FULL YEAR RESULTS 2016

Incorporating the requirements of Appendix 4E

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

Neville Mock and daughter Mardi,
Mock Red Hill

National Australia Bank

National Australia Bank Limited ABN 12 004 044 937

This page has been left blank intentionally.

Results for announcement to the market

Report for the full year ended 30 September 2016

							30 September 2016 $m
Revenue from ordinary activities [(1)]	page 54	down	1.7%	*	to	18,122
Net profit / (loss) after tax from ordinary activities attributable to owners of NAB [(2)]	page 54	down	94.4%	*	to	352
Net profit / (loss) attributable to owners of NAB [(2)]	page 54	down	94.4%	*	to	352

** On prior corresponding period (twelve months ended 30 September 2015).*

(1) Required to be disclosed by ASX Listing Rule Appendix 4E. Reported as the sum of the following items from the Group's consolidated income statement: net interest income $12,930 million, net investment and insurance income $647 million and total other income $4,545 million. On a cash earnings basis revenue increased by 2.5%. Refer to information on cash earnings on page 2 of Section 1, of the 2016 full year results.

(2) Net profit / (loss) attributable to owners of NAB was down 94.4% to $352 million, reflecting the CYBG demerger, costs pursuant to claims under the Conduct Indemnity Deed with CYBG and the sale of 80% of NAB Wealth's life insurance business.

Dividends	Amount per share cents	Franked amount per share %
Final dividend	99	100
Interim dividend	99	100
Record date for determining entitlements to the final dividend		7 November 2016

A Glossary of Terms is included in Section 7.

A reference in this Appendix 4E to the 'Group' is a reference to National Australia Bank Limited and its controlled entities. All currency amounts are expressed in Australian dollars unless otherwise stated. References in this document to the September 2016 year are references to the twelve months ended 30 September 2016. Other twelve month periods are referred to in a corresponding manner. National Australia Bank Limited's consolidated financial statements, prepared in accordance with the *Corporations Act* 2001 (Cth), are included in Section 5. See page 104 for a complete index of ASX Appendix 4E requirements.

This page has been left blank intentionally.

Table of Contents

This page has been left blank intentionally.

800 Bourke Street
Docklands VIC 3008
AUSTRALIA
www.nabgroup.com

National Australia Bank

Thursday, 27 October 2016

ASX ANNOUNCEMENT

NAB 2016 Full Year Results

Highlights

- Cash earnings[1] up 4% over the year to $6.48 billion and cash ROE 14.3%
- Statutory net profit of $352 million reflects loss on sale for both CYBG PLC (CYBG) and 80% of NAB Wealth's life insurance business
- Final dividend 99 cents per share fully franked, $2.63 billion declared
- Successful completion of sale of 80% of NAB Wealth's life insurance business and strategic partnership with Nippon Life Insurance Company (Nippon Life)
- Expenses well managed, declining 2% over September 2016 half year
- Balance sheet remains strong, CET1 ratio of 9.8% well above 8.75-9.25% target range

Key points

The September 2016 full year results for continuing operations are compared with September 2015 full year results for continuing operations unless otherwise stated, and reflect revisions to prior comparative financial information as detailed in NAB's ASX announcement on 13 October 2016.

- On a statutory basis, net profit attributable to the owners of the Company was $352 million, down 94.4% reflecting the loss on sale for both CYBG and 80% of NAB Wealth's life insurance business. Excluding discontinued operations[2], statutory net profit decreased 5.6% to $6.42 billion.
- Cash earnings[1] were $6.48 billion, an increase of $261 million or 4.2%. The main difference between statutory and cash earnings over the year relates to discontinued operations (demerger and IPO of CYBG and sale of 80% of NAB Wealth's life insurance business), distributions and the effects of fair value and hedge ineffectiveness[1].
- On a cash earnings basis:
  - Revenue increased 2.5%. Excluding gains in the March 2015 half year from a legal settlement and the UK Commercial Real Estate loan portfolio sale and SGA asset sales, revenue rose approximately 3.7%, benefitting from higher lending balances and stronger Markets and Treasury income[3]. Group net interest margin (NIM) declined 2 basis points mainly due to higher funding costs.

[1] Refer to note on cash earnings on page 4 of this document.
[2] Discontinued operations primarily relate to the operations and loss on sale for both CYBG and 80% of NAB Wealth's life insurance business. The comparative information also includes the post-tax profit/(loss) of Great Western Bank discontinued operations. Refer to Note 14 – Discontinued Operations of the 2016 Full Year Results Announcement for further detail.
[3] Markets and Treasury income represents Customer Risk Management and NAB Risk Management income.

- Expenses rose 2.2%. Key drivers include higher personnel costs and increased technology related amortisation and project spend, partly offset by productivity savings. Expenses in the September 2016 half year were tightly managed, declining 1.9% compared to the March 2016 half year.
- The charge for Bad and Doubtful Debts (B&DDs) rose 7.0% to $800 million. The increase primarily reflects higher specific charges relating to the impairment of a small number of large single name exposures in Australian Banking.

- The ratio of Group 90+ days past due and gross impaired assets to gross loans and acceptances of 0.85% at 30 September 2016 was 7 basis points higher compared to 31 March 2016 mainly reflecting increased impairment of New Zealand dairy exposures of which the majority are currently classified as no loss based on collective provisions and security held.
- The Group's Common Equity Tier 1 (CET1) ratio was 9.8% as at 30 September 2016, an increase of 8 basis points from 31 March 2016 reflecting the sale of 80% of NAB Wealth's life insurance business and strong capital generation, largely offset by the impact of higher mortgage risk weights from 1 July 2016. The Group's CET1 target ratio remains between 8.75% – 9.25%, based on current regulatory requirements.
- The final dividend is 99 cents per share fully franked, unchanged from the 2016 interim and 2015 final dividends.
- The Group maintains a well diversified funding profile and has raised $36.4 billion of term wholesale funding in the 2016 financial year. The weighted average term to maturity of the funds raised by the Group over the 2016 financial year was 5.4 years. The stable funding index was 91% at 30 September 2016, 2 percentage points higher than at 31 March 2016.
- The Group's quarterly average liquidity coverage ratio as at 30 September 2016 was 121%.

Executive commentary

"This has been a milestone year for the Group with the completion of major divestments including our exit from CYBG and the sale of 80% of our life insurance business to Nippon Life. NAB moves into 2017 a reshaped business – stronger, simpler and focused on helping our customers in Australia and New Zealand," NAB Group CEO Andrew Thorburn said.

"These changes have been achieved while delivering an improved operating performance and maintaining a strong balance sheet, sound asset quality and tight control of costs. This is against a backdrop of favourable Australian and New Zealand economic conditions, but also rising funding costs and global uncertainty.

"Improving momentum and stabilising margins in Business Banking have been particularly pleasing, with lending and revenue growth focused on higher returning priority segments. In Personal Banking, we made good progress in restoring home loan volume growth back to system levels after a period of significant change in pricing and credit policies.

"We have lifted our Priority Segments Net Promoter Score (NPS)[4,5] performance among the major banks from third to first over the year to 30 September 2016. However there is more to do to achieve a level of customer advocacy we can be proud of, particularly in our priority segments.

---

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

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

"Our sustained focus on driving the right culture, living our core values and putting customers at the centre of everything we do has seen us address over 100 customer pain points over the past two years. This has made it easier for 4.6 million customers to do business with us. We know customers expect simple and easy banking and we continue to focus on improving services and reliability.

"We completed the national roll out of the Personal Banking Origination Platform (PBOP), which is now used for originating and fulfilling personal products, resulting in simpler processes and faster turnaround times for cards and personal lending. With this significant step in our technology transformation complete, our focus shifts to fully leveraging the benefits and expanding the capability to other channels.

"In August 2016 we announced a refresh of our organisational structure and management team to create a simpler, more customer-focused organisation.

"NAB is well positioned to deliver improved customer outcomes and attractive returns for shareholders in the year ahead, with a clear plan and the right organisational structure in place," Mr Thorburn said.

Business Unit Commentary

Australian Banking cash earnings were $5,472 million, an increase of 7% reflecting higher revenue and lower B&DD charges. Revenue rose 5% benefitting from stronger Markets and Treasury[3] performance, combined with higher volumes of housing and business lending and a 3 basis point lift in NIM. Revenue for Business Banking increased 2% and for Personal Banking increased 7%. Expenses rose 4% due mainly to personnel cost increases, but over the September 2016 half year decreased 1%. B&DD charges of $639 million fell 4% reflecting improved credit quality in the broader business lending portfolio partly offset by higher specific charges arising from a small number of large single name impairments.

NZ Banking local currency cash earnings of NZ$836 million rose 2% over the year. The key drivers were improved revenue and lower B&DD charges reflecting favourable economic conditions outside the dairy sector. Revenue rose 1% with improved lending volumes and fee income, partly offset by a decline in NIM due to competitive pressure and higher funding costs. Expense growth was contained to 1% despite continued investment in the Auckland focused growth strategy.

NAB Wealth cash earnings increased 13% to $356 million reflecting stronger revenue and lower expenses. Net income rose 2% benefitting from higher average funds under management (FUM), up 12% given strong investment markets, positive net funds flow and the inclusion of JBWere FUM from January 2016. Expenses declined 4% reflecting lower regulatory and compliance spend combined with tight control of discretionary costs.

For further information:

Media

Mark Alexander	Jessica Forrest
M: +61 (0) 412 171 447	M: +61 (0) 457 536 958

Investor Relations

Ross Brown	Natalie Coombe
M: +61 (0) 417 483 549	M: +61 (0) 477 327 540

DISCLAIMER – FORWARD LOOKING STATEMENTS

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

NOTE ON CASH EARNINGS

Full detail on how cash earnings is defined, a discussion of non-cash earnings items and a full reconciliation of statutory net profit attributable to owners of NAB for the year ended 30 September 2016 is set out on pages 2 to 8 of the 2016 Full Year Results Announcement under the heading "Profit Reconciliation".

The Group's results and Review of Divisional Operations and Results are presented on a cash earnings basis, unless otherwise stated. Cash earnings is a key financial performance measure used by NAB, the investment community and NAB's Australian peers with a similar business portfolio. NAB also uses cash earnings for its internal management reporting, as it better reflects what NAB considers to be the underlying performance of the Group. It is not a statutory financial measure, is not presented in accordance with Australian Accounting Standards, and is not audited or reviewed in accordance with Australian Auditing Standards. "Cash earnings" is calculated by excluding discontinued operations and certain other items which are included within the statutory net profit attributable to owners of NAB. Section 5 of the Full Year Results Announcement sets out 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 audited by the auditors in accordance with Australian Auditing Standards, will be released on 14 November 2016 in NAB's 2016 Annual Financial Report.

Section 1

Profit Reconciliation

Information about Cash Earnings

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

Explanation and Definition of Cash Earnings

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

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

- Distributions.
- Treasury shares.
- Fair value and hedge ineffectiveness.
- Life insurance 20% share of profit.
- Amortisation of acquired intangible assets.

Non-cash items in prior period comparatives have been restated to exclude discontinued operations as a result of the sale of 80% of NAB Wealth's life insurance business to Nippon Life Insurance Company (Nippon Life) and the demerger of CYBG PLC (CYBG).

Reconciliation to Statutory Net Profit

Section 5 of the 2016 Full Year Results Announcement contains the Group's income statement, including statutory net profit. The statutory net profit for the period is the sum of both net profit / (loss) from continuing operations and discontinued operations. Discontinued operations in the September 2016 full year includes the loss on sale of 80% of NAB Wealth's life insurance business, the loss on demerger of CYBG and costs pursuant to claims under the Conduct Indemnity Deed with CYBG. Further detail on discontinued operations is set out in Note 14 to the consolidated financial statements on page 81. The Group's audited financial statements, prepared in accordance with the *Corporations Act* 2001 (Cth) and applicable Australian Accounting Standards, will be published in its 2016 Annual Financial Report on 14 November 2016.

A reconciliation of cash earnings to statutory net profit / (loss) attributable to owners of NAB (statutory net profit, less non-controlling interest in controlled entities) is set out on page 3, and full reconciliations between statutory net profit and cash earnings are included in this section on pages 5-8 of the 2016 Full Year Results Announcement.

Page 4 contains a description of non-cash earnings items for September 2016 and for prior comparative periods.

Underlying Profit

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

Group Results (1)

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

		Year to			Half Year to		
	Note	Sep 16 $m	Sep 15 $m	Sep 16 v Sep 15 %	Sep 16 $m	Mar 16 $m	Sep 16 v Mar 16 %
Net interest income		**12,930**	12,498	3.5	**6,330**	6,600	(4.1)
Other operating income		**4,503**	4,507	(0.1)	**2,394**	2,109	13.5
Net operating income		**17,433**	17,005	2.5	**8,724**	8,709	0.2
Operating expenses		**(7,438)**	(7,278)	(2.2)	**(3,683)**	(3,755)	1.9
Underlying profit		**9,995**	9,727	2.8	**5,041**	4,954	1.8
Charge to provide for bad and doubtful debts		**(800)**	(748)	(7.0)	**(425)**	(375)	(13.3)
Cash earnings before tax and distributions		**9,195**	8,979	2.4	**4,616**	4,579	0.8
Income tax expense		**(2,588)**	(2,582)	(0.2)	**(1,293)**	(1,295)	0.2
Cash earnings before distributions		**6,607**	6,397	3.3	**3,323**	3,284	1.2
Distributions		**(124)**	(175)	29.1	**(60)**	(64)	6.3
Cash earnings		**6,483**	6,222	4.2	**3,263**	3,220	1.3
Non-cash earnings items (after tax):							
Distributions		**124**	175	(29.1)	**60**	64	(6.3)
Treasury shares		**61**	4	large	**(1)**	62	large
Fair value and hedge ineffectiveness		**(126)**	516	large	**(66)**	(60)	(10.0)
Life insurance 20% share of profit		**(39)**	(37)	(5.4)	**(17)**	(22)	22.7
Amortisation of acquired intangible assets		**(83)**	(80)	(3.8)	**(43)**	(40)	(7.5)
Net profit from continuing operations		**6,420**	6,800	(5.6)	**3,196**	3,224	(0.9)
Net (loss) after tax from discontinued operations	14	**(6,068)**	(462)	large	**(1,102)**	(4,966)	77.8
Net profit / (loss) attributable to owners of NAB		**352**	6,338	(94.4)	**2,094**	(1,742)	large

(1) *Information is presented on a continuing operations basis including prior period restatements. Included in discontinued operations are the results of CYBG Group and NAB Wealth's life insurance business (2015: GWB, CYBG Group and NAB Wealth's life insurance business). Refer to Section 5, Note 14 – Discontinued operations for further information.*

Non-cash Earnings Items

Distributions

Distributions relating to hybrid equity instruments are treated as an expense for cash earnings purposes and as a reduction in equity (dividend) for statutory reporting purposes. The distributions on other equity instruments are set out in *Section 5, Note 6 - Dividends and Distributions*. The effect of this in the September 2016 full year is to reduce cash earnings by $124 million.

Treasury Shares

For statutory reporting purposes, the Group eliminates the effect on statutory profit of the Group's investment in NAB shares that are consolidated into the Group. The elimination includes unrealised mark-to-market movements arising from changes in NAB's share price, dividend income and realised profits and losses on the disposal of shares. This results in an accounting mismatch because the impact of the life policy liabilities supported by these shares is reflected in statutory profit. As such the statutory treasury shares elimination is reversed for cash earnings purposes. In the September 2016 full year, there was an increase in statutory profit of $68 million ($61 million after tax) from these shares. As a result of the sale of 80% of NAB Wealth's life insurance business to Nippon Life, NAB will no longer consolidate managed schemes which invest in the treasury shares going forward.

Fair Value and Hedge Ineffectiveness

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

In the September 2016 full year there was a decrease in statutory profit of $154 million ($126 million after tax) from fair value and hedge ineffectiveness. This was largely due to the change in the fair value of the derivatives used to manage the Group's long-term funding from movements in spreads between Australian and overseas interest rates, and mark-to-market movements of assets and liabilities designated at fair value reflecting current market conditions. In particular, the impact of interest rate and foreign exchange movements has resulted in mark-to-market losses on these derivatives and term funding issuances.

Amortisation of Acquired Intangible Assets

The amortisation of acquired intangibles represents the amortisation of intangible assets arising from the acquisition of controlled entities and associates such as management agreements and contracts in force. In the September 2016 full year there was a decrease in statutory profit of $92 million ($83 million after tax) due to the amortisation of acquired intangible assets.

Life Insurance 20% Share of Profit

Life insurance 20% share of profit represents the earnings associated with the 20% retained stake in NAB Wealth's life insurance business following the sale of 80% to Nippon Life with effect from 30 September 2016. For statutory reporting purposes, the full year profit of the life insurance business is presented within discontinued operations. The effect of the life insurance 20% share of profit adjustment on the September 2016 full year is to increase cash earnings by $39 million (after tax). The life insurance 20% share of profit will be included in statutory profit from 1 October 2017 onwards.

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

Year ended 30 September 2016	Statutory Net Profit from continuing operations $m	NAB Wealth adj.[1] $m	Distri-butions $m	Treasury shares $m	Fair value and hedge ineffec. $m	Life insurance 20% share of profit $m	Amortisation of acquired intangible assets $m	Cash Earnings $m
Net interest income	12,930	-	-	-	-	-	-	**12,930**
Other operating income	5,192	(801)	-	(68)	141	39	-	**4,503**
Net operating income	18,122	(801)	-	(68)	141	39	-	**17,433**
Operating expenses	(8,331)	801	-	-	-	-	92	**(7,438)**
Profit / (loss) before charge to provide for doubtful debts	9,791	-	-	(68)	141	39	92	**9,995**
Charge to provide for doubtful debts	(813)	-	-	-	13	-	-	**(800)**
Profit / (loss) before tax	8,978	-	-	(68)	154	39	92	**9,195**
Income tax (expense) / benefit	(2,553)	(5)	-	7	(28)	-	(9)	**(2,588)**
Net profit / (loss) on continuing operations before distributions and non-controlling interest	6,425	(5)	-	(61)	126	39	83	**6,607**
Net (loss) / profit attributable to non-controlling interest in controlled entities	(5)	5	-	-	-	-	-	**-**
Distributions	-	-	(124)	-	-	-	-	**(124)**
Net profit / (loss) attributable to owners of NAB from continuing operations	**6,420**	**-**	**(124)**	**(61)**	**126**	**39**	**83**	**6,483**

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

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

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

ii) All remaining NIII amounts are then reclassified to other operating income and operating expenses.

b) Volume related expenses are reclassified from operating expenses and net interest income to other operating income, consistent with the cash earnings view.

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

Year ended 30 September 2015	Statutory Net Profit from continuing operations $m	NAB Wealth adj.[(1)] $m	Distri-butions $m	Treasury shares $m	Fair value and hedge ineffec. $m	Life insurance 20% share of profit $m	Amortisation of acquired intangible assets $m	Cash Earnings $m
Net interest income	12,462	36	-	-	-	-	-	**12,498**
Other operating income	5,975	(755)	-	(28)	(724)	37	2	**4,507**
Net operating income	18,437	(719)	-	(28)	(724)	37	2	**17,005**
Operating expenses	(8,189)	811	-	-	-	-	100	**(7,278)**
Profit / (loss) before charge to provide for doubtful debts	10,248	92	-	(28)	(724)	37	102	**9,727**
Charge to provide for doubtful debts	(733)	-	-	-	(15)	-	-	**(748)**
Profit / (loss) before tax	9,515	92	-	(28)	(739)	37	102	**8,979**
Income tax (expense) / benefit	(2,709)	(98)	-	24	223	-	(22)	**(2,582)**
Net profit / (loss) on continuing operations before distributions and non-controlling interest	6,806	(6)	-	(4)	(516)	37	80	**6,397**
Net (loss) / profit attributable to non-controlling interest in controlled entities	(6)	6	-	-	-	-	-	**-**
Distributions	-	-	(175)	-	-	-	-	**(175)**
Net profit / (loss) attributable to owners of NAB from continuing operations	**6,800**	**-**	**(175)**	**(4)**	**(516)**	**37**	**80**	**6,222**

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

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

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

ii) All remaining NIII amounts are then reclassified to other operating income and operating expenses.

b) Volume related expenses are reclassified from operating expenses and net interest income to other operating income, consistent with the cash earnings view.

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

Half Year ended 30 September 2016	Statutory Net Profit from continuing operations $m	NAB Wealth adj.[(1)] $m	Distri-butions $m	Treasury shares $m	Fair value and hedge ineffec. $m	Life insurance 20% share of profit $m	Amortisation of acquired intangible assets $m	Cash Earnings $m
Net interest income	6,333	(3)	-	-	-	-	-	**6,330**
Other operating income	2,723	(443)	-	13	85	17	(1)	**2,394**
Net operating income	9,056	(446)	-	13	85	17	(1)	**8,724**
Operating expenses	(4,135)	404	-	-	-	-	48	**(3,683)**
Profit / (loss) before charge to provide for doubtful debts	4,921	(42)	-	13	85	17	47	**5,041**
Charge to provide for doubtful debts	(427)	-	-	-	2	-	-	**(425)**
Profit / (loss) before tax	4,494	(42)	-	13	87	17	47	**4,616**
Income tax (expense) / benefit	(1,296)	40	-	(12)	(21)	-	(4)	**(1,293)**
Net profit / (loss) on continuing operations before distributions and non-controlling interest	3,198	(2)	-	1	66	17	43	**3,323**
Net (loss) / profit attributable to non-controlling interest in controlled entities	(2)	2	-	-	-	-	-	**-**
Distributions	-	-	(60)	-	-	-	-	**(60)**
Net profit / (loss) attributable to owners of NAB from continuing operations	**3,196**	**-**	**(60)**	**1**	**66**	**17**	**43**	**3,263**

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

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

Half Year ended 31 March 2016	Statutory Net Profit from continuing operations $m	NAB Wealth adj.[1] $m	Distri-butions $m	Treasury shares $m	Fair value and hedge ineffec. $m	Life insurance 20% share of profit $m	Amortisation of acquired intangible assets $m	Cash Earnings $m
Net interest income	6,597	3	-	-	-	-	-	**6,600**
Other operating income	2,469	(358)	-	(81)	56	22	1	**2,109**
Net operating income	9,066	(355)	-	(81)	56	22	1	**8,709**
Operating expenses	(4,196)	397	-	-	-	-	44	**(3,755)**
Profit / (loss) before charge to provide for doubtful debts	4,870	42	-	(81)	56	22	45	**4,954**
Charge to provide for doubtful debts	(386)	-	-	-	11	-	-	**(375)**
Profit / (loss) before tax	4,484	42	-	(81)	67	22	45	**4,579**
Income tax (expense) / benefit	(1,257)	(45)	-	19	(7)	-	(5)	**(1,295)**
Net profit / (loss) on continuing operations before distributions and non-controlling interest	3,227	(3)	-	(62)	60	22	40	**3,284**
Net (loss) / profit attributable to non-controlling interest in controlled entities	(3)	3	-	-	-	-	-	**-**
Distributions	-	-	(64)	-	-	-	-	**(64)**
Net profit / (loss) attributable to owners of NAB from continuing operations	**3,224**	**-**	**(64)**	**(62)**	**60**	**22**	**40**	3,220

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

Section 2

Highlights

Group Performance Results (1)

