer repayment behaviour trends are consistent with the industry trend of consumer debt reduction.

Underlying asset quality has been broadly stable over the period. The 90+DPD and net write-offs to gross loans and acceptances ratios have improved slightly compared with the March 2012 half year, reflecting ongoing improvements in the quality of our mortgage book, partly offset by mix impacts from growth and seasoning in the credit card book. The deterioration in the 90+DPD to gross loans and acceptances ratio compared with the September 2012 half year is driven by seasonality, particularly in unsecured products. The impaired asset ratio has deteriorated slightly compared with the March 2012 half year, as a weaker housing market has seen a longer period to work out foreclosures, but was stable on the September 2012 half year.

The collective provision for doubtful debts has decreased since March 2012 (both in absolute and ratio terms) due to the release of single event related provisions in the prior period, in addition to improved asset quality and improved efficiency in collections practices. The increase in the collective provision for doubtful debts since September 2012 is driven by seasonality in unsecured products.

Specific provision to gross impaired assets remained relatively unchanged.

The increases in 90+DPD assets and gross impaired assets since the September 2012 half year and the March 2012 half year, are in line with expectations of a larger lending book and correlate with the growth seen in lending volumes.

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Wholesale Banking

Rick Sawers

Wholesale Banking has seven key lines of business: Corporate & Business Sales, Fixed Interest, Currencies and Commodities (FICC), Global Capital Markets, Treasury, Asset Servicing, Specialised Finance and the Financial Institutions Group. Operating as a global business, Wholesale Banking has approximately 2,500 employees in Australia, New Zealand, Asia, the UK and the US.

Results presented at actual exchange rates.

	Half Year to				
	Mar 13 $m	**Sep 12 $m**	**Mar 12 $m**	**Mar 13 v Sep 12 %**	**Mar 13 v Mar 12 %**
Net interest income	**566**	735	784	(23.0)	(27.8)
Other operating income	**751**	547	435	37.3	72.6
Net operating income	**1,317**	1,282	1,219	2.7	8.0
Operating expenses	**(491)**	(483)	(465)	(1.7)	(5.6)
Underlying profit	**826**	799	754	3.4	9.5
Charge to provide for bad and doubtful debts	**(2)**	(20)	(47)	90.0	95.7
Cash earnings before tax	**824**	779	707	5.8	16.5
Income tax expense	**(209)**	(205)	(189)	(2.0)	(10.6)
Cash earnings	**615**	574	518	7.1	18.7
Average Volumes ($bn)					
Gross loans and acceptances	**17.5**	17.3	17.5	1.2	-
Interest earning assets	**199.5**	194.8	184.9	2.4	7.9
Total assets	**240.7**	241.3	227.2	(0.2)	5.9
Customer deposits	**57.6**	50.7	47.2	13.6	22.0
Capital ($bn)					
Risk-weighted assets - credit risk (spot)	**40.8**	28.9	28.0	41.2	45.7
Total risk-weighted assets (spot)	**56.3**	40.3	42.5	39.7	32.5
Performance Measures					
Cash earnings on risk-weighted assets	**2.63%**	2.73%	2.60%	(10 bps)	3 bps
Cost to income ratio	**37.3%**	37.7%	38.1%	40 bps	80 bps
'Jaws'	**1.0%**	1.3%	40.6%	(30 bps)	(3,960 bps)
Cash earnings per average FTE ($'000s)	**483**	406	364	19.0	32.7
FTEs (spot)	**2,504**	2,830	2,819	11.5	11.2

Impact of foreign exchange rate movements

Favourable/ (unfavourable) March 13	**Half year since Sep 12 $m**	**Mar 13 v Sep 12 Ex FX %**	**Half year since Mar 12 $m**	**Mar 13 v Mar 12 Ex FX %**
Net interest income	**(2)**	(22.7)	**-**	(27.8)
Other operating income	**(3)**	37.8	**2**	72.2
Net operating income	**(5)**	3.1	**2**	7.9
Operating expenses	**1**	(1.9)	**(1)**	(5.4)
Charge to provide for bad and doubtful debts	**-**	90.0	**-**	95.7
Income tax expense	**1**	(2.4)	**-**	(10.6)
Cash earnings	**(3)**	7.7	**1**	18.5

Wholesale Banking

Financial Analysis

March 2013 v March 2012

Cash earnings increased by $97 million or 18.7% to $615 million during the March 2013 half year when compared to March 2012. The increase was driven by higher revenue in both the Customer and Risk businesses and lower bad and doubtful debts, partially offset by higher operating expenses.

Cash earnings on risk-weighted assets were relatively flat after absorbing a $12.5 billion increase in risk-weighted assets due to the introduction of the Basel III regulatory capital framework. On a like-for-like basis, cash earnings on risk-weighted assets increased by 30 basis points.

Net operating income increased by $98 million or 8.0% to $1,317 million.

Customer income increased by $41 million to $765 million, despite subdued market conditions through increased sales of risk management products to the Group's customers, reflecting the Franchise Focus strategy. Specialised Finance income also improved from increased deal flows in both Infrastructure and Energy & Utilities, particularly in Australia and the UK.

Risk income increased by $57 million to $552 million driven for the most part by FICC's strong trading performance.

Within net operating income, net interest income decreased by $218 million or 27.8%. Of the decrease in net interest income, $180 million was driven by losses on economically hedged positions relating to the Group's funding activities (offset in other operating income). The underlying movement in net interest income of $38 million was primarily the result of lower yields on interest earning assets.

Other operating income increased by $316 million or 72.6%. Excluding the offset in net interest income, the underlying increase in other operating income of $136 million was mainly the result of higher sales of risk management products to the Group's customers, coupled with strong trading performance within FICC.

Operating expenses increased by $26 million or 5.6% to $491 million. Operating efficiencies were largely offset by higher performance based compensation and increased investment spend in responding to regulatory change. The cost to income ratio improved to 37.3%.

The **charge to provide for bad and doubtful debts** decreased by $45 million resulting from the restructuring and repayment of single name exposures in the current half year as compared to two specific impairments in the March 2012 half year.

Average interest earning assets increased by $14.6 billion or 7.9%, due to higher levels of liquid assets during the March 2013 half year to support Group liquidity.

Average customer deposits increased by $10.4 billion or 22.0%, driven by continued innovative deposit product offerings to meet the funding needs of the Group.

March 2013 v September 2012

Cash earnings have increased by $41 million on the September 2012 half year. The increase was mainly due to higher revenue in the Customer businesses and lower bad and doubtful debts.

Cash earnings on risk-weighted assets decreased by 10 basis points after absorbing a $12.5 billion increase in risk-weighted assets due to the introduction of the Basel III regulatory capital framework. On a like-for-like basis, cash earnings on risk-weighted assets increased by 17 basis points.

Net operating income increased by $35 million or 2.7%.

Customer income increased by $108 million, primarily due to increased sales of risk management products. Specialised Finance income improved by 8.0% through higher deal flows in both Infrastructure and Energy & Utilities, particularly in the UK.

Risk income decreased by $73 million to $552 million mainly due to reduced Treasury income following a strong September 2012 half year result, partially offset by a favourable trading performance in FICC.

Within net operating income, net interest income decreased by $169 million or 23.0%. Of the decrease in net interest income, $151 million was driven by losses on economically hedged positions related to the Group's funding activities (offset in other operating income). The underlying movement of $18 million in net interest income was mainly due to lower yields on interest earning assets.

Other operating income was $204 million higher or 37.3%. Excluding the offset in net interest income, the underlying increase of $53 million in other operating income was due to higher sales of risk management products, increased deal flows in Specialised Finance, combined with favourable trading income in FICC.

Operating expenses increased by $8 million or 1.7%, as a result of higher performance based compensation, reflecting improved performance and increased investment spend in responding to regulatory change. The cost to income ratio improved to 37.3%.

The **charge to provide for bad and doubtful debts** decreased by $18 million resulting from the restructuring and repayment of single name exposures in the March 2013 half year, whilst the September 2012 half year included a single specific impairment.

Average interest earning assets increased by $4.7 billion or 2.4%, due to higher levels of liquid assets during the March 2013 half year to support Group liquidity.

Average customer deposits increased by $6.9 billion or 13.6%, driven by continued innovative deposit product offerings to meet the funding needs of the Group.

Other Items

Asset Quality

	As at		
	Mar 13	**Sep 12**	**Mar 12**
Specific provision for doubtful debts ($m)	**37**	29	21
Collective provision for doubtful debts ($m)	**69**	76	61
Collective provision on loans at fair value ($m)	**1**	1	1
Collective provision on derivatives at fair value ($m)	**188**	191	150
Gross impaired assets ($m)	**61**	55	43
Gross impaired assets to gross loans and acceptances	**0.35%**	0.31%	0.24%
Specific provision to gross impaired assets	**60.7%**	52.7%	48.8%
Net write-offs to gross loans and acceptances	**-**	0.34%	0.74%

Asset quality remains sound and provisioning coverage ratios remain adequate.

The ratio of gross impaired assets to gross loans and acceptances of 0.35% at March 2013 is largely unchanged on September 2012.

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

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NAB Wealth

Andrew Hagger

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

	Half Year to				
	Mar 13 (1) $m	**Sep 12 $m**	**Mar 12 $m**	**Mar 13 v Sep 12 %**	**Mar 13 v Mar 12 %**
Net interest income	**204**	162	163	25.9	25.2
Other operating income	**25**	30	17	(16.7)	47.1
NAB Wealth net operating income	**699**	755	760	(7.4)	(8.0)
Net income	**928**	947	940	(2.0)	(1.3)
Operating expenses	**(572)**	(572)	(571)	-	(0.2)
Underlying profit	**356**	375	369	(5.1)	(3.5)
Charge to provide for bad and doubtful debts	**(3)**	(7)	(5)	57.1	40.0
Cash earnings before tax and IoRE	**353**	368	364	(4.1)	(3.0)
Income tax expense	**(97)**	(109)	(104)	11.0	6.7
Cash earnings before IoRE and non-controlling interest	**256**	259	260	(1.2)	(1.5)
Net profit - non-controlling interest	**(3)**	-	(1)	large	large
IoRE	**-**	8	30	large	large
Cash earnings	**253**	267	289	(5.2)	(12.5)

(1) *The March 2013 period includes 6 months of operating results for Private Wealth Asia.*

Represented by:					
Investments & Private Bank	**208**	183	167	13.7	24.6
Insurance	**48**	76	93	(36.8)	(48.4)
Cash earnings before IoRE and non-controlling interest	**256**	259	260	(1.2)	(1.5)
Capital ($bn)					
Risk-weighted assets - credit risk (spot)	**6.5**	6.5	6.5	-	-
Total risk-weighted assets (spot)	**7.1**	6.9	6.9	2.9	2.9
Performance Measures					
Cost to income ratio (%)	**61.6%**	60.4%	60.7%	(120 bps)	(90 bps)
'Jaws'	**(2.0%)**	0.5%	3.7%	(250 bps)	(570 bps)
Cash earnings before IoRE and non-controlling interest per average FTE ($'000s)	**87**	90	90	(3.3)	(3.3)
FTEs (spot)	**5,880**	5,777	5,635	(1.8)	(4.3)
Financial advisers - salaried and aligned channels	**1,868**	1,898	1,842	(1.6)	1.4

Interest on Retained Earnings by Asset Class

	Half year to								
	Mar 13			**Sep 12**			**Mar 12**		
	Actual Earnings	**Weighted Asset Balance**	**Earnings Rate (2)**	**Actual Earnings**	**Weighted Asset Balance**	**Earnings Rate (2)**	**Actual Earnings**	**Weighted Asset Balance**	**Earnings Rate (2)**
IoRE by Asset Class	**$m**	**$m**	**%**	**$m**	**$m**	**%**	**$m**	**$m**	**%**
Equity	**14**	**153**	**18.3%**	(2)	145	(2.8%)	22	195	22.6%
Fixed interest	**1**	**98**	**2.0%**	5	71	14.1%	5	185	5.4%
Cash and others (1)	**27**	**1,978**	**2.7%**	49	2,048	4.8%	47	2,090	4.5%
Debt	**(46)**	**1,426**	**(6.5%)**	(37)	1,387	(5.3%)	(37)	1,261	(5.9%)
Income tax	**4**			(7)			(7)		
IoRE	**-**			8			30		

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

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

NAB Wealth

Financial Highlights

March 2013 v March 2012

Cash earnings before IoRE and non-controlling interest of $256 million decreased by $4 million or 1.5% during the March 2013 half year when compared to the March 2012 half year. The decrease was mainly due to higher insurance claims, an increase in insurance lapses and lower annuities profits. This was partially offset by growth in average Funds under Management/ Administration/ Advice (FUM) from stronger client acquisition and returns from investment markets, and an increase in revenue from direct asset management.

NAB Wealth net operating income decreased by $61 million or 8.0% as a result of higher insurance claims and lapses, consistent with industry experience, and the re-classification of sales incentives for JBWere from operating expenses to volume related expenses in net operating income during the current year. This was partially offset by fee revenue from the growth in average FUM.

Operating expenses increased by $1 million or 0.2% due to costs incurred to support the development and launch of new products and services including nabtrade, and higher compliance and regulatory expenses. The effect of the inclusion of Private Wealth Asia results was mostly offset by the re-classification of sales incentives for JBWere from operating expenses to volume related expenses in net operating income.

Adviser numbers increased against March 2012 as the business continued to attract advisers from competitors. Against September 2012 adviser numbers decreased as underperforming advisers left the business.

IoRE decreased by $30 million compared to March 2012 due to an increase in debt costs, lower surplus investable assets and lower returns on cash and fixed interest due to a declining interest rate environment.

March 2013 v September 2012

Cash earnings before IoRE and non-controlling interest of $256 million decreased by $3 million or 1.2% compared to the prior half year. This was mainly due to higher insurance claims and lower annuities profits. The decrease was partially offset by higher revenue from growth in average FUM and inforce premiums.

NAB Wealth net operating income decreased by $56 million or 7.4% largely due to higher insurance claims, lower annuities profits and the re-classification of sales incentives for JBWere from operating expenses to volume related expenses in net operating income. This was partially offset by higher revenue from growth in average FUM.

Operating expenses were flat. During the half year, additional costs were incurred to support the development and launch of new products and services including nabtrade. There were higher compliance and regulatory expenses and the inclusion of Private Wealth Asia results. But these were offset by the re-classification of sales incentives for JBWere from operating expenses to volume related expenses in net operating income.

IoRE decreased by $8 million when compared to the September half year due to an increase in debt costs, lower surplus investable assets and lower returns on cash and fixed interest due to a declining interest rate environment. These decreases where partially offset by higher investment earnings on equities.

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

	Half Year to Mar 13 [1] $m	Half Year to Sep 12 $m	Half Year to Mar 12 $m	Mar 13 v Sep 12 %	Mar 13 v Mar 12 %
Net interest income	**204**	162	163	25.9	25.2
Other operating income	**25**	30	17	(16.7)	47.1
Gross income	**776**	805	784	(3.6)	(1.0)
Volume related expenses	**(271)**	(281)	(274)	3.6	1.1
Net income	**734**	716	690	2.5	6.4
Operating expenses	**(448)**	(450)	(453)	0.4	1.1
Underlying profit	**286**	266	237	7.5	20.7
Charge to provide for bad and doubtful debts	**(3)**	(7)	(5)	57.1	40.0
Cash earnings before tax	**283**	259	232	9.3	22.0
Income tax expense	**(75)**	(76)	(65)	1.3	(15.4)
Cash earnings before IoRE	**208**	183	167	13.7	24.6
Average Volumes - Private Bank ($bn)					
Gross loans and acceptances	**20.3**	18.7	18.7	8.6	8.6
Interest earning assets	**20.7**	18.7	18.7	10.7	10.7

[1] *The March 2013 period includes 6 months of operating results for Private Wealth Asia.*

Performance Measures [1]					
Funds under management (spot) ($m)	**136,666**	124,743	123,547	9.6	10.6
Funds under management (average) ($m)	**130,140**	122,026	119,629	6.6	8.8
Net funds flow ($m)	**1,323**	(871)	(1,480)	large	large
Net interest margin	**1.98%**	1.73%	1.74%	25 bps	24 bps
Cost to income ratio	**61.0%**	62.9%	65.7%	190 bps	470 bps
Investment operating expenses to average FUM (bps)	**52**	61	62	9 bps	10 bps
Investment income to average FUM (bps)	**78**	86	85	(8 bps)	(7 bps)

[1] *FUM excludes Trustee and Cash Management. FUM is reported on the basis of nabInvest's proportional ownership interest rather than the total FUM of these businesses.*

	Funds Under Management Dec 12 Rank	Dec 12 Market Share %	Jun 12 Rank	Jun 12 Market Share %	Dec 11 Rank	Dec 11 Market Share %
Retail (excl. Cash)	**2**	**15.6%**	2	15.5%	2	15.7%
Total Retail Superannuation	**2**	**19.5%**	2	19.1%	2	19.5%
Total Wholesale	**3**	**6.7%**	3	7.2%	3	7.5%

Source: Plan for Life Australian Retail & Wholesale Investments Market Share and Dynamics Report - December 2012. (Prior periods include re-statements of funds under management made by Plan for Life.)

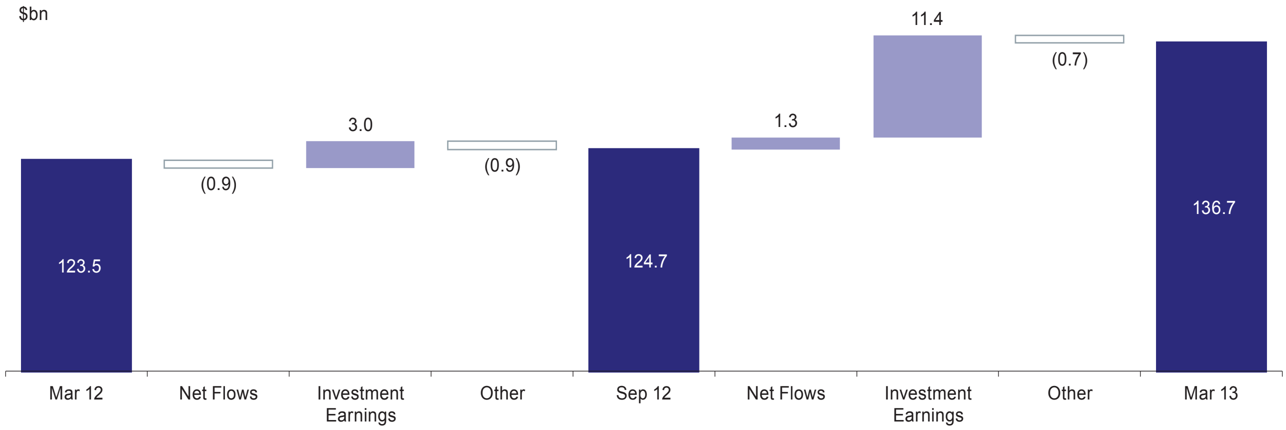
Funds Under Management

Movement in Funds under Management and Administration ($m)	As at Mar 12	Inflows	Outflows	Investment earnings	Other [1]	As at Mar 13
Master Funds (Platforms)	78,687	14,109	(13,238)	9,461	(942)	**88,077**
Other Retail	3,989	34	(421)	203	1	**3,806**
Total Retail Funds (Excl. Cash)	82,676	14,143	(13,659)	9,664	(941)	**91,883**
Wholesale	40,871	7,509	(7,541)	4,747	(803)	**44,783**
Total NAB Wealth ex Trustee and Cash Management	123,547	21,652	(21,200)	14,411	(1,744)	**136,666**
Trustee	6,724	1,633	(651)	-	-	**7,706**

Movement in Funds under Management and Administration ($m)	As at Sep 12	Inflows	Outflows	Investment earnings	Other [1]	As at Mar 13
Master Funds (Platforms)	78,770	8,533	(6,247)	7,460	(439)	**88,077**
Other Retail	3,861	16	(208)	123	14	**3,806**
Total Retail Funds (Excl. Cash)	82,631	8,549	(6,455)	7,583	(425)	**91,883**
Wholesale	42,112	4,499	(5,270)	3,842	(400)	**44,783**
Total NAB Wealth ex Trustee and Cash Management	124,743	13,048	(11,725)	11,425	(825)	**136,666**
Trustee	7,309	550	(153)	-	-	**7,706**

(1) *Other includes trust distributions.*

Funds Under Management



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

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

Financial Analysis

March 2013 v March 2012

Cash earnings before IoRE of $208 million for the March 2013 half year grew by $41 million or 24.6% when compared to March 2012. This was the result of growth in earnings from FUM, an increase in revenue from direct asset management and the inclusion of Private Wealth Asia, partially offset by lower earnings on the annuities portfolio.

Net interest income grew by $41 million or 25.2% due to the inclusion of Private Wealth Asia and lower overall funding costs, partially offset by lower domestic lending volumes.

Other operating income increased by $8 million due to an increase in revenue from direct asset management.

Gross income fell by $8 million or 1.0% compared to March 2012, with lower earnings on the annuities portfolio and changes in business mix.

Average FUM as at 31 March 2013 of $130.1 billion increased by $10.5 billion or 8.8% compared to March 2012 as a result of stronger market performance and positive client net flows.

Net funds flow increased by $2.8 billion compared to March 2012, driven by strong retail client net flows, partially offset by a decline in wholesale net flows.

Volume related expenses, which include commission payments and investment costs, decreased by $3 million or 1.1% compared to March 2012 as a result of lower payments to the Adviser channel. This was partially offset by the re-classification of sales incentives for JBWere from operating expenses to volume related expenses in net income.

Operating expenses decreased by $5 million or 1.1% compared to March 2012 due to the re-classification of sales incentives for JBWere from operating expenses to volume related expenses, partially offset by the inclusion of Private Wealth Asia and investment in new products and services, including nabtrade.

Market share has increased in Retail Investments with strong client flows over the period.

March 2013 v September 2012

Cash earnings before IoRE of $208 million grew by $25 million or 13.7% when compared to September 2012 as a result of FUM growth and the inclusion of Private Wealth Asia, partially offset by lower earnings on the annuities portfolio.

Net interest income grew by $42 million or 25.9% primarily due to lower funding costs and the inclusion of Private Wealth Asia.

Other operating income decreased by $5 million mainly as a result of the timing of revenue from direct asset management, with some significant fees generated in the September 2012 half.

Gross income fell by $29 million or 3.6% compared to September 2012 with lower earnings on the annuities portfolio and changes in business mix.

Average FUM increased by $8.1 billion or 6.6% compared to the prior half, driven by stronger market performance and client net flows.

Net funds flow improved by $2.2 billion as a result of higher client net flows.

Volume related expenses decreased by $10 million or 3.6% compared to September 2012 as a result of lower payments to the Adviser channel. This was partially offset by the re-classification of sales incentives for JBWere from operating expenses to volume related expenses in net income.

Operating expenses were $2 million lower than in the prior half due to investment in nabtrade and the inclusion of Private Wealth Asia, offset by the re-classification of sales incentives for JBWere from operating expenses to volume related expenses in net income.