		Year to			Half Year to		
	Note	Sep 16 $m	Sep 15 $m	Sep 16 v Sep 15 %	Sep 16 $m	Mar 16 $m	Sep 16 v Mar 16 %
Net interest income		**12,930**	12,498	3.5	**6,330**	6,600	(4.1)
Other operating income		**4,503**	4,507	(0.1)	**2,394**	2,109	13.5
Net operating income		**17,433**	17,005	2.5	**8,724**	8,709	0.2
Operating expenses		**(7,438)**	(7,278)	(2.2)	**(3,683)**	(3,755)	1.9
Underlying profit		**9,995**	9,727	2.8	**5,041**	4,954	1.8
Charge to provide for bad and doubtful debts		**(800)**	(748)	(7.0)	**(425)**	(375)	(13.3)
Cash earnings before tax and distributions		**9,195**	8,979	2.4	**4,616**	4,579	0.8
Income tax expense		**(2,588)**	(2,582)	(0.2)	**(1,293)**	(1,295)	0.2
Cash earnings before distributions		**6,607**	6,397	3.3	**3,323**	3,284	1.2
Distributions		**(124)**	(175)	29.1	**(60)**	(64)	6.3
Cash earnings		**6,483**	6,222	4.2	**3,263**	3,220	1.3
Non-cash earnings items (after tax):							
Distributions		**124**	175	(29.1)	**60**	64	(6.3)
Treasury shares		**61**	4	large	**(1)**	62	large
Fair value and hedge ineffectiveness		**(126)**	516	large	**(66)**	(60)	(10.0)
Life insurance 20% share of profit		**(39)**	(37)	(5.4)	**(17)**	(22)	22.7
Amortisation of acquired intangible assets		**(83)**	(80)	(3.8)	**(43)**	(40)	(7.5)
Net profit from continuing operations		**6,420**	6,800	(5.6)	**3,196**	3,224	(0.9)
Net (loss) after tax for the period from discontinued operations	14	**(6,068)**	(462)	large	**(1,102)**	(4,966)	77.8
Net profit / (loss) attributable to owners of NAB		**352**	6,338	(94.4)	**2,094**	(1,742)	large
Represented by:							
Australian Banking		**5,472**	5,101	7.3	**2,778**	2,694	3.1
NZ Banking		**778**	762	2.1	**405**	373	8.6
NAB Wealth		**356**	316	12.7	**197**	159	23.9
Corporate Functions and Other		**1**	218	(99.5)	**(57)**	58	large
Distributions		**(124)**	(175)	29.1	**(60)**	(64)	6.3
Cash earnings		**6,483**	6,222	4.2	**3,263**	3,220	1.3

Shareholder Summary

	Year to			Half Year to		
	Sep 16	Sep 15	Sep 16 v Sep 15	Sep 16	Mar 16	Sep 16 v Mar 16
Dividend per share (cents)	**198**	198	-	**99**	99	-
Dividend payout ratio (1)	**80.8%**	79.5%	130 bps	**80.4%**	80.9%	(50 bps)
Statutory earnings per share (cents) - basic	**8.8**	252.7	(243.9)	**78.0**	(70.1)	148.1
Statutory earnings per share (cents) - diluted	**15.5**	245.4	(229.9)	**76.1**	(62.0)	138.1
Statutory earnings per share from continuing operations (cents) - basic	**242.4**	271.7	(29.3)	**120.2**	122.7	(2.5)
Statutory earnings per share from continuing operations (cents) - diluted	**232.7**	263.3	(30.6)	**115.2**	117.8	(2.6)
Cash earnings per share (cents) - basic	**245.1**	249.0	(3.9)	**123.1**	122.3	0.8
Cash earnings per share (cents) - diluted	**235.3**	242.1	(6.8)	**117.9**	117.5	0.4
Statutory return on equity	**0.5%**	15.2%	large	**9.1%**	(8.3%)	large
Cash return on equity (ROE)	**14.3%**	14.8%	(50 bps)	**14.3%**	14.3%	-

(1) *The prior period dividend payout ratios have been restated to reflect continuing operations. The inclusion of NAB Wealth's life insurance business would result in: year to September 2016: 78.9%, year to September 2015: 77.7%, half year to September 2016: 78.8% and half year to March 2016: 78.8%.*

(1) *Information is presented on a continuing operations basis including prior period restatements. Included in discontinued operations are the results of CYBG Group and NAB Wealth's life insurance business (2015: GWB, CYBG Group and NAB Wealth's life insurance business). Refer to Section 5, Note 14 – Discontinued operations for further information.*

Key Performance Indicators

	Year to			Half Year to		
	Sep 16	**Sep 15**	**Sep 16 v Sep 15**	**Sep 16**	**Mar 16**	**Sep 16 v Mar 16**
Group [(1)]						
Cash earnings on average assets	**0.76%**	0.72%	4 bps	**0.78%**	0.74%	4 bps
Cash earnings on average risk-weighted assets	**1.77%**	1.86%	(9 bps)	**1.76%**	1.80%	(4 bps)
Cash earnings per average FTE ($'000)	**188**	182	3.0%	**187**	188	(0.5%)
Banking cost to income (CTI) ratio	**41.4%**	41.2%	(20 bps)	**41.2%**	41.6%	40 bps
Net interest margin	**1.88%**	1.90%	(2 bps)	**1.82%**	1.93%	(11 bps)
Capital [(2)]						
Common Equity Tier 1 ratio	**9.77%**	10.24%	(47 bps)	**9.77%**	9.69%	8 bps
Tier 1 ratio	**12.19%**	12.44%	(25 bps)	**12.19%**	11.77%	42 bps
Total capital ratio	**14.14%**	14.15%	(1 bp)	**14.14%**	13.25%	89 bps
Risk-weighted assets ($bn)	**388.4**	399.8	(2.9%)	**388.4**	361.4	7.5%
Volumes ($bn) [(1)]						
Gross loans and acceptances [(3)] [(4)]	**545.8**	521.9	4.6%	**545.8**	532.3	2.5%
Average interest earning assets	**689.5**	658.1	4.8%	**695.1**	683.9	1.6%
Total average assets	**855.8**	864.6	(1.0%)	**837.1**	874.0	(4.2%)
Total customer deposits [(3)]	**390.5**	362.0	7.9%	**390.5**	376.7	3.7%
Asset quality [(1)]						
90+ days past due and gross impaired assets to gross loans and acceptances	**0.85%**	0.63%	22 bps	**0.85%**	0.78%	7 bps
Collective provision to credit risk-weighted assets [(5)]	**0.85%**	0.99%	(14 bps)	**0.85%**	0.98%	(13 bps)
Specific provision to gross impaired assets [(6)]	**38.3%**	30.3%	800 bps	**38.3%**	36.4%	190 bps
Other [(1)]						
Funds under management and administration ($bn) [(7)]	**197.4**	168.4	17.2%	**197.4**	188.4	4.8%
Full Time Equivalent Employees (FTE) (spot)	**34,263**	33,894	(1.1%)	**34,263**	34,780	1.5%
Full Time Equivalent Employees (FTE) (average)	**34,567**	34,148	(1.2%)	**34,835**	34,330	(1.5%)
Australian Banking (AU$) [(1)]						
Cash earnings ($m)	**5,472**	5,101	7.3%	**2,778**	2,694	3.1%
Cash earnings on average assets	**0.74%**	0.68%	6 bps	**0.75%**	0.73%	2 bps
Cash earnings on average risk-weighted assets	**1.85%**	1.83%	2 bps	**1.85%**	1.86%	(1 bp)
Net interest margin	**1.66%**	1.63%	3 bps	**1.61%**	1.70%	(9 bps)
Net operating income ($m)	**14,048**	13,393	4.9%	**7,047**	7,001	0.7%
Cost to income ratio	**41.2%**	41.5%	30 bps	**40.8%**	41.5%	70 bps
NZ Banking (NZ$) [(1)]						
Cash earnings (NZ$m)	**836**	823	1.6%	**432**	404	6.9%
Cash earnings on average assets	**1.13%**	1.20%	(7 bps)	**1.15%**	1.11%	4 bps
Cash earnings on average risk-weighted assets	**1.63%**	1.74%	(11 bps)	**1.65%**	1.61%	4 bps
Net interest margin	**2.25%**	2.44%	(19 bps)	**2.20%**	2.31%	(11 bps)
Net operating income (NZ$m)	**2,111**	2,092	0.9%	**1,060**	1,051	0.9%
Cost to income ratio	**39.5%**	39.5%	-	**39.5%**	39.5%	-
NAB Wealth (AU$) [(1)]						
Cash earnings ($m)	**356**	316	12.7%	**197**	159	23.9%
Operating expenses to average FUM/A (bps)	**41**	47	6 bps	**38**	43	5 bps
Cost to income ratio	**61.5%**	65.1%	360 bps	**58.3%**	64.9%	660 bps

(1) *Information is presented on a continuing operations basis including prior period restatements.*
(2) *Capital numbers reflect the reported figures as at the respective dates and have not been restated.*
(3) *Spot balance at reporting date.*
(4) *Including loans and advances at fair value.*
(5) *Financial System Inquiry (FSI) Mortgage risk weight changes in July 2016 contributed to an eight basis point decrease.*
(6) *Consists only of impaired assets where a specific provision has been raised and excludes $785 million (NZ$823 million) of NZ dairy exposures currently assessed as no loss based on collective provision and security held (March 2016: $522 million, NZ$579 million, FY15: Nil).*
(7) *Excludes Trustee and Cash Management within NAB Wealth.*

Group Performance

Andrew Thorburn

Restatement of Prior Period Financial Information

In accordance with AASB 5 'Non-current Assets Held for Sale and Discontinued Operations', discontinued operations includes the loss on demerger of CYBG and sale of 80% of NAB Wealth's life insurance business, the operating results of CYBG and NAB Wealth's life insurance business and costs pursuant to claims under the Conduct Indemnity Deed with CYBG. Prior period comparatives have been restated. The restated income statements are presented on page 54.

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

Net Profit / (Loss) Attributable to Owners of NAB

During the September 2016 full year, net profit attributable to owners of NAB (statutory net profit) was $352 million. This represented a decrease of $5,986 million against the September 2015 full year statutory net profit. This was driven by the increased loss from discontinued operations, unfavourable movements in fair value and hedge ineffectiveness and higher operating expenses, partially offset by higher net operating income.

Excluding the impact of discontinued operations, a net profit attributable to owners of NAB (statutory net profit) of $6,420 million was delivered for the September 2016 full year. This represented a decrease of $380 million or 5.6% against the September 2015 full year, driven by unfavourable movements in fair value and hedge ineffectiveness and higher operating expenses, partially offset by higher net operating income. Net profit attributable to owners of NAB is prepared in accordance with the *Corporations Act* 2001 (Cth), and applicable Australian Accounting Standards.

Shareholders Returns

The Group's statutory return on equity (statutory ROE) was materially impacted in both the first and second half years by the demerger of CYBG and the sale of 80% of NAB Wealth's life insurance business. Given the magnitude of the change in statutory ROE, and the fact that the change relates primarily to discontinued businesses, the amount of the decrease to statutory ROE in basis points is too large to be meaningful.

The Group's cash return on equity (cash earnings ROE) on continuing businesses decreased by 50 basis points to 14.3% compared to the September 2015 full year mainly due to the full year dilutionary effects of the $5.5 billion capital raising that occurred in the September 2015 half year.

The final dividend for September 2016 is 99 cents per share, consistent with the interim dividend for the March 2016 half year. This represents a dividend payout ratio of 80.8% for the September 2016 full year on a cash earnings (basic) basis.

The dividend payment is 100% franked and will be paid on 13 December 2016. Shares will be quoted ex-dividend on 4 November 2016.

Earnings Per Share

Basic statutory earnings per share decreased by 243.9 cents or 96.5% on the September 2015 year. Diluted earnings per share decreased by 229.9 cents or 93.7%. This reflects the Group's decrease in statutory profit over the year.

Basic statutory earnings per share increased by 148.1 cents or 211.3% on the March 2016 half year. Diluted earnings per share increased by 138.1 cents or 222.7%. This reflects the Group's increase in statutory profit over the half year.

Basic statutory earnings from continuing operations per share decreased by 29.3 cents or 10.8% on the September 2015 year. Diluted earnings per share decreased by 30.6 cents or 11.6%. This reflects an increase in the Group's weighted average ordinary shares (due primarily to the $5.5 billion share capital raising in the September 2015 half year), as well as a decrease in statutory earnings from continuing operations.

Basic statutory earnings from continuing operations per share decreased by 2.5 cents or 2.0% on the March 2016 half year. Diluted earnings per share decreased by 2.6 cents or 2.2%. This reflects an increase in the Group's weighted average ordinary shares, as well as a decrease in statutory earnings from continuing operations.

Basic cash earnings per share decreased by 3.9 cents or 1.6% on the September 2015 year. Diluted cash earnings per share decreased by 6.8 cents or 2.8%. This reflects an increase in the Group's weighted average ordinary shares, due primarily to the $5.5 billion share capital raising in the September 2015 half year.

Basic cash earnings per share increased by 0.8 cents or 0.7% on the March 2016 half year. Diluted cash earnings per share increased by 0.4 cents or 0.3%. This reflects the Group's increase in cash earnings over the period.

Strategic Highlights

Vision and Objectives

The Group is executing a refreshed strategy in pursuit of its vision of being Australia and New Zealand's most respected bank. To realise this vision, the Group strategy outlines three objectives to guide execution and measure performance:
1. Customers are advocates.
2. People are engaged.
3. Shareholder return on equity (ROE) is improved.

Outcomes for 2016

During the September 2016 full year, the Group made significant progress towards achieving these goals.

1. Focus on core Australia and New Zealand customers

During the September 2016 full year, the Group completed a major divestment program exiting some non-core assets, including:
- Full divestment of CYBG through a demerger and IPO in February 2016.
- Sale of 80% of NAB Wealth's life insurance business to Nippon Life with effect from September 2016.

This has simplified the Group and allows it to focus on its core Australian and New Zealand franchise markets.

2. Delivering a great customer experience

Traction on strategy is evidenced by:
- Improving the customer experience, examples of this include continued roll out of customer advocacy measurement through the Net Promoter Score (NPS). [(1)] Customer advocacy in priority customer segments is included in the organisation's goals and in executive scorecards. During the 2016 full year, NAB moved from third to first amongst major peers on priority segment NPS. [(2)]

- Addressing customer pain points by simplifying products, services and processes to improve the customer experience. During 2015 and 2016, over 100 pain points were addressed, contributing to the 4.6 million customers who have been positively impacted by the program since its initiation in 2014.

- New products and services to meet customer needs. For example, NAB QuickBiz loans offers quick online unsecured loans to small businesses.

- The Group has also streamlined its superannuation business, merging five of its super funds into one to create Australia's largest retail super fund. The MLC Super Fund will manage superannuation and retirement needs for more than a million Australians, making it easier for them to move between various products and features as their needs change throughout their lives.

- The national rollout of NAB's Personal Banking Origination Platform (PBOP) was completed in 2016 and the platform has now been rolled out to over 8,000 bankers. The customer experience for both secured and unsecured consumer lending will be greatly enhanced by greater visibility of application progress, fewer touches and improved turnaround times.

3. Engage our people

The Group is committed to:
- Identifying and nurturing talent to deliver great results for customers.
- Building great leaders to drive performance.
- Building people capability to perform at a higher level and support a culture that drives high performance. Performance is measured using a balanced scorecard approach.

As a result of this focus employee engagement improved from 56% for the September 2015 full year to 61% for the September 2016 full year. [(3)] The Group engagement score is now above the "Global High Performing Organisations Benchmark". [(3)]

4. Deliver improved returns

Divesting CYBG and 80% of NAB Wealth's life insurance business, has tilted the portfolio towards business lines with higher returns where the Group has strong capability to compete.

The Group delivered a statutory ROE of 0.5%. The Group's cash ROE for continuing operations was 14.3%, compared with the Group's cash ROE of 14.8% in FY15.

5. Maintain and strengthen our foundations

The Group's strategy is supported by maintaining and strengthening our foundations of balance sheet strength (including capital, funding and liquidity), risk management capability (including credit and operating risk) and technology platforms.

Capital:
- In relation to capital, divestments and portfolio rebalancing have improved the Group's capital position.
- The Group remained well capitalised during the September 2016 full year and is operating above the Common Equity Tier 1 (CET1) target ratio of 8.75% - 9.25%, with a CET1 ratio of 9.77% as at 30 September 2016. These capital outcomes include the higher capital levels required to be held by the Group as a result of the Financial System Inquiry recommendations in relation to mortgage risk weights.

---

(1) Net Promoter® and NPS® are registered trademarks and Net Promoter Score and Net Promoter System are trademarks of Bain & Company, Satmetix Systems and Fred Reichheld.
(2) Priority segments Net Promoter Score (NPS) is a simple average of the NPS scores of five priority segments: Mortgage Customers, Debt Free, Micro Business (<$1m), Small Business ($1m-<$5m) and Medium Business ($5-<$50m). The Priority Segments NPS data is based on six month moving averages from Roy Morgan Research and DBM BFSM Research.
(3) Speak Up, Step Up survey conducted by Right Management. The 2015 engagement figure has been restated to exclude discontinued operations.

Strategic Highlights (continued)

5. Maintain and strengthen our foundations (continued)

Funding:
- 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- (S&P/Moody's/Fitch); and National Wealth Management Holdings Limited A+ (S&P).
- The Group maintains a well-diversified funding profile and has raised $36.4 billion during the 2016 financial year.
- Excluding the impact of the CYBG demerger, the structural metrics remained stable over the 2016 financial year (refer to page 32).

Liquidity:
- The Group has maintained strong liquidity throughout the year. The September 2016 quarterly average Liquidity Coverage Ratio (LCR) was 121%, which is above the APRA requirement of 100%.

Net Stable Funding Ratio (NSFR):
- The NAB Group NSFR is greater than 100% as at September 2016 based on draft APRA rules.
- A minimum 100% NSFR compliance is required by 1 January 2018.

Credit:
- Overall credit risk in the Group's portfolio remains sound.
- B&DDs are stable and below the long-term average.
- The Group maintains solid specific provision coverage at 38.3% of gross impaired assets as at September 2016.
- Portfolio concentrations are managed within established Group risk appetite settings.

Operating Risk:
- The demerger of CYBG and the sale of 80% of NAB Wealth's life insurance business has simplified the Group and lowered operating risk.

The 2016 year has been a milestone year for the Group with the completion of major divestments including the demerger of CYBG and the sale of 80% of NAB Wealth's life insurance business to Nippon Life. In 2017, the Group will be a reshaped business – stronger, simpler and focused on helping its customers in Australia and New Zealand.

Section 3

Review of Group Operations and Results

Review of Group Operations and Results (1)

Financial Analysis

September 2016 v September 2015

Net profit attributable to owners of NAB from continuing operations decreased by $380 million or 5.6% compared to the September 2015 full year. Excluding foreign exchange rate movements, net profit attributable to owners of NAB from continuing operations decreased by $382 million or 5.6%. This was largely driven by unfavourable movements in fair value and hedge ineffectiveness and higher operating expenses, partially offset by higher net operating income.

Cash earnings increased by $261 million or 4.2% compared to the September 2015 full year. Excluding foreign exchange rate movements, cash earnings increased by $258 million or 4.1%, driven by higher net operating income, partially offset by higher operating expenses and higher charges for bad and doubtful debts.

Cash earnings on average risk-weighted assets decreased by nine basis points reflecting the higher mortgage risk-weighted assets required by the outcome of the FSI (2), partially offset by an uplift in cash earnings.

Net interest income increased by $432 million or 3.5%. Excluding foreign exchange rate movements, net interest income increased by $414 million or 3.3%. This includes a decrease of $107 million which was offset by movements in economic hedges in other operating income. The underlying increase largely reflected increased volumes in housing and business lending and deposits, combined with benefits received from the repricing of lending and deposits. These were partially offset by higher funding costs and competitive pressure on housing and business lending margins.

Other operating income decreased by $4 million or 0.1%. Excluding foreign exchange rate movements, other operating income decreased by $15 million or 0.3%. The result includes an increase of $107 million due to movements in economic hedges, offset in net interest income. The underlying decrease was driven by lower trading performance, sales of risk management products to the Group's customers and gains in the September 2015 full year relating to the settlement of a long standing legal dispute, combined with the sale of loans in NAB UK CRE and assets in Australian Banking that were not repeated in the September 2016 full year. These were partially offset by favourable impacts from derivative valuation adjustments and gains from Group funding and hedging activities.

Operating expenses increased by $160 million or 2.2%. Excluding foreign exchange rate movements, operating expenses increased by $143 million or 2.0%. This was mainly due to Enterprise Bargaining Agreement (EBA) wage increases, performance based incentive compensation normalisation, incremental support costs from deployed projects and higher depreciation and amortisation, partially offset by productivity savings across the Group's businesses.

The charge to provide for bad and doubtful debts increased by $52 million or 7.0%. Excluding foreign exchange rate movements, the charge to provide for bad and doubtful debts increased by $48 million or 6.4% due to an increase in the overlay for mining, mining related and agricultural sectors, combined with increased specific provisions for a small number of large single name exposures net of collective provision write backs. This was offset by an improvement in credit quality for the broader business lending portfolio.

September 2016 v March 2016

Net profit attributable to owners of NAB from continuing operations decreased by $28 million or 0.9% compared to the March 2016 half year. Excluding foreign exchange rate movements, net profit attributable to owners of NAB from continuing operations decreased by $19 million or 0.6%. This was largely due to higher bad and doubtful debt charges and lower non-cash earnings, partially offset by lower operating expenses.

Cash earnings increased by $43 million or 1.3% compared to the March 2016 half year. Excluding foreign exchange rate movements, cash earnings increased by $49 million or 1.5% driven by lower operating expenses, partially offset by higher bad and doubtful debts charges.

Cash earnings on average risk-weighted assets decreased by four basis points reflecting the higher mortgage risk-weighted assets required by the outcome of FSI (2), partially offset by an uplift in cash earnings.

Net interest income decreased by $270 million or 4.1% compared to the March 2016 half year. Excluding foreign exchange rate movements, net interest income decreased by $276 million or 4.2%, with a decrease of $163 million being offset by movements in economic hedges in other operating income. The underlying decrease was due to higher funding costs, competitive market pressure in housing and business lending and lower income from Group funding and hedging activities, partially offset by higher volumes in housing lending and deposits, combined with benefits received from repricing of lending products.

Other operating income increased by $285 million or 13.5%. Excluding foreign exchange rate movements, other operating income increased by $306 million or 14.5%. The result includes an increase of $163 million due to movements in economic hedges, offset in net interest income. The underlying increase was due to higher volumes and improved lending fee collection rates in Australian Banking, gains relating to Group funding and hedging activities and improved Wealth performance in the investment market.

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

(1) *Information is presented on a continuing operations basis including prior period restatements unless otherwise stated.*
(2) *The impact to risk-weighted assets from the Financial System Inquiry (FSI) was $23 billion from 1 July 2016.*

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

Financial Analysis (continued)

September 2016 v March 2016 (continued)

Operating expenses decreased by $72 million or 1.9%. Excluding foreign exchange rate movements, operating expenses decreased by $65 million or 1.7% due to reduced project spend and increased productivity savings across the Group's businesses, partially offset by increased marketing spend and higher depreciation and amortisation.

The charge to provide for bad and doubtful debts increased by $50 million or 13.3%. Excluding foreign exchange rate movements, the charge to provide for bad and doubtful debts increased by $47 million or 12.5%. This was largely due to increased specific provision charges in the Australian Banking retail portfolio and an increase in the overlay for mining, mining related and agricultural sectors. This was partially offset by lower collective charges for NZ Banking and the unsecured retail portfolio in Australian Banking.

Impact of Foreign Exchange Rate Movements

Excluding foreign exchange rate movements, cash earnings increased by $258 million or 4.1% on the September 2015 full year. Foreign exchange rate movements have had an unfavourable effect of $6 million on the September 2016 half year cash earnings, when compared to the March 2016 half year cash earnings. Page 105 contains the September 2016 and March 2016 half year divisional performance summaries excluding foreign exchange rate movements.

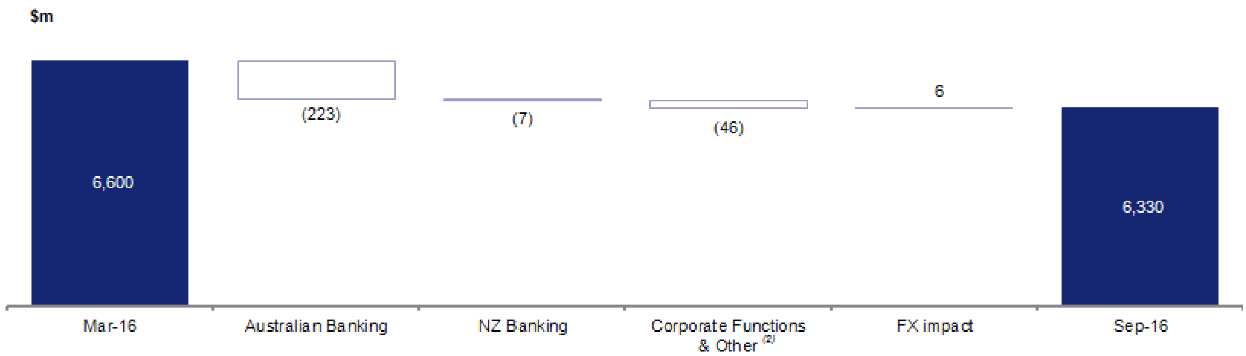
(1) *Information is presented on a continuing operations basis including prior period restatements unless otherwise stated.*

Net Interest Income [1]

	Year to			Half Year to		
	Sep 16	Sep 15	Sep 16 v Sep 15 %	Sep 16	Mar 16	Sep 16 v Mar 16 %
Net interest income ($m)	**12,930**	12,498	3.5	**6,330**	6,600	(4.1)
Average interest earning assets ($bn)	**689.5**	658.1	4.8	**695.1**	683.9	1.6
Net interest margin (%)	**1.88**	1.90	(2 bps)	**1.82**	1.93	(11 bps)

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 Movement [1]



(1) *At constant exchange rates.*
(2) *Corporate Functions & Other includes eliminations. Refer to page 52 for the definition of Corporate Functions.*

September 2016 v September 2015

Net interest income increased by $432 million or 3.5% compared to the September 2015 full year. Excluding foreign exchange rate movements, net interest income increased by $414 million or 3.3% due to:

- An increase of $434 million in Australian Banking, including a movement of $107 million due to interest rate risk management activities within the funding, liquidity and banking book, offset by movements in economic hedges in other operating income. The underlying increase reflects volume growth in housing and business lending and deposits, combined with the benefits received from repricing of housing lending and deposits. This was partially offset by higher funding costs, competitive market pressures on housing and business lending margins and a lower earnings rate on capital.
- A decrease of $6 million in NZ Banking due to lower margins in both lending and deposits as a result of competitive market pressures, partially offset by growth in lending and deposit volumes.
- A decrease of $14 million in Corporate Functions and Other reflecting lower interest income from Group funding and hedging activities.

September 2016 v March 2016

Net interest income decreased by $270 million or 4.1% compared to the March 2016 half year. Excluding foreign exchange rate movements, net interest income decreased by $276 million or 4.2% due to:

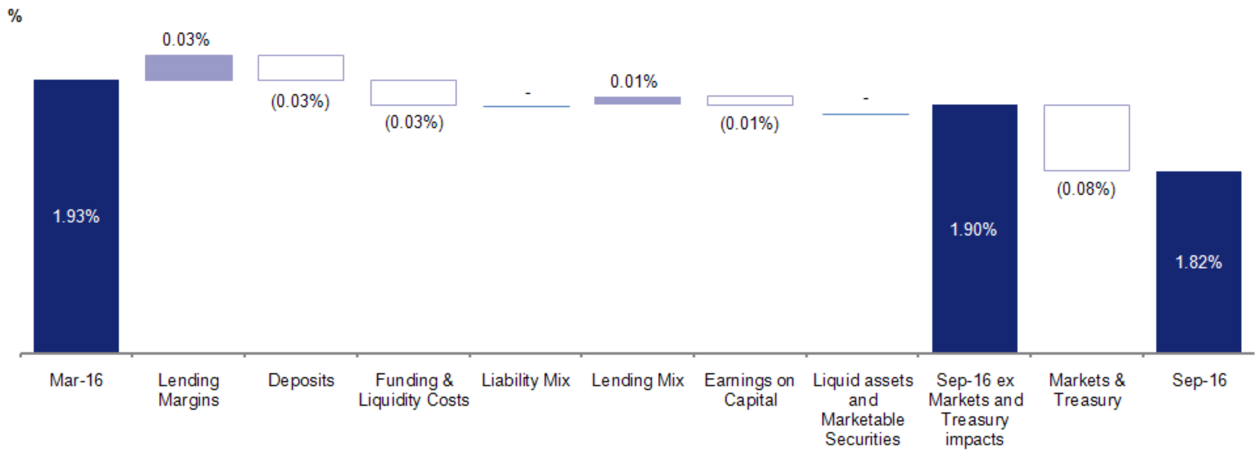
- A decrease of $223 million in Australian Banking, including a movement of $163 million due to interest rate risk management activities within the funding, liquidity and banking book, offset by movements in other operating income. The underlying decrease reflects higher funding costs, competitive market pressures in housing lending and a lower earnings rate on capital. This was partially offset by increased volumes in housing lending and deposits, combined with the benefits received from repricing of lending.
- A decrease of $7 million in NZ Banking due to higher funding costs, combined with margin pressure in lending as a result of competitive market pressures, partially offset by growth in lending and deposit volumes.
- A decrease of $46 million in Corporate Functions and Other reflecting lower interest income from Group funding and hedging activities.

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

Net Interest Margin (1)

	Year to			Half Year to		
	Sep 16 %	Sep 15 %	Sep 16 v Sep 15	Sep 16 %	Mar 16 %	Sep 16 v Mar 16
Group net interest margin	**1.88**	1.90	(2 bps)	**1.82**	1.93	(11 bps)
Australian Banking	**1.66**	1.63	3 bps	**1.61**	1.70	(9 bps)
NZ Banking	**2.25**	2.44	(19 bps)	**2.20**	2.31	(11 bps)

Group Net Interest Margin Movement



September 2016 v September 2015

The Group's **net interest margin** decreased by two basis points when compared to the September 2015 full year due to:

- An increase of five basis points in lending margin due to the benefits received from repricing, partially offset by competitive market pressures affecting business and housing lending margins in Australian Banking and NZ Banking.
- Deposits were unchanged reflecting the benefits received from repricing, offset by an increase in deposit costs.
- A decrease of four basis points due to higher funding and liquidity costs, reflecting higher wholesale funding costs.
- An increase of one basis point in liability mix due to the shift from term deposits to on-demand and transactional deposit accounts.
- A decrease of one basis point due to a lower earnings rate on capital, reflecting the low interest rate environment.
- A decrease of one basis point due to holding a higher proportion of liquid assets and marketable securities relative to total average interest earning assets.
- A decrease of two basis points in Markets and Treasury mainly due to interest rate risk management activities within the funding, liquidity and banking book, offset by movements in economic hedges in other operating income.

September 2016 v March 2016

The Group's **net interest margin** decreased by 11 basis points when compared to the March 2016 half year due to:

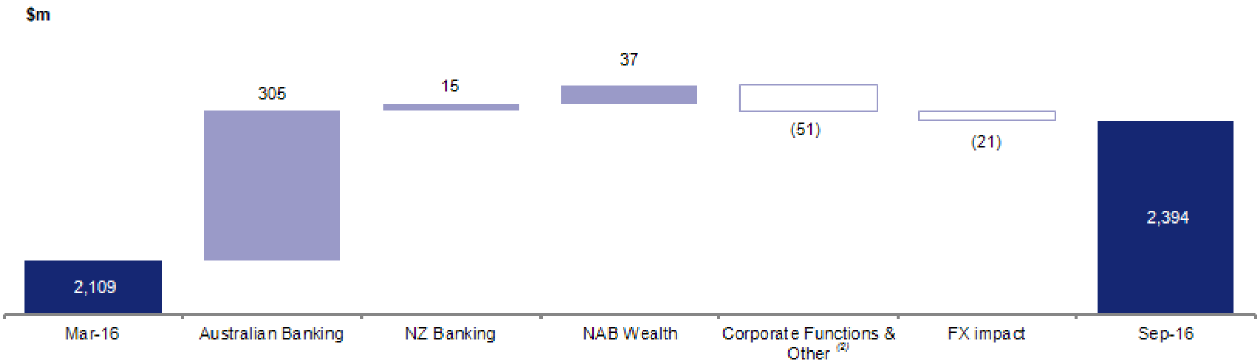
- An increase of three basis points in lending margin due to the benefits received from repricing, partially offset by competitive market pressures affecting housing lending margins in Australian Banking and NZ Banking.
- A decrease of three basis points relating to higher deposit costs.
- A decrease of three basis points due to higher funding and liquidity costs, due to an increase in term funding costs as the Group issued longer dated funding to strengthen the balance sheet, combined with an increase in short-term funding costs.
- An increase of one basis point in lending mix driven by growth in priority segments, combined with the run off of lower-margin lending.
- A decrease of one basis point due to a lower earnings rate on capital, reflecting the low interest rate environment.
- A decrease of eight basis points in Markets and Treasury mainly due to interest rate risk management activities within the funding, liquidity and banking book, offset by movements in economic hedges in other operating income.

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

Other Operating Income [(1)]

	Year to			Half Year to		
	Sep 16 $m	**Sep 15 $m**	**Sep 16 v Sep 15 %**	**Sep 16 $m**	**Mar 16 $m**	**Sep 16 v Mar 16 %**
Fees and commissions	**2,093**	2,090	0.1	**1,066**	1,027	3.8
Trading income	**945**	764	23.7	**595**	350	70.0
Other	**1,465**	1,653	(11.4)	**733**	732	0.1
Other operating income	**4,503**	4,507	(0.1)	**2,394**	2,109	13.5

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



(1) *At constant exchange rates.*

(2) *Corporate Functions & Other includes eliminations. Refer to page 52 for the definition of Corporate Functions.*

September 2016 v September 2015

Other operating income decreased by $4 million or 0.1% compared to the September 2015 full year. Excluding the impact of foreign exchange, other operating income decreased by $15 million or 0.3%.

Fees and commissions increased by $3 million or 0.1% compared to the September 2015 full year (decrease of $3 million or 0.1% excluding foreign exchange). The increase was due to increased volumes and improved lending fee collection rates in Australian Banking.

Trading income increased by $181 million or 23.7% compared to the September 2015 full year ($179 million or 23.4% excluding foreign exchange). This result includes an increase of $107 million due to movements in economic hedges, offset in net interest income. The underlying increase was mainly due to favourable impacts from derivative valuation adjustments and gains from Group funding and hedging activities, partially offset by lower trading performance and sales of risk management products to the Group's customers.

Other income decreased by $188 million or 11.4% compared to September 2015 ($191 million or 11.6% excluding foreign exchange). Excluding the impact of foreign exchange, the underlying decrease was due to gains in the September 2015 full year relating to the settlement of a long standing legal dispute, combined with the sale of loans in NAB UK CRE and assets in Australian Banking not repeated this year.

September 2016 v March 2016

Other operating income increased by $285 million or 13.5% compared to the March 2016 half year. Excluding the impact of foreign exchange, other operating income increased by $306 million or 14.5%.

Fees and commissions increased by $39 million or 3.8% compared to the March 2016 half year ($41 million or 4.0% excluding foreign exchange). Excluding the impact of foreign exchange, the underlying increase was due to increased volumes and improved lending fee collection rates in Australian Banking.

Trading income increased by $245 million or 70.0% compared to the March 2016 half year ($269 million or 76.9% excluding the impact of foreign exchange). This result includes an increase of $163 million due to movements in economic hedges, offset in net interest income. The underlying increase was due to gains relating to Group funding and hedging activities, favourable impacts from derivative valuation adjustments and an increase in the sales of risk management products, offset by lower trading performance.

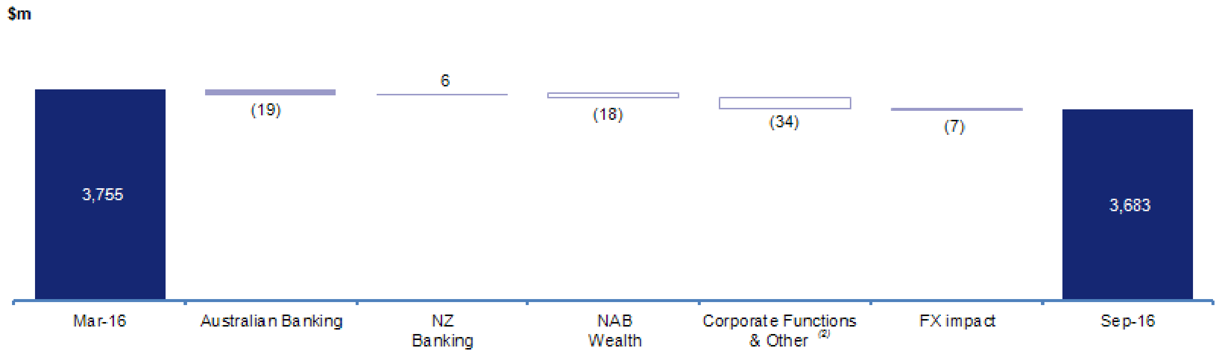
Other income increased by $1 million or 0.1% compared to the March 2016 half year ($4 million decrease or 0.5% excluding foreign exchange) due to improved performance in investment markets for the September 2016 half year in NAB Wealth, offset mainly by losses on the sale of loans in NAB UK CRE.

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

Operating Expenses (1)

	Year to			Half Year to		
	Sep 16 $m	Sep 15 $m	Sep 16 v Sep 15 %	Sep 16 $m	Mar 16 $m	Sep 16 v Mar 16 %
Personnel expenses	**4,362**	4,122	(5.8)	**2,144**	2,218	3.3
Occupancy related expenses	**658**	643	(2.3)	**328**	330	0.6
General expenses	**2,418**	2,513	3.8	**1,211**	1,207	(0.3)
Total operating expenses	**7,438**	7,278	(2.2)	**3,683**	3,755	1.9

Operating Expenses - Contribution to Net Movement (1)



(1) *At constant exchange rates.*

(2) *Corporate Functions & Other includes eliminations.* *Refer to page 52 for the definition of Corporate Functions.*

September 2016 v September 2015

Operating expenses increased by $160 million or 2.2% compared to the September 2015 full year. Excluding the impact of foreign exchange, operating expenses increased by $143 million or 2.0%.

Personnel expenses increased by $240 million or 5.8%. Excluding the impact of foreign exchange, personnel expenses increased by $230 million or 5.6%. The increase was driven by EBA wage increases and performance based incentive normalisation, partially offset by productivity savings across the Group's businesses.

Occupancy related expenses increased by $15 million or 2.3% ($13 million or 2.0% excluding foreign exchange), reflecting property rental increases partly offset by productivity savings.

General expenses decreased by $95 million or 3.8%. Excluding the impact of foreign exchange, general expenses decreased by $100 million or 4.0%. The decrease reflects productivity savings across the Group's businesses and lower levels of asset write-downs, partially offset by higher project spend, increased support costs from deployed projects and higher depreciation and amortisation.

September 2016 v March 2016

Operating expenses decreased by $72 million or 1.9% compared to the March 2016 half year. Excluding the impact of foreign exchange, operating expenses decreased by $65 million or 1.7%.

Personnel expenses decreased by $74 million or 3.3%. Excluding the impact of foreign exchange, personnel expenses decreased by $68 million or 3.1%. The decrease was driven by reduced project spend and increased productivity savings across the Group's businesses.

Occupancy related expenses decreased by $2 million or 0.6% ($2 million or 0.6% excluding foreign exchange).

General expenses increased by $4 million or 0.3% compared to the March 2016 half year. Excluding the impact of foreign exchange, general expenses increased by $5 million or 0.4%. The increase reflects increased marketing spend and higher depreciation and amortisation, partially offset by increased productivity savings across the Group's businesses.

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

Full Time Equivalent Employees [1]

	As at				
	30 Sep 16	31 Mar 16	30 Sep 15	Sep 16 v Sep 15 %	Sep 16 v Mar 16 %
Australian Banking	**24,620**	25,073	24,770	0.6	1.8
NZ Banking	**4,963**	5,012	4,784	(3.7)	1.0
NAB Wealth	**4,584**	4,567	4,215	(8.8)	(0.4)
Corporate Functions and Other	**96**	128	125	23.2	25.0
Total full time equivalent employees (FTEs)	**34,263**	34,780	33,894	(1.1)	1.5
Average half year FTEs	**34,835**	34,330	34,148	(2.0)	(1.5)

September 2016 v September 2015

Total FTEs have increased by 369 compared to the September 2015 full year.

Key FTE movements in each business were as follows:
- Australian Banking FTEs decreased by 150, reflecting the efficiency savings from strategic initiatives, offset by increased investment in the Group's priority customer segments.
- NZ Banking FTEs increased by 179 to support priority segments and strategic initiatives, partially offset by productivity savings.
- NAB Wealth FTEs increased by 369, largely driven by transformation and capability uplift initiatives required to execute the sale of 80% of NAB Wealth's life insurance business, in addition to increased regulatory and compliance activities.
- Corporate Functions and Other FTEs decreased by 29 due to business rationalisation, partially offset by an increased investment in NAB Labs.

September 2016 v March 2016

Total FTEs have decreased by 517 compared to the March 2016 half year.

Key FTE movements in each business were as follows:
- Australian Banking FTEs decreased by 453, driven by productivity and rationalisation initiatives, partially offset by increased investment in the Group's priority segments.
- NZ Banking FTEs decreased by 49 largely due to productivity savings.
- NAB Wealth FTEs increased by 17 mainly due to transformation and capability uplift initiatives required to execute the sale of 80% of NAB Wealth's life insurance business.
- Corporate Functions and Other FTEs decreased by 32 due to business rationalisation, partially offset by an increased investment in NAB Labs.

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

Investment Spend [(1)]

	Year to			Half Year to		
	Sep 16 $m	Sep 15 $m	Sep 16 v Sep 15 %	Sep 16 $m	Mar 16 $m	Sep 16 v Mar 16 %
Infrastructure	**456**	637	(28.4)	**250**	206	21.4
Compliance / Operational Risk	**321**	310	3.5	**155**	166	(6.6)
Efficiency and Sustainable Revenue	**215**	96	large	**126**	89	41.6
Other	**8**	6	33.3	**-**	8	large
Total Investment Spend	**1,000**	1,049	(4.7)	**531**	469	13.2

Investment spend is expenditure on projects and initiatives designed to enhance the customer experience, comply with legal and regulatory requirements, and improve capabilities and efficiencies in the Group's business processes. Investment spend for the September 2016 full year was $1,000 million, a decrease of $49 million or 4.7% against the September 2015 full year, and an increase of $62 million or 13.2% against the March 2016 half year.

September 2016 v September 2015

Investment in infrastructure projects decreased by $181 million or 28.4% against the September 2015 full year due to significant progress made in delivering the continuing transformation agenda in Australia, including completion of a new data centre and upgrades to network and infrastructure. Spend on the Oracle Banking Platform has reduced, as the deployment of the Personal Banking Origination Platform is now complete and the focus has shifted to delivery of improved customer experience, efficiency and revenue benefits. Partially offsetting this is additional spend focused on enhancing system capabilities to deliver real time payment transfers.

Spend on compliance and operational risk projects increased by $11 million or 3.5% largely driven by regulatory compliance improvement programs including Anti-Money Laundering, foreign taxation compliance, and G20 regulatory reform, partially offset by decreased spend on the Stronger Super project as most streams were finalised during the September 2016 full year.

Investment in efficiency and sustainable revenue projects increased by $119 million or 124.0% largely driven by an increase in spend on customer focused digital solutions, enhanced measurement of customer advocacy and promotion, and innovation to improve the customer experience.

September 2016 v March 2016

Investments in infrastructure projects increased by $44 million or 21.4% against the March 2016 half year due to increased spend focused on enhancing system capabilities to deliver real time payment transfers, streamlining commercial loan application processes and further upgrades to digital banking platforms.

Spend on compliance and operational risk projects decreased by $11 million or 6.6% against the March 2016 half year, due to the finalisation of the first phase of Anti-Money Laundering reforms and significant progress made on delivering improvements to regulatory reporting requirements.

Investment in efficiency and sustainable revenue projects increased by $37 million or 41.6% against the March 2016 half year, reflecting the Group's investment in improving customer focused digital solutions, enhanced measurement of customer advocacy and promotion, and innovation to improve the customer experience.

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

Taxation (1)

	Year to			Half Year to		
			Sep 16 v			Sep 16 v
	Sep 16	Sep 15	Sep 15	Sep 16	Mar 16	Mar 16
Income tax expense ($m)	**2,588**	2,582	0.2%	**1,293**	1,295	(0.2%)
Effective tax rate (%)	**28.1**	28.8	(70 bps)	**28.0**	28.3	(30 bps)

September 2016 v September 2015

Cash earnings income tax expense for the September 2016 full year was broadly flat with the September 2015 full year up $6 million or 0.2%.

The **cash earnings effective tax rate** for the September 2016 full year of 28.1% was 70 basis points lower than the September 2015 full year. The decrease in the effective tax rate for the September 2016 full year was primarily driven by an increase in the amount of offshore banking unit income in 2016 and one-off non-deductible adjustments in 2015.

September 2016 v March 2016

Cash earnings income tax expense for the September 2016 half year was broadly flat with the March 2016 half year down $2 million or 0.2%.

The **cash earnings effective tax rate** for the September 2016 half year of 28.0% was 30 basis points lower than the March 2016 half year. The decrease in the effective tax rate in the September 2016 half year was primarily driven by finalisation of prior year tax returns.

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

Lending [(1)]

	As at				
	Sep 16 $m	Mar 16 $m	Sep 15 $m	Sep 16 v Sep 15 %	Sep 16 v Mar 16 %
Housing					
Australian Banking	**281,126**	273,003	268,486	4.7	3.0
NZ Banking	**33,431**	30,117	29,122	14.8	11.0
Total housing	**314,557**	303,120	297,608	5.7	3.8
Non-housing					
Australian Banking	**193,168**	193,739	190,391	1.5	(0.3)
NZ Banking	**37,188**	33,994	32,787	13.4	9.4
NAB Wealth	**41**	41	36	13.9	-
Corporate Functions and Other	**806**	1,419	1,059	(23.9)	(43.2)
Total non-housing	**231,203**	229,193	224,273	3.1	0.9
Gross loans and advances including acceptances	**545,760**	532,313	521,881	4.6	2.5

September 2016 v September 2015

Lending (gross loans and advances including acceptances) increased by $23.8 billion or 4.6% compared to the September 2015 full year. Excluding the impact of foreign exchange, lending increased by $22.6 billion or 4.3%. This increase was primarily due to growth in housing lending and other priority customer segments.

Housing lending increased by $16.9 billion or 5.7% compared to the September 2015 full year. Excluding the impact of foreign exchange, housing lending increased by $15.6 billion or 5.2% due to:
- An increase of $12.9 billion in Australian Banking driven by growth in both the proprietary and broker channels reflecting a positive customer response to marketing and competitive pricing.
- An increase of $2.7 billion in NZ Banking reflecting growth in both the proprietary and broker channels.

Non-housing lending increased by $6.9 billion or 3.1% when compared to the September 2015 full year. Excluding the impact of foreign exchange, non-housing lending increased by $7.0 billion or 3.1% due to:
- An increase of $4.3 billion in Australian Banking and Corporate Functions mainly due to growth in priority customer segments including agriculture and health, and an increase in capital and asset financing partially offset by further sales of the NAB UK CRE portfolio and reduced exposure to institutional lending.
- An increase of $2.7 billion in NZ Banking reflecting growth in priority customer segments.

September 2016 v March 2016

Lending (gross loans and advances including acceptances) increased by $13.4 billion or 2.5% compared to the March 2016 half year. Excluding the impact of foreign exchange, lending increased by $10.0 billion or 1.9%. This increase was primarily due to growth in housing lending and other priority customer segments.

Housing lending increased by $11.4 billion or 3.8% when compared to the March 2016 half year. Excluding the impact of foreign exchange, housing lending increased by $9.6 billion or 3.2% due to:
- An increase of $8.1 billion in Australian Banking driven by growth in both proprietary and broker channels reflecting a positive customer response to marketing and competitive pricing.
- An increase of $1.5 billion in NZ Banking reflecting growth in both proprietary and broker channels primarily in fixed rate lending.