Other Items

Asset Quality

	As at		
	Mar 13	Sep 12	Mar 12
Specific provision for doubtful debts ($m)	**16**	14	10
Collective provision for doubtful debts ($m)	**15**	16	19
90+DPD assets ($m)	**69**	65	73
Gross impaired assets ($m)	**79**	64	48
90+DPD plus gross impaired assets to gross loans and acceptances	**0.73%**	0.69%	0.64%
Specific provision to gross impaired assets	**20.3%**	21.9%	20.8%
Net write-offs to gross loans and acceptances (annualised)	**0.06%**	0.09%	0.13%
Total provision as a percentage of net write-offs	**258%**	176%	121%
Total provision to gross loans and acceptances	**0.15%**	0.16%	0.15%
Bad and doubtful debt charge to credit risk weighted assets	**0.09%**	0.18%	0.15%

Asset quality remained stable in NAB Wealth with the ratio of net write-offs to gross loans and acceptances lower than in the previous two reporting periods.

The increase in gross impaired assets was attributable to the migration of a small number of larger mainly secured exposures from 90+ DPD.

NAB Wealth - Insurance

	Half Year to				
	Mar 13 $m	Sep 12 $m	Mar 12 $m	Mar 13 v Sep 12 %	Mar 13 v Mar 12 %
Gross income	830	814	801	2.0	3.6
Volume related expenses	(636)	(583)	(551)	(9.1)	(15.4)
Net operating income	194	231	250	(16.0)	(22.4)
Operating expenses	(124)	(122)	(118)	(1.6)	(5.1)
Cash earnings before tax and IoRE	70	109	132	(35.8)	(47.0)
Income tax expense	(22)	(33)	(39)	33.3	43.6
Cash earnings before IoRE	48	76	93	(36.8)	(48.4)
Planned and Experience Analysis					
Planned margins	81	88	87	(8.0)	(6.9)
Experience (loss)/profit	(33)	(12)	6	large	large
Cash earnings before IoRE	48	76	93	(36.8)	(48.4)
Performance Measures					
Annual inforce premiums (spot) ($m)	1,536.2	1,523.5	1,492.9	0.8	2.9
Annual inforce premiums (average) ($m)	1,529.9	1,508.2	1,479.6	1.4	3.4
New business premiums ($m)	155.1	164.0	150.7	(5.4)	2.9
Insurance cost to average inforce premium (%)	16%	16%	16%	-	-

Annual Inforce Premiums ($m)	As at Mar 12	Sales	Lapses	As at Mar 13	Mar 12 v Mar 13 %
Retail	1,184.5	251.7	(212.4)	1,223.8	3.3
Group Risk	308.4	67.4	(63.4)	312.4	1.3
Total	1,492.9	319.1	(275.8)	1,536.2	2.9

Annual Inforce Premiums ($m)	As at Sep 12	Sales	Lapses	As at Mar 13	Sep 12 v Mar 13 %
Retail	1,211.7	121.9	(109.8)	1,223.8	1.0
Group Risk	311.8	33.2	(32.6)	312.4	0.2
Total	1,523.5	155.1	(142.4)	1,536.2	0.8

	Premiums in Force					
	Dec 12		Jun 12		Dec 11	
	Rank	Market Share %	Rank	Market Share %	Rank	Market Share %
Retail risk premiums	2	16.7%	2	17.3%	2	17.8%
Group Risk	6	8.5%	6	9.0%	6	9.5%

	Share of New Business					
	Dec 12		Jun 12		Dec 11	
	Rank	Market Share %	Rank	Market Share %	Rank	Market Share %
Retail risk premiums	3	14.6%	3	15.2%	2	15.7%
Group Risk	5	9.9%	5	6.6%	6	6.0%

Source: DEXX&R Life Analysis - December 2012. (Prior periods include re-statements of share of new business made by DEXX&R.)

NAB Wealth - Insurance

Financial Analysis

March 2013 v March 2012

Cash earnings before IoRE of $48 million for the March 2013 half year decreased by $45 million or 48.4% when compared to the March 2012 half year. This was largely due to higher insurance claims, an increase in lapses and changes in the profile of the retail insurance book, partially offset by growth in average inforce premiums.

Gross income increased by $29 million or 3.6% mainly as a result of growth in average inforce premiums.

Volume related expenses increased by $85 million or 15.4% as a result of growth in average inforce premiums, higher insurance claims, an increase in lapses and changes in the profile of the retail insurance book.

Operating expenses grew by $6 million or 5.1% due to higher distribution costs.

Planned Margins and Experience Profit/(Loss)

Planned margins were $81 million for the March 2013 half year. Planned margins were down compared to March 2012 due to assumption changes (including an increase in lapse assumptions), partially offset by volume growth.

Experience losses, compared to planned margins, arose as a result of unfavourable claims and continued unfavourable lapses and changes in the mix of retail business. These are trends consistent with current industry experience.

Inforce Premiums as at 31 March 2013 of $1.5 billion grew by $43 million or 2.9% compared to March 2012.

March 2013 v September 2012

Cash earnings before IoRE of $48 million decreased by $28 million or 36.8% when compared to the September 2012 half year. This result was largely driven by higher insurance claims and continued lapse experience, partially offset by growth in average inforce premiums and higher earnings on assets backing the insurance policy liabilities.

Gross income increased by $16 million or 2.0%, in line with growth in average inforce premiums and higher earnings on assets backing the insurance policy liabilities.

Volume related expenses increased by $53 million or 9.1%, driven by higher insurance claims consistent with industry experience and growth in average inforce premiums.

Operating expenses grew by $2 million or 1.6% compared to the September 2012 half year.

Inforce Premiums as at 31 March 2013 of $1.5 billion grew by $13 million or 0.8% compared to September 2012.

NZ Banking

Andrew Thorburn

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

Results presented in local currency. See page 69 for results in $AUDm.

	Half Year to				
	Mar 13 NZ$m	**Sep 12 NZ$m**	**Mar 12 NZ$m**	**Mar 13 v Sep 12 %**	**Mar 13 v Mar 12 %**
Net interest income	**732**	714	711	2.5	3.0
Other operating income	**249**	223	233	11.7	6.9
Net operating income	**981**	937	944	4.7	3.9
Operating expenses	**(395)**	(388)	(375)	(1.8)	(5.3)
Underlying profit	**586**	549	569	6.7	3.0
Charge to provide for bad and doubtful debts	**(56)**	(64)	(34)	12.5	(64.7)
Cash earnings before tax	**530**	485	535	9.3	(0.9)
Income tax expense	**(143)**	(129)	(150)	(10.9)	4.7
Cash earnings	**387**	356	385	8.7	0.5
Average Volumes (NZ$bn)					
Gross loans and acceptances	**59.4**	58.3	57.5	1.9	3.3
Interest earning assets	**61.2**	60.0	59.1	2.0	3.6
Total assets	**61.3**	60.2	59.3	1.8	3.4
Customer deposits	**37.1**	35.4	33.5	4.8	10.7
Capital (NZ$bn)					
Risk-weighted assets - credit risk (spot)	**38.0**	37.0	36.3	2.7	4.7
Total risk-weighted assets (spot)	**41.9**	40.6	40.2	3.2	4.2
Performance Measures					
Cash earnings on average assets	**1.27%**	1.18%	1.30%	9 bps	(3 bps)
Cash earnings on risk-weighted assets	**1.88%**	1.77%	1.93%	11 bps	(5 bps)
Net interest margin	**2.40%**	2.38%	2.41%	2 bps	(1 bps)
Cost to income ratio	**40.3%**	41.4%	39.7%	110 bps	(60 bps)
'Jaws'	**2.9%**	(4.2%)	4.5%	710 bps	(160 bps)
Cash earnings per average FTE (NZ$'000s)	**170**	157	167	8.3	1.8
FTEs (spot)	**4,579**	4,534	4,554	(1.0)	(0.5)

	As at		
Market Share [(1)]	**Mar 13**	**Sep 12**	**Mar 12**
Housing	**16.2%**	16.3%	16.4%
Cards	**26.9%**	26.7%	27.4%
Agribusiness	**21.9%**	21.7%	20.9%
Retail deposits [(2)]	**18.8%**	18.8%	18.7%

[(1)] *Source: RBNZ March 2013 (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 Disclosure Statement.*

	As at		
Distribution	**Mar 13**	**Sep 12**	**Mar 12**
Number of retail branches	**178**	178	179
Number of ATMs	**462**	460	449
Number of internet banking customers (no. '000s)	**591**	566	553

NZ Banking

Financial Analysis (in local currency)

March 2013 v March 2012

Cash earnings during the March 2013 half year increased by $2 million or 0.5% to $387 million when compared to the March 2012 half year. This performance was driven by improved net interest income, fee income and supported by lending volume growth. Higher operating expenses and bad and doubtful debt charges partially offset this revenue growth.

Cash earnings on risk-weighted assets decreased by five basis points to 1.88% on the March 2012 half year. The prior period ratio was supported by the low bad and doubtful debt charges.

Net interest income increased by $21 million or 3.0%, primarily due to steady volume growth in housing and business lending. Active margin management continues to be a focus within the business.

Average volumes of **gross loans and acceptances** increased by $1.9 billion or 3.3%. Business lending saw steady growth over the period and market share in the key agribusiness sector increased by 95 basis points to 21.9%. Housing volumes also grew, led by increased market activity in Auckland.

Average volumes of **customer deposits** increased by $3.6 billion or 10.7%. This was driven by a continued focus on growing deposits to further strengthen the Bank's balance sheet. Market share increased slightly to 18.8%.

Net interest margin decreased by one basis point to 2.40%. This was largely driven by competition for deposits and customer preference for lower margin fixed rate mortgages, as these rates became more attractive relative to floating rates. The decrease was partially offset by reduced wholesale funding costs.

Other operating income increased by $16 million or 6.9% primarily due to growth in lending fees and card interchange income. This was partially offset by lower customer demand for risk management products due to reduced market volatility.

Operating expenses increased by $20 million or 5.3% mainly due to depreciation charges related to strategic investment projects that were recently completed, such as the upgrade of the Store Network and Partners Centres. Technology and marketing costs have also increased.

The **charge to provide for bad and doubtful debts** increased by $22 million or 64.7% on the March 2012 half year. The large increase was mainly due to higher specific provision charges on business exposures, compared to the unusually low bad and doubtful debts result in March 2012.

March 2013 v September 2012

Cash earnings during the March 2013 half year increased strongly by $31 million or 8.7% to $387 million when compared to the September 2012 half year. This performance was driven by higher net interest income, increased fee income and reduced bad and doubtful debt charges.

Cash earnings on risk-weighted assets increased by 11 basis points to 1.88% on the September 2012 half year. Strong growth in cash earnings drove the improvement, while risk-weighted assets increased marginally.

Net interest income increased by $18 million or 2.5% on the September 2012 half year. Lending growth was steady, with slightly improved net interest margin. Lower wholesale funding costs were partially offset by more competitive pricing in mortgages.

Average volumes of **gross loans and acceptances** increased by $1.1 billion or 1.9%. Growth was largely driven by increased demand from the agribusiness sector, with market share increasing by 14 basis points to 21.9%. Housing volumes grew modestly, while personal lending remained stable.

Average volumes of **customer deposits** increased by $1.7 billion or 4.8%. Growth in customer deposits remained a key focus, enabling BNZ to exceed the RBNZ's core funding ratio requirements. BNZ's market share remained stable at 18.8%, despite strong market competition.

Net interest margin improved by two basis points to 2.40%. The margin was supported by lower wholesale funding costs, which was partially offset by changes to the housing portfolio mix, as customers shifted to lower margin fixed rate mortgages.

Other operating income increased by $26 million or 11.7%. This was primarily driven by higher lending fees from Corporate and Institutional customers and card interchange income due to increased consumer spending.

Operating expenses increased by $7 million or 1.8%. This was mainly due to higher depreciation, increased technology investment and the marketing associated with BNZ's campaign focused on helping customers "be good with money".

The **charge to provide for bad and doubtful debts** decreased by $8 million or 12.5%. The improvement was mostly due to higher specific provision charges in the September half year relating to several corporate exposures.

Other Items

Asset Quality

	As at		
	Mar 13	**Sep 12**	**Mar 12**
Specific provision for doubtful debts (NZ$m)	**141**	131	138
Collective provision for doubtful debts (NZ$m)	**165**	172	198
Specific provision on loans at fair value (NZ$m)	**35**	53	55
Collective provision on loans at fair value (NZ$m)	**115**	114	97
90+DPD assets (NZ$m)	**263**	250	214
Gross impaired assets (NZ$m)	**418**	460	530
90+DPD to gross loans and acceptances	**0.44%**	0.43%	0.37%
Gross impaired assets to gross loans and acceptances	**0.69%**	0.78%	0.91%
90+DPD plus gross impaired assets to gross loans and acceptances	**1.13%**	1.21%	1.28%
Specific provision to gross impaired assets	**42.1%**	40.0%	36.4%
Net write-offs to gross loans and acceptances (annualised)	**0.23%**	0.24%	0.25%
Total provision as a percentage of net write-offs	**325%**	341%	334%
Total provision to gross loans and acceptances	**0.75%**	0.80%	0.84%
Bad and doubtful debt charge to credit risk weighted assets	**0.30%**	0.26%	0.19%

The quality of BNZ's lending portfolio has continued a trend of gradual improvement during the March 2013 half year compared to the September 2012 half year. The ratio of 90+DPD plus gross impaired assets to gross loans and acceptances improved by eight basis points to 1.13%, with a reduction in impaired assets across business, agriculture and retail exposures. The ratio of 90+DPD to gross loans and acceptances remains flat on the prior half year with a decrease in retail exposures offset by an increase in business and agriculture exposures which are being closely managed. Growth in the housing portfolio has continued, with asset quality remaining sound.

During the March 2013 half year New Zealand has experienced a drought. To support customers BNZ has provided some relief packages for drought-affected farmers. BNZ continues to closely monitor the portfolio for any changes in the asset quality trend.

Bad and doubtful debt charges were lower than the September 2012 half year, although higher than the March 2012 half year. Net write-offs remain broadly similar to prior periods.

Over the March 2013 half year, the cover of total provisions to gross loans and acceptances fell by five basis points to 0.75%, with a write-back in industry related reserves lowering collective provisions. Specific provisions also decreased in line with the reduction in impaired assets.

Capital and Funding Position

BNZ has continued to strengthen its balance sheet by actively growing its customer deposit base, diversifying its presence in wholesale funding markets, and holding prudent levels of liquidity.

Actively targeting strong growth in customer deposits has been a core driver of BNZ's improving balance sheet strength, and a key factor supporting BNZ's AA-/ Aa3 credit rating. The rebalancing of BNZ's funding base towards stable customer deposits remains a strategic focus.

BNZ's core funding ratio (CFR) exceeds RBNZ's minimum requirement of 75%, which stepped-up from 70% on 1 January 2013.

BNZ has a modest wholesale term funding task of NZ$1.4 billion for the current financial year, of which NZ$900 million has been completed. BNZ successfully accessed both domestic and offshore bond markets over the March 2013 half year. In January 2013, BNZ raised £250 million of three year funding, which was BNZ's first GBP transaction since 2007. In March 2013, BNZ raised NZ$350 million of five year funding with fixed and floating tranches. This issuance demonstrates the strength and diversity of BNZ's investor base, and supports BNZ's CFR.

BNZ Banking Group's regulatory capital ratios exceed the RBNZ's minimum Basel III requirements. As at 31 March 2013, BNZ Banking Group had a Common Equity Tier One capital ratio of 8.73%, a Tier One capital ratio of 10.68%, and a Total capital ratio of 12.76% (current RBNZ minimums 4.50%, 6.00% and 8.00% respectively).

NZ Banking

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

	Half Year to				
	Mar 13 $m	Sep 12 $m	Mar 12 $m	Mar 13 v Sep 12 %	Mar 13 v Mar 12 %
Net interest income	584	557	549	4.8	6.4
Other operating income	199	175	179	13.7	11.2
Net operating income	783	732	728	7.0	7.6
Operating expenses	(316)	(303)	(289)	(4.3)	(9.3)
Underlying profit	467	429	439	8.9	6.4
Charge to provide for bad and doubtful debts	(45)	(50)	(26)	10.0	(73.1)
Cash earnings before tax	422	379	413	11.3	2.2
Income tax expense	(113)	(101)	(116)	(11.9)	2.6
Cash earnings	309	278	297	11.2	4.0

Impact of foreign exchange rate movements

Favourable/ (unfavourable) March 13	Half year since Sep 12 $m	Mar 13 v Sep 12 Ex FX %	Half year since Mar 12 $m	Mar 13 v Mar 12 Ex FX %
Net interest income	13	2.5	19	2.9
Other operating income	4	11.4	7	7.3
Operating expenses	(7)	(2.0)	(11)	(5.5)
Charge to provide for bad and doubtful debts	(1)	12.0	(2)	(65.4)
Income tax expense	(2)	(9.9)	(3)	5.2
Cash earnings	7	8.6	10	0.7

UK Banking

David Thorburn

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, business and private banking centres, direct banking and brokers. As announced on 30 April 2012, UK Banking is restructuring its business in response to the challenging economic and operating conditions in the region. This restructuring has included transferring the majority of UK Banking's Commercial Real Estate assets to National Australia Bank Limited on 5 October 2012. That transferred portfolio is now reported separately as NAB UK CRE. Other aspects of the restructuring announced last year are also progressing. Comparative numbers include the now transferred NAB UK CRE business.

Results presented in local currency. See page 73 for results in $AUDm.

	Half Year to				
	Mar 13 £m	**Sep 12 £m**	**Mar 12 £m**	**Mar 13 v Sep 12 %**	**Mar 13 v Mar 12 %**
Net interest income	**368**	414	450	(11.1)	(18.2)
Other operating income	**122**	139	142	(12.2)	(14.1)
Net operating income	**490**	553	592	(11.4)	(17.2)
Operating expenses	**(345)**	(349)	(348)	1.1	0.9
Underlying profit	**145**	204	244	(28.9)	(40.6)
Charge to provide for bad and doubtful debts	**(91)**	(349)	(282)	73.9	67.7
Cash earnings/(deficit) before tax	**54**	(145)	(38)	large	large
Income tax (expense)/benefit	**(13)**	31	13	large	large
Cash earnings/(deficit)	**41**	(114)	(25)	large	large
Average Volumes (£bn)					
Gross loans and acceptances	**27.4**	33.4	33.7	(18.0)	(18.7)
Interest earning assets	**35.9**	42.1	43.0	(14.7)	(16.5)
Total assets	**39.0**	44.9	46.4	(13.1)	(15.9)
Customer deposits	**25.0**	25.6	25.1	(2.3)	(0.4)
Capital (£bn)					
Risk-weighted assets - credit risk (spot)	**20.8**	27.2	28.5	(23.5)	(27.0)
Total risk-weighted assets (spot)	**25.5**	30.2	31.4	(15.6)	(18.8)
Performance Measures					
Cash earnings on average assets	**0.21%**	(0.51%)	(0.11%)	72 bps	32 bps
Cash earnings on risk-weighted assets	**0.30%**	(0.74%)	(0.16%)	104 bps	46 bps
Net interest margin	**2.06%**	1.97%	2.09%	9 bps	(3 bps)
Cost to income ratio	**70.4%**	63.1%	58.8%	(730 bps)	(1,160 bps)
'Jaws'	**(10.3%)**	(6.9%)	(4.0%)	(340 bps)	(630 bps)
Cash earnings per average FTE (£'000s)	**11**	(29)	(6)	large	large
FTEs (spot)	**7,150**	7,883	8,146	9.3	12.2

	As at		
Distribution	**Mar 13**	**Sep 12**	**Mar 12**
Number of retail branches	**330**	333	337
Number of ATMs	**860**	882	884
Number of internet banking customers (no. '000s)	**634**	605	587

UK Banking

Financial Analysis (in local currency)

March 2013 v March 2012

Cash earnings were £41 million in the March 2013 half year, compared to a loss of £25 million in the March 2012 half year.

Cash earnings on average risk-weighted assets increased by 46 basis points to 0.30%. This was mainly due to the restructuring of the business which led to an improvement in cash earnings and a reduction in credit risk-weighted assets.

Net interest income decreased by £82 million or 18.2%. This was driven by lower business lending income, primarily due to the NAB UK CRE portfolio transfer, higher term deposit costs and lower returns on non-interest bearing deposits. In addition, there was an increase in the Financial Services Compensation Scheme (FSCS) levy and lower liquid asset income. These were partially offset by higher mortgage lending income, which reflected growth in this product.

The **net interest margin** declined by three basis points. This was driven by higher retail and wholesale funding costs, mainly offset by improved lending margins and the impact of the NAB UK CRE transfer.

Average gross loans and acceptances decreased by £6.3 billion or 18.7%. There was a £7.4 billion reduction in business lending balances which predominantly reflected the NAB UK CRE portfolio transfer (£5.6 billion spot balance at transfer date), although underlying attrition in the book continued, reflecting negative system credit growth. Mortgage growth of 9.1% was substantially higher than system growth of 1.5%[1]. The unsecured personal lending book remained broadly stable.

Average customer deposits of £25.0 billion were broadly in line with the March 2012 half year.

Other operating income decreased by £20 million or 14.1%, primarily due to the impact on fees and commissions of subdued economic activity and lower insurance income.

Operating expenses decreased by £3 million or 0.9% as a result of savings made from the various restructuring activities undertaken. This included lower personnel costs as a result of the reduction in FTEs and lower occupancy costs from the closure of business and private banking centres. These were offset by a reversion to more normal expense settings across the business, including higher marketing costs, higher performance based incentives and an increase in the provision for customer redress.

The **charge to provide for bad and doubtful debts** decreased by £191 million to £91 million. The decrease is mainly a result of the transfer of NAB UK CRE assets. Mortgage losses are broadly stable and the performance of the unsecured retail portfolio remains sound.

[1] *Source: Bank of England - March 2013.*

March 2013 v September 2012

Cash earnings were £41 million compared to a loss of £114 million in the September 2012 half year.

Cash earnings on average risk-weighted assets increased by 104 basis points to 0.30%. This was mainly due to the restructuring of the business, which led to an improvement in cash earnings and a reduction in credit risk-weighted assets.

Net interest income decreased by £46 million or 11.1%, which was largely due to the NAB UK CRE portfolio transfer. This decrease also reflects the Financial Services Compensation Scheme (FSCS) levy of £12 million which is incurred in the first half of each financial year, and lower business lending volumes. These were partially offset by higher mortgage lending income and lower term deposit costs.

The **net interest margin** increased by nine basis points which was driven by improved lending margins, improved retail deposit mix and the impact of the NAB UK CRE transfer, partially offset by lower retail deposit returns and the FSCS levy.

Average gross loans and acceptances decreased by £6.0 billion or 18.0%. There was a £6.5 billion reduction in business lending balances, which predominantly reflected the NAB UK CRE portfolio transfer, with underlying attrition in the book reflecting negative system growth. Mortgage growth of 4.0% was higher than system growth of 0.6%[1]. The unsecured personal lending book remained broadly stable.

Average customer deposits decreased by £0.6 billion or 2.3%. This reflected the managed run-off of higher cost term deposits following the NAB UK CRE transfer.

Other operating income decreased by £17 million or 12.2%. The majority of this reduction was due to the impact on fees and commissions of subdued economic activity.

Operating expenses decreased by £4 million or 1.1%, driven by savings from various restructuring activities, including the transfer of the NAB UK CRE portfolio and lower non-lending losses. This was partially offset by higher performance based incentives and a £23 million charge for customer redress.

The **charge to provide for bad and doubtful debts** decreased by £258 million to £91 million. The decrease is mainly a result of the transfer of NAB UK CRE assets. The charge to provide for bad and doubtful debts of £91 million is lower than the charge booked in the September 2012 half year (estimated at £100 million when NAB UK CRE is excluded). Mortgage losses remain broadly stable.

Other Items

Asset Quality

	As at		
	Mar 13	**Sep 12**	**Mar 12**
Specific provision for doubtful debts (£m)	**127**	390	206
Collective provision for doubtful debts (£m)	**171**	353	383
Specific provision on loans at fair value (£m)	**21**	42	25
Collective provision on loans and derivatives at fair value (£m)	**60**	126	133
90+DPD assets (£m)	**182**	322	265
Gross impaired assets (£m)	**463**	1,260	968
90+DPD to gross loans and acceptances	**0.67%**	0.97%	0.79%
Gross impaired assets to gross loans and acceptances	**1.72%**	3.79%	2.89%
90+DPD plus gross impaired assets to gross loans and acceptances	**2.39%**	4.76%	3.68%
Specific provision to gross impaired assets	**32.0%**	34.3%	23.9%
Net write-offs to gross loans and acceptances (annualised)	**0.65%**	1.07%	1.12%
Total provision as a percentage of net write-offs	**212%**	257%	200%
Total provision to gross loans and acceptances	**1.41%**	2.74%	2.23%
Bad and doubtful debt charge to credit risk-weighted assets	**0.88%**	2.32%	1.98%

Retail asset quality has improved due to lower default rates observed across the unsecured personal loan portfolio. Mortgage impaired loan levels have remained stable as a result of the prolonged period of low interest rates and broadly stable residential property prices.

The total 90+DPD balances decreased through the half year to March 2013 to £182 million, compared with £322 million at September 2012. This followed the transfer of the majority of the UK Banking commercial real estate portfolio to National Australia Bank Limited. Excluding the transfer of NAB UK CRE assets, 90+DPD balances increased by £34 million. The portfolio remains sensitive to economic conditions with the residual balance of 90+DPD remaining higher than the long-term trend. Home loan 90+DPD levels are stable with continued improvements in the unsecured portfolios.

The level of gross impaired assets has decreased to £463 million in the half year to March 2013 primarily as a result of the CRE transfer. Excluding the assets transferred to NAB UK CRE, gross impaired assets increased by £98 million. Hospitality related lending is the largest component of the impaired asset portfolio, reflecting the sector's sensitivity to the weak economic environment.

The overall collective provision for doubtful debts decreased during the period reflecting the reduction in the business lending portfolio. The personal lending collective provision remains at a stable level driven by the strong delinquency profile of these portfolios.

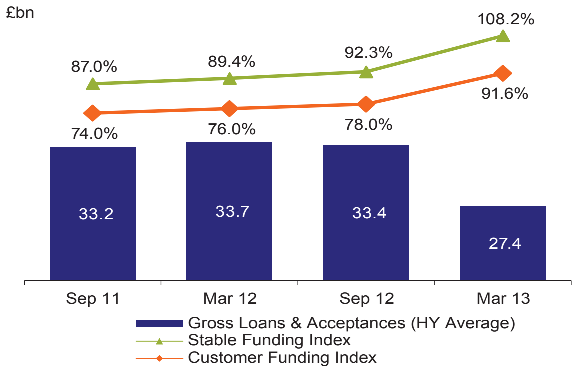
The ratio of total provisions to gross loans and acceptances decreased to 1.41% in March 2013. This reflects the change in the profile of the loan portfolio following the NAB UK CRE transfer.

Capital and Funding Position

The Clydesdale Bank PLC (Clydesdale) Core Tier 1 ratio (on a UK Prudential Regulation Authority basis) increased from 8.4% in September 2012 to 10.4% and the Tier 1 ratio increased from 9.6% to 11.8%. This was predominantly due to the impact of the NAB UK CRE portfolio transfer and the subsequent reduction in risk-weighted assets.

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

Stable Funding and Customer Funding Indices



The improvement in Clydesdale's funding indices was primarily due to the impact of the NAB UK CRE transfer, offset by the impact of reducing higher cost term deposits. The Customer Funding Index (CFI) increased from 78.0% to 91.6% in the half and the Stable Funding Index (SFI) increased from 92.3% to 108.2%.

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

UK Banking

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

	Half Year to				
	Mar 13 $m	Sep 12 $m	Mar 12 $m	Mar 13 v Sep 12 %	Mar 13 v Mar 12 %
Net interest income	559	640	684	(12.7)	(18.3)
Other operating income	185	212	217	(12.7)	(14.7)
Net operating income	744	852	901	(12.7)	(17.4)
Operating expenses	(523)	(538)	(529)	2.8	1.1
Underlying profit	221	314	372	(29.6)	(40.6)
Charge to provide for bad and doubtful debts	(139)	(538)	(428)	74.2	67.5
Cash earnings/(deficit) before tax	82	(224)	(56)	large	large
Income tax (expense)/benefit	(20)	47	20	large	large
Cash earnings/(deficit)	62	(177)	(36)	large	large

Impact of foreign exchange rate movements

Favourable/ (unfavourable) March 13	Half year since Sep 12 $m	Mar 13 v Sep 12 Ex FX %	Half year since Mar 12 $m	Mar 13 v Mar 12 Ex FX %
Net interest income	(9)	(11.3)	(1)	(18.1)
Other operating income	(3)	(11.3)	-	(14.7)
Operating expenses	9	1.1	1	0.9
Charge to provide for bad and doubtful debts	2	73.8	(1)	67.8
Income tax expense	1	large	-	large
Cash earnings	-	large	(1)	large

Proforma UK Banking results

The table below provides a pro-forma unaudited illustration of the results of UK Banking, excluding the NAB UK CRE business, for the half year ended 30 September 2012. This table has been prepared for illustrative purposes on the basis of certain estimations and limitations, and does not represent a full accounting restatement of the half year ended 30 September 2012. No accounting restatement was performed on the basis that it was impracticable to do so. The estimations and assumptions used to prepare the unaudited September 12 proforma numbers in this table are set out below.

	Half Year to		
	Mar 13 £m	Unaudited Sep 12 £m	Mar 13 v Sep 12 %
Net operating income	490	514	(4.7)
Operating expenses	(345)	(342)	(0.9)
Underlying profit	145	172	(15.7)
Charge to provide for bad and doubtful debts	(91)	(100)	9.0
Cash earnings before tax	54	72	(25.0)
Income tax expense	(13)	(23)	43.5
Cash earnings	41	49	(16.3)

Proforma UK Banking results estimations and assumptions

The following estimations and assumptions were used in the preparation of the UK Banking proforma results excluding the NAB UK CRE business:

- Proforma net operating income includes both net interest income and other operating income
- Net interest income excluded an estimation of the gross interest income arising from the NAB UK CRE portfolio based on individual account details, less an estimation of interest expense based on the costs of the funding which was repaid to the NAB Group following completion of the transfer. Additionally, no allowance has been made for funding allocation costs in the proforma results
- Other operating income excluded estimated fees generated from the NAB UK CRE portfolio in the September 2012 half year
- Operating Expenses excluded were estimated based on the expenses of the FTE resources transferred from Clydesdale Bank to NAB and do not include the allocation of indirect overhead expenses
- The charge to provide for bad and doubtful debts excluded was based on the actual charge to provide for bad and doubtful debts arising from the UK CRE portfolio
- The tax rate was estimated to be 25%.

Great Western Bank

Andrew Thorburn

Great Western Bank (GWB) offers a range of traditional banking and wealth management products delivered in a community banking model with over 180 locations across the Midwestern United States. GWB maintains a fully deposit funded position and is the sixth largest bank lender of Agribusiness loans in the United States as of 31 December 2012. In addition to agribusiness, GWB's diversified lending portfolio includes small and medium business, commercial property, and consumer product offerings.

Results presented in local currency. See page 77 for results in $AUDm.

	Half Year to				
	Mar 13 US$m	**Sep 12 US$m**	**Mar 12 US$m**	**Mar 13 v Sep 12 %**	**Mar 13 v Mar 12 %**
Net interest income	**147**	143	136	2.8	8.1
Other operating income	**40**	40	37	-	8.1
Net operating income	**187**	183	173	2.2	8.1
Operating expenses	**(92)**	(92)	(86)	-	(7.0)
Underlying profit	**95**	91	87	4.4	9.2
Charge to provide for bad and doubtful debts	**(13)**	(11)	(14)	(18.2)	7.1
Cash earnings before tax	**82**	80	73	2.5	12.3
Income tax expense	**(27)**	(30)	(23)	10.0	(17.4)
Cash earnings	**55**	50	50	10.0	10.0
Average Volumes (US$bn)					
Gross loans and acceptances	**6.2**	5.8	5.4	6.9	14.8
Interest earning assets	**7.8**	7.7	7.2	1.3	8.3
Total assets [(1)]	**8.3**	8.1	7.9	2.5	5.1
Customer deposits	**7.0**	6.7	6.5	4.5	7.7
Capital (US$bn)					
Risk-weighted assets - credit risk (spot)	**5.9**	5.8	5.0	1.7	18.0
Total risk-weighted assets (spot)	**6.4**	6.3	5.5	1.6	16.4
Performance Measures					
Cash earnings on average assets	**1.33%**	1.23%	1.27%	10 bps	6 bps
Cash earnings on risk-weighted assets	**1.74%**	1.68%	1.75%	6 bps	(1 bps)
Net interest margin	**3.77%**	3.73%	3.78%	4 bps	(1 bps)
Cost to income ratio	**49.2%**	50.3%	49.7%	110 bps	50 bps
'Jaws'	**2.2%**	(1.2%)	0.6%	340 bps	160 bps
Cash earnings per average FTE (US$'000s)	**71**	66	67	7.6	6.0
FTEs (spot)	**1,531**	1,569	1,478	2.4	(3.6)

[(1)] *Total assets exclude goodwill and other intangible assets*

Great Western Bank

Financial Analysis (in local currency)

March 2013 v March 2012

Cash earnings for the March 2013 half year increased by US$5 million or 10.0% to US$55 million compared to the March 2012 half year. The increase was driven by higher net operating income primarily due to interest income earned on higher average interest earning asset balances. This was partially offset by increases in operating expenses driven by the addition of branches acquired in June 2012.

Net interest income increased by US$11 million or 8.1%, largely driven by an 8.3% increase in average interest earning assets compared to the March 2012 half year, resulting from strong organic loan growth and the June 2012 acquisition of First Federal Savings Bank of Iowa (First Federal).

Net interest margin decreased by one basis point compared to the March 2012 half year as competitive pressures reduced lending margins and yields earned on government backed securities in the liquid investment portfolio stabilised, partially offset by a decline in average funding costs through the execution of deposit pricing initiatives.

Other operating income increased by US$3 million or 8.1%, mainly due to an increase in income from home loan originations and related fees from the secondary market.

Operating expenses increased by US$6 million or 7.0%, largely due to the incremental cost associated with ten branches acquired from First Federal in June 2012.

The **charge to provide for bad and doubtful debts** decreased by US$1 million or 7.1%, reflecting continued overall stability in the credit quality of the portfolio.

Cash earnings on risk-weighted assets was down one basis point compared to the March 2012 half year as the increase in cash earnings was offset by a rise in risk-weighted assets driven by the runoff of TierOne acquired assets with Federal Deposit Insurance Corporation (FDIC) loss share coverage. These assets, which have preferential risk-weighting treatment, were replaced with fully-risk-weighted assets.

Average gross loans and acceptances grew by US$0.8 billion or 14.8%. This was largely the result of strong growth in the agribusiness and SME segments, combined with the US$0.3 billion of loans acquired from First Federal.

Average customer deposits increased by US$0.5 billion or 7.7%, driven by US$0.3 billion of acquired First Federal deposits, supplemented by organic growth in customer deposits.

March 2013 v September 2012

Cash earnings increased by US$5 million or 10.0% compared to the September 2012 half year. The increase was driven by underlying profit growth, partially offset by higher charges for bad and doubtful debts.

Net interest income increased by US$4 million or 2.8%, driven by the impact of strong loan growth recorded in the September 2012 half year and a lower overall cost of funds.

Net interest margin increased by four basis points to 3.77% as lower lending margins were more than offset by reductions in the overall cost of deposits and controlled runoff of excess funding.

Other operating income was flat compared to the September 2012 half year as home loan originations remained a consistent source of fee income and debit card interchange income stabilised after regulatory changes in October 2011.

Operating expenses were flat compared to the September 2012 half year as incremental costs driven by the acquired First Federal branches were more than offset by efficiencies gained in the mortgage origination business and through other process improvement initiatives across the bank.

The **charge to provide for bad and doubtful debts** increased by US$2 million or 18.2% due to specific charges recorded in the March 2013 half year.

Cash earnings on risk-weighted assets increased by six basis points compared to the September 2012 half year primarily due to the higher cash earnings.

Average gross loans and acceptances grew by US$0.4 billion, driven by organic growth late in the September 2012 half year, which has subsequently slowed with increased competition in the marketplace.

Average customer deposits grew by US$0.3 billion compared to the September 2012 half year, with the full-period impact of First Federal deposits acquired in June 2012.

Other Items

Asset Quality

Excluding covered loans [1]	Mar 13	Sep 12	Mar 12
		As at	
Specific provision for doubtful debts (US$m)	**12**	14	12
Collective provision for doubtful debts (US$m)	**44**	43	39
Gross impaired assets (US$m)	**69**	87	108
Gross impaired assets to non-covered gross loans and acceptances	**1.20%**	1.55%	2.29%
Specific provision to gross impaired assets	**12.5%**	16.1%	11.1%
Total provision to non-covered gross loans and acceptances	**0.97%**	1.02%	1.08%

Including covered loans [1]	Mar 13	Sep 12	Mar 12
		As at	
90+DPD assets (US$m)	**21**	28	46
Specific provision for doubtful debts (US$m)	**12**	14	12
Collective provision for doubtful debts (US$m)	**44**	43	39
Gross impaired assets (US$m)	**96**	120	114
90+DPD to gross loans and acceptances	**0.34%**	0.45%	0.85%
Gross impaired assets to gross loans and acceptances	**1.56%**	1.95%	2.10%
90+DPD plus gross impaired assets to gross loans and acceptances	**1.90%**	2.40%	2.95%
Specific provision to gross impaired assets	**12.5%**	11.7%	10.5%
Net write-offs to gross loans and acceptances (annualised)	**0.32%**	0.28%	0.56%
Total provision to gross loans and acceptances	**0.98%**	0.92%	0.94%

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

The GWB footprint is characterised by relatively low unemployment levels and continues to be buoyed by historically high production and profitability in agricultural markets in recent years. The Midwest states in the US were affected by severe drought in 2012. Crop yields realised in the late 2012 harvest cycle varied widely but generally exceeded expectations. The effect on asset quality is expected to be moderate unless severe drought conditions persist into 2013 and beyond.

The acquired TierOne portfolio, predominantly covered by the Federal Deposit Insurance Corporation (FDIC) loss share agreement, continues to perform in line with expectations. Approximately US$500 million of assets with loss share coverage, including loans and foreclosed property, remained in the portfolio as of 31 March 2013.

Assets included in 90+DPD relate to the acquired TierOne assets, and continue to decline both on an absolute basis and as a percentage of gross loans and acceptances, as those assets are managed out of the portfolio. Gross Impaired Assets (GIAs) also declined in absolute and relative terms compared to September 2012.

Capital and Funding Position

GWB has continued to maintain a strong core funding base, with an excess of nearly US$1.0 billion in customer deposits over loans. Excess deposits are invested in a liquid portfolio of predominantly US government backed securities.

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

Great Western Bank

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

	Half Year to Mar 13 $m	Half Year to Sep 12 $m	Half Year to Mar 12 $m	Mar 13 v Sep 12 %	Mar 13 v Mar 12 %
Net interest income	141	140	132	0.7	6.8
Other operating income	39	39	35	-	11.4
Net operating income	180	179	167	0.6	7.8
Operating expenses	(88)	(90)	(83)	2.2	(6.0)
Underlying profit	92	89	84	3.4	9.5
Charge to provide for bad and doubtful debts	(13)	(11)	(14)	(18.2)	7.1
Cash earnings before tax	79	78	70	1.3	12.9
Income tax expense	(26)	(28)	(22)	7.1	(18.2)
Cash earnings	53	50	48	6.0	10.4

Impact of foreign exchange rate movements

Favourable/ (unfavourable) March 13	Half year since Sep 12 $m	Mar 13 v Sep 12 Ex FX %	Half year since Mar 12 $m	Mar 13 v Mar 12 Ex FX %
Net interest income	(2)	2.1	(1)	7.6
Other operating Income	-	-	-	11.4
Operating expenses	1	1.1	1	(7.2)
Charge to provide for bad and doubtful debts	-	(18.2)	(1)	14.3
Income tax expense	1	3.6	1	(22.7)
Cash earnings	-	6.0	-	10.4

NAB UK Commercial Real Estate

Bruce Munro

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

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

Results presented in local currency.

	Half Year to Mar 13 £m
Net interest income	22
Other operating income	(16)
Net operating income	6
Operating expenses	(16)
Underlying profit/(loss)	(10)
Charge to provide for bad and doubtful debts	(185)
Cash earnings/(deficit) before tax	(195)
Income tax benefit	46
Cash earnings/(deficit)	(149)
Average Volumes (£bn)	
Gross loans and acceptances	5.3
Interest earning assets	5.4
Spot Volumes (£bn)	
Gross loans and acceptances	5.0
Interest earning assets	5.1
Capital (£bn)	
Risk-weighted assets - credit risk (spot)	4.3

Results presented in Australian dollars.

	Half Year to Mar 13 $m
Net interest income	33
Other operating income	(25)
Net operating income	8
Operating expenses	(23)
Underlying loss	(15)
Charge to provide for bad and doubtful debts	(281)
Cash deficit before tax	(296)
Income tax benefit	70
Cash deficit	(226)

NAB UK Commercial Real Estate

Financial Analysis (in local currency)

March 2013

The **cash earnings deficit** of £149 million was principally driven by the bad and doubtful debt charge for the half year.

Net operating income of £6 million represents £22 million of underlying interest margin and fee income offset by charges of £16 million relating to a customer derivative transaction. Mark-to-market exposure on the remaining customer derivatives totals £97 million as at 31 March 2013.

Operating expenses of £16 million mainly represents personnel costs and intra-group charges for the operating platform used by NAB UK CRE.

The **charge to provide for bad and doubtful debts** of £185 million reflects the ongoing stress in the commercial real estate market in the UK. While the level of bad and doubtful debts continues to be elevated, the level of losses has decreased compared to the September 2012 half year. By way of an indicative comparison, UK CRE assets incurred a charge of £249 million in the half year to September 2012, which is reflected in the UK Banking results.

The **interest earning assets spot** balance is £5.1 billion at 31 March with gross loans and advances (GLAs) of £5.0 billion, a net reduction of £0.6 billion over the period. Net of provisions for bad and doubtful debts, GLAs stand at £4.4 billion.

Risk-weighted assets of £4.3 billion have reduced by £0.9 billion during the period.

Other Items

Asset Quality

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

The economic environment in the UK remains challenging and has not shown many signs of recovery. The specific bad and doubtful debt charge over the period arises from ongoing economic pressure on distressed businesses and the continuing refresh of asset valuations as part of the close management of the portfolio in an environment that is not improving. Asset quality continued to deteriorate over the March 2013 half year, with the ratio of 90+DPD plus gross impaired assets to gross loans and advances increasing to 24.76%. The rate of deterioration moderated relative to the experience of the commercial real estate portfolio held in UK Banking during the September 2012 half year. At 31 March 2013, NAB UK CRE specific provision to gross impaired assets was 31.9%, whilst total provision to gross loans and acceptances was 11.48%. As an indicative comparison, for the commercial real estate assets in UK Banking as at 30 September 2012, specific provision to gross impaired assets was 30.8% and total provision to gross loans and acceptances was 9.9%.

Corporate Functions and Other

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

The results of Corporate Functions and Other includes the results of SGA for the September 2012, March 2012, and March 2013 half years and include the results of NAB's operations in Asia for the September 2012 and March 2012 half years. For the March 2013 half year, results for NAB's operations in Asia are included in the results for Business Banking and NAB Wealth.

	Half Year to				
	Mar 13 $m	**Sep 12 $m**	**Mar 12 $m**	**Mar 13 v Sep 12 %**	**Mar 13 v Mar 12 %**
Net operating income	**371**	320	422	15.9	(12.1)
Operating expenses	**(180)**	(136)	(285)	(32.4)	36.8
Underlying profit	**191**	184	137	3.8	39.4
Charge to provide for bad and doubtful debts	**(21)**	(264)	(70)	92.0	70.0
Cash earnings/(loss) before tax	**170**	(80)	67	large	large
Income tax (expense)/benefit	**(20)**	69	22	large	large
Cash earnings/(deficit)	**150**	(11)	89	large	68.5

March 2013 v March 2012

Cash earnings increased by $61 million or 68.5% against March 2012 primarily due to lower charges for bad and doubtful debts in the SGA portfolio and operating expenditure savings in central functions.

Net operating income decreased by $51 million or 12.1%. Excluding the effect of Asia, net operating income increased by $12 million. This was primarily the result of increased earnings on capital due to higher capital holdings, partially offset by lower earnings rates.

Operating expenses decreased by $105 million or 36.8%. Excluding the effect of Asia, operating expenses decreased by $73 million, driven by lower redundancy costs, and the reversal of prior year accruals for performance based incentives. This was partially offset by higher costs to support the implementation of NextGen.

The **charge to provide for bad and doubtful debts** decreased by $49 million or 70.0% as a result of specific client provisions in the SGA portfolio during the March 2012 half year which have not recurred, partially offset by a collective provision held centrally for hardship experience in Australia.

The **income tax expense** of $20 million includes the benefit of concessional taxation treatment of offshore funding activities and other centrally managed activities.

March 2013 v September 2012

Cash earnings increased by $161 million against September 2012 primarily due to the increase in the economic cycle adjustment in the September 2012 half year. Excluding the effects of the economic cycle adjustment and the Asia Banking results from the September 2012 half year, cash earnings increased by $17 million. This increase was mainly due to higher earnings on capital, combined with higher income on the SGA portfolio, partially offset by higher technology and operational costs associated with ongoing investment in the business.

Net operating income increased by $51 million or 15.9%. Excluding the effect of Asia, net operating income increased by $126 million. This was driven by increased earnings on capital due to higher capital holdings, combined with gains on the closure of a specific derivative position on a large credit exposure in the SGA portfolio.

Operating expenses increased by $44 million or 32.4%. Excluding the effect of Asia, operating expenses increased by $86 million, driven by higher costs to support the implementation of NextGen and an increased provision for UK customer redress claims and associated costs, combined with higher occupancy, depreciation and amortisation charges. This was partially offset by the reversal of prior year accruals for performance based incentives.