Non-housing lending increased by $2.0 billion or 0.9% compared to the March 2016 half year. Excluding the impact of foreign exchange, non-housing lending increased by $0.4 billion or 0.2%, mainly due to growth in priority customer segments partially offset by a decrease due to further sales of the NAB UK CRE portfolio and reduced exposure to institutional lending.

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

Goodwill and Other Intangible Assets [1]

Goodwill decreased by $1,718 million from $4,631 million as at 30 September 2015 to $2,913 million as at 30 September 2016. The decrease was mainly due to the sale of 80% of NAB Wealth's life insurance business combined with impacts of foreign exchange.

Intangible assets comprise capitalised software and other intangible assets. Intangible assets increased by $312 million or 15.4% from September 2015. This increase was attributable to continued investment in the transformational agenda, along with efficiency and compliance projects, partially offset by an increase in amortisation.

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

- In Australia, further investment in implementing payment reforms initiated by the RBA, as well as regulatory compliance initiatives and enhancing the digital capabilities of the Australian Banking franchise.
- In New Zealand, continued investment in capabilities to support the implementation of the BNZ strategic plan.

The movement in capitalised software is as follows:

	Year ended		Half year ended	
	Sep 16	Sep 15	Sep 16	Mar 16
	$m	$m	$m	$m
Balance at beginning of period	**2,032**	1,730	**2,127**	2,032
Additions	**610**	547	**365**	245
Disposals and write-offs	**(10)**	(33)	**(3)**	(7)
Amortisation	**(290)**	(209)	**(152)**	(138)
Foreign currency translation adjustments	**2**	(3)	**7**	(5)
Capitalised software	**2,344**	2,032	**2,344**	2,127

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

Customer Deposits [1]

	As at				
	30 Sep 16 $m	31 Mar 16 $m	30 Sep 15 $m	Sep 16 v Sep 15 %	Sep 16 v Mar 16 %
Australian Banking	**342,340**	332,741	320,410	6.8	2.9
NZ Banking	**48,160**	43,941	41,619	15.7	9.6
Corporate Functions and Other	**-**	1	2	large	large
Total customer deposits	**390,500**	376,683	362,031	7.9	3.7

September 2016 v September 2015

Customer deposits have increased by $28.5 billion or 7.9% compared to the September 2015 full year. Excluding the impact of foreign exchange, customer deposits have increased by $29.0 billion or 8.0%. This resulted from, in part, the Group's execution of its funding plan, which includes growth in sustainable customer deposits. Growth (excluding the impact of foreign exchange) was due to:

- An increase of $24.7 billion or 7.7% in Australian deposits, reflecting ongoing focus on deposits to support balance sheet strength. Specifically, growth in on-demand deposits of $14.0 billion, term deposits of $6.9 billion and transactional account deposits of $3.8 billion.
- An increase of $4.3 billion or 10.3% in New Zealand deposits. This was due to growth in term deposits of $2.7 billion, as well as on-demand and transactional deposit accounts of $1.6 billion.

September 2016 v March 2016

Customer deposits have increased by $13.8 billion or 3.7% compared to the March 2016 half year. Excluding the impact of foreign exchange, customer deposits have increased by $11.2 billion or 3.0% due to:

- An increase of $9.6 billion or 2.9% in Australian deposits, reflecting ongoing focus on deposits to support balance sheet strength. Specifically, growth in term deposits of $4.3 billion, on-demand deposits of $2.9 billion and transactional account deposits of $2.4 billion.
- An increase of $1.6 billion or 3.6% in New Zealand deposits. This was due to growth in both term deposits and transactional account deposits of $2.0 billion, partially offset by a reduction in on-demand deposits of $0.4 billion.

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

Asset Quality [1]

Bad and Doubtful Debt Charge

	Year to		Half Year to	
	Sep 16 $m	Sep 15 $m	Sep 16 $m	Mar 16 $m
Specific charge to provide for bad and doubtful debts - new, increased, write-backs	**1,011**	708	**530**	481
Specific charge to provide for bad and doubtful debts - recoveries	**(111)**	(99)	**(56)**	(55)
Specific charge to provide for bad and doubtful debts	**900**	609	**474**	426
Collective (write-back) / charge to provide for bad and doubtful debts	**(100)**	139	**(49)**	(51)
Total charge to provide for bad and doubtful debts	**800**	748	**425**	375

	Year to		Half Year to	
	Sep 16	Sep 15	Sep 16	Mar 16
Bad and doubtful debts charge to gross loans and acceptances (annualised)	**0.15%**	0.14%	**0.16%**	0.14%
Net write-offs to gross loans and acceptances (annualised) [1]	**0.12%**	0.20%	**0.13%**	0.10%

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

Provisions for Bad and Doubtful Debts

	As at		
	30 Sep 16 $m	31 Mar 16 $m	30 Sep 15 $m
Collective provision for bad and doubtful debts	**2,811**	2,978	3,054
Specific provision for bad and doubtful debts	**712**	602	448
Total provision for bad and doubtful debts	**3,523**	3,580	3,502

	As at		
	30 Sep 16	31 Mar 16	30 Sep 15
Total provision to gross loans and acceptances	**0.65%**	0.67%	0.67%
Total provisions to net write-offs (annualised) [1] [2]	**557%**	671%	341%
Net impaired assets to total equity (parent entity interest)	**3.8%**	3.2%	2.2%
Specific provision to gross impaired assets [3]	**38.3%**	36.4%	30.3%
Collective provision to credit risk-weighted assets	**0.85%**	0.98%	0.99%
Collective provision to gross loans and acceptances	**0.52%**	0.56%	0.59%

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

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

(3) *Consists only of impaired assets where a specific provision has been raised and excludes $785 million (NZ$823 million), March 2016 $522 million (NZ$579 million), September 2015 nil of NZ dairy exposures currently assessed as no loss based on collective provision and security held.*

Bad and Doubtful Debt Charge

The total charge to provide for bad and doubtful debts (B&DD) for the September 2016 full year was $800 million, an increase of $52 million or 7.0% when compared to the September 2015 full year. The total B&DD charge for the September 2016 half year was $425 million, an increase of $50 million or 13.3% when compared to the March 2016 half year.

Specific provision B&DD charges of $900 million increased by $291 million when compared to the September 2015 full year, driven by:

- The impairment of a small number of large single name exposures in Australian Banking.
- Higher specific provision charges in the mortgage and unsecured retail portfolios in Australian Banking.
- Partially offset by lower specific provision charges for the total NZ Banking portfolio.

The September 2016 full year collective provision B&DD write-back was $100 million, mainly driven by:

- Releases associated with the raising of specific provisions on a small number of large single name exposures.
- Underlying improvements in credit quality for the Australian Banking business lending portfolio.

This was partially offset by a collective provision B&DD charge for:

- The NZ Banking dairy portfolio, reflecting challenging conditions in the New Zealand dairy sector.
- Downgrading of customer credit ratings for a small number of large single name exposures in Australian Banking.
- An increase in the mining, mining related and agricultural sectors collective provision overlay.

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

Asset Quality (continued) (1)

Provisions for Bad and Doubtful Debts

Total provisions for B&DDs increased $21 million to $3,523 million during the September 2016 full year.

Specific provisions increased by $264 million to $712 million during the September 2016 full year due to the impairment of a small number of large single name exposures in Australian Banking. This has increased the Group's coverage of specific provisions to gross impaired assets from 30.3% at September 2015 to 38.3% at September 2016.

Total collective provisions have decreased by $243 million from $3,054 million at September 2015 to $2,811 million at September 2016. This was mainly due to:
- Releases due to the raising of specific provisions associated with a small number of large single name exposures.
- Reduction in the collective provisions associated with loans recorded at fair value and derivatives.
- Collective provision write-backs in the Australian Banking business lending portfolio due to underlying credit quality improvements.

This was partially offset by increased collective provisions for:
- The NZ Banking dairy portfolio.
- Downgrading of customer credit ratings for a small number of large single name exposures in Australian Banking.
- An increase in the mining, mining related and agricultural sectors collective provision overlay.

The collective provision to credit risk weighted assets ratio decreased by 14 basis points to 0.85% during the September 2016 full year. In addition to the reduction in collective provisions, this ratio was impacted by regulatory changes to the credit risk weighted asset floor in respect of the Australian mortgage portfolio, which contributed an eight basis point reduction during the September 2016 full year.

90+ Days Past Due and Gross Impaired Assets

Asset Quality		**As at**	
	30 Sep 16	**31 Mar 16**	**30 Sep 15**
90+ days past due loans ($m)	**1,975**	2,003	1,813
Gross impaired assets ($m) (1)	**2,642**	2,174	1,481
90+ days past due and gross impaired assets ($m)	**4,617**	4,177	3,294
90+ days past due loans to gross loans and acceptances	**0.36%**	0.37%	0.35%
Gross impaired assets to gross loans and acceptances	**0.49%**	0.41%	0.28%
90+ days past due and gross impaired assets to gross loans and acceptances	**0.85%**	0.78%	0.63%

(1) *Gross impaired assets include $785 million (NZ$823 million), March 2016 $522 million (NZ$579 million), September 2015 nil of NZ Banking dairy exposures currently assessed as no loss based on collective provision and security held.*

90+ Days Past Due

The Group ratio of 90+ days past due loans to gross loans and acceptances (90+ DPD ratio) has increased by one basis point to 0.36% during the September 2016 full year, predominantly in the Australian Banking mortgage portfolio due to economic conditions resulting from the mining slowdown. This was partially offset by improvements in the business lending 90+ DPD portfolio over the September 2016 full year.

Gross Impaired Assets

The Group ratio of gross impaired assets to gross loans and acceptances increased by 21 basis points to 0.49% during the September 2016 full year. The inclusion of New Zealand dairy customers totalling $785 million (NZ$823 million) currently assessed as no loss contributed 14 basis points, while the other main driver was the impairment of a small number of large single name exposures in the Australian Banking business lending portfolio.

Net Write-Offs

The Group ratio of net write-offs to gross loans and acceptances reduced by eight basis points to 0.12% for the September 2016 full year. The reduction was predominantly driven by the Australian Banking business lending portfolio, where write-off levels remained low as a result of the current low level of impaired assets.

Net write-offs for the Group retail portfolio increased by one basis point to 0.11% of gross loans and acceptances for the September 2016 full year and were stable at 0.02% for the Group housing portfolio.

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

Capital Management and Funding

Balance Sheet Management Overview

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

- Maintaining a well-diversified wholesale funding portfolio with the ability to access a range of funding and capital options across various senior, subordinated and secured debt markets, as well as the domestic retail hybrid market.
- Remaining vigilant in its evaluation of the economic and regulatory environment, and continuing to ensure that the balance sheet remains strong to enable the Group to respond to changing market conditions and regulatory requirements.

Regulatory Reform

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

Basel III:

- The September 2016 Leverage Ratio will be disclosed within NAB's September 2016 Pillar 3 Report. The minimum Leverage Ratio is yet to be determined by APRA.
- In January 2016, the Basel Committee on Banking Supervision (BCBS) released a revised market risk framework, which is due to come into effect internationally on 1 January 2019. The Credit Valuation Adjustment (CVA) framework is currently in consultation.
- In September 2016, APRA released an additional discussion paper on the Net Stable Funding Ratio (NSFR). A ratio of at least 100% is proposed on both a Level 1 and 2 basis from 1 January 2018.

Federal Government's Financial System Inquiry (Inquiry):

- In July 2016, APRA released an update to its 2015 study comparing the capital position of the Australian major banks against their international peers.
- In line with previous statements by APRA, from 1 July 2016 risk weights applicable to mortgage loans increased.

Total Loss-Absorbing Capacity (TLAC):

- The Financial Stability Board (FSB) issued the TLAC standard in November 2015 for global systemically important banks (G-SIBs). In line with the recommendations in the Inquiry, APRA could implement a loss absorbing capacity framework in accordance with emerging international practice. At this stage, APRA has not yet issued guidance on how TLAC might be implemented.

Revised BCBS standards:

- Themes driving the BCBS's revision of standards include improving transparency, consistency and credibility of internal ratings based (IRB) models. Draft proposals include revisions to the standardised approaches for calculating regulatory capital for credit risk and operational risk, revisions to IRB approaches for credit risk and the introduction of a capital floor framework. Final Basel Standards are expected by calendar year end, with APRA's response expected sometime thereafter.
- In April 2016, the BCBS released the revised interest rate risk in the banking book (IRRBB) framework, which is due to come into effect internationally by 2018.

Other regulatory changes

- The Group is progressing with a transition to a revised Level 2 Group structure following clarification of the ADI Level 2 Group definition by APRA. In the interim period, CET1 capital reflects the transition arrangements granted by APRA on the removal of capital benefits arising from debt issued directly by National Wealth Management Holdings Limited (NWMH).
- APRA's consultation on the revisions to *Prudential Standard APS 120: Securitisation* brings together proposals to simplify securitisation for originating ADIs and the updated BCBS securitisation framework.
- APRA's standards on the non-capital components of the supervision of conglomerate groups (Level 3 framework) will be effective from 1 July 2017. Level 3 capital requirements are expected to be determined following the finalisation of other domestic and international policy initiatives, with APRA advising implementation will be no earlier than 2019. APRA's quantitative impact analysis suggests no additional capital will be required as a result of the implementation.

Capital Management

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

The Group's CET1 ratio operating target range remains between 8.75% and 9.25% and is regularly reviewed in the context of the external economic and regulatory outlook with the objective of maintaining balance sheet strength.

Capital Management and Funding (continued)

Capital Management (continued)

Capital Ratios

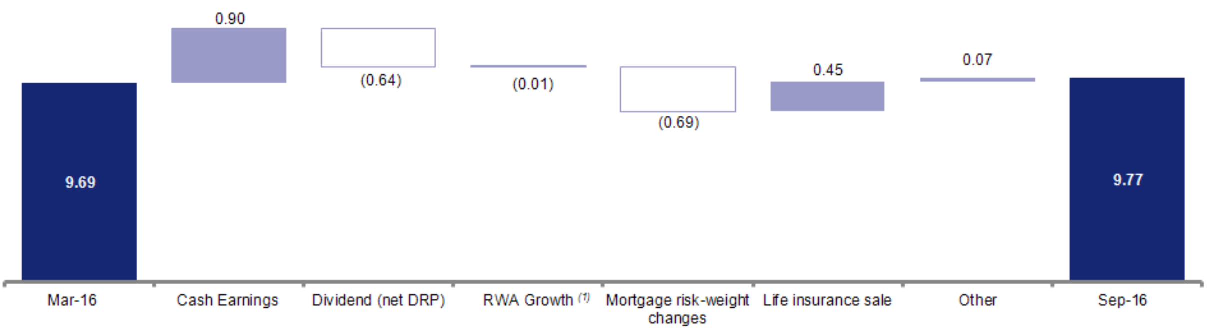
Capital ratios and risk weighted assets (RWA) are set out below:

	As at				
Capital Ratios	**30 Sep 16 %**	**31 Mar 16 %**	**30 Sep 15 %**	**Sep 16 v Sep 15**	**Sep 16 v Mar 16**
Common Equity Tier 1 ratio	**9.77**	9.69	10.24	(47 bps)	8 bps
Tier 1 ratio	**12.19**	11.77	12.44	(25 bps)	42 bps
Total capital ratio	**14.14**	13.25	14.15	(1 bp)	89 bps

	As at				
Risk-weighted assets [(1)]	**30 Sep 16 $m**	**31 Mar 16 $m**	**30 Sep 15 $m**	**Sep 16 v Sep 15%**	**Sep 16 v Mar 16%**
Credit risk	**331,510**	303,458	344,326	(3.7)	9.2
Market risk	**7,299**	7,250	5,793	26.0	0.7
Operational risk	**37,500**	40,000	40,000	(6.3)	(6.3)
Interest rate risk in the banking book	**12,136**	10,725	9,639	25.9	13.2
Total risk-weighted assets	**388,445**	361,433	399,758	(2.8)	7.5

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

Movements in Basel III Common Equity Tier 1 Ratio



(1) *RWA growth excludes the impacts of mortgage risk weight changes, 80% sale of NAB Wealth's life insurance business and reduction in operational risk capital.*

Capital Movements During the Period

The Group's CET1 ratio was 9.8% at 30 September 2016. The key movements in capital in the September 2016 half year include:

- Sale of 80% of NAB Wealth's life insurance business (45 basis points).
- Cash earnings less the dividend net of Dividend Reinvestment Plan (DRP) participation (26 basis points).
- Mortgage risk-weight changes ((69) basis points).

Dividend and Dividend Reinvestment Plan (DRP)

The Group periodically adjusts the DRP to reflect its capital position and outlook. The final dividend for the year ended 30 September 2016 is 99 cents and the DRP discount is nil with no participation limit.

Capital Management and Funding (continued)

Capital Management (continued)

Additional Tier 1 Capital Initiatives

On 7 July 2016, NAB issued $1,499 million of Capital Notes, which will mandatorily convert into Ordinary Shares on 8 July 2024 (subject to the mandatory conversion conditions being satisfied).

Two Additional Tier 1 instruments were called during the half year to September 2016:
- Perpetual Capital Notes of US$600 million, originally issued on 24 September 2009.
- EUR National Capital Instruments (NCI) of €400 million, originally issued on 29 September 2006.

In line with the CYBG Demerger Scheme Booklet, on 22 September 2016 the Group's holding of CYBG Additional Tier 1 instruments were sold for a total value of £419 million.

Tier 2 Capital Initiatives

The Group's Tier 2 Capital initiatives during the half year to September 2016 include the issuance of the following Subordinated Notes:
- 17 May 2016, HK$1,137 million due 2026.
- 19 May 2016, SG$450 million due 2028.
- 16 September 2016, JPY10 billion due 2026.
- 21 September 2016, $800 million due 2026.

For these transactions, the Subordinated Notes convert into fully paid ordinary shares of NAB where APRA determines this to be necessary on the grounds that NAB would otherwise become non-viable.

In line with the CYBG Demerger Scheme Booklet, on 22 September 2016 the Group's holding of CYBG Tier 2 instruments were sold for a total value of £460 million.

Pillar 3 Disclosures

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

Funding

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

Funding Indices

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

Funding indices have decreased over the 2016 financial year due to the CYBG demerger. The impact of the demerger on the SFI was 1.1% and on the CFI was 2.1%. Excluding the impact of the CYBG demerger the structural metrics remained stable over the 2016 financial year.

Group Funding Indices (CFI, TFI and SFI)

Group Funding Indices	As at 30 Sep 16 %	30 Sep 15[(1)] %	30 Sep 14[(1)] %	30 Sep 13[(1)] %
Customer Funding Index	**69**	71	70	69
Term Funding Index	**22**	21	20	20
Stable Funding Index	**91**	92	90	89

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

Customer Funding

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

The Monthly Banking Statistics published by APRA show that for the 12 months ended August 2016:
- Australian domestic household deposits have grown by 6.6% (0.7x system growth). [(1)]
- Business deposits (excluding deposits from financial corporations and households) have grown by 5.7% (1.0x system growth). [(1)]
- Financial corporation deposits have grown by 3.7% (0.5x system growth). [(1)]

Term Wholesale Funding

Global funding conditions remained broadly supportive of term issuance across major markets during the 2016 financial year, although there were periods of instability driven by global events. Conditions in credit markets improved significantly following the result of the United Kingdom referendum in June 2016. Despite being put on negative outlook, along with the other major Australian banks by S&P Global Ratings and Moody's Investors Service (refer to Credit Ratings on page 33), NAB continued to see strong investor demand for its debt. Whilst current conditions are reasonably stable, markets remain sensitive to ongoing macroeconomic, geo-political and financial risks.

The Group maintains a well-diversified funding profile and has raised $36.4 billion during the 2016 financial year (excluding NAB's Additional Tier 1 hybrid security).

During the 2016 financial year, NAB raised $31.8 billion, including $25.2 billion senior unsecured, $5.0 billion of secured funding (comprising both covered bonds and Residential Mortgage Backed Securities (RMBS)) and $1.6 billion of Tier 2 subordinated debt. Bank of New Zealand raised $4.6 billion during the 2016 financial year.

(1) *NAB market share growth.*

Capital Management and Funding (continued)

Funding (continued)

Term Wholesale Funding (continued)

The weighted average maturity of term wholesale funding raised by the Group over the 2016 financial year was approximately 5.4 years to the first call date. The weighted average remaining maturity of the Group's term wholesale funding portfolio is 3.3 years (4.2 years for TFI qualifying debt, which only includes debt with more than 12 months remaining term to maturity). The weighted average maturity of term wholesale funding raised by NAB over the financial year was approximately 5.4 years to the first call date compared to approximately 5.0 years in the 2015 financial year.

Full Year 2016 Term Wholesale Funding by Deal Type ($36.4 billion)

	As at		
Wholesale Funding by Deal Type	**30 Sep 16**	**31 Mar 16**	**30 Sep 15**
Senior Public Offshore	**45%**	40%	47%
Senior Public Domestic	**22%**	25%	13%
Secured Public Offshore	**11%**	17%	10%
Secured Public Domestic	**6%**	2%	11%
Private Placements	**10%**	13%	11%
Subordinated Public Debt	**5%**	3%	8%
Subordinated Private Debt	**1%**	-	-
Total	**100%**	100%	100%

Full Year 2016 Term Wholesale Funding by Currency ($36.4 billion)

	As at		
Wholesale Funding by Currency	**30 Sep 16**	**31 Mar 16**	**30 Sep 15**
USD	**44%**	49%	28%
AUD	**30%**	27%	21%
EUR	**16%**	9%	30%
GBP	**1%**	3%	8%
JPY	**1%**	1%	4%
Other	**8%**	11%	9%
Total	**100%**	100%	100%

Short-term Wholesale Funding

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

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

Liquid Asset Portfolio

The Group maintains well diversified and high quality liquid asset portfolios to support regulatory and internal requirements in the various countries in which it operates. The market value of total liquid assets held as at 30 September 2016 was $118 billion excluding contingent liquidity. This represents a reduction of $2 billion from 31 March 2016 and an increase of $6 billion from 30 September 2015 (excluding CYBG).

Holdings of liquid assets include $107 billion of regulatory liquid assets (consisting of both High Quality Liquid Assets (HQLA) and Committed Liquidity Facility eligible assets) as at 30 September 2016.

In addition to these liquid assets, the Group holds internal securitisation pools of RMBS as a source of contingent liquidity. These assets may also support the Committed Liquidity Facility. The Group held $47 billion of Internal RMBS at 30 September 2016 (post applicable central bank deduction). This was an increase of $2 billion from 31 March 2016 and an increase of $3 billion from 30 September 2015.

Liquid assets that qualify for inclusion in the Group's LCR and Internal RMBS (net of applicable regulatory deductions) were on average $147 billion for the quarter ended 30 September 2016 resulting in an average Group LCR of 121%.

Credit Ratings

The Group closely monitors rating agency developments and regularly communicates with the rating agencies. Entities in the Group are rated by S&P Global Ratings (S&P), Moody's Investors 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- (S&P/Moody's/Fitch); and National Wealth Management Holdings Limited A+ (S&P).

On 7 July 2016, S&P revised its rating outlook on the Commonwealth of Australia to negative from stable. At the same time, S&P affirmed its 'AAA' long term and 'A-1+' short term unsolicited sovereign ratings on Australia. As a result of the change in outlook to Australia's sovereign rating, S&P on the same day also revised the ratings outlook of Australian major banks and a range of their strategically important subsidiaries. This included an outlook revision of NAB and Bank of New Zealand (BNZ) to negative from stable. S&P affirmed NAB's 'AA-' long term and 'A-1+' short term ratings and BNZ's 'AA-' long term and 'A-1+' short term ratings.