The **charge to provide for bad and doubtful debts** decreased by $243 million or 92.0% as a result of the increase in the economic cycle adjustment included in the September 2012 half year and lower charges in the SGA portfolio. This was partially offset by a collective provision held centrally for hardship experience in Australia.

The **income tax expense** of $20 million includes the benefit of concessional taxation treatment of offshore funding activities and other centrally managed activities.

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 2013.

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 Committee 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 2012 Annual Financial Report or on the Group's website www.nab.com.au.

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

Dr Kenneth R Henry
Director since November 2011

Mark A 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

John A Waller
Director since February 2009

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 Group Operations

The Group result for the March 2013 half year reflects continued growth in the Australian and New Zealand businesses.

Personal Banking again delivered a good result, further strengthening its position in housing lending and customer deposits as the business continued to build on its differentiated customer proposition and improved customer experience.

Wholesale Banking was also a key contributor to the Group's positive result as its focus on supporting franchise customers resulted in increased sales of risk management products to the Group's customers.

Business Banking maintained its market leading position in business lending. The NAB Wealth Investments business also performed well with stronger client acquisition and returns from investment markets.

The UK Strategic Review is proceeding ahead of plan. The UK Banking business has successfully refocused on its core franchise, and is managing a smaller and stronger balance sheet following the transfer of the vast majority of commercial real estate assets to National Australia Bank Limited in October 2012. The NAB UK Commercial Real Estate portfolio has further reduced from $8.7 billion transferred on 5 October 2012 to $7.3 billion at 31 March 2013.

Maintaining balance sheet strength is a strategic priority for the Group and a strong and efficient capital position is a key pillar of that strategy. Consistent with that approach, the Group successfully raised $1.5 billion through its NAB Convertible Preference Share offer in March 2013.

In March the Group announced the refreshed strategic agenda that better aligns its structure to the changing economic and social landscape. The ongoing technology transformation is enabling the Group to better respond to customer needs. During the March 2013 half year the Group introduced a range of innovative digital customer solutions, including MoneyTracker and PeopleLikeU.

Review of Group Results

Net profit attributable to owners of the Company for the half year ended 31 March 2013 increased by $468 million or 22.8% to $2,520 million compared to the March 2012 half year. This result largely reflects strong performances in Wholesale Banking and Personal Banking, combined with the effects of charges for the impairment of goodwill and capitalised software in the March 2012 half year.

Net interest income decreased by $85 million or 1.3% driven by losses on economically hedged positions related to the Group's funding activities (offset in other operating income) in Wholesale Banking and higher deposit costs partially offset by housing lending growth across the Group and repricing of the portfolio for current market conditions.

Net life insurance income decreased by $136 million or 35.1% as positive investment returns were lower than increases in policy liabilities and the external unitholders' liability.

Total other income increased by $143 million or 7.5% resulting from an expense charge in the March 2012 half year relating to the UK payment protection insurance provision.

Operating expenses decreased by $336 million or 7.6%, largely reflecting charges for the impairment of goodwill and capitalised software in the UK during the March 2012 half year not recurring in the current period. The bad and doubtful debt charge decreased by $268 million or 20.3% largely due to lower specific impairment charges in the Business Banking corporate and institutional portfolio, and the non-occurrence of large impairments in SGA and Wholesale Banking.

Total assets increased by $5,551 million or 0.7%, driven by lending growth, through continued momentum in housing lending in the Australian based business, and investments relating to life insurance business, as a result of improved global equity markets during the period. Total liabilities increased by $3,405 million or 0.5% mainly from growth in customer deposits, term wholesale funding, life insurance liabilities and derivative liabilities, offset by a decline in short-term wholesale funding.

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 2013 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 financial reporting risks.

The Group Chief Executive Officer and the Group Executive Director, Finance have 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 that 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

9 May 2013

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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 2013, 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

Ernst & Young

Andrew Price
Partner
Melbourne

9 May 2013

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Consolidated Income Statement

	Note	Half Year to Mar 13 $m	Sep 12 $m	Mar 12 $m
Interest income		**15,889**	16,896	17,646
Interest expense		**(9,302)**	(10,326)	(10,974)
Net interest income		**6,587**	6,570	6,672
Premium and related revenue		**734**	715	691
Investment revenue		**5,302**	2,247	5,216
Fee income		**265**	259	266
Claims expense		**(432)**	(412)	(388)
Change in policy liabilities		**(4,335)**	(1,620)	(4,057)
Policy acquisition and maintenance expense		**(457)**	(449)	(459)
Investment management expense		**(3)**	(2)	(3)
Movement in external unitholders' liability		**(822)**	(386)	(878)
Net life insurance income		**252**	352	388
Gains less losses on financial instruments at fair value	3	**212**	(79)	302
Other operating income	3	**1,831**	1,912	1,598
Total other income		**2,043**	1,833	1,900
Personnel expenses	4	**(2,142)**	(2,261)	(2,265)
Occupancy-related expenses	4	**(291)**	(334)	(275)
General expenses	4	**(1,633)**	(1,825)	(1,862)
Total operating expenses		**(4,066)**	(4,420)	(4,402)
Charge to provide for doubtful debts	8	**(1,053)**	(1,413)	(1,321)
Profit before income tax expense		**3,763**	2,922	3,237
Income tax expense	5	**(1,240)**	(893)	(1,183)
Net profit for the period		**2,523**	2,029	2,054
Attributable to:				
Owners of the Company		**2,520**	2,030	2,052
Non-controlling interest in controlled entities		**3**	(1)	2
Net profit for the period		**2,523**	2,029	2,054
		cents	**cents**	**cents**
Basic earnings per share		**105.8**	86.8	88.8
Diluted earnings per share		**105.1**	86.3	88.4

Consolidated Statement of Comprehensive Income

	Note	Half Year to Mar 13 $m	Half Year to Sep 12 $m	Half Year to Mar 12 $m
Net profit for the period		**2,523**	2,029	2,054
Other comprehensive income				
Items that will not be reclassified to profit or loss				
Actuarial gains/(losses) on defined benefit superannuation plans	11	**181**	(330)	(205)
Revaluation of land and buildings	11	**-**	(1)	-
Exchange differences on translation of other contributed equity		**(1)**	10	(71)
Tax on items transferred directly (from)/to equity		**(46)**	65	39
Total items that will not be reclassified to profit or loss		**134**	(256)	(237)
Items that will be reclassified subsequently to profit or loss				
Cash flow hedges:				
(Losses)/gains on cash flow hedging instruments	11	**(183)**	201	(78)
Losses/(gains) transferred to the income statement	11	**5**	(12)	5
Exchange differences on translation of foreign operations		**(248)**	109	(187)
Investments - available for sale:				
Revaluation (losses)/gains	11	**(9)**	(5)	71
Gains from sale transferred to the income statement	11	**(12)**	(4)	(15)
Impairment transferred to the income statement	11	**3**	5	-
Tax on items transferred directly to/(from) equity		**53**	(71)	2
Total items that will be reclassified subsequently to profit or loss		**(391)**	223	(202)
Other comprehensive income for the period, net of income tax		**(257)**	(33)	(439)
Total comprehensive income for the period		**2,266**	1,996	1,615
Attributable to:				
Owners of the Company		**2,263**	1,997	1,613
Non-controlling interest in controlled entities		**3**	(1)	2
Total comprehensive income for the period		**2,266**	1,996	1,615

Consolidated Balance Sheet

	Note	As at 31 Mar 13 $m	30 Sep 12 $m	31 Mar 12 $m
Assets				
Cash and liquid assets		**30,130**	19,464	23,376
Due from other banks		**42,018**	47,410	54,239
Trading derivatives		**36,027**	40,899	33,785
Trading securities		**29,494**	28,614	34,601
Investments - available for sale		**29,247**	28,985	24,090
Investments - held to maturity		**6,518**	9,762	10,979
Investments relating to life insurance business		**70,482**	68,414	67,426
Other financial assets at fair value		**68,463**	64,027	57,642
Hedging derivatives		**2,349**	3,615	3,267
Loans and advances		**394,741**	394,735	388,136
Due from customers on acceptances		**33,157**	36,957	39,772
Current tax assets		**79**	92	104
Property, plant and equipment		**1,908**	1,901	1,839
Goodwill and other intangible assets		**7,246**	7,088	6,957
Deferred tax assets		**1,738**	2,150	2,032
Other assets		**8,797**	8,977	8,598
Total assets		**762,394**	763,090	756,843
Liabilities				
Due to other banks		**28,128**	28,691	43,536
Trading derivatives		**40,375**	45,127	38,195
Other financial liabilities at fair value		**22,829**	21,732	21,356
Hedging derivatives		**5,404**	6,348	4,456
Deposits and other borrowings	10	**425,629**	419,921	418,266
Liability on acceptances		**6,273**	7,801	7,984
Life policy liabilities		**58,902**	56,584	56,402
Current tax liabilities		**514**	713	684
Provisions		**1,127**	1,820	1,252
Bonds, notes and subordinated debt		**101,004**	103,372	96,849
Other debt issues		**2,775**	1,783	2,399
Defined benefit superannuation plan liabilities		**123**	482	148
External unitholders' liability		**12,138**	12,546	11,034
Other liabilities		**12,472**	12,367	11,727
Total liabilities		**717,693**	719,287	714,288
Net assets		**44,701**	43,803	42,555
Equity				
Contributed equity	11	**28,208**	27,373	26,090
Reserves	11	**(2,850)**	(2,319)	(1,438)
Retained profits	11	**19,293**	18,702	17,865
Total equity (parent entity interest)		**44,651**	43,756	42,517
Non-controlling interest in controlled entities		**50**	47	38
Total equity		**44,701**	43,803	42,555

Consolidated Cash Flow Statement

	Note	Half Year to Mar 13 $m	Sep 12 $m	Mar 12 $m
Cash flows from operating activities				
Interest received		**15,669**	16,794	17,546
Interest paid		**(9,542)**	(10,427)	(11,304)
Dividends received		**5**	38	8
Life insurance:				
Premiums and other revenue received		**3,485**	3,440	3,208
Investment revenue received		**669**	1,434	937
Policy and other payments		**(4,996)**	(4,347)	(3,780)
Fees and commissions paid		**(242)**	(254)	(253)
Net trading revenue received/(paid)		**2,020**	170	(242)
Other operating income received		**1,785**	2,188	2,691
Payments to employees and suppliers:				
Personnel expenses paid		**(2,219)**	(1,993)	(2,441)
Other operating expenses paid		**(2,273)**	(2,506)	(1,454)
Goods and services tax received		**5**	1	14
Payments for income taxes		**(1,028)**	(969)	(943)
Cash flows from operating activities before changes in operating assets and liabilities		**3,338**	3,569	3,987
Changes in operating assets and liabilities arising from cash flow movements				
Net funds received from/(placement of) deposits with supervisory central banks that are not part of cash equivalents		**15**	(75)	(93)
Net funds received/(advanced to) from other banks with maturity greater than three months		**215**	(2,444)	(1,312)
Net receipts from acceptances		**2,285**	2,638	632
Net funds advanced to customers for loans and advances		**(3,576)**	(6,688)	(9,003)
Net acceptance from deposits and other borrowings		**9,767**	319	20,877
Net movement in life insurance business investments		**(840)**	(1,794)	(579)
Net movement in other life insurance assets and liabilities		**(87)**	(127)	(176)
Net receipts from/(payments for) treasury bills and other eligible bills held for trading and not part of cash equivalents		**888**	(133)	203
Net receipts from/(payments for) trading securities		**55**	9,126	(2,097)
Net (payments for)/receipts from trading derivatives		**(2,061)**	864	3,152
Net funds advanced for hedging derivative assets and other financial assets at fair value		**(3,802)**	(7,197)	(5,412)
Net (payments)/receipts for hedging derivative liabilities and other financial liabilities at fair value		**(280)**	309	(7,747)
Net decrease/(increase) in other assets		**272**	(362)	(754)
Net increase/(decrease) in other liabilities		**123**	20	(2,250)
Changes in operating assets and liabilities arising from cash flow movements		**2,974**	(5,544)	(4,559)
Net cash provided by/(used in) operating activities	12(a)	**6,312**	(1,975)	(572)

	Note	Half Year to Mar 13 $m	Sep 12 $m	Mar 12 $m
Cash flows from investing activities				
Movement in investments - available for sale				
Purchases		**(9,965)**	(15,084)	(17,532)
Proceeds from disposal		**990**	473	680
Proceeds on maturity		**8,111**	11,213	12,708
Movement in investments - held to maturity				
Purchases		**(40)**	(5,105)	(6,396)
Proceeds on disposal and on maturity		**3,059**	6,212	7,312
Purchase of controlled entities and business combinations, net of cash acquired	12(d)	**-**	(21)	(36)
Purchase of property, plant, equipment and software		**(572)**	(528)	(418)
Proceeds from sale of property, plant, equipment and software, net of costs		**39**	47	68
Net cash provided by/(used in) investing activities		**1,622**	(2,793)	(3,614)
Cash flows from financing activities				
Repayments of bonds, notes and subordinated debt		**(12,001)**	(9,287)	(9,248)
Proceeds from issue of bonds, notes and subordinated debt, net of costs		**12,068**	16,933	14,455
Proceeds from issue of ordinary shares, net of costs		**502**	5	-
Repayments of BNZ income securities, net of costs		**(380)**	-	-
Proceeds from other debt issues, net of costs		**996**	-	-
Dividends and distributions paid (excluding dividend reinvestment plan)		**(1,719)**	**(1,405)**	**(1,339)**
Net cash provided by financing activities		**(534)**	6,246	3,868
Net increase/(decrease) in cash and cash equivalents		**7,400**	1,478	(318)
Cash and cash equivalents at beginning of period		**36,212**	34,534	36,006
Effects of exchange rate changes on balance of cash held in foreign currencies		**(1,438)**	200	(1,154)
Cash and cash equivalents at end of period	12(b)	**42,174**	36,212	34,534

Consolidated Statement of Changes in Equity

Group	Contributed equity $m	Reserves (1) $m	Retained profits (1) $m	Total $m	Non-controlling interest in controlled entities $m	Total equity $m
Balance at 1 October 2011	25,274	(773)	17,667	42,168	20	**42,188**
Net profit for the period	-	-	2,052	2,052	2	**2,054**
Other comprehensive income for the period	-	(273)	(166)	(439)	-	**(439)**
Total comprehensive income for the period	-	(273)	1,886	1,613	2	**1,615**
Transactions with owners, recorded directly in equity:						
Contributions by and distributions to owners						
Issue of ordinary shares	700	-	-	700	-	**700**
Transfer from equity-based compensation reserve	190	(190)	-	-	-	**-**
Treasury shares adjustment relating to life insurance business	(74)	-	-	(74)	-	**(74)**
Transfer (to)/from retained profits	-	(320)	320	-	-	**-**
Equity-based compensation	-	118	-	118	-	**118**
Dividends paid	-	-	(1,903)	(1,903)	-	**(1,903)**
Distributions on other equity instruments	-	-	(105)	(105)	-	**(105)**
Changes in ownership interests (2)						
Movement of non-controlling interest in controlled entities	-	-	-	-	16	**16**
Balance at 31 March 2012	26,090	(1,438)	17,865	42,517	38	**42,555**
Net profit for the period	-	-	2,030	2,030	(1)	**2,029**
Other comprehensive income for the period	-	232	(265)	(33)	-	**(33)**
Total comprehensive income for the period	-	232	1,765	1,997	(1)	**1,996**
Transactions with owners, recorded directly in equity:						
Contributions by and distributions to owners						
Issue of ordinary shares	705	-	-	705	-	**705**
Exercise of executive share options	5	-	-	5	-	**5**
Conversion of other debt issues	600	-	-	600	-	**600**
Transfer from equity-based compensation reserve	63	(63)	-	-	-	**-**
Treasury shares adjustment relating to life insurance business	(90)	-	-	(90)	-	**(90)**
Transfer (to)/from retained profits	-	(1,151)	1,151	-	-	**-**
Equity-based compensation	-	101	-	101	-	**101**
Dividends paid	-	-	(1,977)	(1,977)	-	**(1,977)**
Distributions on other equity instruments	-	-	(102)	(102)	-	**(102)**
Changes in ownership interests (2)						
Movement of non-controlling interest in controlled entities	-	-	-	-	10	**10**
Balance at 30 September 2012	27,373	(2,319)	18,702	43,756	47	**43,803**
Net profit for the period	-	-	2,520	2,520	3	**2,523**
Other comprehensive income for the period	-	(392)	135	(257)	-	**(257)**
Total comprehensive income for the period	-	(392)	2,655	2,263	3	**2,266**
Transactions with owners, recorded directly in equity:						
Contributions by and distributions to owners						
Issue of ordinary shares	403	-	-	403	-	**403**
Exercise of executive share options	2	-	-	2	-	**2**
Conversion of other debt issues	500	-	-	500	-	**500**
Buyback of BNZ Income Securities	(380)	-	-	(380)	-	**(380)**
Transfer from equity-based compensation reserve	177	(177)	-	-	-	**-**
Treasury shares adjustment relating to life insurance business	133	-	-	133	-	**133**
Transfer (to)/from retained profits	-	(58)	58	-	-	**-**
Equity-based compensation	-	96	-	96	-	**96**
Dividends paid	-	-	(2,028)	(2,028)	-	**(2,028)**
Distributions on other equity instruments	-	-	(94)	(94)	-	**(94)**
Changes in ownership interests (2)						
Movement of non-controlling interest in controlled entities	-	-	-	-	-	**-**
Balance at 31 March 2013	28,208	(2,850)	19,293	44,651	50	**44,701**

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

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

1. Principal Accounting Policies

This report is a general purpose financial report for the half year reporting period ended 31 March 2013 and 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 2012 and any public announcements made in the half year ended 31 March 2013 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 2012 annual financial report, except as disclosed below.

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

- AASB 2010-8 "Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets" which clarifies that the tax base of investment property measured using the fair value model is based on the premise that the carrying amount will be recovered entirely through sale rather than through use
- AASB 2011-9 "Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income" which requires presentation of items of other comprehensive income that will be reclassified to profit or loss in the future separately from those that will never be reclassified to profit or loss.

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

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

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.

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

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

Major Customers

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

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

	Half Year ended 31 March 2013			
Segment Information (old basis)	**Cash earnings $m**	**Net interest income $m**	**Total other income and NAB Wealth income $m**	**Total assets $m**
Business Banking	1,236	2,509	517	194,812
Personal Banking	553	1,634	274	161,070
Wholesale Banking	615	566	751	222,785
NAB Wealth	244	174	721	99,952
NZ Banking	309	584	199	50,588
UK Banking	(164)	592	160	62,222
Great Western Bank	53	141	39	8,597
Specialised Group Assets	41	43	33	5,701
Corporate Functions & Other	122	365	(11)	24,958
Distributions/Eliminations	(94)	-	(41)	(68,291)
Total	2,915	6,608	2,642	762,394

	Half Year ended 30 September 2012			
Segment Information by reportable segment	**Cash earnings $m**	**Net interest income $m**	**Total other income and NAB Wealth income $m**	**Total assets $m**
Business Banking	1,145	2,496	519	198,745
Personal Banking	581	1,522	313	154,271
Wholesale Banking	574	735	547	227,008
NAB Wealth	267	162	785	98,195
NZ Banking	278	557	175	49,069
UK Banking	(177)	640	212	69,408
Great Western Bank	50	140	39	8,646
Specialised Group Assets	(6)	26	(9)	6,339
Corporate Functions & Other	(5)	311	(8)	35,811
Distributions/Eliminations	(102)	-	(46)	(84,402)
Total	2,605	6,589	2,527	763,090

Segment Information by reportable segment	Cash earnings $m	Net interest income $m	Total other income and NAB Wealth income $m	Total assets $m
	Half Year ended 31 March 2012			
Business Banking	1,264	2,530	517	197,245
Personal Banking	464	1,445	286	146,973
Wholesale Banking	518	784	435	235,882
NAB Wealth	289	163	777	96,329
NZ Banking	297	549	179	47,921
UK Banking	(36)	684	217	67,562
Great Western Bank	48	132	35	8,337
Specialised Group Assets	(3)	54	33	7,093
Corporate Functions & Other	92	367	(32)	30,754
Distributions/Eliminations	(105)	-	(47)	(81,253)
Total	2,828	6,708	2,400	756,843

Reconciliation of cash earnings to net profit attributable to owners of the Company	Half Year to Mar 13 $m	Sep 12 $m	Mar 12 $m
Group cash earnings [(1)]	**2,915**	2,605	2,828
Non-cash earnings items (after tax):			
Distributions	**94**	102	105
Treasury shares	**(198)**	(63)	(92)
Fair value and hedge ineffectiveness	**(248)**	(225)	(40)
IoRE discount rate variation	**10**	21	(5)
Hedging costs on SCDO assets	**-**	-	(99)
Property revaluation	**-**	(5)	-
Litigation expense	**(17)**	(77)	(24)
Amortisation of acquired intangible assets	**(36)**	(48)	(51)
Customer redress provision	**-**	(57)	(182)
Impairment of goodwill and software	**-**	-	(349)
Restructure costs	**-**	(174)	-
Due diligence, acquisition and integration costs	**-**	(49)	(39)
Net profit attributable to owners of the Company	**2,520**	2,030	2,052

(1) *Includes eliminations and distributions.*

Reconciliation of net interest income	Half Year to Mar 13 $m	Sep 12 $m	Mar 12 $m
Net interest income for reportable segments on a cash earnings basis	**6,608**	6,589	6,708
NAB Wealth net adjustment [(2)]	**(21)**	(19)	(36)
Net interest income on a statutory basis	**6,587**	6,570	6,672

Reconciliation of other income and NAB Wealth income	Half Year to Mar 13 $m	Sep 12 $m	Mar 12 $m
Total other income and NAB Wealth income on a cash earnings basis [(1)]	**2,642**	2,527	2,400
NAB Wealth net adjustment [(2)]	**262**	126	170
Treasury shares	**(231)**	(72)	(103)
Fair value and hedge ineffectiveness	**(393)**	(407)	151
IoRE discount rate variation	**15**	31	(7)
Hedging costs on SCDO assets	**-**	-	(141)
Amortisation of acquired intangible assets	**-**	(18)	-
Customer redress provision	**-**	(2)	(182)
Total other income and Net life insurance income on a statutory basis	**2,295**	2,185	2,288

(1) *Includes eliminations and distributions.*

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

3. Other Income

	Half Year to		
	Mar 13 $m	Sep 12 $m	Mar 12 $m
Gains less losses on financial instruments at fair value			
Trading securities	**173**	705	264
Trading derivatives:			
Trading and risk management purposes	**645**	(655)	(83)
Recovery on SCDO risk mitigation trades	**-**	-	219
Assets, liabilities and derivatives designated in hedge relationships (1)	**(170)**	(84)	200
Assets and liabilities designated at fair value	**(410)**	(1)	(280)
Impairment of investments - available for sale	**(3)**	(5)	-
Other	**(23)**	(39)	(18)
Total gains less losses on financial instruments at fair value	**212**	(79)	302
Other operating income			
Dividend revenue	**5**	38	8
Gains from sale of investments - available for sale	**12**	4	15
Gains from sale of property, plant and equipment and other assets	**-**	16	-
Banking fees	**492**	482	454
Money transfer fees	**322**	325	327
Fees and commissions	**832**	818	832
Investment management fees	**96**	89	88
Fleet management fees	**14**	13	13
Rentals received on leased vehicle assets	**6**	6	7
Revaluation (losses)/gains on investment properties	**-**	(3)	(8)
Other income	**52**	124	(138)
Total other operating income	**1,831**	1,912	1,598
Total other income	**2,043**	1,833	1,900