On 18 August 2016, Moody's revised its Australian Macro Profile to "Very Strong Negative" from "Very Strong" reflecting Moody's view of a more challenging operating environment for banks in Australia. As a result of the revision in Moody's Australian Macro Profile, Moody's revised the ratings outlook of the major Australian banks, including NAB, to negative from stable. Moody's reaffirmed NAB's rating with NAB's senior unsecured debt unchanged at Aa2. On 19 August 2016, Moody's revised the outlook of the four major New Zealand Banks, including BNZ, in line with their parents and reaffirmed BNZ's Aa3 long-term senior unsecured debt rating. Moody's rating outlooks are assigned only to banks' long term deposit, issuer and senior unsecured debt ratings. NAB's short term, hybrid and subordinated debt ratings remain unchanged.

There was no change to the Fitch long term and short term rating for NAB and BNZ and the outlook remains unchanged at stable.

Corporate Responsibility

Corporate Responsibility contributes to achieving NAB's vision to be the most respected bank in Australia and New Zealand by helping NAB to understand and mitigate environmental, social and governance risks, and to deepen customer and employee relationships.

NAB's goal is to focus on the big issues facing customers and communities, prioritising efforts where NAB is best placed to make a difference:

- Financial inclusion and resilience – helping people who are excluded from mainstream banking to access fair and affordable financial services, and supporting customers in building financial resilience.
- Social cohesion – working with NAB's partners to address the big issues facing society (gender inclusion and family violence, closing the gap for Indigenous Australia and housing affordability) to build stronger, more connected communities.
- Environmental wellbeing – addressing climate change, biodiversity loss and ecosystem degradation by adopting a more sustainable approach to managing NAB's business and helping customers do the same.

NAB is building financial inclusion and resilience by:

- Assisting more than 440,000 Australians since 2005 by providing microfinance products in partnership with Good Shepherd Microfinance; making progress on the goal of providing fair and affordable finance to one million people on low incomes by 2018.
- The BNZ community finance initiative, which in its second full year of operation has provided over 263 loans to people on low incomes at a value of $NZ753,450. BNZ committed an additional $NZ50 million in capital to support the growth of this initiative.
- Launching the Financial Resilience Framework; research measuring the financial resilience of the Australian population, designed to support policy and program decision-making.
- Supporting customers who are experiencing financial hardship through NAB Assist. During the September 2016 year, NAB has supported over 21,000 customers with 93% back on track within 90 days. This initiative has been recognised by Fortune Magazine's 'Change the World' list. [(1)]

NAB is supporting social cohesion through:

- Progressing toward targets outlined in NAB's 2015-2017 Reconciliation Action Plan:
  - Supporting the career progression of Indigenous employees to take on more senior roles. In 2016, 61% of Indigenous trainees who graduated from their training accepted permanent roles with NAB.
  - Improving access to Indigenous cultural awareness training for all employees.
- Establishing a cross-business working group to consider the role of the financial services industry in addressing the issue of family violence. NAB has already implemented:
  - Family Violence Assistance Grants for customers in financial hardship.
  - Domestic violence leave for all employees and training for People Leaders on leading a mentally healthy workplace.
- Playing a key role in the development of the impact investment market by:
  - Approving nine new Impact Investment Readiness Fund grants which have helped grant recipients to raise over $31 million in capital to grow their businesses and, more importantly, increase the societal impact they deliver.
  - Financing the third social impact investment transaction issued by the NSW Government; a program delivered by the Australian Community Support Organisation Ltd (ACSO) aimed at reducing reoffending by parolees and to minimise re-incarceration thereby reducing recidivism.
- During the September 2016 year, supporting community organisations by contributing:
  - 178,751 hours of employee volunteering valued at $8.9 million.
  - Workplace giving donations of over $2 million including amounts donated by employees and matched by NAB.

NAB is contributing to environmental wellbeing by:

- Making five new climate change commitments including to undertake $18 billion of financing activities over seven years to September 2022, to help address climate change and support the transition to a low-carbon economy. [(2)]
- Since June 2015, providing over $92 million in discounted loans to renewable energy and energy efficient assets, with support from the Clean Energy Finance Corporation. Over 89% of the funds have gone to clients in rural and regional Australia – improving the efficiency of rural businesses, supporting local jobs and delivering a positive environmental outcome.
- In June 2016, arranged and led the $300 million Victoria Government Green Bond, the world's first Climate Bond issued by a semi-government authority.

NAB is also continuing to evolve its policies and practices.

- In May 2016, the Board determined that the payment of political donations should cease, with immediate effect Group-wide.

---

(1) Change the World list www.fortune.com/change-the-world/.

(2) New financing activity includes: new lending, debt market activity, provision of risk management products, development of financing solutions and advisory activity. Finance will be provided to customers to undertake climate change mitigation such as renewable energy and energy efficiency including low carbon property, low emission transport, and climate change adaptation activities.

Section 4

Review of Divisional Operations and Results

Australian Banking [1] [2]

Antony Cahill, Angela Mentis, Andrew Hagger, Matt Lawrance

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

	Year to			Half Year to		
	Sep 16 $m	Sep 15 $m	Sep 16 v Sep 15 %	Sep 16 $m	Mar 16 $m	Sep 16 v Mar 16 %
Net interest income	**11,170**	10,727	4.1	**5,469**	5,701	(4.1)
Other operating income	**2,878**	2,666	8.0	**1,578**	1,300	21.4
Net operating income	**14,048**	13,393	4.9	**7,047**	7,001	0.7
Operating expenses	**(5,782)**	(5,556)	(4.1)	**(2,875)**	(2,907)	1.1
Underlying profit	**8,266**	7,837	5.5	**4,172**	4,094	1.9
Charge to provide for bad and doubtful debts	**(639)**	(665)	3.9	**(298)**	(341)	12.6
Cash earnings before tax	**7,627**	7,172	6.3	**3,874**	3,753	3.2
Income tax expense	**(2,155)**	(2,071)	(4.1)	**(1,096)**	(1,059)	(3.5)
Cash earnings	**5,472**	5,101	7.3	**2,778**	2,694	3.1

Average Volumes ($bn)						
Housing lending	**274.0**	260.2	5.3	**277.7**	270.4	2.7
Business lending	**181.9**	172.5	5.4	**182.1**	181.8	0.2
Other lending	**10.3**	9.9	4.0	**10.5**	10.1	4.0
Gross loans and acceptances	**466.2**	442.6	5.3	**470.3**	462.3	1.7
Interest earning assets	**673.6**	659.6	2.1	**677.3**	669.8	1.1
Total assets	**736.1**	747.3	(1.5)	**736.2**	736.0	-
Customer deposits	**339.0**	315.3	7.5	**344.5**	333.4	3.3

Capital ($bn)						
Risk-weighted assets - credit risk (spot)	**277.5**	261.6	6.1	**277.5**	257.3	7.9
Total risk-weighted assets (spot)	**314.7**	294.2	7.0	**314.7**	291.6	7.9

Performance Measures						
Cash earnings on average assets	**0.74%**	0.68%	6 bps	**0.75%**	0.73%	2 bps
Cash earnings on average risk-weighted assets	**1.85%**	1.83%	2 bps	**1.85%**	1.86%	(1 bp)
Net interest margin	**1.66%**	1.63%	3 bps	**1.61%**	1.70%	(9 bps)
Cost to income ratio	**41.2%**	41.5%	30 bps	**40.8%**	41.5%	70 bps
'Jaws'	**0.8%**	(1.7%)	250 bps	**1.8%**	1.9%	(10 bps)
Cash earnings per average FTE ($'000s)	**219**	205	6.8	**222**	216	2.8
FTEs (spot) [1]	**24,620**	24,770	0.6	**24,620**	25,073	1.8

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

	As at		
Market Share	**31 Aug 16**	**31 Mar 16** [1]	**30 Sep 15** [1]
Business lending [2]	**21.9%**	21.9%	22.1%
Business lending [3]	**21.2%**	21.3%	21.2%
Business deposits [2]	**20.4%**	20.3%	20.7%
Housing lending [3]	**14.6%**	14.7%	15.0%
Household deposits [2]	**14.4%**	14.4%	14.7%

(1) *Prior periods adjusted due to a restatement of loan purpose classifications.*
(2) *Source: APRA Banking System.*
(3) *Source: RBA Financial System.*

	As at		
Distribution	**30 Sep 16**	**31 Mar 16**	**30 Sep 15**
Number of branches and business banking centres	**820**	821	828
Number of ATMs	**2,976**	2,943	3,033
Number of internet banking customers (million)	**3.80**	3.64	3.49

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

Australian Banking [(1)]

Financial Analysis

September 2016 v September 2015

Cash earnings increased by $371 million or 7.3% against the September 2015 full year (excluding foreign exchange impacts cash earnings increased by $370 million or 7.3%), driven by higher net operating income and a lower charge for bad and doubtful debts, partially offset by higher expenses.

Cash earnings on average assets increased by six basis points largely reflecting improved cash earnings performance and the decline in non-interest earning assets.

Cash earnings on average risk-weighted assets increased by two basis points as growth in cash earnings outpaced the growth in risk-weighted assets. This was despite the increase in risk weighted assets post the higher mortgage risk weights following the outcome of the FSI [(2)].

Net interest income increased by $443 million or 4.1% ($434 million or 4.0% excluding foreign exchange), with a decrease of $107 million being offset by movements in economic hedges in other operating income. These movements relate to interest rate risk management activities within the funding, liquidity and banking book. The underlying increase reflects increased volumes in housing, business lending and deposits and higher housing lending and deposit margins from repricing activity. These were partially offset by higher funding costs, increased competitive pressure on housing and business lending margins and a lower earnings rate on capital.

Average interest earning assets increased by $14 billion or 2.1%, largely due to an increase in housing lending and business lending combined with an increase in liquid assets to support Group liquidity.

Average customer deposits increased by $23.7 billion or 7.5% as a result of an increase in on-demand deposits, transactional accounts, and term deposits.

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

Other operating income increased by $212 million or 8.0% ($207 million or 7.8% excluding foreign exchange). This includes an increase of $107 million due to movements in economic hedges, offset in net interest income. The underlying increase was driven by increased fees on volume growth, improved collection rates and favourable impacts from derivative valuation adjustments.

Operating expenses increased by $226 million or 4.1% ($214 million or 3.9% excluding foreign exchange), mainly due to Enterprise Bargaining Agreement wage increases, incentive normalisation, incremental support costs from deployed projects and higher depreciation and amortisation, partially offset by productivity savings.

The charge to provide for bad and doubtful debts decreased by $26 million or 3.9% ($29 million or 4.4% excluding foreign exchange). This was due to a reduction in collective provision charges due to improvement in credit quality for the broader business lending portfolio and higher collective provision write-backs due to releases associated with the raising of specific provisions for a small number of large single name exposures. These were partially offset by the increase in specific provision charges due to the impairment of a small number of large single name exposures in the business lending portfolio mentioned above and higher specific charges in the mortgage and unsecured retail portfolios.

September 2016 v March 2016

Cash earnings increased by $84 million or 3.1% against the March 2016 half year (excluding foreign exchange impacts cash earnings increased by $101 million or 3.7%) driven by higher net operating income, lower expenses and lower bad and doubtful debt charges.

Cash earnings on average assets increased by two basis points reflecting improved cash earnings performance compared to the March 2016 half year.

Cash earnings on average risk-weighted assets decreased by one basis point reflecting the higher mortgage risk-weighted assets required by the outcome of the FSI [(2)].

Net interest income decreased by $232 million or 4.1% ($223 million or 3.9% excluding foreign exchange) with a decrease of $163 million being offset by movements in economic hedges in other operating income. The underlying decrease is largely due to higher funding costs, competitive market pressure in housing lending and a lower earnings rate on capital. These were partially offset by improved housing and business lending margins from repricing activity, and increased volumes in housing and business lending and deposits.

Average interest earning assets increased by $7.5 billion or 1.1%, largely due to an increase in housing lending combined with an increase in liquid assets to support Group liquidity. Business lending volumes were flat reflecting targeted growth in priority segments offset by a decline in non-priority segments.

Average customer deposits increased by $11.1 billion or 3.3% as a result of an increase in term deposits, on-demand deposits and transactional accounts.

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

(1) Information is presented on a continuing operations basis including prior period restatements.
(2) The impact to risk-weighted assets from the Financial System Inquiry (FSI) was $23 billion from 1 July 2016.

Australian Banking [1]

Financial Analysis (continued)

September 2016 v March 2016 (continued)

Net interest margin decreased by nine basis points as a result of the movements in economic hedges outlined above, competitive pressure on customer pricing, and higher funding costs, partially offset by higher lending margins in both housing and business lending from repricing activity.

Other operating income increased $278 million or 21.4% ($305 million or 23.5% excluding foreign exchange). This includes an increase of $163 million due to movements in economic hedges, offset in net interest income. The underlying increase was a result of higher volumes and transaction fees and higher sales of risk management products to the Group's customers during the September 2016 half year.

Operating expenses decreased by $32 million or 1.1% ($19 million or 0.7% excluding foreign exchange) driven by reduced project related operating expenditure and productivity savings, partially offset by increased technology, marketing spend and higher depreciation and amortisation.

The **charge to provide for bad and doubtful debts** decreased by $43 million or 12.6% ($43 million or 12.6% excluding foreign exchange). This was largely due to the non-recurrence of the overlay recognised during the March 2016 half year in the unsecured retail portfolio, a reduction in charges in the unsecured retail portfolio in addition to higher collective provision write-backs in the business lending portfolio, offset by an increase in specific provision charges.

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

Australian Banking [1]

Net Interest Income

	Year to			Half Year to		
	Sep 16 $m	Sep 15 $m	Sep 16 v Sep 15 %	Sep 16 $m	Mar 16 $m	Sep 16 v Mar 16 %
Housing lending	3,363	3,247	3.6	1,627	1,736	(6.3)
Business lending	3,279	3,357	(2.3)	1,650	1,629	1.3
Other banking products [1]	942	902	4.4	487	455	7.0
Deposits	2,733	2,245	21.7	1,382	1,351	2.3
NAB risk management	853	976	(12.6)	323	530	(39.1)
Total net interest income	11,170	10,727	4.1	5,469	5,701	(4.1)

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

Net Interest Margins

	Year to			Half Year to		
	Sep 16 %	Sep 15 %	Sep 16 v Sep 15 bps	Sep 16 %	Mar 16 %	Sep 16 v Mar 16 bps
Australian Banking net interest margin	1.66%	1.63%	3 bps	1.61%	1.70%	(9 bps)
Housing lending net interest margin [1]	1.34%	1.35%	(1 bp)	1.28%	1.40%	(12 bps)
Business lending net interest margin	1.80%	1.95%	(15 bps)	1.81%	1.79%	2 bps
Personal Banking net interest margin	2.21%	2.13%	8 bps	2.16%	2.25%	(9 bps)
Business Banking net interest margin	2.34%	2.36%	(2 bps)	2.33%	2.34%	(1 bp)

(1) *September 2016 Housing Lending net interest margin impacted by methodology change to the cost of funds, which is offset in Deposits and has nil impact at Australian Banking level.*

September 2016 v September 2015

Net interest income increased by $443 million or 4.1% ($434 million or 4.0% excluding foreign exchange) against the September 2015 full year.

Housing lending net interest income increased by $116 million or 3.6% driven by volume increases and repricing activity, partially offset by competitive pressure on customer pricing and increased funding costs.

Housing lending margin decreased by one basis point driven by competitive pressure on customer pricing and funding costs partially offset by repricing benefits.

Business lending net interest income decreased by $78 million or 2.3% driven by competitive pressure on customer pricing, combined with lower earnings on capital and higher funding costs, partially offset by increased volumes.

Business lending margin decreased by 15 basis points driven by competitive pressure on customer pricing, lower earnings on capital and higher funding costs, partially offset by repricing benefits.

Other banking products net interest income increased by $40 million or 4.4% due to volume growth in the unsecured lending portfolio.

Deposits net interest income increased by $488 million or 21.7% from volume growth reflecting ongoing focus on deposits to support balance sheet strength and repricing benefits.

NAB risk management interest income decreased by $123 million or 12.6%. This includes $107 million due to interest rate risk management activities, offset in other operating income. The underlying decrease is due to lower income from risk management activities.

September 2016 v March 2016

Net interest income decreased by $232 million or 4.1% ($223 million or 3.9% excluding foreign exchange) against the March 2016 half year.

Housing lending net interest income decreased by $109 million or 6.3% driven by higher funding costs and competitive pressure on customer pricing, partially offset by increased volumes and repricing benefits.

Housing lending margin [2] decreased by 12 basis points as a result of higher funding costs, competitive pressure on customer pricing and lower earnings on capital, partially offset by the benefits received from repricing.

Business lending net interest income increased by $21 million or 1.3% driven by improvement in the lending margin from repricing benefits, partially offset by lower earnings on capital.

Business lending margin increased by two basis points as a result of the benefits received from repricing, partially offset by lower earnings on capital.

Other banking products net interest income increased $32 million or 7.0% due to volume growth and improved margins on the unsecured lending portfolio.

Deposits net interest income increased by $31 million or 2.3% driven by increased volumes.

NAB risk management interest income decreased by $207 million or 39.1%. This includes $163 million due to interest rate risk management activities, offset in other operating income. The underlying decrease is due to lower income from risk management activities.

(1) *Information is presented on a continuing operations basis including prior period restatements.*
(2) *Includes a 4 bps decline from the cost of funds methodology changes between Housing lending and Deposits products.*

Australian Banking [1]

Other Operating Income

	Year to			Half Year to		
	Sep 16 $m	Sep 15 $m	Sep 16 v Sep 15 %	Sep 16 $m	Mar 16 $m	Sep 16 v Mar 16 %
Housing lending	284	272	4.4	143	141	1.4
Business lending	623	585	6.5	304	319	(4.7)
Other banking products [1]	909	928	(2.0)	474	435	9.0
Deposits	75	86	(12.8)	34	41	(17.1)
Customer risk management	731	824	(11.3)	392	339	15.6
NAB risk management	256	(29)	large	231	25	large
Total other operating income	2,878	2,666	8.0	1,578	1,300	21.4

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

	Year to			Half Year to		
	Sep 16 $m	Sep 15 $m	Sep 16 v Sep 15 %	Sep 16 $m	Mar 16 $m	Sep 16 v Mar 16 %
Fees and commissions	1,742	1,725	1.0	884	858	3.0
Trading income	948	744	27.4	599	349	71.6
Other	188	197	(4.6)	95	93	2.2
Total other operating income	2,878	2,666	8.0	1,578	1,300	21.4

September 2016 v September 2015

Other operating income increased by $212 million or 8.0% ($207 million or 7.8% excluding foreign exchange).

Housing lending income increased by $12 million or 4.4% on the September 2015 full year as a result of increased volumes and improved fee collection rates.

Business lending income increased by $38 million or 6.5% as a result of increased lending volumes and collection rates combined with higher fees in capital financing.

Other banking products income decreased $19 million or 2.0% as a result of reduced custody fees.

Deposits income decreased by $11 million or 12.8% as a result of lower account fees.

Customer risk management income decreased by $93 million or 11.3% as a result of unfavourable impacts from derivative valuation adjustments and a decrease in the sales of risk management products to the Group's customers.

NAB risk management other operating income increased by $285 million inclusive of a $107 million increase as a result of movements in economic hedges, offset in net interest income. The underlying increase is a result of favourable impacts from derivative valuation adjustments and favourable Group funding and hedging activities, partially offset by lower trading performance.

September 2016 v March 2016

Other operating income increased $278 million or 21.4% ($305 million or 23.5% excluding foreign exchange).

Housing lending income increased by $2 million or 1.4% on the March 2016 half year as a result of increased volumes and improved fee collection rates.

Business lending income decreased by $15 million or 4.7% as a result of lower fees from institutional clients.

Other banking products income increased by $39 million or 9.0% as a result of higher volumes and transaction fees in unsecured lending.

Deposits income decreased by $7 million or 17.1% as a result of lower account fees.

Customer risk management income increased by $53 million or 15.6% when compared to the March 2016 half year as a result of favourable impacts from derivative valuation adjustments and increased sales of risk management products to the Group's customers.

NAB risk management other operating income increased by $206 million with $163 million of the increase being a result of movements in economic hedges, offset in net interest income. The underlying increase is a result of favourable Group funding and hedging activities, partially offset by unfavourable impacts from derivative valuation adjustments and lower trading performance.

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

Australian Banking [1]

Operating Expenses

	Year to			Half Year to		
	Sep 16 $m	Sep 15 $m	Sep 16 v Sep 15 %	Sep 16 $m	Mar 16 $m	Sep 16 v Mar 16 %
Personnel expenses	**3,349**	3,185	(5.1)	**1,637**	1,712	4.4
Occupancy related expenses	**516**	522	1.1	**257**	259	0.8
General expenses	**1,917**	1,849	(3.7)	**981**	936	(4.8)
Total operating expenses	**5,782**	5,556	(4.1)	**2,875**	2,907	1.1

September 2016 v September 2015

Operating expenses increased by $226 million or 4.1% compared to the September 2015 full year ($214 million or 3.9% excluding foreign exchange).

Personnel expenses increased by $164 million or 5.1% ($157 million or 4.9% excluding foreign exchange). This was driven by Enterprise Bargaining Agreement wage increases and incentive normalisation, partially offset by productivity savings.

Occupancy related expenses decreased by $6 million or 1.1% ($8 million or 1.5% excluding foreign exchange) driven by property optimisation benefits, partially offset by property rental increases.

General expenses increased by $68 million or 3.7% ($65 million or 3.5% excluding foreign exchange), driven by higher depreciation and amortisation and associated support costs for deployed projects, partially offset by productivity savings.

September 2016 v March 2016

Operating expenses decreased by $32 million or 1.1% compared to the March 2016 half year ($19 million or 0.7% excluding foreign exchange).

Personnel expenses decreased by $75 million or 4.4% ($68 million or 4.0% excluding foreign exchange).This was driven by productivity savings and reduced project related activity.

Occupancy related expenses decreased by $2 million or 0.8% ($2 million or 0.8% excluding foreign exchange).

General expenses increased by $45 million or 4.8% ($51 million or 5.4% excluding foreign exchange), driven by increased technology and marketing spend, and higher depreciation and amortisation, partially offset by productivity savings.

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

Australian Banking [1]

Bad and Doubtful Debt Charge

	Year to			Half Year to		
	Sep 16 $m	Sep 15 $m	Sep 16 v Sep 15 %	Sep 16 $m	Mar 16 $m	Sep 16 v Mar 16 %
Specific charge to provide for bad and doubtful debts	**859**	532	(61.5)	**449**	410	(9.5)
Collective (write-back)/charge to provide for bad and doubtful debts	**(220)**	133	large	**(151)**	(69)	large
Total charge to provide for bad and doubtful debts	**639**	665	3.9	**298**	341	12.6
Housing Lending	**97**	43	large	**55**	42	(31.0)
Business Lending	**308**	409	24.7	**141**	167	15.6
Other banking products [1]	**234**	213	(9.9)	**102**	132	22.7
Total charge to provide for bad and doubtful debts	**639**	665	3.9	**298**	341	12.6

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

	Year to			Half Year to		
	Sep 16 $m	Sep 15 $m	Sep 16 v Sep 15 %	Sep 16 $m	Mar 16 $m	Sep 16 v Mar 16 %
Personal Banking	**324**	245	(32.2)	144	180	20.0
Business Banking	**315**	420	25.0	154	161	4.3
Total charge to provide for doubtful debts	**639**	665	3.9	298	341	12.6

September 2016 v September 2015

The charge to provide for bad and doubtful debts decreased by $26 million or 3.9% when compared to the September 2015 full year. This was due to a $353 million reduction in collective provision charges primarily due to:

- Higher collective provision write-backs in the business lending portfolio due to releases associated with the raising of specific provisions for a small number of large single name exposures.
- Underlying improvement in credit quality for the broader business lending portfolio.
- Partially offset by an increase in collective provisions from the downgrading of customer credit ratings for a small number of large single name exposures.

This was offset by a $327 million increase in specific provision charges, largely resulting from:

- The impairment of a small number of large single name exposures in the business lending portfolio.
- Higher specific charges in the mortgage and unsecured retail portfolios.