(1) *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 13 $m	**Sep 12 $m**	**Mar 12 $m**
Personnel expenses			
Salaries and related on-costs	**1,608**	1,597	1,639
Superannuation costs - defined contribution plans	**132**	130	126
Superannuation costs - defined benefit plans	**17**	14	24
Performance-based compensation:			
Cash	**165**	141	151
Equity-based compensation	**90**	100	114
Total performance-based compensation	**255**	241	265
Other expenses	**130**	279	211
Total personnel expenses	**2,142**	2,261	2,265
Occupancy-related expenses			
Operating lease rental expense	**216**	227	203
Other expenses	**75**	107	72
Total occupancy-related expenses	**291**	334	275
General expenses			
Fees and commission expense	**137**	145	108
Depreciation and amortisation of property, plant and equipment	**152**	154	145
Amortisation of intangible assets	**168**	144	193
Depreciation on leased vehicle assets	**6**	5	4
Operating lease rental expense	**17**	13	14
Advertising and marketing	**86**	87	94
Charge to provide for operational risk event losses	**66**	233	43
Communications, postage and stationery	**140**	137	125
Computer equipment and software	**288**	255	269
Data communication and processing charges	**62**	64	60
Transport expenses	**42**	44	41
Professional fees	**149**	247	203
Travel	**34**	40	32
Loss on disposal of property, plant and equipment and other assets	**6**	4	-
Impairment losses recognised	**2**	5	350
Other expenses	**278**	248	181
Total general expenses	**1,633**	1,825	1,862
Total operating expenses	**4,066**	4,420	4,402

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 13 $m	**Sep 12 $m**	**Mar 12 $m**
Profit before income tax expense	**3,763**	2,922	3,237
Deduct profit before income tax expense attributable to the statutory funds of the life insurance business and their controlled trusts	**(452)**	(385)	(465)
Total profit excluding that attributable to the statutory funds of the life insurance business and their controlled trusts, before income tax expense	**3,311**	2,537	2,772
Prima facie income tax at 30%	**993**	761	832
Add/(deduct): Tax effect of amounts not deductible/(assessable):			
Assessable foreign income	**4**	4	4
Foreign tax rate differences	**17**	39	(3)
Depreciation on buildings not deductible	**1**	2	1
Foreign branch income not assessable	**(48)**	(46)	(36)
Under/(over) provision in prior years	**(2)**	38	-
Offshore banking unit income	**(17)**	(23)	(14)
Restatement of deferred tax balances for UK, US and NZ tax changes	**(1)**	1	4
Treasury shares adjustment	**36**	12	20
Goodwill impairment	**-**	-	88
Other	**(31)**	(58)	61
Total income tax expense on profit excluding that attributable to the statutory funds of the life insurance business and their controlled trusts	**952**	730	957
Income tax expense/(benefit) attributable to the statutory funds of the life insurance business and their controlled trusts	**288**	163	226
Total income tax expense	**1,240**	893	1,183
Effective tax rate, excluding statutory funds attributable to the life insurance business and their controlled trusts	**28.8%**	28.8%	34.5%

6. Dividends and Distributions

The Group has recognised the following dividends:

	Half Year to					
	31 Mar 13		30 Sep 12		31 Mar 12	
Dividends on ordinary shares	**Amount per share cents**	**Total amount $m**	**Amount per share cents**	**Total amount $m**	**Amount per share cents**	**Total amount $m**
Dividends declared	90	2,070	90	2,015	88	1,940
Deduct: Bonus shares in lieu of dividend	n/a	(26)	n/a	(26)	n/a	(25)
Dividends paid by the Company	n/a	2,044	n/a	1,989	n/a	1,915
Deduct: Dividends on treasury shares	n/a	(36)	n/a	(31)	n/a	(31)
Total dividends paid by the Group	n/a	2,008	n/a	1,958	n/a	1,884

All dividends have been fully franked and have nil foreign income per share.

Interim dividend

On 9 May 2013, the directors declared the following dividend:

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 year ending 30 September 2013	93	100	Nil	2,178

The record date for determining entitlements to the 2013 interim dividend is 5 June 2013. The interim dividend has been declared by the directors of the Company and is payable on 16 July 2013. The financial effect of this dividend has not been brought to account in the financial statements for the half year ended 31 March 2013 and will be recognised in subsequent financial reports.

	Half Year to					
	31 Mar 13		30 Sep 12		31 Mar 12	
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	2.89	13	2.89	13	2.67	12
BNZ Income Securities 2	2.69	7	2.31	6	2.69	7
Total dividends on preference shares		20		19		19

(1) *$A equivalent*

	Half Year to					
	31 Mar 13		30 Sep 12		31 Mar 12	
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	2.40	48	2.65	53	3.05	61
Trust Preferred Securities [(1)]	42.50	17	45.00	18	42.50	17
Trust Preferred Securities II [(1)]	26.25	21	27.50	22	26.25	21
National Capital Instruments	1,000.00	8	1,125.00	9	750.00	6
Total distributions on other equity instruments		94		102		105

(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).

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 5 June 2013.

7. Loans and Advances including Acceptances

	As at 31 Mar 13 $m	As at 30 Sep 12 $m	As at 31 Mar 12 $m
Housing loans	**274,603**	268,729	259,434
Other term lending	**149,834**	150,803	146,028
Asset and lease financing	**13,626**	14,578	14,974
Overdrafts	**13,193**	14,168	14,490
Credit card outstandings	**7,926**	7,915	7,960
Other	**7,201**	6,348	6,596
Fair value adjustment	**1,034**	1,359	1,153
Gross loans and advances	**467,417**	463,900	450,635
Acceptances	**33,157**	36,957	39,772
Gross loans and advances including acceptances	**500,574**	500,857	490,407
Represented by:			
Loans and advances at fair value (1)	**66,920**	63,027	56,596
Loans and advances at amortised cost	**400,497**	400,873	394,039
Acceptances	**33,157**	36,957	39,772
Gross loans and advances including acceptances	**500,574**	500,857	490,407
Unearned income and deferred net fee income	**(1,581)**	(1,917)	(2,018)
Provision for doubtful debts	**(4,175)**	(4,221)	(3,885)
Net loans and advances including acceptances	**494,818**	494,719	484,504
Securitised loans (2)	**12,376**	11,771	8,443

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

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

By product and geographic location	Australia $m	Europe $m	New Zealand $m	United States $m	Asia $m	Total Group $m
As at 31 March 2012						
Housing loans	213,075	22,466	21,954	540	1,399	**259,434**
Other term lending	91,467	25,923	20,901	5,396	2,341	**146,028**
Asset and lease financing	12,783	2,168	15	-	8	**14,974**
Overdrafts	7,569	5,266	1,617	5	33	**14,490**
Credit card outstandings	6,159	695	1,096	10	-	**7,960**
Other	4,789	975	229	43	560	**6,596**
Fair value adjustment	428	657	48	20	-	**1,153**
Gross loans and advances	336,270	58,150	45,860	6,014	4,341	**450,635**
Acceptances	39,761	11	-	-	-	**39,772**
Gross loans and advances including acceptances	376,031	58,161	45,860	6,014	4,341	**490,407**
Represented by:						
Loans and advances at fair value	32,572	7,002	16,556	466	-	**56,596**
Loans and advances at amortised cost	303,698	51,148	29,304	5,548	4,341	**394,039**
Acceptances	39,761	11	-	-	-	**39,772**
Gross loans and advances including acceptances	376,031	58,161	45,860	6,014	4,341	**490,407**

8. Provision for Doubtful Debts

	As at		
	31 Mar 13 $m	30 Sep 12 $m	31 Mar 12 $m
Specific provision for doubtful debts	**1,884**	1,875	1,552
Collective provision for doubtful debts	**2,291**	2,346	2,333
Total provision for doubtful debts	**4,175**	4,221	3,885
Specific provision on loans at fair value [(1)]	**126**	108	82
Collective provision on loans and derivatives at fair value [(1)(3)]	**758**	796	725
Total provision for doubtful debts and provisions held on assets at fair value [(2)]	**5,059**	5,125	4,692

(1) *Included within the carrying value of other financial assets at fair value.*

(2) *Not included in total provisions for doubtful debts are provisions on investments - held to maturity of $89 million (September 2012 $80 million, March 2012 $91 million).*

(3) *Included within this amount is a collective provision relating to derivatives of $208 million, (September 2012 $226 million, March 2012 $183 million).*

Movement in provisions for doubtful debts

	Half Year to Mar 13			Half Year to Sep 12		
	Specific $m	Collective $m	Total $m	Specific $m	Collective $m	Total $m
Opening balance	1,875	2,346	**4,221**	1,552	2,333	**3,885**
Transfer to/(from) specific/collective provision	1,055	(1,055)	**-**	1,411	(1,411)	**-**
Bad debts recovered	87	-	**87**	81	-	**81**
Bad debts written-off	(1,063)	-	**(1,063)**	(1,179)	-	**(1,179)**
Charge to income statement	-	1,042	**1,042**	-	1,414	**1,414**
Foreign currency translation and other adjustments	(70)	(42)	**(112)**	10	10	**20**
Total provision for doubtful debts	1,884	2,291	**4,175**	1,875	2,346	**4,221**

	Half Year to Mar 12		
	Specific $m	Collective $m	Total $m
Opening balance	1,475	2,505	**3,980**
Transfer to/(from) specific/collective provision	1,249	(1,249)	**-**
Bad debts recovered	79	-	**79**
Bad debts written off	(1,234)	-	**(1,234)**
Charge to income statement	-	1,107	**1,107**
Foreign currency translation and other adjustments	(17)	(30)	**(47)**
Total provision for doubtful debts	1,552	2,333	**3,885**

Charge to provide for doubtful debts

	Half Year to		
Total charge for doubtful debts by geographic location	Mar 13 $m	Sep 12 $m	Mar 12 $m
Australia	**594**	628	523
Europe	**375**	755	536
New Zealand	**58**	24	23
United States	**11**	7	24
Asia	**4**	-	1
Total charge to provide for doubtful debts excluding investments - held to maturity	**1,042**	1,414	1,107
Total charge on investments - held to maturity [(1)]	**11**	(1)	214
Total charge to provide for doubtful debts	**1,053**	1,413	1,321

(1) *Included in charge on investments - held to maturity are charges of $nil (September 2012 $nil, March 2012 $219 million) in respect of defaulted SCDOs where the loss amounts have been fully recovered from the hedge counterparty and recognised in other income.*

9. Asset Quality

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

	As at		
Summary of total impaired assets	**31 Mar 13 $m**	**30 Sep 12 $m**	**31 Mar 12 $m**
Impaired assets [1]	**5,988**	6,329	5,853
Restructured loans [2]	**114**	214	235
Gross total impaired assets [3]	**6,102**	6,543	6,088
Specific provisions - total impaired assets	**(2,010)**	(1,983)	(1,634)
Net total impaired assets	**4,092**	4,560	4,454

[1] *Impaired assets do not include impaired conduit assets classified as investments - held to maturity of $269 million (September 2012 $269 million, March 2012 $307 million).*

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

[3] *Gross impaired assets include $341 million of gross impaired other financial assets at fair value (September 2012 $256 million, March 2012 $174 million).*

Movement in gross impaired assets	**Australia $m**	**Europe $m**	**New Zealand $m**	**United States $m**	**Asia $m**	**Total Group $m**
Balance as at 30 September 2011	3,845	1,869	516	153	3	**6,386**
New	1,053	857	104	63	-	**2,077**
Written-off	(464)	(478)	(63)	(36)	-	**(1,041)**
Returned to performing or repaid	(743)	(352)	(141)	(19)	(1)	**(1,256)**
Foreign currency translation adjustments	-	(69)	1	(10)	-	**(78)**
Balance as at 31 March 2012	3,691	1,827	417	151	2	**6,088**
New	1,357	1,086	189	45	5	**2,682**
Written-off	(587)	(282)	(79)	(29)	-	**(977)**
Returned to performing or repaid	(722)	(359)	(163)	(38)	-	**(1,282)**
Foreign currency translation adjustments	-	28	4	-	-	**32**
Balance as at 30 September 2012	3,739	2,300	368	129	7	**6,543**
New	977	1,055	114	9	-	**2,155**
Written-off	(463)	(353)	(60)	(23)	-	**(899)**
Returned to performing or repaid	(1,043)	(389)	(89)	(23)	-	**(1,544)**
Foreign currency translation adjustments	-	(156)	2	1	-	**(153)**
Gross impaired assets as at 31 March 2013	3,210	2,457	335	93	7	**6,102**

Gross impaired assets to gross loans & acceptances - by geographic location	As at 31 Mar 13 %	30 Sep 12 %	31 Mar 12 %
Australia	**0.83**	0.97	0.98
Europe	**4.67**	3.96	3.14
New Zealand	**0.69**	0.78	0.91
United States	**1.37**	1.88	2.51
Asia	**0.12**	0.14	0.05
Total gross impaired assets to gross loans & acceptances	**1.22**	1.31	1.24
Group coverage ratios			
Net impaired assets to total equity [(1)(2)]	**9.2**	10.4	10.5
Specific provision to gross impaired assets	**32.9**	30.3	26.8
Collective provision to credit risk-weighted assets [(3)]	**0.99**	1.05	1.02
Collective provision including GRCL (top-up) to credit risk-weighted assets [(3)]	**1.22**	1.30	1.32
90+ days past due plus gross impaired assets to gross loans and acceptances	**1.74**	1.78	1.73
Net write-offs to gross loans and acceptances (annualised)	**0.39**	0.45	0.47
Total provision as a percentage of net write-offs (annualised) [(4)]	**258**	227	203
Total provision to gross loans and acceptances [(4)]	**1.01**	1.02	0.96

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

(2) *Net impaired assets include $215 million of net impaired other financial assets at fair value (September 2012 $148 million, March 2012 $92 million).*

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

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

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

Summary of non-impaired loans 90+ days past due	As at 31 Mar 13 $m	30 Sep 12 $m	31 Mar 12 $m
Total non-impaired assets past due 90 days or more with adequate security	**2,389**	2,191	2,190
Total non-impaired portfolio managed facilities past due 90 to 180 days	**203**	166	183
Total non-impaired 90+ days past due loans	**2,592**	2,357	2,373
Total non-impaired 90+ days past due loans to gross loans and acceptances (%)	**0.52%**	0.47%	0.49%

Non-impaired loans 90+ days past due - by geographic location	As at 31 Mar 13 $m	30 Sep 12 $m	31 Mar 12 $m
Australia	**1,824**	1,626	1,751
Europe	**535**	501	408
New Zealand	**211**	199	169
United States	**20**	26	45
Asia	**2**	5	-
Total non-impaired 90+ day past due loans	**2,592**	2,357	2,373

10. Deposits and Other Borrowings

	As at 31 Mar 13 $m	30 Sep 12 $m	31 Mar 12 $m
Term deposits	**165,328**	162,027	154,001
On-demand and short-term deposits	**150,436**	152,240	143,098
Certificates of deposit	**68,374**	69,492	81,130
Deposits not bearing interest	**26,396**	24,667	22,685
Total deposits	**410,534**	408,426	400,914
Borrowings	**13,831**	11,229	14,262
Securities sold under agreements to repurchase	**8,681**	6,868	10,574
Fair value adjustment	**241**	266	232
Total deposits and other borrowings	**433,287**	426,789	425,982
Represented by:			
Total deposits and other borrowings at fair value [(1)]	**7,658**	6,868	7,716
Total deposits and other borrowings at amortised cost	**425,629**	419,921	418,266
Total deposits and other borrowings	**433,287**	426,789	425,982

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

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

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

By product and geographic location	Australia $m	Europe $m	New Zealand $m	United States $m	Asia $m	Total Group $m
As at 31 March 2012						
Term deposits	107,054	17,414	16,677	3,889	8,967	**154,001**
On-demand and short-term deposits	102,791	24,647	9,605	5,800	255	**143,098**
Certificates of deposit	28,101	25,452	1,654	25,923	-	**81,130**
Deposits not bearing interest	17,516	2,367	1,544	1,255	3	**22,685**
Total deposits	255,462	69,880	29,480	36,867	9,225	**400,914**
Borrowings	1,242	-	3,766	9,254	-	**14,262**
Securities sold under agreements to repurchase	2,889	1,921	-	5,764	-	**10,574**
Fair value adjustment	-	225	6	1	-	**232**
Total deposits and other borrowings	259,593	72,026	33,252	51,886	9,225	**425,982**
Represented by:						
Total deposits and other borrowings at fair value	-	952	6,763	1	-	**7,716**
Total deposits and other borrowings at amortised cost	259,593	71,074	26,489	51,885	9,225	**418,266**
Total deposits and other borrowings	259,593	72,026	33,252	51,886	9,225	**425,982**

11. Contributed Equity and Reserves

Contributed equity	As at 31 Mar 13 $m	30 Sep 12 $m	31 Mar 12 $m
Issued and paid-up ordinary share capital			
Ordinary shares, fully paid	**23,674**	22,459	21,176
Issued and paid-up preference share capital			
BNZ Income Securities	**-**	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	**28,208**	27,373	26,090

Movements in contributed equity	Half Year to Mar 13 $m	Sep 12 $m	Mar 12 $m
Ordinary share capital			
Balance at beginning of period	**22,459**	21,176	20,360
Shares issued:			
Dividend reinvestment plan	**403**	705	700
Exercise of executive share options	**2**	5	-
Conversion of other debt issues	**500**	600	-
Transfer from equity-based compensation reserve	**177**	63	190
Treasury shares adjustment relating to life insurance business	**133**	(90)	(74)
Balance at end of period	**23,674**	22,459	21,176
Preference share capital			
Balance at beginning of period	**583**	583	583
Buyback of BNZ Income Securities	**(380)**	-	-
Balance at end of period	**203**	583	583

Reserves	As at 31 Mar 13 $m	30 Sep 12 $m	31 Mar 12 $m
General reserve	**-**	-	953
Asset revaluation reserve	**75**	75	76
Foreign currency translation reserve	**(4,075)**	(3,828)	(3,925)
Cash flow hedge reserve	**308**	446	301
Equity-based compensation reserve	**228**	319	361
General reserve for credit losses	**544**	592	710
Available for sale investments reserve	**70**	77	86
Total reserves	**(2,850)**	(2,319)	(1,438)

Movements in reserves	Half Year to Mar 13 $m	Sep 12 $m	Mar 12 $m
General reserve			
Balance at beginning of period	**-**	953	1,267
Transfer to retained profits [1]	**-**	(953)	(314)
Balance at end of period	**-**	-	953

[1] *The balance of the general reserve was transferred to retained profits as at 30 September 2012. From 30 September 2012 the statutory funds' retained profits are no longer segregated but instead form part of the Group's consolidated retained profits.*

Asset revaluation reserve	Mar 13 $m	Sep 12 $m	Mar 12 $m
Balance at beginning of period	**75**	76	76
Revaluation of land and buildings	**-**	(1)	-
Balance at end of period	**75**	75	76

Movements in reserves	Half Year to Mar 13 $m	Sep 12 $m	Mar 12 $m
Foreign currency translation reserve			
Balance at beginning of period	**(3,828)**	(3,925)	(3,667)
Currency translation adjustments	**(249)**	119	(258)
Tax on foreign currency translation reserve	**2**	(22)	-
Balance at end of period	**(4,075)**	(3,828)	(3,925)
Cash flow hedge reserve			
Balance at beginning of period	**446**	301	355
(Losses)/gains on cash flow hedging instruments	**(183)**	201	(78)
Losses/(gains) transferred to the income statement	**5**	(12)	5
Tax on cash flow hedging instruments	**40**	(44)	19
Balance at end of period	**308**	446	301
Equity-based compensation reserve			
Balance at beginning of period	**319**	361	433
Equity-based compensation	**95**	103	116
Transfer to contributed equity	**(177)**	(63)	(190)
Transfer of shares, options and rights lapsed to retained profits	**(10)**	(80)	-
Tax on equity-based compensation	**1**	(2)	2
Balance at end of period	**228**	319	361
General reserve for credit losses			
Balance at beginning of period	**592**	710	716
Transfer to retained profits	**(48)**	(118)	(6)
Balance at end of period	**544**	592	710
Available for sale investments reserve			
Balance at beginning of period	**77**	86	47
Revaluation (losses)/gains	**(9)**	(5)	71
Gains from sale transferred to the income statement	**(12)**	(4)	(15)
Impairment transferred to the income statement	**3**	5	-
Tax on available for sale investments reserve	**11**	(5)	(17)
Balance at end of period	**70**	77	86
Reconciliation of movement in retained profits			
Balance at beginning of period	**18,702**	17,865	17,667
Actuarial gains/(losses) on defined benefit superannuation plans	**181**	(330)	(205)
Tax on items taken directly to equity	**(46)**	65	39
Net profit attributable to owners of the Company	**2,520**	2,030	2,052
Transfer from general reserve for credit losses	**48**	118	6
Transfer from general reserves	**-**	953	314
Transfer of shares, options and rights lapsed from equity-based compensation reserve	**10**	80	-
Dividends paid	**(2,028)**	(1,977)	(1,903)
Distributions on other equity instruments	**(94)**	(102)	(105)
Balance at end of period	**19,293**	18,702	17,865

12. Notes to the Cash Flow Statement

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

	Half Year to		
	Mar 13 $m	**Sep 12 $m**	**Mar 12 $m**
Net profit attributable to owners of the Company	**2,520**	2,030	2,052
Add/(deduct) non-cash items in the income statement:			
Decrease in interest receivable	**113**	9	191
Decrease in interest payable	**(240)**	(101)	(330)
Decrease in unearned income and deferred net fee income	**(333)**	(111)	(291)
Fair value movements:			
Assets, liabilities and derivatives held at fair value	**1,782**	205	(562)
Net adjustment to bid/offer valuation	**23**	39	18
(Decrease)/increase in personnel provisions	**(189)**	150	(316)
(Decrease)/increase in other operating provisions	**(441)**	416	(40)
Equity-based payments recognised in equity or reserves	**95**	103	116
Superannuation costs - defined benefit pension plans	**17**	14	24
Impairment losses on non-financial assets	**2**	5	350
Impairment losses on investments - available for sale	**3**	5	-
Charge to provide for bad and doubtful debts	**1,053**	1,413	1,321
Depreciation and amortisation expense	**326**	303	342
Movement in life insurance policyholder liabilities	**2,257**	151	2,916
Unrealised gain on investments relating to life insurance business	**(3,811)**	(499)	(3,504)
(Increase)/decrease in other assets	**(50)**	354	1,119
Increase/(decrease) in other liabilities	**4**	(825)	356
(Decrease)/increase in income tax payable	**(122)**	59	175
Increase in deferred tax liabilities	**336**	150	230
Increase in deferred tax assets	**(2)**	(285)	(165)
Operating cash flow items not included in profit	**2,974**	(5,544)	(4,559)
Investing or financing cash flows included in profit:			
Gain from sale of investments - available for sale	**(12)**	(4)	(15)
Loss/(gain) on disposal of property, plant, equipment and other assets	**7**	(12)	-
Net cash provided by/(used in) operating activities	**6,312**	(1,975)	(572)

(b) Reconciliation of cash and cash equivalents

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

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

	Half Year to		
Cash and cash equivalents	**Mar 13 $m**	**Sep 12 $m**	**Mar 12 $m**
Assets			
Cash and liquid assets	**30,130**	19,464	23,376
Treasury and other eligible bills	**28**	135	42
Due from other banks (excluding mandatory deposits with supervisory central banks)	**38,083**	44,307	52,300
	68,241	63,906	75,718
Liabilities			
Due to other banks	**(26,067)**	(27,694)	(41,184)
Total cash and cash equivalents	**42,174**	36,212	34,534

Included within cash and liquid assets are cash and liquid assets within the Group's life insurance business statutory funds of $1,744 million (September 2012: $2,262 million, March 2012: $1,253 million) which are subjected to restrictions imposed under the Life Insurance Act 1995 (Cth) and other restrictions and therefore are not available for use in operating, investing or financing activities of other parts of the Group.