September 2016 v March 2016

The charge to provide for bad and doubtful debts decreased by $43 million or 12.6% when compared to the March 2016 half year. This was due to an $82 million reduction in collective provision charges primarily due to:

- Lower collective provision charges in the unsecured retail portfolio, the first half included an overlay that did not repeat.
- Higher collective provision write-backs in the business lending portfolio due to releases associated with the raising of specific provisions for a small number of large single name exposures.

This was partially offset by a $39 million increase in specific provision charges primarily in the mortgage and unsecured retail portfolios.

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

Australian Banking [(1)]

Asset Quality

	As at		
	30 Sep 16	**31 Mar 16**	**30 Sep 15**
Specific provision for doubtful debts ($m)	**612**	501	346
Collective provision for doubtful debts ($m)	**1,712**	1,897	1,956
Collective provision on loans at fair value ($m)	**96**	124	120
Collective provision on derivatives at fair value ($m)	**254**	290	309
90+DPD assets ($m)	**1,807**	1,797	1,620
Gross impaired assets ($m)	**1,606**	1,425	1,249
Collective provisions to credit risk weighted assets	**0.74%**	0.90%	0.91%
90+DPD assets to gross loans and acceptances	**0.38%**	0.38%	0.36%
Gross impaired assets to gross loans and acceptances	**0.34%**	0.31%	0.27%
90+DPD assets plus gross impaired assets to gross loans and acceptances	**0.72%**	0.69%	0.63%
Specific provision to gross impaired assets	**38.1%**	35.2%	27.7%
Net write-offs to gross loans and acceptances (annualised) [(1)]	**0.12%**	0.11%	0.19%
Total provision as a percentage of net write-offs (annualised) [(1)]	**455%**	560%	309%
Total provision to gross loans and acceptances	**0.56%**	0.60%	0.60%
Bad and doubtful debt charge to gross loans and acceptances (annualised) [(1)]	**0.13%**	0.15%	0.14%

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

Over the September 2016 full year, the ratio of 90+ DPD assets plus gross impaired assets to gross loans and acceptances increased by nine basis points to 0.72%.

This was driven by increases in mortgages 90+ DPD assets due to economic conditions resulting from the mining slowdown.

New impaired assets for the September 2016 full year of $1,356 million were 45% higher than the September 2015 full year. This was mainly due to the impairment of a small number of large single name exposures in business lending.

Total collective provisions for Australian Banking decreased by $323 million against September 2015 to $2,062 million. This was driven by releases relating to the raising of specific provisions for a small number of large single name exposures as well as underlying credit quality improvements in the business lending portfolio, partly offset by increased collective provisions from the downgrading of customer credit ratings for a small number of large single name exposures.

The collective provision to credit risk weighted assets ratio decreased by 17 basis points to 0.74% during the September 2016 full year. In addition to the reduction in collective provisions, this ratio was impacted by regulatory changes to the credit risk weighted asset floor in respect of the mortgage portfolio, which had an eight basis point impact during the September 2016 full year.

The coverage of specific provisions to gross impaired assets increased during the September 2016 full year to 38.1%. This resulted from the high level of coverage relating to a small number of large single name exposures provided for during the period.

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

Australian Banking [1]

Net Operating Income Analysis

	Year to			Half Year to		
	Sep 16 $m	Sep 15 $m	Sep 16 v Sep 15 %	Sep 16 $m	Mar 16 $m	Sep 16 v Mar 16 %
By Product						
Housing Lending	**3,647**	3,519	3.6	**1,770**	1,877	(5.7)
Business Lending	**3,902**	3,942	(1.0)	**1,954**	1,948	0.3
Other banking products [1]	**1,851**	1,830	1.1	**961**	890	8.0
Deposits	**2,808**	2,331	20.5	**1,416**	1,392	1.7
Customer risk management	**731**	824	(11.3)	**392**	339	15.6
NAB risk management	**1,109**	947	17.1	**554**	555	(0.2)
Net operating income	**14,048**	13,393	4.9	**7,047**	7,001	0.7
By Customer [2]						
Personal Banking	**4,867**	4,559	6.8	**2,428**	2,439	(0.5)
Business Banking	**8,072**	7,887	2.3	**4,065**	4,007	1.4
NAB risk management	**1,109**	947	17.1	**554**	555	(0.2)
Net operating income	**14,048**	13,393	4.9	**7,047**	7,001	0.7

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

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

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

NZ Banking

Anthony Healy

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

Results presented in local currency. See page 48 for results in Australian dollars and page 103 for foreign exchange rates.

	Year to			Half Year to		
	Sep 16 $m	Sep 15 $m	Sep 16 v Sep 15 %	Sep 16 $m	Mar 16 $m	Sep 16 v Mar 16 %
Net interest income	**1,617**	1,624	(0.4)	**805**	812	(0.9)
Other operating income	**494**	468	5.6	**255**	239	6.7
Net operating income	**2,111**	2,092	0.9	**1,060**	1,051	0.9
Operating expenses	**(834)**	(826)	(1.0)	**(419)**	(415)	(1.0)
Underlying profit	**1,277**	1,266	0.9	**641**	636	0.8
Charge to provide for bad and doubtful debts	**(125)**	(134)	6.7	**(41)**	(84)	51.2
Cash earnings before tax	**1,152**	1,132	1.8	**600**	552	8.7
Income tax expense	**(316)**	(309)	(2.3)	**(168)**	(148)	(13.5)
Cash earnings	**836**	823	1.6	**432**	404	6.9
Average Volumes (NZ$bn)						
Gross loans and acceptances	**70.8**	65.8	7.6	**72.1**	69.4	3.9
Interest earning assets [(1)]	**71.9**	66.6	8.0	**73.3**	70.4	4.1
Total assets	**73.9**	68.6	7.7	**75.4**	72.5	4.0
Customer deposits	**48.6**	44.9	8.2	**49.7**	47.5	4.6
Capital (NZ$bn)						
Risk-weighted assets - credit risk (spot)	**49.6**	44.8	10.7	**49.6**	47.7	4.0
Total risk-weighted assets (spot)	**53.1**	48.6	9.3	**53.1**	51.6	2.9
Performance Measures						
Cash earnings on average assets	**1.13%**	1.20%	(7 bps)	**1.15%**	1.11%	4 bps
Cash earnings on average risk-weighted assets	**1.63%**	1.74%	(11 bps)	**1.65%**	1.61%	4 bps
Net interest margin [(1)]	**2.25%**	2.44%	(19 bps)	**2.20%**	2.31%	(11 bps)
Cost to income ratio	**39.5%**	39.5%	-	**39.5%**	39.5%	-
'Jaws'	**(0.1%)**	1.9%	(200 bps)	**(0.1%)**	0.3%	(40 bps)
Cash earnings per average FTE (NZ$'000s)	**169**	174	(2.9)	**172**	165	4.2
FTEs (spot)	**4,963**	4,784	(3.7)	**4,963**	5,012	1.0

(1) *September 2015 restated due to change in methodology of interest earnings assets to exclude mortgage offset accounts.*

Market Share [(1)]	As at 31 Aug 16	31 Mar 16	30 Sep 15
Housing lending	**15.5%**	15.5%	15.5%
Cards	**19.7%**	19.9%	20.4%
Agribusiness	**22.5%**	22.6%	22.4%
Business lending	**27.5%**	27.2%	26.5%
Retail deposits [(2)]	**17.6%**	17.6%	17.6%

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

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

Distribution	As at 30 Sep 16	31 Mar 16	30 Sep 15
Number of retail branches	**171**	173	173
Number of ATMs	**478**	479	474
Number of internet banking customers (no. '000s)	**723**	705	686

NZ Banking

Financial Analysis (in local currency)

September 2016 v September 2015

Cash earnings increased by NZ$13 million or 1.6% compared to September 2015 driven by improved revenue and lower charges for bad and doubtful debts, partially offset by higher operating expenses.

Cash earnings on average risk-weighted assets decreased 11 basis points to 1.63% due to asset growth as well as increased risk-weighted assets from the credit migration of the New Zealand dairy portfolio.

Net interest income decreased by NZ$7 million or 0.4% due to margin pressure in both lending and deposits from a declining rate environment and rising funding costs, partially offset by growth in lending and deposit volumes.

Average volumes of **gross loans and acceptances** increased by NZ$5.0 billion or 7.6%. Both the business and housing lending portfolio experienced strong growth supported by continued positive economic conditions. Business lending volumes increased by NZ$3.0 billion or 9.2% as a result of higher lending demand combined with an increase in market share [(1)]. Housing volumes increased by NZ$2.1 billion or 6.6% due to strong growth in both the broker and propriety channels, with market share remaining stable [(1)].

Average customer deposits increased by NZ$3.7 billion or 8.2%. Customer deposits growth reflected an increased focus on deposit quality and managing the shape and strength of the balance sheet. This resulted in a stable market share [(1)].

Net interest margin decreased by 19 basis points to 2.25%. Lower deposit margins were largely the result of continued falls in wholesale interest rate levels combined with strong competition. Lending margins also contracted due to competition and rising funding costs.

Other operating income increased by NZ$26 million or 5.6% mainly due to increased retail wealth income from higher premium income, improved investment returns and management fees from growth in KiwiSaver funds under management, as well as improved revenues from the cards portfolio.

Operating expenses increased by NZ$8 million or 1.0% mainly due to growth in FTE to support priority segments and strategic initiatives.

The **charge to provide for bad and doubtful debts** decreased by NZ$9 million or 6.7% in the September 2016 year due to lower specific provisions partially offset by higher collective provision charges. This reflects favourable economic conditions in New Zealand outside the dairy sector.

September 2016 v March 2016

Cash earnings increased by NZ$28 million or 6.9% compared to the March 2016 half year driven by improved revenue and lower charges for bad and doubtful debts, partially offset by higher operating expenses.

Cash earnings on average risk-weighted assets increased four basis points to 1.65% as increased cash earnings was partially offset by higher risk-weighted assets from the credit migration of the New Zealand dairy portfolio.

Net interest income decreased NZ$7 million or 0.9% due to rising funding costs and margin pressure in lending, partially offset by growth in deposit margins and lending and deposit volumes.

Average volumes of **gross loans and acceptances** increased by NZ$2.7 billion or 3.9%. Both housing and business lending continued to experience strong growth, supported by continued positive economic conditions and high demand for lending. Housing volumes increased by NZ$1.5 billion or 4.7% with market share remaining stable [(1)]. Business volumes increased by NZ$1.3 billion or 3.6%, with an increase in market share [(1)].

Average customer deposits increased NZ$2.2 billion or 4.6%. Customer deposits growth reflected an increased focus on deposit quality and managing the shape and strength of the balance sheet. Market share remained stable [(1)].

Net interest margin decreased by 11 basis points to 2.20%, largely driven by rising funding costs and lower lending margins due to strong competition.

Other operating income increased by NZ$16 million or 6.7% mainly due to increased retail wealth income from higher premium income and higher management fees from growth in KiwiSaver funds under management, as well as improved revenues from the cards portfolio.

Operating expenses increased by NZ$4 million or 1.0% mainly due to growth in average FTE to support priority segments.

The **charge to provide for bad and doubtful debts** decreased by NZ$43 million or 51.2% in the September 2016 half year due to lower collective charges as a result of improved economic conditions. The dairy portfolio remained stable with no significant deterioration to the portfolio beyond expectations, and the outlook for the New Zealand dairy industry starting to stabilise.

---

(1) *Source RBNZ: August 2016*

NZ Banking

Other Items

Asset Quality

	As at		
	30 Sep 16	31 Mar 16	30 Sep 15
Specific provision for doubtful debts (NZ$m)	**100**	101	92
Collective provision for doubtful debts (NZ$m)	**398**	386	331
Collective provision on loans at fair value (NZ$m)	**47**	48	44
90+DPD assets (NZ$m)	**173**	210	196
Gross impaired assets (NZ $m) (1)	**1,078**	807	216
Collective provisions to credit risk weighted assets	**0.90%**	0.91%	0.84%
90+DPD to gross loans and acceptances	**0.23%**	0.30%	0.29%
Gross impaired assets to gross loans and acceptances (1)	**1.46%**	1.13%	0.32%
90+DPD plus gross impaired assets to gross loans and acceptances (1)	**1.69%**	1.43%	0.61%
Specific provision to gross impaired assets (2)	**39.2%**	44.3%	42.6%
Net write-offs to gross loans and acceptances (annualised) (3)	**0.06%**	0.04%	0.17%
Total provision as a percentage of net write-offs (annualised) (3)	**1,185%**	1,819%	406%
Total provision to gross loans and acceptances	**0.74%**	0.75%	0.69%
Bad and doubtful debt charge to gross loans and acceptances (annualised) (3)	**0.17%**	0.24%	0.20%

(1) *Gross impaired assets include NZ$823 million dairy exposure currently assessed as no loss based on collective provision and security held (March 2016 NZ$579 million; September 2015 nil).*

(2) *Consists only of impaired assets where a specific provision has been raised and excludes NZ$823 million of NZ dairy exposures currently assessed as no loss based on collective provision and security held.*

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

Compared with the September 2015 full year, the level of 90+ DPD plus gross impaired assets has deteriorated by 108 basis points from 0.61% to 1.69%, primarily driven by the inclusion of NZ$823 million of dairy exposures currently assessed as default no loss in impaired assets for the September 2016 full year (NZ$579 million at March 2016 half year). 90+ DPD to gross loans and acceptances improved by six basis points from 0.29% to 0.23% driven by debt repayments and improvement of asset quality.

Total provision coverage to gross loans and acceptances increased by five basis points to 0.74% compared with September 2015.

Total collective provisions for doubtful debts increased by NZ$70 million in the September 2016 full year. This increase was primarily driven by provisions for dairy customers, which has been offset by improvements across other segments. Specific provisions increased by NZ$8 million from September 2015.

Net write-offs to gross loans and acceptances for the September 2016 full year decreased by 11 basis points compared to September 2015, with improvements across both retail and non-retail portfolios.

Capital and Funding Position

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

BNZ's Common Equity Tier 1, Tier 1 and Total capital ratios of 10.21%, 10.54% and 12.04% respectively as at 30 September 2016 were well above the minimum RBNZ capital ratio requirements of 7.00%, 8.50% and 10.50% respectively. In December 2015, BNZ raised NZ$550 million of regulatory Tier 2 capital via the issue of domestic Subordinated Notes. During the September 2016 year BNZ's key regulatory liquidity ratios were assisted by a focus on stable customer deposits, with BNZ's Core Funding Ratio of 86.0% at 30 September 2016 comfortably exceeding the minimum RBNZ requirement of 75%.

BNZ was active in domestic and offshore wholesale markets, supporting the refinancing of term debt maturities. Transactions of note included US$500 million and US$850 million 5-year senior unsecured offshore issues in March and September 2016 respectively, and a NZ$250 million 7-year senior unsecured domestic issue in June 2016. BNZ also re-entered the Covered Bond market, issuing a domestic NZ$300 million 7-year Covered Bond in February 2016 and an offshore EUR€750 million 5-year Covered Bond in June 2016.

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

NZ Banking

Results presented in Australian dollars. *See page 45 for results in local currency.*

	Year to			Half Year to		
	Sep 16 $m	**Sep 15 $m**	**Sep 16 v Sep 15%**	**Sep 16 $m**	**Mar 16 $m**	**Sep 16 v Mar 16%**
Net interest income	**1,505**	1,504	0.1	**756**	749	0.9
Other operating income	**460**	434	6.0	**240**	220	9.1
Net operating income	**1,965**	1,938	1.4	**996**	969	2.8
Operating expenses	**(777)**	(766)	(1.4)	**(395)**	(382)	(3.4)
Underlying profit	**1,188**	1,172	1.4	**601**	587	2.4
Charge to provide for bad and doubtful debts	**(116)**	(124)	6.5	**(39)**	(77)	49.4
Cash earnings before tax	**1,072**	1,048	2.3	**562**	510	10.2
Income tax expense	**(294)**	(286)	(2.8)	**(157)**	(137)	(14.6)
Cash earnings	**778**	762	2.1	**405**	373	8.6

Impact of foreign exchange rate movements

Favourable/ (unfavourable) September 16	**Year since Sep 15 $m**	**Sep 16 v Sep 15 Ex FX %**	**Half year since Mar 16 $m**	**Sep 16 v Mar 16 Ex FX %**
Net interest income	**7**	(0.4)	**14**	(0.9)
Other operating income	**3**	5.3	**5**	6.8
Operating expenses	**(4)**	(0.9)	**(7)**	(1.6)
Charge to provide for bad and doubtful debts	**-**	6.5	**(1)**	50.6
Income tax expense	**(2)**	(2.1)	**(3)**	(12.4)
Cash earnings	**4**	1.6	**8**	6.4

NAB Wealth [1]

Andrew Hagger

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

	Year to			Half Year to		
	Sep 16 $m	Sep 15 $m	Sep 16 v Sep 15 %	Sep 16 $m	Mar 16 $m	Sep 16 v Mar 16 %
Net investments income	**1,155**	1,136	1.7	**595**	560	6.3
Other operating income [1]	**78**	72	8.3	**40**	38	5.3
Net income	**1,233**	1,208	2.1	**635**	598	6.2
Operating expenses	**(758)**	(786)	3.6	**(370)**	(388)	4.6
Cash earnings before tax	**475**	422	12.6	**265**	210	26.2
Income tax expense	**(119)**	(106)	(12.3)	**(68)**	(51)	(33.3)
Cash earnings	**356**	316	12.7	**197**	159	23.9

(1) Includes 20% of the net profit after tax relating to NAB Wealth's life insurance business. Prior periods have been restated on a consistent basis.

	Year to			Half Year to		
Performance Measures [1]	**Sep 16 $m**	**Sep 15 $m**	**Sep 16 v Sep 15 %**	**Sep 16 $m**	**Mar 16 $m**	**Sep 16 v Mar 16 %**
FUM/A (spot) ($m)	**197,352**	168,365	17.2	**197,352**	188,365	4.8
FUM/A (average) ($m)	**186,253**	167,045	11.5	**194,305**	179,665	8.1
Net funds flow ($m)	**252**	(742)	large	**84**	168	(50.0)
Cost to income ratio (%)	**61.5%**	65.1%	360 bps	**58.3%**	64.9%	660 bps
Operating expenses to average FUM/A (bps)	**41**	47	6 bps	**38**	43	5 bps
Net investments income to average FUM/A (bps)	**62**	68	(6 bps)	**61**	62	(1 bp)
Cash earnings per average FTE ($'000s)	**79**	74	6.8	**85**	73	16.4
FTEs (spot)	**4,584**	4,215	(8.8)	**4,584**	4,567	(0.4)

(1) Funds under management and administration (FUM/A) excludes Trustee and Cash Management. FUM/A is reported on the basis of NAB Asset Management Ltd's proportional ownership interest of its asset management businesses rather than the total FUM/A of these businesses. FUM/A includes JBWere FUM/A, 100% owned from January 2016.

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

NAB Wealth [1]

Financial Analysis

September 2016 v September 2015

Cash earnings increased by $40 million or 12.7% compared to the September 2015 full year, reflecting growth in FUM/A due to investment markets, positive net funds flow and efficiencies in operating expenses.

Net investments income increased by $19 million or 1.7% compared to the September 2015 full year due to revenue growth from higher FUM/A as a result of investment market growth for the year. Margins declined since the September 2015 full year, driven by the inclusion of JBWere FUM/A, MySuper plan transitions, consistent with broader industry experience, and a change in business mix to lower margin wholesale and institutional products.

Other operating income increased by $6 million or 8.3% compared to the September 2015 full year.

Operating expenses decreased by $28 million or 3.6% compared to the September 2015 full year primarily due to lower regulatory and compliance project costs, efficiency savings and lower discretionary spend.

Average FUM/A increased by $19.2 billion or 11.5% primarily due to the inclusion of JBWere FUM/A following the acquisition of the remaining 20% of JBWere in January 2016, growth in investment markets and positive net funds flow.

Net funds flow were positive $252 million, an increase of $994 million compared to the September 2015 full year primarily due to the contractual end of one institutional fund mandate ($1.4 billion) in the September 2015 full year.

FTEs increased during the year by 369 or 8.8%, largely driven by the transformation and capability uplift initiatives required to execute the sale of 80% of NAB Wealth's life insurance business.

September 2016 v March 2016

Cash earnings increased by $38 million or 23.9% compared to the March 2016 half year reflecting improved investment markets and efficiencies in operating expenses.

Net investments income increased by $35 million or 6.3% compared to the March 2016 half year primarily due to revenue growth from higher FUM/A as a result of improved investment markets for the September 2016 half year and positive net funds flow.

Other operating income increased by $2 million or 5.3% compared to the March 2016 half year.

Operating expenses decreased by $18 million or 4.6% compared to the March 2016 half year primarily due to efficiency savings and lower discretionary spend.

Average FUM/A increased by $14.6 billion or 8.1% primarily due to the inclusion of JBWere FUM/A for the full half to September 2016, improved investment markets and positive net funds flow.

Net funds flow were positive $84 million, a decrease of $84 million compared to the March 2016 half year.

FTEs increased by 17 or 0.4%, largely due to transformation and capability uplift initiatives required to execute the sale of 80% of NAB Wealth's life insurance business.

---

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

NAB Wealth [1]

Funds Under Management and Administration Analysis

Movement in FUM/A ($m)	As at Sep 15	Inflows	Outflows	Netflows	Investment earnings	Other [1] [2]	As at Sep 16
Retail Platforms	59,383	11,398	(8,536)	2,862	4,625	17,749	**84,619**
Business and Corporate Superannuation	35,530	3,806	(4,293)	(487)	1,676	(608)	**36,111**
Offsale Retail Products & Other	12,422	543	(1,813)	(1,270)	938	(604)	**11,486**
Retail	107,335	15,747	(14,642)	1,105	7,239	16,537	**132,216**
Wholesale	61,030	7,854	(8,707)	(853)	3,293	1,666	**65,136**
Total NAB Wealth	168,365	23,601	(23,349)	252	10,532	18,203	**197,352**

(1) *Other includes trust distributions.*

(2) *FUM/A includes the addition of JBWere FUM/A, 100% ownership from January 2016.*

Movement in FUM/A ($m)	As at Mar 16	Inflows	Outflows	Netflows	Investment earnings	Other[1]	As at Sep 16
Retail Platforms	79,259	6,614	(4,915)	1,699	3,385	276	**84,619**
Business and Corporate Superannuation	34,947	1,960	(2,315)	(355)	2,112	(593)	**36,111**
Offsale Retail Products & Other	11,718	264	(974)	(710)	699	(221)	**11,486**
Retail	125,924	8,838	(8,204)	634	6,196	(538)	**132,216**
Wholesale	62,441	3,729	(4,279)	(550)	2,790	455	**65,136**
Total NAB Wealth	188,365	12,567	(12,483)	84	8,986	(83)	**197,352**

(1) *Other includes trust distributions.*

FUM/A by Asset Class [1]	As at 30 Sep 16	As at 31 Mar 16	As at 30 Sep 15
Australian equities	**40%**	38%	31%
International equities	**22%**	20%	24%
Australian fixed interest	**12%**	14%	15%
International fixed interest	**8%**	9%	9%
Australian cash	**10%**	11%	11%
International direct property	**4%**	4%	5%
International listed property	**2%**	2%	2%
Australian listed property	**2%**	2%	3%

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

	Funds under Management [1] Jun 16 Rank	Jun 16 Market Share %	Dec 15 Rank	Dec 15 Market Share %	Jun 15 Rank	Jun 15 Market Share %
Retail (excl. Cash)	**2**	**13.9**	2	14.1	2	14.6
Total Retail Superannuation	**2**	**18.2**	2	18.3	2	18.6
Total Wholesale	**5**	**5.3**	5	5.2	5	5.2

(1) *Source: Strategic Insight (formerly known as Plan for Life) Australian Retail and Wholesale Investments Market Share and Dynamics Report - June 2016. (Prior periods include re-statements of funds under management made by Strategic Insight).*

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

Corporate Functions and Other [1]

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

	Year to			Half Year to		
	Sep 16 $m	Sep 15 $m	Sep 16 v Sep 15 %	Sep 16 $m	Mar 16 $m	Sep 16 v Mar 16 %
Net operating income	234	503	(53.5)	74	160	(53.8)
Operating expenses	(168)	(207)	18.8	(71)	(97)	26.8
Underlying profit	66	296	(77.7)	3	63	(95.2)
(Charge to provide for) / write-back of bad and doubtful debts	(45)	41	large	(88)	43	large
Cash earnings before tax	21	337	(93.8)	(85)	106	large
Income tax (expense) / benefit	(20)	(119)	83.2	28	(48)	large
Cash earnings / (deficit)	1	218	(99.5)	(57)	58	large

September 2016 v September 2015

Cash earnings decreased by $217 million compared to the September 2016 full year. Excluding the impact of foreign exchange, cash earnings decreased by $219 million driven by lower net operating income and higher charges for bad and doubtful debts, partially offset by a decrease in operating expenses and income tax expense.

Net operating income decreased by $269 million or 53.5%. Excluding the impact of foreign exchange, net operating income decreased by $274 million driven by lower income from Group funding and hedging activities, gains in the September 2015 full year relating to the settlement of a long standing legal dispute and the sale of loans in NAB UK CRE not repeated this year.

Operating expenses decreased by $39 million or 18.8%. Excluding the impact of foreign exchange, operating expenses decreased by $40 million. This was due to lower performance based incentive costs and lower operating costs from NAB UK CRE as a result of the continued run off of the portfolio and the closure of SGA, partially offset by higher regulatory costs.

The charge to provide for bad and doubtful debts increased by $86 million due to an overlay for mining, mining related and agricultural sectors, combined with NAB UK CRE write-backs in September 2015 not repeated, partially offset by a write-back from a new credit system implementation.

Income tax expense decreased by $99 million or 83.2%. Excluding the impact of foreign exchange, income tax expense decreased by $100 million.

September 2016 v March 2016

Cash earnings decreased by $115 million compared to the March 2016 half year. Excluding the impact of foreign exchange, cash earnings decreased by $116 million driven by lower net operating income and higher charges for bad and doubtful debts, partially offset by a decrease in operating expenses and income tax expense.

Net operating income decreased by $86 million or 53.8%. Excluding the impact of foreign exchange, net operating income decreased by $88 million due to lower income from Group funding and hedging activities.

Operating expenses decreased by $26 million or 26.8%. Excluding the impact of foreign exchange, operating expenses decreased by $25 million due to lower performance based incentive costs, decreased regulatory costs and lower Group funding and hedging activity costs.

The charge for bad and doubtful debts increased by $131 million due to an overlay for mining, mining related and agricultural sectors, partially offset by a write-back from a new credit system implementation in the March 2016 half year not repeated.

Income tax expense decreased by $76 million. Excluding the impact of foreign exchange, income tax expense decreased by $76 million.

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

Section 5

Financial Report

Consolidated Financial Statements

Income Statement [1]

	Note	Year to Sep 16 $m	Year to Sep 15 $m	Half Year to Sep 16 $m	Half Year to Mar 16 $m
Interest income		**27,629**	28,347	**13,724**	13,905
Interest expense		**(14,699)**	(15,885)	**(7,391)**	(7,308)
Net interest income		**12,930**	12,462	**6,333**	6,597
Investment revenue [1]		**4,037**	5,007	**2,508**	1,529
Fee income		**433**	589	**143**	290
Change in life investment contract liabilities [1]		**(2,861)**	(4,221)	**(1,633)**	(1,228)
Movement in external unitholders' liability [1]		**(1,015)**	(715)	**(806)**	(209)
Net insurance income		**53**	41	**29**	24
Net investment and insurance income		**647**	701	**241**	406
Gains less losses on financial instruments at fair value	3	**827**	1,498	**528**	299
Other operating income	3	**3,718**	3,776	**1,954**	1,764
Total other income		**4,545**	5,274	**2,482**	2,063
Personnel expenses	4	**(4,752)**	(4,529)	**(2,302)**	(2,450)
Occupancy-related expenses	4	**(493)**	(478)	**(248)**	(245)
General expenses	4	**(3,086)**	(3,182)	**(1,585)**	(1,501)
Total operating expenses		**(8,331)**	(8,189)	**(4,135)**	(4,196)
Charge to provide for doubtful debts	8	**(813)**	(733)	**(427)**	(386)
Profit before income tax expense		**8,978**	9,515	**4,494**	4,484
Income tax expense	5	**(2,553)**	(2,709)	**(1,296)**	(1,257)
Net profit for the period from continuing operations		**6,425**	6,806	**3,198**	3,227
Net (loss) after tax for the period from discontinued operations	14	**(6,068)**	(414)	**(1,102)**	(4,966)
Net profit / (loss) for the period		**357**	6,392	**2,096**	(1,739)
Attributable to owners of NAB		**352**	6,338	**2,094**	(1,742)
Attributable to non-controlling interests		**5**	54	**2**	3
		cents	**cents**	**cents**	**cents**
Basic earnings per share		**8.8**	252.7	**78.0**	(70.1)
Diluted earnings per share		**15.5**	245.4	**76.1**	(62.0)
		cents	**cents**	**cents**	**cents**
Basic earnings per share from continuing operations		**242.4**	271.7	**120.2**	122.7
Diluted earnings per share from continuing operations		**232.7**	263.3	**115.2**	117.8

[1] *Includes the impact of movements in life investment contracts to 1 July 2016, being the date on which the Successor Fund Merger occurred and the related investment assets and investment contract liabilities were deconsolidated.*

[1] *Information is presented on a continuing operations basis including prior period restatements. Included in discontinued operations are the results of CYBG Group and NAB Wealth's life insurance business (2015: GWB, CYBG Group and NAB Wealth's life insurance business). Refer to Note 14 – Discontinued operations for further information.*

Statement of Comprehensive Income [1]

	Note	Year to Sep 16 $m	Year to Sep 15 $m	Half Year to Sep 16 $m	Half Year to Mar 16 $m
Net profit for the period from continuing operations		**6,425**	6,806	**3,198**	3,227
Other comprehensive income					
Items that will not be reclassified to profit or loss					
Actuarial (losses) on defined benefit superannuation plans		**-**	(1)	**-**	-
Fair value changes on financial liabilities designated at fair value attributable to the Group's own credit risk	**11**	**(113)**	165	**(324)**	211
Revaluation of land and buildings		**(1)**	-	**(1)**	-
Exchange differences on translation of other contributed equity		**(183)**	229	**(69)**	(114)
Equity instruments at fair value through other comprehensive income reserve:					
Revaluation (losses) / gains		**(51)**	218	**1**	(52)
Tax on items transferred directly to / (from) equity		**23**	(51)	**47**	(24)
Total items that will not be reclassified to profit or loss		**(325)**	560	**(346)**	21
Items that will be reclassified subsequently to profit or loss					
Cash flow hedges:					
Gains / (losses) on cash flow hedging instruments		**38**	90	**63**	(25)
(Gains) / losses transferred to the income statement		**(6)**	(1)	**(7)**	1
Exchange differences on translation of foreign operations		**249**	64	**370**	(121)
Debt instruments at fair value through other comprehensive income reserve:					
Revaluation gains / (losses)		**14**	(28)	**53**	(39)
Gains from sale transferred to the income statement		**(16)**	(69)	**(11)**	(5)
Loss allowance on debt instruments at fair value through other comprehensive income		**4**	1	**4**	-
Tax on items transferred directly to / (from) equity		**22**	(22)	**(53)**	75
Total items that will be reclassified subsequently to profit or loss		**305**	35	**419**	(114)
Other comprehensive income for the period, net of income tax		**(20)**	595	**73**	(93)
Total comprehensive income for the period from continuing operations		**6,405**	7,401	**3,271**	3,134
Net (loss) for the period from discontinued operations	**14**	**(6,068)**	(414)	**(1,102)**	(4,966)
Other comprehensive income for the period from discontinued operations, net of income tax		**979**	760	**-**	979
Total comprehensive income for the period		**1,316**	7,747	**2,169**	(853)
Attributable to owners of NAB		**1,311**	7,525	**2,167**	(856)
Attributable to non-controlling interests		**5**	222	**2**	3

(1) *Information is presented on a continuing operations basis including prior period restatements. Included in discontinued operations are the results of CYBG Group and NAB Wealth's life insurance business (2015: GWB, CYBG Group and NAB Wealth's life insurance business). Refer to Note 14 – Discontinued operations for further information.*

Balance Sheet [1]

	Note	As at 30 Sep 16 $m	31 Mar 16 $m	30 Sep 15 $m
Assets				
Cash and liquid assets		**30,630**	33,174	30,934
Due from other banks		**45,236**	44,578	50,595
Trading derivatives		**43,131**	58,509	78,384
Trading securities		**45,971**	42,801	42,937
Debt instruments at fair value through other comprehensive income		**40,689**	41,920	45,189
Investments relating to life insurance business [1]		**86**	90,005	89,350
Other financial assets at fair value		**21,496**	23,949	29,696
Hedging derivatives		**6,407**	6,740	11,599
Loans and advances		**510,045**	490,756	532,784
Due from customers on acceptances		**12,205**	15,544	19,437
Property, plant and equipment		**1,423**	1,468	1,741
Goodwill and other intangible assets		**5,302**	6,820	7,347
Deferred tax assets		**1,925**	1,254	2,141
Other assets		**13,076**	11,212	12,918
Total assets		**777,622**	868,730	955,052
Liabilities				
Due to other banks		**43,903**	47,821	54,405
Trading derivatives		**41,654**	59,002	74,442
Other financial liabilities at fair value		**33,224**	28,159	30,046
Hedging derivatives		**3,245**	2,664	4,539
Deposits and other borrowings	10	**459,714**	448,659	489,010
Life policy liabilities [1]		**-**	76,689	76,311
Current tax liabilities		**297**	362	1,114
Provisions		**1,432**	928	3,575
Bonds, notes and subordinated debt		**127,942**	125,199	130,518
Other debt issues		**6,248**	6,143	6,292
External unitholders' liability [1]		**-**	14,538	14,520
Other liabilities		**8,648**	8,484	14,767
Total liabilities		**726,307**	818,648	899,539
Net assets		**51,315**	50,082	55,513
Equity				
Contributed equity	11	**34,285**	32,666	34,651
Reserves	11	**629**	358	(362)
Retained profits	11	**16,378**	17,033	21,205
Total equity (parent entity interest)		**51,292**	50,057	55,494
Non-controlling interest in controlled entities		**23**	25	19
Total equity		**51,315**	50,082	55,513

(1) *Refer to Note 14 - Discontinued operations for details.*

(1) *Prior periods have not been restated to exclude discontinued operations. Assets and liabilities associated with the discontinued operations GWB, CYBG Group and NAB Wealth's life insurance business have been derecognised at the date of loss of control. Refer to Note 14 – Discontinued operations for further information.*

Condensed Cash Flow Statement [(1)]

	Note	Year to Sep 16[(1)] $m	Year to Sep 15[(1)] $m	Half Year to Sep 16[(1)] $m	Half Year to Mar 16[(1)] $m
Cash flows from operating activities					
Interest received		**28,338**	30,703	**13,569**	14,769
Interest paid		**(15,592)**	(17,008)	**(7,298)**	(8,294)
Dividends received		**21**	35	**10**	11
Income taxes paid		**(3,148)**	(2,428)	**(1,294)**	(1,854)
Other cash flows from operating activities before changes in operating assets and liabilities		**(8,205)**	882	**(4,056)**	(4,149)
Changes in operating assets and liabilities arising from cash flow movements		**14,781**	(25,274)	**1,633**	13,148
Net cash provided by / (used in) operating activities		**16,195**	(13,090)	**2,564**	13,631
Net cash used in investing activities [(2)]		**(9,970)**	(1,830)	**1,464**	(11,434)
Cash flows from financing activities					
Repayments of bonds, notes and subordinated debt		**(26,127)**	(29,941)	**(18,008)**	(8,119)
Proceeds from issue of bonds, notes and subordinated debt, net of costs		**38,370**	27,381	**19,730**	18,640
Proceeds from issue of ordinary shares, net of costs		**-**	6,246	**-**	-
Repayments of other contributed equity, net of costs		**-**	(1,014)	**-**	-
Proceeds from sale of interest in a subsidiary, net of costs		**-**	942	**-**	-
Proceeds from other debt issues, net of costs		**111**	1,336	**105**	6
Dividends and distributions paid (excluding dividend reinvestment plan)		**(4,593)**	(3,624)	**(2,315)**	(2,278)
Net cash provided by / (used in) financing activities		**7,761**	1,326	**(488)**	8,249
Net increase / (decrease) in cash and cash equivalents		**13,986**	(13,594)	**3,540**	10,446
Cash and cash equivalents at beginning of period		**20,528**	26,517	**26,652**	20,528
Effects of exchange rate changes on balance of cash held in foreign currencies		**(6,554)**	7,605	**(2,232)**	(4,322)
Cash and cash equivalents at end of period	**12**	**27,960**	20,528	**27,960**	26,652

(1) *The cash flow statement includes net cash inflows / (outflows) from operating, investing and financing activities on discontinued operations. Discontinued operations for the 2015 comparative year reflects the loss of control of GWB. Loss of control of GWB occurred on 3 August 2015. For the September 2016 full year, loss of control of CYBG occurred on 8 February 2016 and loss of control of NAB Wealth's life insurance business occurred on 30 September 2016.*

(2) *The year to 30 September 2016 includes $10,405 million of net cash outflows from the CYBG demerger and $1,375 million of net cash outflows from the sale of 80% of NAB Wealth's life insurance business. The net cash outflows are net of transaction costs and are further reduced by cash and cash equivalents disposed of $12,405 million. Refer to Note 14 - Discontinued operations for further information.*

(1) *Prior periods have not been restated to exclude discontinued operations. Refer to Note 14 – Discontinued operations for further information.*

Statement of Changes in Equity

Group – Yearly

	Contributed equity[1] $m	Reserves[1] $m	Retained profits[1] $m	Total $m	Non-controlling interest in controlled entities $m	Total equity $m
Balance at 1 October 2014	28,380	(866)	20,377	47,891	17	**47,908**
Restated for adoption of new accounting standards	-	(587)	(465)	(1,052)	-	**(1,052)**
Net profit for the year from continuing operations	-	-	6,800	6,800	6	**6,806**
Net (loss) / profit for the year from discontinued operations	-	-	(462)	(462)	48	**(414)**
Other comprehensive income for the year from continuing operations	-	462	133	595	-	**595**
Other comprehensive income for the year from discontinued operations	-	654	(62)	592	168	**760**
Total comprehensive income for the year	-	1,116	6,409	7,525	222	**7,747**
Transactions with owners, recorded directly in equity: [2]						
Contributions by and distributions to owners						
Issue of ordinary shares	1,937	-	-	1,937	-	**1,937**
Rights Issue	5,446	-	-	5,446	-	**5,446**
Redemption of Trust Preferred Securities II	(1,014)	-	(8)	(1,022)	-	**(1,022)**
Transfer from equity-based compensation reserve	182	(182)	-	-	-	**-**
Treasury shares adjustment relating to life insurance business	(280)	-	-	(280)	-	**(280)**
Transfer from / (to) retained profits	-	37	(37)	-	-	**-**
Equity-based compensation	-	120	-	120	-	**120**
Dividends paid	-	-	(4,573)	(4,573)	(13)	**(4,586)**
Distributions on other equity instruments	-	-	(175)	(175)	-	**(175)**
Discontinued operations [3]	-	-	(323)	(323)	(207)	**(530)**
Balance at 30 September 2015	34,651	(362)	21,205	55,494	19	**55,513**
Net profit for the year from continuing operations	-	-	6,420	6,420	5	**6,425**
Net loss for the year from discontinued operations	-	-	(6,068)	(6,068)	-	**(6,068)**
Other comprehensive income for the year from continuing operations	-	96	(116)	(20)	-	**(20)**
Other comprehensive income for the year from discontinued operations	-	955	24	979	-	**979**
Total comprehensive income for the year	-	1,051	260	1,311	5	**1,316**
Transactions with owners, recorded directly in equity: [2]						
Contributions by and distributions to owners						
Issue of ordinary shares	596	-	-	596	-	**596**
Transfer from equity-based compensation reserve	166	(166)	-	-	-	**-**
Treasury shares adjustment relating to life insurance business [4]	1,517	-	-	1,517	-	**1,517**
Transfer from / (to) retained profits	-	(91)	91	-	-	**-**
Equity-based compensation	-	203	-	203	-	**203**
Dividends paid	-	-	(5,060)	(5,060)	(5)	**(5,065)**
Distributions on other equity instruments	-	-	(124)	(124)	-	**(124)**
Capital distribution on CYBG demerger [5]	(2,645)	-	-	(2,645)	-	**(2,645)**
Released on divestment of discontinued operations	-	(6)	6	-	-	**-**
Changes in ownership interests [6]						
Movement of non-controlling interest in controlled entities	-	-	-	-	4	**4**
Balance at 30 September 2016	34,285	629	16,378	51,292	23	**51,315**

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

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

(3) Includes discontinued operations of GWB. Please refer Note 14 - Discontinued operations for further details.

(4) Relates to shares in NAB previously held by NAB Wealth's life insurance business which are no longer held by a controlled entity of the Group. Refer to Note 14 – Discontinued operations for further details.

(5) Refer to Note 14 - Discontinued operations for further details.

(6) Changes in ownership interests in controlled entities that does not result in a loss of control.

Statement of Changes in Equity

Group – Half Yearly

	Contributed equity[1] $m	Reserves[1] $m	Retained profits[1] $m	Total $m	Non-controlling interest in controlled entities $m	Total equity $m
Balance at 1 October 2015	34,651	(362)	21,205	55,494	19	**55,513**
Net profit for the period from continuing operations	-	-	3,224	3,224	3	**3,227**
Net loss for the period from discontinued operations	-	-	(4,966)	(4,966)	-	**(4,966)**
Other comprehensive income for the period from continuing operations	-	(280)	187	(93)	-	**(93)**
Other comprehensive income for the period from discontinued operations	-	955	24	979	-	**979**
Total comprehensive income for the period	-	675	(1,531)	(856)	3	**(853)**
Transactions with owners, recorded directly in equity: [2]						
Contributions by and distributions to owners						
Issue of ordinary shares	307	-	-	307	-	**307**
Transfer from equity-based compensation reserve	105	(105)	-	-	-	**-**
Treasury shares adjustment relating to life insurance business	248	-	-	248	-	**248**
Transfer from / (to) retained profits	-	64	(64)	-	-	**-**
Equity-based compensation	-	92	-	92	-	**92**
Dividends paid	-	-	(2,519)	(2,519)	(2)	**(2,521)**
Distributions on other equity instruments	-	-	(64)	(64)	-	**(64)**
Capital distribution on CYBG demerger [3]	(2,645)	-	-	(2,645)	-	**(2,645)**
Released on divestment of discontinued operations	-	(6)	6	-	-	**-**
Changes in ownership interests [4]						
Movement of non-controlling interest in controlled entities	-	-	-	-	5	**5**
Balance at 31 March 2016	32,666	358	17,033	50,057	25	**50,082**
Net profit for the period from continuing operations	-	-	3,196	3,196	2	**3,198**
Net loss for the period from discontinued operations	-	-	(1,102)	(1,102)	-	**(1,102)**
Other comprehensive income for the period from continuing operations	-	376	(303)	73	-	**73**
Other comprehensive income for the period from discontinued operations	-	-	-	-	-	**-**
Total comprehensive income for the period	-	376	1,791	2,167	2	**2,169**
Transactions with owners, recorded directly in equity: [2]						
Contributions by and distributions to owners						
Issue of ordinary shares	289	-	-	289	-	**289**
Transfer from equity-based compensation reserve	61	(61)	-	-	-	**-**
Treasury shares adjustment relating to life insurance business [5]	1,269	-	-	1,269	-	**1,269**
Transfer from / (to) retained profits	-	(155)	155	-	-	**-**
Equity-based compensation	-	111	-	111	-	**111**
Dividends paid	-	-	(2,541)	(2,541)	(3)	**(2,544)**
Distributions on other equity instruments	-	-	(60)	(60)	-	**(60)**
Changes in ownership interests [4]						
Movement of non-controlling interest in controlled entities	-	-	-	-	(1)	**(1)**
Balance at 30 September 2016	34,285	629	16,378	51,292	23	**51,315**

(1) *Refer to Note 11 - Contributed equity and reserves.*
(2) *Prior periods have not been restated to exclude discontinued operations.*
(3) *Refer to Note 14 - Discontinued operations for further details.*
(4) *Changes in ownership interests in controlled entities that does not result in a loss of control.*
(5) *Relates to shares in NAB previously held by NAB Wealth's life insurance business which are no longer held by a controlled entity of the Group. Refer to Note 14 – Discontinued operations for further details.*

Notes to the Consolidated Financial Statements

1. Principal Accounting Policies

The preliminary financial report for the year ended 30 September 2016 has been prepared in accordance with the Australian Securities Exchange (ASX) Listing Rules.

This report does not, and cannot be expected to, contain all disclosures of the type normally found within an annual financial report and it is not designed or intended to be a suitable substitute for the 2016 Annual Financial Report.

This report should be read in conjunction with the annual financial report for the year ended 30 September 2015, the 31 March 2016 half year results, any public announcements made by the Group during the year and when released, the 2016 Annual Financial Report.

There were no amendments to Australian Accounting Standards adopted during the period that have a material impact to the Group.

Discontinued operations are excluded from the results of the continuing operation and are presented as a single amount as profit or loss after tax from discontinued operations in the income statement. Additional disclosures are provided in *Note 14 - Discontinued operations*.

a) Critical accounting assumptions and estimates

The preparation of this report requires the use of critical accounting estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and the disclosed amounts of liabilities. Areas where assumptions are significant and are based on best estimates to the Group include:

- Provision for doubtful debts.
- Fair value of financial assets and liabilities.
- Assessment of goodwill for impairment and allocation to divestments.
- Provisions other than loan impairment.
- Provision for obligations to CYBG related to UK conduct risk under the terms of the Conduct Indemnity Deed as a result of the CYBG demerger.

No significant changes in assumptions have occurred in this financial reporting year from those applied in the 2015 Annual Financial Report.

b) Currency of presentation

All amounts are expressed in Australian dollars unless otherwise stated.

2. Segment Information [1]

The Group evaluates reportable segments' performance on the basis of cash earnings. Cash earnings is a non-IFRS key financial performance measure used by NAB, the investment community and NAB's Australian peers with similar business portfolios. It is not a statutory financial measure and is not presented in accordance with Australian Accounting Standards nor audited or reviewed in accordance with Australian Auditing Standards. Cash earnings represents the net profit attributable to owners of NAB from continuing operations, adjusted for certain non-cash items, distributions and significant items.

Following the CYBG demerger on 8 February 2016, UK Banking is no longer a reportable segment of the Group. The Group's business now consists of the following reportable segments: Australian Banking; NZ Banking and NAB Wealth. In addition, information on Corporate Functions and Other is included in this note to reconcile to Group information.

The sale of 80% of NAB Wealth's life insurance business has resulted in the business being classified as a discontinued operation for the period ended 30 September 2016. The income statements, statements of comprehensive income and cash earnings of the NAB Wealth segment have been restated accordingly including prior period comparative numbers. To enable the sale, NAB Wealth's superannuation and investments business needed to be separated from the life insurance business, which occurred primarily by way of a Successor Fund Merger on 1 July 2016. The result of the Successor Fund Merger is that these investments were deconsolidated from the Group balance sheet.

For further information on discontinued operations refer to *Note 14 - Discontinued operations*.

Major Customers

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

Reportable Segments

	Year ended 30 September 2016			
Segment Information	**Cash Earnings $m**	**Net interest income $m**	**Total other income $m**	**Total assets $m**
Australian Banking	5,472	11,170	2,878	721,237
NZ Banking	778	1,505	460	73,916
NAB Wealth [(1) (2)]	356	-	1,233	5,353
Corporate Functions and Other	1	255	(21)	24,932
Distributions / Eliminations	(124)	-	(47)	(47,816)
Total	**6,483**	**12,930**	**4,503**	**777,622**

(1) NAB Wealth investment assets are no longer included on the Group balance sheet after the Successor Fund Merger on 1 July 2016.
(2) Includes 20% of the net profit post tax from NAB Wealth's life insurance business representing the Group's retained investment in the business, on a pro forma basis.