(c) Non-cash financing and investing activities

	Half Year to		
	Mar 13 $m	Sep 12 $m	Mar 12 $m
New share issues			
Dividend reinvestment plan	**403**	705	700

(d) Acquisitions of controlled entities

There were no acquisitions of controlled entities during the half year ended 31 March 2013.

Details of acquisitions in prior periods relating to NWHM Sub Limited's acquisition of Antares Capital Partners Limited on 1 October 2011, and Great Western Bancorporation, Inc's acquisition of North Central Bancshares, Inc., the holding company of First Federal Savings Bank of Iowa on 22 June 2012, were as follows:

	Half Year to		
Consideration transferred	Mar 13 $m	Sep 12 $m	Mar 12 $m
Cash paid	-	40	50
Deferred consideration	-	-	6
Total consideration transferred	-	40	56

	Half Year to		
Recognised amounts of identifiable assets acquired and liabilities assumed	Mar 13 $m	Sep 12 $m	Mar 12 $m
Cash and liquid assets	-	19	14
Investments - available for sale	-	63	-
Loans and advances	-	306	-
Property, plant and equipment	-	13	-
Other intangible assets	-	16	-
Deferred tax assets	-	2	6
Other assets	-	10	6
Deposits and other borrowings	-	(369)	-
Provisions	-	-	(18)
Deferred tax liabilities	-	(4)	-
Other liabilities	-	(7)	(2)
Net identifiable assets and liabilities	-	49	6
Less: Fair value of equity interest in the acquiree held before the consideration date included in other assets	-	-	-
Goodwill on acquisition	-	(9)	50
Total purchase consideration	-	40	56
Less: Deferred consideration	-	-	(6)
Less: Cash and cash equivalents acquired	-	(19)	(14)
Net cash outflow	-	21	36

(f) Loss of control of controlled entities

There was no loss of control of controlled entities during the half year ended 31 March 2013.

(e) Reconciliation of goodwill

The following is a reconciliation of the carrying amount of goodwill:

	Half year to		
Movements in goodwill	**Mar 13 $m**	**Sep 12 $m**	**Mar 12 $m**
Balance at beginning of period	**5,266**	5,279	5,567
Additions from the acquisition of controlled entities and business combinations	**-**	(9)	50
Impairment losses recognised on UK Banking	**-**	-	(295)
Foreign currency translation adjustments	**2**	(4)	(43)
Balance at end of period	**5,268**	5,266	5,279

(f) Investments in associates and joint ventures

The Group holds no material interests in associates or joint venture entities as at 31 March 2013, 30 September 2012 or 31 March 2012.

13. Contingent Liabilities

(i) Legal proceedings

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

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

(ii) Class action

On 16 December 2011 Steven Farey and Others commenced a class action proceeding against the Group in relation to the payment of exception fees, along with similar proceedings against several other financial institutions. The quantum of the claim against the Group has not yet been identified in the proceeding. The Group has not been required to file a defence as the proceeding has been stayed until 7 June 2013. The proceeding will be vigorously defended.

(iii) United Kingdom Financial Services Compensation Scheme

The United Kingdom (UK) Financial Services Compensation Scheme (FSCS) provides compensation to depositors in the event that a financial institution is unable to repay amounts due. Following the failure of a number of financial institutions in the UK, claims 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. The principal of these borrowings is anticipated to be repaid from the realisation of the assets of the institutions. The FSCS has estimated levies due to 31 March 2014 and an accrual of $30 million (£20 million) is held for the Group's calculated liability to 31 March 2014. The ultimate FSCS levy as a result of the failures is uncertain.

(iv) Claims for potential mis-selling of payment protection insurance

Market wide issues relating to the UK banking industry payment protection insurance (PPI) matter are ongoing. A provision of $74 million (£51 million) is held for this matter. The provision reflects an assessment of future PPI claims based upon estimates, statistical analysis and assumptions in relation to a wide range of factors that remain uncertain, including 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. The final amount required to settle the potential liability is therefore uncertain. The Group continues to keep the matter under review.

(v) Other UK conduct related matters including review and redress of sales of certain interest rate derivative products

On 29 June 2012 the UK Financial Services Authority (FSA) announced that it had reached agreement with a number of UK banks in relation to a review and redress exercise on sales of certain interest rate derivative products to small and medium businesses. Clydesdale Bank PLC agreed to participate in this exercise, as announced by the FSA on 23 July 2012, and has embarked on a program to identify small and medium sized customers that may have been affected. The exercise voluntarily incorporates certain of the Group's tailored business loan products as well as the standalone hedging products identified in the FSA's notice.

A provision of $121 million (£83 million) is held for customer redress of a number of UK conduct related matters, including the interest rate derivative products review. The total cost of this exercise and other customer redress is uncertain.

14. 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 half year reporting period (31 March 2013) and the date of this report, that in the opinion of the directors, has significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future periods.

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, as set out on pages 86 to 112, are in accordance with the *Corporations Act* 2001 (Cth), including:
   i) section 304, which requires that the half-year financial report comply with Accounting Standards made by the Australian Accounting Standards Board for the purposes of the *Corporations Act* 2001 (Cth) and any further requirements in the Corporations Regulations 2001; and
   ii) section 305, which requires that the financial statements and notes give a true and fair view of the financial position of the Group as at 31 March 2013, and of the performance of the Group for the six months ended 31 March 2013.

Dated this 9th day of May, 2013 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 2013, the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the half year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the Company and the entities it controlled (the "Group") at the half year end or from time to time during the half year.

Directors' Responsibility for the Half Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 March 2013 and its performance for the half year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of National Australia Bank Limited and the entities it controlled during the half year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

Conclusion

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

a) giving a true and fair view of the Group's financial position as at 31 March 2013 and of its performance for the half year ended on that date; and

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

Ernst & Young

Ernst & Young

Andrew Price
Partner
Melbourne

9 May 2013

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Section 6

Supplementary Information

1. Net Interest Margins and Spreads

Group	Half Year to Mar 13 %	Half Year to Sep 12 %	Half Year to Mar 12 %	Mar 13 v Sep 12	Mar 13 v Mar 12
Net interest spread (1)	**1.67**	1.68	1.74	(1 bps)	(7 bps)
Benefit of net free liabilities, provisions and equity	**0.35**	0.37	0.42	(2 bps)	(7 bps)
Net interest margin - statutory basis (2)	**2.02**	2.05	2.16	(3 bps)	(14 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 13 $bn	Mar 13 Mix %	Half Year to Mar 12 $bn	Mar 12 Mix %	Movement in mix % of Group AIEA
Business Banking	**200.8**	**30.8**	197.6	31.9	(1.1)
Personal Banking	**157.1**	**24.1**	143.3	23.2	0.9
Wholesale Banking	**199.5**	**30.6**	184.9	29.9	0.7
NZ Banking	**48.9**	**7.5**	45.6	7.4	0.1
UK Banking	**54.6**	**8.4**	65.3	10.6	(2.2)
Great Western Bank	**7.5**	**1.1**	7.0	1.1	-
NAB UK Commercial Real Estate	**8.1**	**1.2**	-	-	n/a
Other (1)	**(24.0)**	**(3.7)**	(24.8)	(4.1)	0.4
Group	**652.5**	**100.0**	618.9	100.0	-

Net interest income and margins	Half Year to Mar 13 $m	Mar 13 NIM %	Half Year to Mar 12 $m	Mar 12 NIM %	NIM Change
Business Banking	**2,530**	**2.53**	2,530	2.56	(3 bps)
Personal Banking	**1,634**	**2.09**	1,445	2.02	7 bps
Wholesale Banking	**566**	**0.57**	784	0.85	(28 bps)
NZ Banking	**584**	**2.40**	549	2.41	(1 bps)
UK Banking	**559**	**2.06**	684	2.09	(3 bps)
Great Western Bank	**141**	**3.77**	132	3.78	(1 bps)
NAB UK Commercial Real Estate	**33**	**0.82**	-	-	n/a
Other (1)	**561**	**n/a**	584	n/a	n/a
Group - cash earnings basis	**6,608**	**2.03**	6,708	2.17	(14 bps)
NAB Wealth net interest income	**(21)**	**(0.01)**	(36)	(0.01)	-
Group - statutory basis	**6,587**	**2.02**	6,672	2.16	(14 bps)

Half year ended March 2013 v Half year ended March 2012

Contribution to Group Margin	Impact of Change in NIM (2)	Impact of Change in MIX (3)	Impact on Group NIM
Business Banking	(1 bps)	(1 bps)	**(2 bps)**
Personal Banking	2 bps	-	**2 bps**
Wholesale Banking	(8 bps)	(1 bps)	**(9 bps)**
NZ Banking	-	-	**-**
UK Banking	-	-	**-**
Great Western Bank	-	-	**-**
NAB UK Commercial Real Estate	-	(2 bps)	**(2 bps)**
Other (1)	-	(3 bps)	**(3 bps)**
Group - cash earnings basis	(7 bps)	(7 bps)	**(14 bps)**
NAB Wealth net interest income	-	-	**-**
Group - statutory basis	(7 bps)	(7 bps)	**(14 bps)**

(1) *Includes NAB Wealth, Group Funding, Specialised Group Assets, 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 13 $bn	Mar 13 Mix %	Sep 12 $bn	Sep 12 Mix %	Movement in mix % of Group AIEA
Business Banking	**200.8**	**30.8**	199.6	31.2	(0.4)
Personal Banking	**157.1**	**24.1**	149.2	23.3	0.8
Wholesale Banking	**199.5**	**30.6**	194.8	30.3	0.3
NZ Banking	**48.9**	**7.5**	46.9	7.3	0.2
UK Banking	**54.6**	**8.4**	64.9	10.1	(1.7)
Great Western Bank	**7.5**	**1.1**	7.5	1.2	(0.1)
NAB UK Commercial Real Estate	**8.1**	**1.2**	-	-	n/a
Other (1)	**(24.0)**	**(3.7)**	(22.6)	(3.4)	(0.3)
Group	**652.5**	**100.0**	640.3	100.0	-

Net interest income and margins	Half Year to Mar 13 $m	Mar 13 NIM %	Sep 12 $m	Sep 12 NIM %	NIM Change
Business Banking	**2,530**	**2.53**	2,496	2.50	3 bps
Personal Banking	**1,634**	**2.09**	1,522	2.04	5 bps
Wholesale Banking	**566**	**0.57**	735	0.75	(18 bps)
NZ Banking	**584**	**2.40**	557	2.38	2 bps
UK Banking	**559**	**2.06**	640	1.97	9 bps
Great Western Bank	**141**	**3.77**	140	3.73	4 bps
NAB UK Commercial Real Estate	**33**	**0.82**	-	-	n/a
Other (1)	**561**	**n/a**	499	n/a	n/a
Group - cash earnings basis	**6,608**	**2.03**	6,589	2.06	(3 bps)
NAB Wealth net interest income	**(21)**	**(0.01)**	(19)	(0.01)	-
Group - statutory basis	**6,587**	**2.02**	6,570	2.05	(3 bps)

Half year ended March 2013 v Half year ended September 2012

Contribution to Group Margin	Change in NIM (2)	Impact of Change in MIX (3)	Impact on Group NIM
Business Banking	1 bps	-	**1 bps**
Personal Banking	1 bps	-	**1 bps**
Wholesale Banking	(6 bps)	-	**(6 bps)**
NZ Banking	-	-	**-**
UK Banking	1 bps	-	**1 bps**
Great Western Bank	-	-	**-**
NAB UK Commercial Real Estate	-	(2 bps)	**(2 bps)**
Other (1)	1 bps	1 bps	**2 bps**
Group - cash earnings basis	(2 bps)	(1 bps)	**(3 bps)**
NAB Wealth net interest income	-	-	**-**
Group - statutory basis	(2 bps)	(1 bps)	**(3 bps)**

(1) *Includes NAB Wealth, Group Funding, Specialised Group Assets, other supporting units and eliminations.*
(2) *The increase/(decrease) in net interest margin assuming no change in mix of average interest earning assets (AIEA).*
(3) *The increase/(decrease) in net interest margin caused by changes in divisional mix of AIEA.*

2. Loans and Advances by Industry and Geography

As at 31 March 2013	Australia $m	Europe $m	New Zealand $m	United States $m	Asia $m	Total $m
Real estate - mortgage	226,034	22,883	23,258	669	1,759	**274,603**
Other commercial and industrial	51,015	8,975	5,286	3,565	2,441	**71,282**
Commercial property services	47,210	4,067	5,874	14	293	**57,458**
Agriculture, forestry, fishing and mining	19,052	2,703	9,535	1,426	12	**32,728**
Financial, investment and insurance	10,717	2,915	680	610	558	**15,480**
Asset and lease financing	11,959	1,650	9	-	8	**13,626**
Instalment loans to individuals and other personal lending (including credit cards)	9,316	3,059	1,389	72	1	**13,837**
Manufacturing	7,766	1,268	1,882	6	771	**11,693**
Real estate - construction	1,860	4,992	553	318	-	**7,723**
Government and public authorities	1,763	52	216	113	-	**2,144**
Gross loans and advances including acceptances (1)	386,692	52,564	48,682	6,793	5,843	**500,574**
Deduct:						
Unearned income and deferred net fee income	(1,326)	(198)	(24)	(10)	(23)	**(1,581)**
Provisions for doubtful debts	(2,545)	(1,309)	(246)	(60)	(15)	**(4,175)**
Total net loans and advances including acceptances	382,821	51,057	48,412	6,723	5,805	**494,818**

As at 30 September 2012	Australia $m	Europe $m	New Zealand $m	United States $m	Asia $m	Total $m
Real estate - mortgage	220,033	23,894	22,485	703	1,614	**268,729**
Other commercial and industrial	51,354	10,004	5,102	3,532	1,917	**71,909**
Commercial property services	47,936	4,390	5,772	30	484	**58,612**
Agriculture, forestry, fishing and mining	19,232	3,016	9,177	1,384	14	**32,823**
Financial, investment and insurance	11,646	3,389	669	689	558	**16,951**
Asset and lease financing	12,585	1,971	13	-	9	**14,578**
Instalment loans to individuals and other personal lending (including credit cards)	9,359	3,689	1,451	74	1	**14,574**
Manufacturing	8,285	1,650	1,623	6	313	**11,877**
Real estate - construction	1,793	5,968	496	323	-	**8,580**
Government and public authorities	1,817	61	239	107	-	**2,224**
Gross loans and advances including acceptances (1)	384,040	58,032	47,027	6,848	4,910	**500,857**
Deduct:						
Unearned income and deferred net fee income	(1,587)	(264)	(35)	(11)	(20)	**(1,917)**
Provisions for doubtful debts	(2,515)	(1,388)	(242)	(64)	(12)	**(4,221)**
Total net loans and advances including acceptances	379,938	56,380	46,750	6,773	4,878	**494,719**

As at 31 March 2012	Australia $m	Europe $m	New Zealand $m	United States $m	Asia $m	Total $m
Real estate - mortgage	213,075	22,466	21,954	540	1,399	**259,434**
Other commercial and industrial	50,643	10,086	4,953	3,266	1,877	**70,825**
Commercial property services	47,884	4,711	5,987	32	430	**59,044**
Agriculture, forestry, fishing and mining	18,082	2,867	8,371	1,192	14	**30,526**
Financial, investment and insurance	12,331	3,716	575	482	61	**17,165**
Asset and lease financing	12,783	2,168	15	-	8	**14,974**
Instalment loans to individuals and other personal lending (including credit cards)	9,530	3,805	1,577	52	5	**14,969**
Manufacturing	8,333	1,767	1,686	6	547	**12,339**
Real estate - construction	1,743	6,518	468	336	-	**9,065**
Government and public authorities	1,627	57	274	108	-	**2,066**
Gross loans and advances including acceptances (1)	376,031	58,161	45,860	6,014	4,341	**490,407**
Deduct:						
Unearned income and deferred net fee income	(1,633)	(316)	(36)	(12)	(21)	**(2,018)**
Provisions for doubtful debts	(2,394)	(1,147)	(265)	(67)	(12)	**(3,885)**
Total net loans and advances including acceptances	372,004	56,698	45,559	5,935	4,308	**484,504**

(1) *Includes loans at fair value.*

3. Average Balance Sheet and Related Interest

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

Average assets and interest income

	Half Year to Mar 13			Half Year to Sep 12			Half Year to Mar 12		
	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	13,583	164	2.4	14,786	227	3.1	17,320	305	3.5
Europe	26,521	72	0.5	25,164	68	0.5	22,328	46	0.4
Other International	16,777	37	0.4	16,355	42	0.5	12,869	32	0.5
Marketable debt securities									
Australia	41,388	797	3.9	41,838	833	4.0	35,194	859	4.9
Europe	12,452	80	1.3	14,549	112	1.5	14,689	129	1.8
Other International	12,047	103	1.7	13,252	110	1.7	13,968	110	1.6
Loans and advances - housing									
Australia	222,517	6,077	5.5	216,172	6,420	5.9	209,824	6,771	6.5
Europe	23,652	399	3.4	23,142	387	3.3	21,687	356	3.3
Other International	25,165	670	5.3	23,975	663	5.5	23,267	663	5.7
Loans and advances - non-housing									
Australia	160,799	5,511	6.9	161,796	5,694	7.0	159,722	6,022	7.5
Europe	31,962	703	4.4	34,848	782	4.5	36,239	828	4.6
Other International	34,813	949	5.5	33,166	949	5.7	31,352	903	5.8
Other interest earning assets									
Australia	4,308	252	n/a	2,902	497	n/a	2,267	509	n/a
Europe	18,010	34	n/a	11,924	64	n/a	14,068	61	n/a
Other International	8,511	41	n/a	7,131	48	n/a	4,151	52	n/a
Total average interest earning assets and interest income by:									
Australia	442,595	12,801	5.8	437,494	13,671	6.2	424,327	14,466	6.8
Europe	112,597	1,288	2.3	109,627	1,413	2.6	109,011	1,420	2.6
Other International	97,313	1,800	3.7	93,879	1,812	3.9	85,607	1,760	4.1
Total average interest earning assets and interest income	652,505	15,889	4.9	641,000	16,896	5.3	618,945	17,646	5.7
Average non-interest earning assets									
Investments relating to life insurance business [(1)]									
Australia	68,923			66,286			65,102		
Other International	46			38			47		
Other assets	64,894			68,001			64,669		
Total average non-interest earning assets	133,863			134,325			129,818		
Provision for doubtful debts									
Australia	(2,534)			(2,492)			(2,690)		
Europe	(1,139)			(878)			(584)		
Other International	(328)			(334)			(387)		
Total average assets	782,367			771,621			745,102		

(1) *Included within investments relating to life insurance business are interest earning debt securities. The interest earned from these securities is reported in life insurance income, and has therefore been treated as non-interest earning for the purposes of this note.*

Average liabilities and interest expense

	Half Year to Mar 13			Half Year to Sep 12			Half Year to Mar 12		
	Average balance $m	Interest $m	Average rate %	Average balance $m	Interest $m	Average rate %	Average balance $m	Interest $m	Average rate %
Average interest bearing liabilities									
Due to other banks									
Australia	**19,096**	**254**	**2.7**	23,226	360	3.1	22,121	503	4.5
Europe	**8,789**	**13**	**0.3**	9,295	7	0.2	13,267	14	0.2
Other International	**3,785**	**29**	**1.5**	4,547	31	1.4	4,781	31	1.3
On-demand and short-term deposits									
Australia	**109,983**	**1,546**	**2.8**	103,437	1,690	3.3	100,101	1,865	3.7
Europe	**25,025**	**91**	**0.7**	25,061	89	0.7	25,046	82	0.7
Other International	**22,288**	**138**	**1.2**	20,375	123	1.2	18,185	104	1.1
Certificates of deposit									
Australia	**29,233**	**472**	**3.2**	30,330	601	4.0	29,088	670	4.6
Europe	**29,056**	**48**	**0.3**	29,428	65	0.4	30,430	76	0.5
Other International	**14,088**	**53**	**0.8**	23,765	78	0.7	23,719	72	0.6
Term deposits									
Australia	**114,817**	**2,670**	**4.7**	109,663	2,937	5.4	104,025	2,993	5.8
Europe	**15,654**	**174**	**2.2**	17,274	210	2.4	15,847	174	2.2
Other International	**33,716**	**460**	**2.7**	31,244	463	3.0	28,955	439	3.0
Other borrowings									
Australia	**3,078**	**50**	**3.3**	3,978	63	3.2	3,919	71	3.6
Europe	**6,224**	**10**	**0.3**	3,278	7	0.4	1,410	3	0.4
Other International	**23,828**	**33**	**0.3**	21,228	33	0.3	16,819	27	0.3
Bonds, notes and subordinated debt									
Australia	**92,857**	**2,545**	**5.5**	90,782	2,775	6.1	90,702	3,080	6.8
Europe	**4,765**	**59**	**2.5**	4,382	51	2.3	4,177	29	1.4
Other International	**15,058**	**217**	**2.9**	13,194	244	3.7	9,967	206	4.1
Other interest bearing liabilities									
Australia	**7,317**	**285**	**n/a**	7,093	355	n/a	9,159	361	n/a
Europe	**801**	**18**	**n/a**	352	2	n/a	445	10	n/a
Other International	**1,535**	**137**	**n/a**	2,590	142	n/a	2,505	164	n/a
Total average interest bearing liabilities and interest expense by:									
Australia	**376,381**	**7,822**	**4.2**	368,509	8,781	4.8	359,115	9,543	5.3
Europe	**90,314**	**413**	**0.9**	89,070	431	1.0	90,622	388	0.9
Other International	**114,298**	**1,067**	**1.9**	116,943	1,114	1.9	104,931	1,043	2.0
Total average interest bearing liabilities and interest expense	**580,993**	**9,302**	**3.2**	574,522	10,326	3.6	554,668	10,974	4.0

Average liabilities

	Half Year to		
	Mar 13 $m	Sep 12 $m	Mar 12 $m
Average non-interest bearing liabilities			
Deposits not bearing interest			
Australia	**19,889**	17,870	16,904
Europe	**2,602**	2,427	2,292
Other International	**3,209**	2,861	2,635
Life insurance policy liabilities			
Australia	**57,468**	55,518	54,582
Other International	**2**	4	1
Other liabilities	**74,371**	75,593	72,139
Total average non-interest bearing liabilities	**157,541**	154,273	148,553
Total average liabilities	**738,534**	728,795	703,221
Average equity			
Contributed equity	**28,070**	26,092	25,615
Reserves	**(2,493)**	(1,483)	(1,376)
Retained profits	**18,207**	18,174	17,614
Parent entity interest	**43,784**	42,783	41,853
Non-controlling interest in controlled entities	**49**	43	28
Total average equity	**43,833**	42,826	41,881
Total average liabilities and equity	**782,367**	771,621	745,102

4. Capital Adequacy - Basel III

As outlined on page 34, the APRA Basel III capital standards are effective from 1 January 2013, and therefore March 2013 is the first period that the Group is reporting in accordance with those standards. The following table presents the Basel III capital adequacy calculation at 31 March 2013, together with a proforma calculation showing the 30 September 2012 position as if these standards had been in place at that date. The following pages present the Basel II capital adequacy calculation under the APRA capital standards that were in place at 30 September 2012 and 31 March 2012.

	As at	
Reconciliation to shareholders' funds	**31 Mar 13 $m**	**30 Sep 12 $m Pro forma**
Contributed equity	**28,208**	27,373
Reserves	**(2,850)**	(2,319)
Retained profits	**19,293**	18,702
Non-controlling interest in controlled entities	**50**	47
Total equity per consolidated balance sheet	**44,701**	43,803
Equity-accounted Additional Tier 1 capital before application of Basel III transitional arrangements	**(4,534)**	(4,915)
Non-controlling interest in controlled entities	**(50)**	(47)
Treasury shares	**1,155**	1,078
Eligible deferred fee income	**142**	198
General reserve for credit losses	**(544)**	(592)
Deconsolidation of Wealth Management equity	**(250)**	(481)
Common Equity Tier 1 Capital before regulatory adjustments	**40,620**	39,044
Banking goodwill and other intangibles	**(1,264)**	(1,306)
Wealth Management goodwill and other intangibles	**(4,150)**	(4,209)
Investment in non-consolidated controlled entities (net of intangible component)	**(1,795)**	(1,660)
DTA in excess of DTL	**(1,464)**	(1,563)
Capitalised expenses	**(87)**	(69)
Capitalised software (excluding Wealth Management)	**(1,620)**	(1,447)
Defined benefit pension scheme surplus	**(16)**	(15)
Change in own creditworthiness	**148**	56
Cash flow hedge reserve	**(308)**	(623)
Equity exposures	**(563)**	(521)
Expected loss in excess of eligible provisions	**(604)**	(319)
Other	**(30)**	-
Common Equity Tier 1 Capital	**28,867**	27,368
Transitional Additional Tier 1 Capital instruments	**5,450**	6,538
Basel III eligible Additional Tier 1 Capital instruments	**1,497**	-
Eligible Additional Tier 1 Capital for non-controlling interest	**3**	2
Additional Tier 1 Capital	**6,950**	6,540
Tier 1 Capital	**35,817**	33,908
Collective provision for doubtful debts - Standardised approach	**523**	566
IRB approach surplus provisions on non-defaulted exposures	**133**	347
Transitional Tier 2 Capital instruments	**4,872**	5,368
Eligible Tier 2 Capital for non-controlling interest	**1**	1
Regulatory adjustments to Tier 2 Capital	**(185)**	(75)
Tier 2 Capital	**5,344**	6,207
Total Capital	**41,161**	40,115
Risk-weighted assets		
Credit risk	**307,517**	314,813
Market risk	**5,899**	4,436
Operational risk	**33,332**	23,008
Interest rate risk in the banking book	**4,643**	4,021
Total risk-weighted assets	**351,391**	346,278
Risk-based regulatory capital ratios		
Common Equity Tier 1	**8.22%**	7.90%
Tier 1	**10.19%**	9.79%
Total Capital	**11.71%**	11.58%

Capital Adequacy - Basel II

Reconciliation to shareholders' funds	As at 30 Sep 12 $m	As at 31 Mar 12 $m
Contributed equity	**27,373**	26,090
Reserves	**(2,319)**	(1,438)
Retained profits	**18,702**	17,865
Non-controlling interest	**47**	38
Total equity per consolidated balance sheet	**43,803**	42,555
Liability-accounted Residual Tier 1 hybrid capital (1)	**1,623**	2,238
Treasury shares	**1,078**	939
Eligible deferred fee income	**198**	227
Revaluation reserves	**(152)**	(162)
General reserve for credit losses	**(592)**	(710)
Estimated final dividend	**(2,067)**	(2,015)
Estimated reinvestment under dividend reinvestment plan and bonus share plan	**414**	806
Deconsolidation of Wealth Management profits (net of dividends)	**(481)**	(354)
Adjusted total equity for capital purposes	**43,824**	43,524
Banking goodwill	**(1,306)**	(1,321)
Wealth Management goodwill and other intangibles	**(4,209)**	(4,230)
DTA (excluding DTA on the collective provision for doubtful debts) (2)	**(984)**	(794)
Non qualifying non-controlling interest	**(13)**	(13)
Capitalised expenses (3)	**(69)**	(121)
Capitalised software (excluding Wealth Management)	**(1,447)**	(1,275)
Defined benefit superannuation plans surplus	**(15)**	(15)
Change in own creditworthiness	**56**	(57)
Cash flow hedge reserve (4)	**(623)**	(334)
Deductions taken 50% from Tier 1 and 50% from Tier 2:		
Investment in non-consolidated controlled entities (net of intangible component)	**(830)**	(827)
Expected loss in excess of eligible provisions	**(216)**	(282)
Other	**(148)**	(142)
Tier 1 capital	**34,020**	34,113

	As at 30 Sep 12 $m	As at 31 Mar 12 $m
Collective provision for doubtful debts [5]	469	476
Revaluation reserves	68	73
Perpetual floating rate notes	160	161
Eligible dated subordinated debt	5,133	5,098
Deductions taken 50% from Tier 1 and 50% from Tier 2:		
Investment in non-consolidated controlled entities (net of intangible component)	(830)	(827)
Expected loss in excess of eligible provisions	(216)	(282)
Other	(148)	(142)
Tier 2 capital	4,636	4,557
Total capital	38,656	38,670
Risk-weighted assets - credit risk	299,871	300,185
Risk-weighted assets - market risk	4,436	5,277
Risk-weighted assets - operational risk	23,008	23,810
Risk-weighted assets - interest rate risk in the banking book	4,021	6,281
Total risk-weighted assets	331,336	335,553
Risk adjusted capital ratios		
Tier 1	10.27%	10.17%
Total capital	11.67%	11.52%

Regulatory capital summary	As at 30 Sep 12 $m	As at 31 Mar 12 $m
Fundamental Tier 1 capital	37,287	36,371
Non-innovative residual Tier 1 capital	2,441	2,742
Innovative residual Tier 1 capital	4,096	4,411
Total residual Tier 1 capital	6,537	7,153
Tier 1 deductions	(9,804)	(9,411)
Tier 1 capital	34,020	34,113
Tier 2 capital	4,636	4,557
Total capital	38,656	38,670

(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) *Includes the component of the Group's collective provision relating to securitisation exposure and assets where RWAs are calculated under the standardised approach.*

Wealth Management capital adequacy position

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. Under Basel III the investment in these controlled entities is deducted from Common Equity Tier 1 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.

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.

	Risk-Weighted Assets as at			Exposures as at		
	31 Mar 13 Basel III $m	30 Sep 12 Basel II $m	31 Mar 12 Basel II $m	31 Mar 13 Basel III $m	30 Sep 12 Basel II $m	31 Mar 12 Basel II $m
Credit risk (1)(2)						
IRB approach (3)						
Corporate (including SME)	**105,166**	105,672	109,312	**201,813**	189,318	193,723
Sovereign (4)	**1,127**	1,122	1,290	**34,561**	39,037	43,882
Bank (5)	**10,755**	7,852	8,179	**61,091**	59,184	78,607
Residential mortgage (5)	**58,062**	56,403	56,351	**287,324**	279,330	270,525
Qualifying revolving retail (5)	**4,022**	4,036	4,055	**11,199**	11,148	11,100
Retail SME	**6,873**	7,240	7,318	**17,083**	17,367	19,212
Other retail	**3,446**	3,447	3,652	**4,463**	4,490	4,591
Total IRB approach	**189,451**	185,772	190,157	**617,534**	599,874	621,640
Specialised lending (SL) (6)	**54,192**	50,227	45,439	**66,309**	60,391	54,330
Standardised approach						
Australian and foreign governments	**55**	65	81	**3,585**	3,835	4,248
Bank (7)	**235**	129	205	**9,359**	11,129	9,661
Residential mortgage (6)	**14,945**	19,155	18,823	**31,170**	36,159	34,963
Corporate (6)(7)	**21,771**	29,011	29,979	**49,023**	29,397	30,424
Other	**2,803**	3,052	3,165	**3,279**	3,521	3,648
Total standardised approach	**39,809**	51,412	52,253	**96,416**	84,041	82,944
Other						
Securitisation (8)	**7,633**	4,189	4,314	**16,344**	16,919	16,991
Equity (9)	**-**	1,818	2,006	**-**	521	570
Credit value adjustments (10)	**10,343**	-	-	**-**	-	-
Central counterparty default fund contribution guarantee (11)	**197**	-	-	**-**	-	-
Other (12)	**5,892**	6,453	6,016	**9,658**	9,444	9,540
Total other	**24,065**	12,460	12,336	**26,002**	26,884	27,101
Total credit risk	**307,517**	299,871	300,185	**806,261**	771,190	786,015
Market risk	**5,899**	4,436	5,277			
Operational risk (13)	**33,332**	23,008	23,810			
Interest rate risk in the banking book	**4,643**	4,021	6,281			
Total risk-weighted assets & exposures	**351,391**	331,336	335,553			

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

(2) *Subject to Basel III capital reforms, exposures to Central Counterparties (CCP) arising from over-the-counter (OTC) derivatives, exchange-traded derivatives and securities financing transactions are subject to refined capital requirements. The capital requirement applicable to trade exposures to qualifying CCPs is lower than for corresponding exposures arising from bilateral OTC derivative transactions and to non qualifying CCPs. As at 31 March 2013, RWA of $43 million was held for CCP exposures.*

(3) *Subject to Basel III capital reforms, exposures to Regulated Financial Institutions with consolidated firm size >$100 billion and Unregulated Financial Institutions, are subject to refined capital requirements, resulting in higher RWAs. As at 31 March 2013, this increase in RWA was $4,571 million.*

(4) *'Sovereign' includes government guaranteed exposures.*

(5) *For IRB approach: 'Bank' includes ADIs, overseas banks and non-commercial public sector entities. 'Residential mortgage' includes home loan 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.*

(6) *As at 31 December 2012, UK commercial property exposures have been transferred from the Standardised asset classes of Corporate and Residential Mortgage to Specialised lending. While this represented a transfer of RWAs of $7,750 million, variation in methodology resulted in minor net movements.*

(7) *Subject to Basel III capital reforms, exposures to qualifying CCPs arising from OTC derivatives, exchange-traded derivatives and securities financing transactions attract a standardised risk weight of between 0% and 4%. The new capital reforms have introduced assets that were previously excluded from risk weighting.*

(8) *Under Basel III, a new risk banding of 1,250% has been introduced for higher risk securitisation exposures that were previously treated as a capital deduction.*

(9) *Subject to Basel III capital reforms, all equity investments held by the Group are treated as a deduction from capital and no longer attract RWA.*

(10) *Basel III capital reforms have introduced a Credit Value Adjustment (CVA) risk capital charge to recognise the risk of mark-to-market losses on the counterparty risk associated with OTC derivatives.*

(11) *Subject to Basel III capital reforms, the Group is required to capitalise default fund contributions to a qualifying CCP.*

(12) *'Other' includes non-lending asset exposures that are not covered in the above categories.*

(13) *The Group's capital position has been affected by higher Operational Risk RWAs in the December 2012 quarter due to increased regulatory requirements.*

5. Earnings per Share

Earnings per Share	Half Year to Mar 13 Basic	Mar 13 Diluted	Sep 12 Basic	Sep 12 Diluted	Mar 12 Basic	Mar 12 Diluted
Earnings ($m)						
Net profit attributable to owners of the Company	2,520	2,520	2,030	2,030	2,052	2,052
Distributions on other equity instruments	(114)	(114)	(121)	(121)	(124)	(124)
Potential dilutive adjustments						
Interest expense on convertible notes (after tax) [1]	-	6	-	-	-	-
Interest expense on convertible preference shares	-	2	-	-	-	-
Adjusted earnings	2,406	2,414	1,909	1,909	1,928	1,928
Weighted average ordinary shares (no. '000)						
Weighted average ordinary shares (net of treasury shares)	2,274,645	2,274,645	2,200,196	2,200,196	2,171,827	2,171,827
Potential dilutive ordinary shares						
Performance options and performance rights	-	5,864	-	2,347	-	1,925
Partly paid ordinary shares	-	63	-	91	-	68
Employee share plans	-	6,285	-	8,366	-	7,946
Convertible notes	-	7,120	-	-	-	-
Convertible preference shares	-	3,287	-	-	-	-
Total weighted average ordinary shares	2,274,645	2,297,264	2,200,196	2,211,000	2,171,827	2,181,766
Earnings per share (cents)	105.8	105.1	86.8	86.3	88.8	88.4

(1) *The impact of convertible notes has not been included in the diluted earnings per share in the six months ended 30 September 2012 and 31 March 2012 because they were anti-dilutive.*

Cash Earnings per Share	Half Year to Mar 13 Basic	Mar 13 Diluted	Sep 12 Basic	Sep 12 Diluted	Mar 12 Basic	Mar 12 Diluted
Earnings ($m)						
Cash earnings [1]	2,915	2,915	2,605	2,605	2,828	2,828
Distributions on other equity instruments	(20)	(20)	(19)	(19)	(19)	(19)
Potential dilutive adjustments						
Interest expense on convertible notes (after tax)	-	6	-	38	-	45
Interest expense on convertible preference shares	-	2	-	-	-	-
Adjusted cash earnings	2,895	2,903	2,586	2,624	2,809	2,854
Weighted average ordinary shares (no. '000)						
Weighted average ordinary shares	2,325,101	2,325,101	2,255,903	2,255,903	2,224,966	2,224,966
Potential dilutive weighted average ordinary shares						
Performance options and performance rights	-	5,864	-	2,347	-	1,925
Partly paid ordinary shares	-	63	-	91	-	68
Employee share plans	-	6,285	-	8,366	-	7,946
Convertible notes	-	7,120	-	42,755	-	46,818
Convertible preference shares	-	3,287	-	-	-	-
Total weighted average ordinary shares	2,325,101	2,347,720	2,255,903	2,309,462	2,224,966	2,281,723
Cash earnings per share (cents)	124.5	123.7	114.6	113.6	126.2	125.1

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

6. Life Insurance Operations

Income statement items	Half Year to Mar 13 $m	Sep 12 $m	Mar 12 $m
Premium and related revenue	**734**	715	691
Investment revenue	**5,302**	2,247	5,216
Fee income	**265**	259	266
Claims expense	**(432)**	(412)	(388)
Change in policy liabilities	**(4,335)**	(1,620)	(4,057)
Policy acquisition and maintenance expense	**(457)**	(449)	(459)
Investment management expense	**(3)**	(2)	(3)
Movement in external unitholders' liability	**(822)**	(386)	(878)
Net life insurance income	**252**	352	388

Related balance sheet items	As at 31 Mar 13 $m	30 Sep 12 $m	31 Mar 12 $m
Investments relating to life insurance business	**70,482**	68,414	67,426
Life policy liabilities	**58,902**	56,584	56,402
External unitholders' liability	**12,138**	12,546	11,034

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 2013 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.

7. Australian Life Company Margins

Sources of Operating Profit from Australian Life Companies life insurance funds	Half Year to Mar 13 $m	Sep 12 $m	Mar 12 $m	Mar 13 v Sep 12 %	Mar 13 v Mar 12 %
Life company - planned profit margins	**143**	151	151	(5.3)	(5.3)
Life company - experience (loss)/profit	**(29)**	8	35	large	large
Reversal of capitalised losses	**-**	7	-	large	-
Life company operating margins [1]	**114**	166	186	(31.3)	(38.7)
IoRE (after tax) [2]	**42**	56	51	(25.0)	(17.6)
Net profit of life insurance funds after non-controlling interest	**156**	222	237	(29.7)	(34.2)

(1) *Reflects operating profit of all business types (investment or insurance) written through life insurance funds.*

(2) *Includes investment earnings on shareholders' retained profits and capital from life businesses after non-controlling interest of $32 million (Half Year September 2012 $34 million, Half Year March 2012 $56 million) and IoRE discount rate variation of $10 million (Half Year September 2012 $21 million, Half Year March 2012 ($5 million)), IoRE attributable to non-life insurance funds of ($32 million) (Half Year September 2012 ($26 million), Half Year March 2012 ($26 million)) is excluded.*

8. Other Income Excluding NAB Wealth Investments and Insurance

	Half Year to		
	Mar 13 $m	Sep 12 $m	Mar 12 $m
Gains less losses on financial instruments at fair value			
Trading securities	**173**	705	264
Trading derivatives:			
Trading and risk management purposes	**645**	(655)	(83)
Recovery on SCDO risk mitigation trades	**-**	-	219
Assets, liabilities and derivatives designated in hedge relationships (1)	**(170)**	(84)	200
Assets and liabilities designated at fair value	**(410)**	(1)	(280)
Impairment of investments - available for sale	**(3)**	(5)	-
Other	**(23)**	(39)	(18)
Total gains less losses on financial instruments at fair value	**212**	(79)	302
Other operating income			
Dividend revenue	**5**	38	8
Gains from sale of investments - available for sale	**12**	4	15
Gains from sale of property, plant and equipment and other assets	**-**	16	-
Banking fees	**492**	482	454
Money transfer fees	**322**	325	327
Fees and commissions	**409**	422	428
Investment management fees	**4**	3	4
Fleet management fees	**14**	13	13
Rentals received on leased vehicle assets	**6**	6	7
Revaluation gains on investment properties	**-**	(3)	(8)
Other income	**10**	59	(149)
Total other operating income	**1,274**	1,365	1,099
Total other income	**1,486**	1,286	1,401

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

9. Operating Expenses Excluding NAB Wealth Investments and Insurance

	Half Year to		
	Mar 13	Sep 12	Mar 12
Personnel expenses			
Salaries and related on-costs	**1,456**	1,446	1,503
Superannuation costs - defined contribution plans	**119**	116	113
Superannuation costs - defined benefit plans	**16**	13	23
Performance-based compensation			
Cash	**134**	115	133
Equity-based compensation	**85**	91	107
Total performance-based compensation	**219**	206	240
Other expenses	**137**	289	215
Total personnel expenses	**1,947**	2,070	2,094
Occupancy-related expenses			
Operating lease rental expense	**188**	196	176
Other expenses	**81**	112	83
Total occupancy-related expenses	**269**	308	259
General expenses			
Fees and commission expense	**33**	48	32
Depreciation and amortisation of property, plant and equipment	**151**	153	143
Amortisation of intangible assets	**143**	101	161
Depreciation on leased vehicle assets	**6**	5	4
Operating lease rental expense	**17**	13	12
Advertising and marketing	**82**	82	88
Charge to provide for operational risk event losses	**59**	217	31
Communications, postage and stationery	**129**	125	114
Computer equipment and software	**279**	251	265
Data communication and processing charges	**60**	62	57
Transport expenses	**42**	44	41
Professional fees	**114**	188	151
Travel	**29**	34	28
Loss on disposal of property, plant and equipment and other assets	**6**	3	-
Impairment losses recognised	**2**	5	350
Other expenses	**183**	139	77
Total general expenses	**1,335**	1,470	1,554
Total operating expenses	**3,551**	3,848	3,907

10. Net Interest Income / Other Operating Income Analysis - Wholesale Banking (cash earnings basis)

	Half year ended Mar 13						Half year ended Sep 12						Half year ended Mar 12					
		Other Operating Income						Other Operating Income						Other Operating Income				
	NII $m	Trading [1] $m	Fees & Comm. $m	Other Income [1] $m	Total OOI $m	Total Revenue $m	NII $m	Trading [1] $m	Fees & Comm. $m	Other Income [1] $m	Total OOI $m	Total Revenue $m	NII $m	Trading [1] $m	Fees & Comm. $m	Other Income [1] $m	Total OOI $m	Total Revenue $m
Risk Income	324	225	(12)	15	228	552	487	150	(21)	9	138	625	558	(78)	-	15	(63)	495
Customer Income	242	358	151	14	523	765	248	212	152	45	409	657	226	346	127	25	498	724
Total Revenue	566	583	139	29	751	1,317	735	362	131	54	547	1,282	784	268	127	40	435	1,219

[1] *Excluding internal funding transactions with BNZIF.*

11. Net Tangible Assets

	As at		
	Mar 13	Sep 12	Mar 12
Net tangible assets per ordinary share ($) [1]	**14.03**	13.82	13.68

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

12. Asset Funding

	As at				
Core assets	**Mar 13 $m**	**Sep 12 $m**	**Mar 12 $m**	**Mar 13 vs Sep 12 %**	**Mar 13 vs Mar 12 %**
Gross loans and advances	**400,497**	400,873	394,039	(0.1)	1.6
Loans at fair value	**66,920**	63,027	56,596	6.2	18.2
Other financial assets at fair value	**1,515**	971	1,027	56.0	47.5
Due from customers on acceptances	**33,157**	36,957	39,772	(10.3)	(16.6)
Investments held to maturity	**6,518**	9,762	10,979	(33.2)	(40.6)
Net working capital adjustments [1]	**-**	-	(6,742)	-	large
Total core assets	**508,607**	511,590	495,671	(0.6)	2.6
Customer deposits					
On-demand and short-term deposits	**150,235**	152,000	142,777	(1.2)	5.2
Term deposits	**163,258**	159,950	152,260	2.1	7.2
Deposits not bearing interest	**26,396**	24,667	22,685	7.0	16.4
Due to other banks [1]	**-**	-	3,553	-	large
Customer deposits at fair value	**2,512**	2,581	2,291	(2.7)	9.6
Total customer deposits	**342,401**	339,198	323,566	0.9	5.8
Wholesale funding					
Bonds, notes and subordinated debt	**101,004**	103,372	96,849	(2.3)	4.3
Other debt issues	**2,775**	1,783	2,399	55.6	15.7
Preference shares and other contributed equity	**4,534**	4,914	4,914	(7.7)	(7.7)
Certificates of deposit	**66,713**	68,019	79,476	(1.9)	(16.1)
Securities sold under repurchase agreements	**8,681**	6,868	10,574	26.4	(17.9)
Due to other banks - Securities sold under repurchase agreements	**13,611**	16,774	27,703	(18.9)	(50.9)
Due to other banks - Other [1]	**14,517**	11,917	12,280	21.8	18.2
Other borrowings	**10,346**	8,417	10,494	22.9	(1.4)
Liability on acceptances	**6,273**	7,801	7,984	(19.6)	(21.4)
Other financial liabilities at fair value	**20,317**	19,151	19,065	6.1	6.6
Total wholesale funding	**248,771**	249,016	271,738	(0.1)	(8.5)
Total funding liabilities	**591,172**	588,214	595,304	0.5	(0.7)
Total equity excluding preference shares and other contributed equity	**40,167**	38,889	37,641	3.3	6.7
Life insurance liabilities [2]	**71,040**	69,130	67,436	2.8	5.3
Other liabilities	**60,015**	66,857	56,462	(10.2)	6.3
Total liabilities and equity	**762,394**	763,090	756,843	(0.1)	0.7
Wholesale funding by maturity					
Short-term funding	**105,629**	103,332	117,526	2.2	(10.1)
Securities sold under repurchase agreements	**22,292**	23,642	38,277	(5.7)	(41.8)
Term funding:					
less than 1 year residual maturity	**26,037**	23,187	20,079	12.3	29.7
greater than 1 year residual maturity	**94,813**	98,855	95,856	(4.1)	(1.1)
Total wholesale funding by maturity	**248,771**	249,016	271,738	(0.1)	(8.5)
Funding liabilities					
Customer deposits	**57.9%**	57.7%	54.3%		
Short-term funding less than 1 year residual maturity	**17.9%**	17.6%	19.8%		
Securities sold under repurchase agreements	**3.8%**	4.0%	6.4%		
Term funding:					
less than 1 year residual maturity	**4.4%**	3.9%	3.4%		
greater than 1 year residual maturity	**16.0%**	16.8%	16.1%		
Total funding liabilities	**100.0%**	100.0%	100.0%		

[1] *From September 2012 to enhance transparency the Group redefined core assets and customer deposits by removing net working capital adjustments and a component of due to other banks respectively. Definitions of core assets and customer deposits are disclosed in the Glossary of Terms.*

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

13. Number of Ordinary Shares

	Half Year to Mar 13 No. '000	Sep 12 No. '000	Mar 12 No. '000
Ordinary shares, fully paid			
Balance at beginning of period	**2,297,247**	2,239,303	2,201,189
Shares issued:			
Dividend reinvestment plan	**17,088**	32,068	30,884
Bonus share plan	**1,112**	1,173	1,082
Employee share plans	**5,538**	406	5,435
Performance options and performance rights	**275**	289	669
Conversion of other debt issues	**21,242**	23,999	-
Paying up of partly paid shares	**7**	9	44
	2,342,509	2,297,247	2,239,303
Ordinary shares, partly paid to 25 cents			
Balance at beginning of period	**104**	113	157
Paying up of partly paid shares	**(7)**	(9)	(44)
	97	104	113
Total number of ordinary shares on issue at end of period (including treasury shares)	**2,342,606**	2,297,351	2,239,416
Less: Treasury shares	**(47,387)**	(53,526)	(57,888)
Total number of ordinary shares on issue at end of period (excluding treasury shares)	**2,295,219**	2,243,825	2,181,528

14. Exchange Rates

	Income Statement - average			Balance Sheet - spot		
	Half Year to			As at		
One Australian dollar equals	**Mar 13**	**Sep 12**	**Mar 12**	**Mar 13**	**Sep 12**	**Mar 12**
British Pounds	**0.6582**	0.6479	0.6577	**0.6856**	0.6432	0.6509
Euros	**0.7938**	0.8084	0.7776	**0.8128**	0.8088	0.7791
United States Dollars	**1.0387**	1.0246	1.0334	**1.0427**	1.0460	1.0406
New Zealand Dollars	**1.2529**	1.2810	1.2960	**1.2458**	1.2536	1.2689

15. ASX Appendix 4D

16. NAB Wealth Reconciling Items

Half Year ended 31 March 2013	Life Reclassification [a] Cash IoRE [i] $m	Policy-holder tax [ii] $m	Other NLII reclass-ification [iii] $m	Non-life reclas-sification [b] $m	Other $m	NAB Wealth adj. $m
Net interest income	46	-	(2)	(23)	-	**21**
Net life insurance income	(42)	(210)	(216)	-	-	**(468)**
Other operating income	-	-	35	(528)	-	**(493)**
NAB Wealth net operating income	-	-	354	346	(1)	**699**
Net operating income	4	(210)	171	(205)	(1)	**(241)**
Operating expenses	-	-	(188)	205	1	**18**
Operating profit pre-charge to provide for doubtful debts	4	(210)	(17)	-	-	**(223)**
Charge to provide for doubtful debts	-	-	-	-	-	**-**
Operating profit before tax	4	(210)	(17)	-	-	**(223)**
Income tax (expense)/benefit	(4)	210	17	-	-	**223**
Operating profit before distributions and non-controlling interest	-	-	-	-	-	**-**
Net profit - non-controlling interest	-	-	-	-	-	**-**
IoRE (after tax)	-	-	-	-	-	**-**
Distributions	-	-	-	-	-	**-**
Net profit attributable to owners of the Company	-	-	-	-	-	**-**

Half Year ended 30 September 2012	Life Reclassification [a] Cash IoRE [i] $m	Policy-holder tax [ii] $m	Other NLII reclass-ification [iii] $m	Non-life reclass-ification [b] $m	Other $m	NAB Wealth adj. $m
Net interest income	37	-	-	(13)	(5)	**19**
Net life insurance income	(51)	(45)	(296)	-	(1)	**(393)**
Other operating income	-	-	18	(509)	3	**(488)**
NAB Wealth net operating income	-	-	426	329	-	**755**
Net operating income	(14)	(45)	148	(193)	(3)	**(107)**
Operating expenses	-	-	(169)	193	7	**31**
Operating profit pre-charge to provide for doubtful debts	(14)	(45)	(21)	-	4	**(76)**
Charge to provide for doubtful debts	(1)	-	7	-	(6)	**-**
Operating profit before tax	(15)	(45)	(14)	-	(2)	**(76)**
Income tax benefit	7	45	14	-	3	**69**
Operating profit before distributions and non-controlling interest	(8)	-	-	-	1	**(7)**
Net profit - non-controlling interest	-	-	-	-	(1)	**(1)**
IoRE (after tax)	8	-	-	-	-	**8**
Distributions	-	-	-	-	-	**-**
Net profit attributable to owners of the Company	-	-	-	-	-	**-**

Half Year ended 31 March 2012	Life Reclassification (a) Cash IoRE (i) $m	Policy-holder tax (ii) $m	Other NLII reclass-ification (iii) $m	Non-life reclass-ification (b) $m	Other $m	NAB Wealth adj. $m
Net interest income	37	-	-	(6)	5	**36**
Net life insurance income	(75)	(126)	(298)	-	1	**(498)**
Other operating income	-	-	32	(461)	(3)	**(432)**
NAB Wealth net operating income	-	-	427	333	-	**760**
Net operating income	(38)	(126)	161	(134)	3	**(134)**
Operating expenses	-	-	(184)	134	(6)	**(56)**
Operating profit pre-charge to provide for doubtful debts	(38)	(126)	(23)	-	(3)	**(190)**
Charge to provide for doubtful debts	1	-	(7)	-	6	**-**
Operating profit before tax	(37)	(126)	(30)	-	3	**(190)**
Income tax benefit/(expense)	7	126	30	-	(4)	**159**
Operating profit before distributions and non-controlling interest	(30)	-	-	-	(1)	**(31)**
Net profit - non-controlling interest	-	-	-	-	1	**1**
IoRE (after tax)	30	-	-	-	-	**30**
Distributions	-	-	-	-	-	**-**
Net profit attributable to owners of the Company	-	-	-	-	-	**-**

(a) *Reclassification of Net Life Insurance Income (NLII).*

NLII is a statutory disclosure only and as such all items shown under NLII are reclassified for management reporting purposes. A summary of the respective NLII adjustments is provided below:

(i) *Cash IoRE:*

Interest on Retained Earnings is a separate disclosable item for management reporting purposes. Under the statutory view, components of IoRE are disclosed in the following lines:

- Net interest income: this is the net interest cost of subordinated and senior debt raised for capital management purposes.

- NLII: includes interest earnings on insurance VARC (Value of Acquisition Recovery Components) and investment earnings on surplus assets.

(ii) *Policyholder tax reclassification:*

The NAB Wealth investment linked business is written within statutory funds. As a result NLII includes both shareholder and policyholder amounts for statutory reporting purposes. For management reporting purposes only the shareholder component is disclosed. From a statutory reporting disclosure point of view all policyholder amounts offset within the NLII disclosure, except for tax on the investment-linked business. As a result there is a reclassification between NLII and tax for these amounts.

(iii) *Other NLII Reclassification:*

These are all other components of NLII, not adjusted for above, which are included in NAB Wealth net operating income, operating expenses and income tax expense in the management view. These include premiums, investment earnings, claims, change in policy liabilities, policy acquisition and maintenance costs and investments management costs.

(b) *Non-Life Reclassification:*

Non-life net interest income, other operating income and volume related expenses (included in operating expenses) are reclassified to NAB Wealth net operating income for management reporting purposes.

17. Divisional Performance Summary Excluding Foreign Currency Movements

Half year ended 31 March 2013 at 31 March 2012 FX rate	Business Banking $m	Personal Banking $m	Wholesale Banking $m	NAB Wealth $m	NZ Banking $m	UK Banking $m	GWB $m	NAB UK Commercial Real Estate $m	Corporate Functions & Other [1] $m	Distributions & Eliminations $m	Group Cash Earnings $m
Net interest income	2,530	1,634	566	204	565	560	142	33	358	-	**6,592**
Other operating income	522	274	749	25	192	185	39	(25)	15	(41)	**1,935**
NAB Wealth net operating income	-	-	-	699	-	-	-	-	-	-	**699**
Net operating income	3,052	1,908	1,315	928	757	745	181	8	373	(41)	**9,226**
Operating expenses	(891)	(933)	(490)	(572)	(305)	(524)	(89)	(23)	(181)	41	**(3,967)**
Underlying profit/(loss)	2,161	975	825	356	452	221	92	(15)	192	-	**5,259**
Charge to provide for bad and doubtful debts	(401)	(187)	(2)	(3)	(43)	(138)	(12)	(281)	(23)	-	**(1,090)**
Cash earnings/(deficit) before tax, IoRE, distribution and non-controlling interest	1,760	788	823	353	409	83	80	(296)	169	-	**4,169**
Income tax (expense)/benefit	(520)	(235)	(209)	(97)	(110)	(20)	(27)	70	(18)	-	**(1,166)**
Cash earnings/(deficit) before IoRE, distribution and non-controlling interest	1,240	553	614	256	299	63	53	(226)	151	-	**3,003**
Net profit - non-controlling interest	-	-	-	(3)	-	-	-	-	-	-	**(3)**
IoRE	-	-	-	-	-	-	-	-	-	-	**-**
Distributions	-	-	-	-	-	-	-	-	-	(94)	**(94)**
Cash earnings/(deficit)	1,240	553	614	253	299	63	53	(226)	151	(94)	**2,906**

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

Half year ended 31 March 2013 at 30 September 2012 FX rate	Business Banking $m	Personal Banking $m	Wholesale Banking $m	NAB Wealth $m	NZ Banking $m	UK Banking $m	GWB $m	NAB UK Commercial Real Estate $m	Corporate Functions & Other [1] $m	Distributions & Eliminations $m	Group Cash Earnings $m
Net interest income	2,530	1,634	568	204	571	568	143	34	358	-	**6,610**
Other operating income	522	274	754	25	195	188	39	(25)	15	(41)	**1,946**
NAB Wealth net operating income	-	-	-	699	-	-	-	-	-	-	**699**
Net operating income	3,052	1,908	1,322	928	766	756	182	9	373	(41)	**9,255**
Operating expenses	(891)	(933)	(492)	(572)	(309)	(532)	(89)	(24)	(181)	41	**(3,982)**
Underlying profit/(loss)	2,161	975	830	356	457	224	93	(15)	192	-	**5,273**
Charge to provide for bad and doubtful debts	(401)	(187)	(2)	(3)	(44)	(141)	(13)	(285)	(23)	-	**(1,099)**
Cash earnings/(deficit) before tax, IoRE, distribution and non-controlling interest	1,760	788	828	353	413	83	80	(300)	169	-	**4,174**
Income tax (expense)/benefit	(520)	(235)	(210)	(97)	(111)	(21)	(27)	71	(18)	-	**(1,168)**
Cash earnings/(deficit) before IoRE, distribution and non-controlling interest	1,240	553	618	256	302	62	53	(229)	151	-	**3,006**
Net profit - non-controlling interest	-	-	-	(3)	-	-	-	-	-	-	**(3)**
IoRE	-	-	-	-	-	-	-	-	-	-	**-**
Distributions	-	-	-	-	-	-	-	-	-	(94)	**(94)**
Cash earnings/(deficit)	1,240	553	618	253	302	62	53	(229)	151	(94)	**2,909**

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

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Section 7

Glossary of Terms

Term	Description
AASB	Australian Accounting Standards Board.
ABS CDO	Asset-backed securities collateralised debt obligation.
APRA	Australian Prudential Regulation Authority.
ASX	Australian Securities Exchange.
ATO	Australian Taxation Office.
Average assets	Represents the average of assets over the period adjusted for disposed operations. Disposed operations include any operations that will not form part of the continuing Group. These include operations sold and those that have been announced to the market that have yet to reach completion.
Average interest earning assets	The average balance of assets held by the Group that generate interest income.
Banking	Banking operations include the Group's: - Retail and Non-Retail Lending in Business Banking, Personal Banking, UK Banking, UK Commercial Real Estate, NZ Banking, NAB Wealth and Great Western Bank; - Global Capital Markets and Treasury, Specialised Finance, Financial Institutions business within Wholesale Banking; and - Specialised Group Assets (SGA) operations and Group Funding within Corporate Functions and Other.
Banking Cost to Income Ratio	Represents banking operating expenses (before inter-segment eliminations) as a percentage of banking operating revenue (before inter-segment eliminations).
Basel III	Basel III is a global regulatory framework designed to increase the resilience of banks and banking systems and is effective for Australian Banks from 1 January 2013.
BNZ	Bank of New Zealand.
Cash earnings	Refer to page 2, Section 1 - Profit Reconciliation for information about, and the definition of cash earnings.
Cash earnings on risk-weighted assets	Calculated as cash earnings (annualised) divided by average risk-weighted assets. Average risk-weighted assets are calculated as the average of the current and previous two quarters' risk-weighted assets.
Cash earnings per share - basic	Calculated as cash earnings adjusted for distributions on other equity instruments, divided by the weighted average number of ordinary shares adjusted to include treasury shares held by the Group's life insurance business.
Cash earnings per share - diluted	Calculated as cash earnings adjusted for distributions on other equity instruments and interest expense on dilutive potential ordinary shares. This adjusted cash earnings is divided by the weighted average number of ordinary shares, adjusted to include treasury shares held by the Group's life insurance business and dilutive potential ordinary shares.
Cash return on equity (ROE)	Calculated as cash earnings divided by average shareholders' equity, excluding non-controlling interests and other equity instruments and adjusted for treasury shares.
Common Equity Tier 1	Common equity is recognised as the highest quality component of capital. It is subordinated to all other elements of funding, absorbs losses as and when they occur, has full flexibility of dividend payments and has no maturity date. It is predominately comprised of common shares; share premium; retained earnings; undistributed current year earnings; as well as other elements as defined under APS111 - Capital Adequacy: Measurement of Capital.
Company	National Australia Bank Limited.
Conduit	Special purpose entity (SPE) used to fund assets through the issuance of asset-backed commercial paper or medium-term notes.
Core Assets	Represents gross loans and advances including acceptances, financial assets at fair value, and investments held to maturity.
Customer Deposits	Deposits (Interest Bearing, Non-Interest Bearing and Term Deposits).
Customer Funding Index (CFI)	Customer Deposits divided by Core Assets.
Distributions	Payments to holders of other equity instrument issues such as National Income Securities, Trust Preferred Securities, Trust Preferred Securities II, Convertible Preference Shares, and National Capital Instruments.
Dividend Payout Ratio	Dividends paid on ordinary shares divided by cash earnings per share.
Earnings Per Share	Basic and diluted earnings per share calculated in accordance with the requirements of AASB 133 “Earnings per Share.”
Fair value	Fair value is defined as the amount for which an asset could be exchanged, or a liability settled, between willing parties in an arm's length transaction.
Fair value and hedge ineffectiveness	Represents volatility attributable to the Group's application of the fair value option, ineffectiveness from designated accounting and economic hedge relationships and economic hedges of significant approved funding activities where hedge accounting has not been applied.
FDIC	United States of America Federal Deposit Insurance Corporation.
FCA	United Kingdom Financial Conduct Authority.
FSA	United Kingdom Financial Services Authority. Effective from 1 April 2013, the FSA has been abolished and replaced with two successor organisations. The Prudential Regulation Authority (PRA) will ensure the stability of financial services firms and the Financial Conduct Authority (FCA) will provide oversight and regulate conduct in the financial services industry.
FOFA	The Future of Financial Services Advice package (FOFA) includes a set of reforms designed to improve the trust and confidence of Australian retail investors in the financial planning sector, and to tackle conflicts that have threatened the quality of financial advice provided to Australian investors. The reforms are mandatory from 1 July 2013.
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.
General Reserve for Credit Losses (GRCL)	The general reserve for credit losses (GRCL) is an estimate of the reasonable and prudent expected credit losses over the remaining life of the portfolio and on non-defaulted assets. The reserve is a compliance requirement under APRA's Prudential Standard 220 - Credit Quality. The GRCL is calculated as a collective provision for doubtful debts, excluding securitisation and provision on default no-loss assets. The difference between the GRCL and accounting collective provision is covered with an additional top-up, created through a transfer from retained earnings to reflect losses expected as a result of future events that are not recognised in the Group's collective provision for accounting purposes.
Group	The Company and its controlled entities.
GWB	Great Western Bank.

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 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 also classified as impaired assets when they become 180 days past due (if not written off).
Insurance	Includes the provision of personal and Group insurance by NAB Wealth.
Investments	Includes funds managed in the provision of investment and superannuation solutions by NAB Wealth.
Investment earnings on Retained Earnings (IoRE)	Investment earnings (net of tax) on shareholders' retained profits and capital from life businesses, net of capital funding costs, (IoRE) is comprised of three items: - Investment earnings on surplus assets which are held in the Statutory Funds to meet capital adequacy requirements under the Life Insurance Act 1995 (Cth); - Interest on deferred acquisition costs (net of reinsurance) included in insurance policy liabilities resulting from the unwind of discounting; and - Less the borrowing costs of any capital funding initiatives.
IoRE discount rate variation	The profit impact of a change in value of deferred acquisition costs (net of reinsurance) included in insurance policy liabilities resulting from a movement in the information adjusted risk-free discount rate.
IRB approach	The internal ratings based (IRB) approach refers to the processes employed by the Group to estimate credit risk. This is achieved through the use of internally developed models to assess the potential credit losses using the outputs from the probability of default, loss given default and exposure at default models.
IFRS	International Financial Reporting Standards.
'Jaws'	The difference between the percentage growth in revenue on the preceding period and the percentage growth in the expenses on the preceding period, calculated on a cash earnings basis.
Liquidity Coverage Ratio (LCR)	LCR is a new measure announced as part of the Basel III liquidity reforms that will apply from January 2015. The ratio measures the amount of high quality liquid assets held that can be converted to cash easily and immediately in private markets, to total net cash flows required to meet its liquidity needs for a 30 day calendar liquidity stress scenario.
Marketable debt securities	Comprises trading securities, investments - available for sale and investments - held to maturity.
NAB	The Company and its controlled entities.
NAB UK Commercial Real Estate (NAB UK CRE)	NAB UK CRE was created on 5 October 2012 following the transfer of certain commercial real estate loan assets from Clydesdale Bank PLC to the Company. These loan assets are managed by the NAB London Branch. At the date of transfer, the portfolio comprised of approximately 4,600 customers, and is managed by a team of specialists across three locations who are responsible for the orderly wind-down of the portfolio, according to the risk characteristics of customers.
Net interest margin (NIM)	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 owners.
Net profit attributable to non-controlling interest	Reflects the allocation of profit to non-controlling interests in the Group.
Net Stable Funding Ratio (NSFR)	NSFR is a new measure announced as part of the Basel III liquidity reforms that will apply from January 2018. The ratio measures the amount of longer-term, stable sources of funding relative to the liquidity profiles of the assets funded and the potential for contingent calls on funding liquidity arising from off-balance sheet commitments and obligations.
Net Tangible Assets per Ordinary 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-impaired assets 90+ days past due	Non-impaired assets 90+ days past due consist of well-secured assets that are more than 90 days past due and portfolio-managed facilities that are not well secured and between 90 and 180 days past due.
Non-Retail Lending	Non-retail transactions broadly refers to transactions with business customers. It excludes retail lending defined below.
PRA	United Kingdom Prudential Regulation Authority.
Retail Lending	For the purposes of segmenting the customer base, and managing transactions, two broad categories are used: Retail and Non Retail. This reflects the different approaches to managing sales and distribution channels. Retail broadly refers to products provided to personal customers.
RBA	Reserve Bank of Australia.
Risk-weighted assets (RWA)	A quantitative measure of the Group's risk, required by the APRA risk-based capital adequacy framework, covering credit risk for on- and off-balance sheet exposures, market risk, operational risk and interest rate risk in the banking book.
Securitisation	Structured finance technique which involves pooling and packaging cash-flow converting financial assets into securities that can be sold to investors.
SGA	Specialised Group Assets.
Stable Funding Index (SFI)	Term Funding Index (TFI) plus Customer Funding Index (CFI).
Term Funding Index (TFI)	Term Wholesale Funding (with a remaining maturity to first call date greater than 12 months) divided by Core Assets.
Tier 1 Capital	Tier 1 Capital comprises the highest quality components of capital that fully satisfy all of the characteristics outlined under APRA's prudential framework. It provides a permanent and unrestricted commitment of funds, are freely available to absorb losses, do not impose any unavoidable servicing charge against earnings, and rank behind the claims of depositors and other creditors in the event of winding-up.
Tier 1 Capital ratio	Tier 1 capital as defined by APRA divided by risk-weighted assets.
Total Shareholder Return	Total Shareholder Return (TSR) is a concept used to compare the performance of different companies' securities over time. It combines share price appreciation and dividends paid to show the total return to the shareholder. The absolute size of the TSR will vary with stock markets, but the relative position reflects the market perception of overall performance relative to a reference group.
Treasury Shares	Shares in the Company held by the Group's life insurance business and in trust by a controlled entity of the Group to meet the requirements of employee incentive schemes. The unrealised mark-to-market movements arising from changes in the share price, dividend income and realised profit and losses arising from share sales from shares held by the Group's life insurance business are eliminated for statutory reporting purposes.

Value of Acquisition Recovery Components (VARC)	It is a component, net of reinsurance costs, of insurance policy liabilities. It is the current termination value less insurance policy liabilities and represents the value of acquisition costs recoverable from future premiums.
Weighted Average Number of Shares	Calculated in accordance with the requirements of AASB 133 'Earnings per Share.'