	Year ended 30 September 2015			
Segment Information	**Cash Earnings $m**	**Net interest income $m**	**Total other income $m**	**Total assets[(1)] $m**
Australian Banking	5,101	10,727	2,666	738,847
NZ Banking	762	1,504	434	64,481
NAB Wealth [(2)]	316	-	1,208	101,246
Corporate Functions and Other	218	267	236	30,594
Distributions / Eliminations	(175)	-	(37)	(63,940)
Total	**6,222**	**12,498**	**4,507**	**871,228**

(1) Balances have not been restated to exclude discontinued operations, except for $83,824 million of total assets relating to UK Banking as, following the CYBG demerger, UK Banking is no longer a reportable segment.
(2) Includes 20% of the net profit post tax from NAB Wealth's life insurance business representing the Group's retained investment in the business, on a pro forma basis.

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

2. Segment Information (continued) [1]

Reportable Segments (continued)

	Half Year ended 30 September 2016			
	Cash Earnings	Net interest income	Total other income	Total assets
Segment Information	**$m**	**$m**	**$m**	**$m**
Australian Banking	2,778	5,469	1,578	721,237
NZ Banking	405	756	240	73,916
NAB Wealth [(1) (2)]	197	-	635	5,353
Corporate Functions and Other	(57)	105	(31)	24,932
Distributions / Eliminations	(60)	-	(28)	(47,816)
Total	**3,263**	**6,330**	**2,394**	**777,622**

(1) *NAB Wealth investment assets are no longer included on the Group balance sheet after the Successor Fund Merger on 1 July 2016.*

(2) *Includes 20% of the net profit post tax from NAB Wealth's life insurance business representing the Group's retained investment in the business, on a pro forma basis.*

	Half Year ended 31 March 2016			
	Cash Earnings	Net interest income	Total other income	Total assets
Segment Information	**$m**	**$m**	**$m**	**$m**
Australian Banking	2,694	5,701	1,300	729,339
NZ Banking	373	749	220	66,721
NAB Wealth [(1)]	159	-	598	101,272
Corporate Functions and Other	58	150	10	25,556
Distributions / Eliminations	(64)	-	(19)	(54,158)
Total	**3,220**	**6,600**	**2,109**	**868,730**

(1) *Includes 20% of the net profit post tax from NAB Wealth's life insurance business representing the Group's retained investment in the business, on a pro forma basis.*

Reconciliations between reportable segment information and statutory results

	Year to		Half Year to	
	Sep 16	Sep 15	Sep 16	Mar 16
Reconciliation of cash earnings to Net profit attributable to owners of NAB	**$m**	**$m**	**$m**	**$m**
Group cash earnings [(1)]	**6,483**	6,222	**3,263**	3,220
Non-cash earnings items (after tax):				
Distributions	**124**	175	**60**	64
Treasury shares	**61**	4	**(1)**	62
Fair value and hedge ineffectiveness	**(126)**	516	**(66)**	(60)
Life insurance 20% share of profit	**(39)**	(37)	**(17)**	(22)
Amortisation of acquired intangible assets	**(83)**	(80)	**(43)**	(40)
Net (loss) from discontinued operations	**(6,068)**	(462)	**(1,102)**	(4,966)
Net profit / (loss) attributable to owners of NAB	**352**	6,338	**2,094**	(1,742)

(1) *Includes eliminations and distributions.*

	Year to		Half Year to	
	Sep 16	Sep 15	Sep 16	Mar 16
Reconciliation of net interest income	**$m**	**$m**	**$m**	**$m**
Net interest income on a cash earnings basis	**12,930**	12,498	**6,330**	6,600
NAB Wealth net adjustment [(1)]	**-**	(36)	**3**	(3)
Net interest income on a statutory basis	**12,930**	12,462	**6,333**	6,597

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

	Year to		Half Year to	
	Sep 16	Sep 15	Sep 16	Mar 16
Reconciliation of other income	**$m**	**$m**	**$m**	**$m**
Total other operating income	**4,503**	4,507	**2,394**	2,109
NAB Wealth net adjustment [(1)]	**801**	755	**443**	358
Treasury shares	**68**	28	**(13)**	81
Fair value and hedge ineffectiveness	**(141)**	724	**(85)**	(56)
Life insurance 20% share of profit	**(39)**	(37)	**(17)**	(22)
Amortisation of acquired intangible assets	**-**	(2)	**1**	(1)
Total other income and net investment and insurance income on a statutory basis	**5,192**	5,975	**2,723**	2,469

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

---

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

3. Other Income [1]

	Year to		Half Year to	
	Sep 16	**Sep 15**	**Sep 16**	**Mar 16**
	$m	**$m**	**$m**	**$m**
Gains less losses on financial instruments at fair value				
Trading securities	**1,275**	1,219	**986**	289
Trading derivatives	**(275)**	(554)	**(474)**	199
Assets, liabilities and derivatives designated in hedge relationships [1]	**(82)**	611	**(128)**	46
Assets and liabilities designated at fair value	**(187)**	360	**102**	(289)
Other	**96**	(138)	**42**	54
Total gains less losses on financial instruments at fair value	**827**	1,498	**528**	299
Other operating income				
Dividend revenue	**21**	26	**10**	11
Gains from sale of investments, loans, property, plant and equipment and other assets	**52**	168	**20**	32
Banking fees	**897**	868	**459**	438
Money transfer fees	**596**	589	**305**	291
Fees and commissions	**1,670**	1,586	**920**	750
Investment management fees	**255**	260	**132**	123
Other income	**227**	279	**108**	119
Total other operating income	**3,718**	3,776	**1,954**	1,764
Total other income	**4,545**	5,274	**2,482**	2,063

[1] *Represents hedge ineffectiveness of designated hedging relationships.*

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

4. Operating Expenses [1]

	Year to		Half Year to	
	Sep 16 $m	**Sep 15 $m**	**Sep 16 $m**	**Mar 16 $m**
Personnel expenses				
Salaries and related on-costs	**3,662**	3,515	**1,798**	1,864
Superannuation costs - defined contribution plans	**275**	263	**138**	137
Performance-based compensation:				
Cash	**457**	433	**215**	242
Equity-based compensation	**197**	113	**101**	96
Total performance-based compensation	**654**	546	**316**	338
Other expenses	**161**	205	**50**	111
Total personnel expenses	**4,752**	4,529	**2,302**	2,450
Occupancy-related expenses				
Operating lease rental expense	**404**	391	**205**	199
Other expenses	**89**	87	**43**	46
Total occupancy-related expenses	**493**	478	**248**	245
General expenses				
Fees and commission expense	**280**	272	**153**	127
Depreciation and amortisation of property, plant and equipment	**274**	271	**143**	131
Amortisation of intangible assets	**347**	288	**168**	179
Advertising and marketing	**196**	184	**119**	77
Charge to provide for operational risk event losses	**48**	89	**30**	18
Communications, postage and stationery	**272**	265	**151**	121
Computer equipment and software	**621**	632	**312**	309
Data communication and processing charges	**89**	86	**47**	42
Professional fees	**500**	508	**264**	236
Loss on disposal of property, plant and equipment and other assets	**8**	8	**6**	2
Impairment losses / (reversals) recognised	**6**	59	**3**	3
Other expenses	**445**	520	**189**	256
Total general expenses	**3,086**	3,182	**1,585**	1,501
Total operating expenses	**8,331**	8,189	**4,135**	4,196

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

5. Income Tax Expense [1]

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

	Year to		Half Year to	
	Sep 16	**Sep 15**	**Sep 16**	**Mar 16**
	$m	**$m**	**$m**	**$m**
Profit before income tax expense	**8,978**	9,515	**4,494**	4,484
Prima facie income tax at 30%	**2,693**	2,855	**1,348**	1,345
Add / (deduct): Tax effect of amounts not deductible / (assessable):				
Assessable foreign income	**4**	7	**1**	3
Foreign tax rate differences	**(36)**	(32)	**(6)**	(30)
Foreign branch income not assessable	**(60)**	(107)	**(27)**	(33)
Under / (over) provision in prior years	**(26)**	(28)	**(24)**	(2)
Offshore banking unit income	**(56)**	(32)	**(30)**	(26)
Restatement of deferred tax balances for tax rate changes	**4**	2	**4**	-
Treasury shares adjustment	**(14)**	15	**(8)**	(6)
Non-deductible hybrid distributions	**58**	47	**31**	27
Losses not tax effected	**42**	50	**17**	25
Other	**(56)**	(68)	**(10)**	(46)
Total income tax expense	**2,553**	2,709	**1,296**	1,257
Effective tax rate (%)	**28.4%**	28.5%	**28.8%**	28.0%

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

6. Dividends and Distributions

The Group has recognised the following dividends on ordinary shares:

	Year to			
	Sep 16		Sep 15	
	Amount per share cents	Total amount $m	Amount per share cents	Total amount $m
Final dividend (in respect of prior year)	**99**	**2,600**	99	2,343
Interim dividend (in respect of current year)	**99**	**2,618**	99	2,397
Deduct: Bonus shares in lieu of dividend	**n/a**	**(57)**	n/a	(70)
Dividends paid by the Company		**5,161**		4,670
Deduct: Dividends on treasury shares [(1)]		**(101)**		(97)
Add: Dividends paid to non-controlling interest in controlled entities [(2)]		**5**		13
Total dividends paid by the Group during the year ended 30 September 2016		**5,065**		4,586

(1) *Excludes any Treasury Shares held in trust by a controlled entity of the Group in respect of employee incentive schemes.*

(2) *2015 comparative includes dividends paid to non-controlling interest in GWB of $9 million up to the date of disposal.*

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

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

Final dividend

On 27 October 2016, the directors declared the following dividend:

	Amount per share cents	Franked amount per share %	Foreign income per share %	Total amount $m
Final dividend declared in respect of the year ended 30 September 2016	99	100	Nil	**2,630**

The record date for determining entitlements to the 2016 final dividend is 7 November 2016. The final dividend has been declared by the directors of NAB and is payable on 13 December 2016. The financial effect of this dividend has not been brought to account in the financial statements for the year ended 30 September 2016 and will be recognised in subsequent financial reports.

	Year to			
	Sep 16		Sep 15	
Distributions on other equity instruments	Amount per security[(1)] $	Total amount $m	Amount per security[(1)] $	Total amount $m
National Income Securities	**3.42**	**68**	3.72	74
Trust Preferred Securities [(2)]	**108.50**	**43**	110.48	44
Trust Preferred Securities II [(2) (3)]	**-**	**-**	53.29	43
National Capital Instruments	**1,594.34**	**13**	1,710.08	14
Total distributions on other equity instruments		**124**		175

(1) *Amount per security is based on actual dollar value divided by the number of units on issue.*

(2) *$A equivalent.*

(3) *Trust Preferred Securities II were redeemed on 23 March 2015.*

Dividend and distribution plans

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

The last date for receipt of election notices for the Dividend Reinvestment Plan and the Bonus Share Plan is 5pm (Australian Eastern Daylight Time) on 8 November 2016.

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

	As at		
	30 Sep 16 $m	**31 Mar 16 $m**	**30 Sep 15 $m**
Housing loans	**314,557**	303,120	341,965
Other term lending	**187,695**	180,920	184,220
Asset and lease financing	**10,949**	10,868	11,764
Overdrafts	**6,304**	6,220	8,912
Credit card outstandings	**7,518**	7,512	8,078
Other	**5,759**	7,439	8,815
Fair value adjustment	**773**	690	956
Gross loans and advances	**533,555**	516,769	564,710
Acceptances	**12,205**	15,544	19,437
Gross loans and advances including acceptances	**545,760**	532,313	584,147
Represented by:			
Loans and advances at fair value [(1)]	**19,864**	22,373	27,545
Loans and advances at amortised cost	**513,691**	494,396	537,165
Acceptances	**12,205**	15,544	19,437
Gross loans and advances including acceptances	**545,760**	532,313	584,147
Unearned income and deferred net fee income	**(532)**	(591)	(861)
Provision for doubtful debts	**(3,114)**	(3,049)	(3,520)
Net loans and advances including acceptances	**542,114**	528,673	579,766
Securitised loans and loans supporting covered bonds [(2)]	**41,002**	34,125	44,411

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

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

By product and geographic location	**Australia $m**	**Europe $m**	**New Zealand $m**	**United States $m**	**Asia $m**	**Total Group $m**
As at 30 September 2016						
Housing loans	278,848	-	33,431	-	2,278	**314,557**
Other term lending	144,044	4,314	34,064	2,908	2,365	**187,695**
Asset and lease financing	10,477	469	3	-	-	**10,949**
Overdrafts	4,222	1	2,081	-	-	**6,304**
Credit card outstandings	6,439	-	1,079	-	-	**7,518**
Other	3,997	131	537	-	1,094	**5,759**
Fair value adjustment	685	(34)	122	-	-	**773**
Gross loans and advances	448,712	4,881	71,317	2,908	5,737	**533,555**
Acceptances	12,205	-	-	-	-	**12,205**
Gross loans and advances including acceptances	460,917	4,881	71,317	2,908	5,737	**545,760**
Represented by:						
Loans and advances at fair value	14,523	37	5,304	-	-	**19,864**
Loans and advances at amortised cost	434,189	4,844	66,013	2,908	5,737	**513,691**
Acceptances	12,205	-	-	-	-	**12,205**
Gross loans and advances including acceptances	460,917	4,881	71,317	2,908	5,737	**545,760**

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

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

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

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

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

8. Provision for Doubtful Debts

	As at		
	30 Sep 16	31 Mar 16	30 Sep 15
	$m	$m	$m
Specific provision for doubtful debts - Lifetime Expected Credit Losses (ECL)	**706**	596	637
Collective provision for doubtful debts - Lifetime ECL	**2,079**	2,022	2,428
Collective provision for doubtful debts - 12 months ECL	**329**	431	455
Total collective provision for doubtful debts	**2,408**	2,453	2,883
Total provision for doubtful debts	**3,114**	3,049	3,520
Specific provision on loans at fair value [(1)]	**6**	6	34
Collective provision on loans and derivatives at fair value and other debt instruments [(1)] [(2)]	**403**	525	611
Total provision for doubtful debts and provisions held on assets at fair value	**3,523**	3,580	4,165

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

(2) *Included within this amount is a collective provision relating to derivatives of $259 million (March 2016 $300 million, September 2015 $322 million). The September 2016 balance includes provisions on other debt instruments at fair value through other comprehensive income of $1 million (March 2016 $1 million, September 2015 $1 million).*

Movement in provisions for doubtful debts

Group – Yearly

	Collective provision 12-mth ECL	Collective provision Lifetime ECL not credit impaired	Collective provision Lifetime ECL credit impaired	Collective provision	Specific provision Lifetime ECL credit impaired	Total
	$m	$m	$m	$m	$m	$m
Balance at 1 October 2014	-	-	-	1,760	1,358	**3,118**
Restated for adoption of new accounting standards	559	1,639	567	(1,760)	(322)	**683**
Changes due to financial assets recognised in the opening balance that have:						
Transferred to 12-mth ECL	480	(450)	(30)	-	-	**-**
Transferred to Lifetime ECL not credit impaired	(56)	119	(63)	-	-	**-**
Transfer to Lifetime ECL credit impaired - collective provision	(4)	(57)	61	-	-	**-**
Transfer to Lifetime ECL credit impaired - specific provision	(3)	(67)	(132)	-	202	**-**
Bad debts recovered	-	-	-	-	129	**129**
Bad debts written-off	-	-	-	-	(1,300)	**(1,300)**
Charge to income statement from continuing operations	(436)	705	46	-	418	**733**
Charge to income statement from discontinued operations [(1)]	(84)	109	(23)	-	127	**129**
Derecognised in respect of the group disposal [(2)]	(27)	(52)	(1)	-	(13)	**(93)**
Foreign currency translation and other adjustments	26	42	15	-	38	**121**
Balance at 30 September 2015	**455**	**1,988**	**440**	**-**	**637**	**3,520**
Changes due to financial assets recognised in the opening balance that have:						
Transferred to 12-mth ECL	543	(520)	(23)	-	-	**-**
Transferred to Lifetime ECL not credit impaired	(45)	98	(53)	-	-	**-**
Transfer to Lifetime ECL credit impaired - collective provision	(3)	(76)	79	-	-	**-**
Transfer to Lifetime ECL credit impaired - specific provision	(2)	(120)	(114)	-	236	**-**
Bad debts recovered	-	-	-	-	119	**119**
Bad debts written-off	-	-	-	-	(778)	**(778)**
Charge to income statement from continuing operations	(539)	518	170	-	664	**813**
Charge to income statement from discontinued operations [(1)]	21	8	21	-	20	**70**
Derecognised in respect of the group disposal [(2)]	(85)	(222)	(94)	-	(174)	**(575)**
Foreign currency translation and other adjustments	(16)	(17)	(4)	-	(18)	**(55)**
Balance at 30 September 2016	**329**	**1,657**	**422**	**-**	**706**	**3,114**

(1) *Includes discontinued operations of GWB and CYBG in the 2015 comparative period and CYBG in the 2016 full year. Refer to Note 14 – Discontinued operations for further details.*

(2) *The September 2015 full year reflects the disposal of GWB, and the September 2016 full year reflects the CYBG demerger. Refer to Note 14 – Discontinued operations for further details.*

8. Provision for Doubtful Debts (continued)

Movement in provisions for doubtful debts

Group – Half Yearly

	Collective provision 12-mth ECL $m	Collective provision Lifetime ECL not credit impaired $m	Collective provision Lifetime ECL credit impaired $m	Collective provision $m	Specific provision Lifetime ECL credit impaired $m	Total $m
Balance at 1 October 2015	**455**	**1,988**	**440**	**-**	**637**	**3,520**
Changes due to financial assets recognised in the opening balance that have:						
Transferred to 12-mth ECL	408	(391)	(17)	-	-	**-**
Transferred to Lifetime ECL not credit impaired	(38)	85	(47)	-	-	**-**
Transfer to Lifetime ECL credit impaired - collective provision	(2)	(76)	78	-	-	**-**
Transfer to Lifetime ECL credit impaired - specific provision	(1)	(32)	(97)	-	130	**-**
Bad debts recovered	-	-	-	-	63	**63**
Bad debts written-off	-	-	-	-	(358)	**(358)**
Charge to income statement from continuing operations	(321)	258	151	-	298	**386**
Charge to income statement from discontinued operations [(1)]	21	8	21	-	20	**70**
Derecognised in respect of the group disposal [(2)]	(85)	(222)	(94)	-	(174)	**(575)**
Foreign currency translation and other adjustments	(6)	(24)	(7)	-	(20)	**(57)**
Balance at 31 March 2016	**431**	**1,594**	**428**	**-**	**596**	**3,049**
Changes due to financial assets recognised in the opening balance that have:						
Transferred to 12-mth ECL	285	(270)	(15)	-	-	**-**
Transferred to Lifetime ECL not credit impaired	(32)	73	(41)	-	-	**-**
Transfer to Lifetime ECL credit impaired - collective provision	(2)	(59)	61	-	-	**-**
Transfer to Lifetime ECL credit impaired - specific provision	(1)	(89)	(98)	-	188	**-**
Bad debts recovered	-	-	-	-	56	**56**
Bad debts written-off	-	-	-	-	(420)	**(420)**
Charge to income statement from continuing operations	(342)	401	84	-	284	**427**
Foreign currency translation and other adjustments	(10)	7	3	-	2	**2**
Balance at 30 September 2016	**329**	**1,657**	**422**	**-**	**706**	**3,114**

(1) *Includes discontinued operations of CYBG. Refer to Note 14 - Discontinued operations for further details.*

(2) *The March 2016 half year reflects the demerger of CYBG. Refer to Note 14 - Discontinued operations for further details.*

Charge to provide for doubtful debts [(1)]

	Year to		Half Year to	
Total charge for doubtful debts by geographic location	**Sep 16 $m**	**Sep 15 $m**	**Sep 16 $m**	**Mar 16 $m**
Australia	**684**	683	**375**	309
Europe	**(13)**	(61)	**(9)**	(4)
New Zealand	**112**	119	**39**	73
United States	**23**	(1)	**13**	10
Asia	**7**	(7)	**9**	(2)
Total charge to provide for doubtful debts	**813**	733	**427**	386

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

9. Asset Quality [(1)]

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

	As at		
Summary of total impaired assets	**30 Sep 16 $m**	**31 Mar 16 $m**	**30 Sep 15 $m**
Impaired assets [(1)]	**2,642**	2,173	1,990
Restructured loans	**-**	1	60
Gross total impaired assets [(2)]	**2,642**	2,174	2,050
Specific provisions - total impaired assets	**(712)**	(602)	(671)
Net total impaired assets	**1,930**	1,572	1,379

(1) *Impaired assets include $785 million (NZ$823 million) of NZ Banking dairy exposures currently assessed as no loss based on collective provision and security held (March 2016 $522 million (NZ$579 million), September 2015 $nil).*

(2) *Gross impaired assets include $14 million of gross impaired other financial assets at fair value (March 2016 $14 million, September 2015 $58 million).*

Movement in gross impaired assets	**Australia $m**	**Europe $m**	**New Zealand $m**	**United States $m**	**Asia $m**	**Total Group $m**
Balance as at 31 March 2015	1,485	703	303	60	7	**2,558**
New [(1)]	460	114	99	15	-	**688**
Written-off	(249)	(142)	(68)	(2)	-	**(461)**
Returned to performing or repaid	(455)	(153)	(117)	(9)	(2)	**(736)**
Derecognised in respect of the disposal group [(2)]	-	-	-	(70)	-	**(70)**
Foreign currency translation adjustments	-	82	(20)	6	3	**71**
Balance as at 30 September 2015	1,241	604	197	-	8	**2,050**
New [(1)]	657	59	609	20	-	**1,345**
Written-off	(139)	(31)	(13)	-	-	**(183)**
Returned to performing or repaid	(361)	(56)	(51)	-	-	**(468)**
Derecognised in respect of the disposal group [(2)]	-	(514)	-	-	-	**(514)**
Foreign currency translation adjustments	-	(41)	(14)	(1)	-	**(56)**
Balance as at 31 March 2016	1,398	21	728	19	8	**2,174**
New [(1)]	619	-	367	17	43	**1,046**
Written-off	(187)	(3)	(23)	(28)	-	**(241)**
Returned to performing or repaid	(272)	(1)	(87)	(9)	-	**(369)**
Foreign currency translation adjustments	-	(10)	43	1	(2)	**32**
Gross impaired assets as at 30 September 2016	1,558	7	1,028	-	49	**2,642**

(1) *New gross impaired assets during the September 2016 half year include $300 million (NZ$319 million) of NZ Banking dairy exposures currently assessed as no loss based on collective provision and security held (March 2016 half year $522 million (NZ$579 million), September 2015 half year $nil).*

(2) *Includes discontinued operations of GWB in the September 2015 half year and CYBG in the March 2016 half year. Refer to Note 14 - Discontinued operations for further details.*

	As at		
Gross impaired assets to gross loans & acceptances - by geographic location	**30 Sep 16 %**	**31 Mar 16 %**	**30 Sep 15 %**
Australia	**0.34**	0.31	0.28
Europe	**0.14**	0.37	0.87
New Zealand	**1.44**	1.13	0.32
United States	**-**	0.77	-
Asia	**0.85**	0.10	0.09
Total gross impaired assets to gross loans & acceptances	**0.49**	0.41	0.35

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

9. Asset Quality (continued) [(1)]

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

	As at		
Summary of 90+ days past due loans	**30 Sep 16 $m**	**31 Mar 16 $m**	**30 Sep 15 $m**
Total assets past due 90 days or more with adequate security	**1,672**	1,682	1,862
Total portfolio managed facilities past due 90 to 180 days	**303**	321	260
Total 90+ days past due loans	**1,975**	2,003	2,122
Total 90+ days past due loans to gross loans and acceptances (%)	**0.36**	0.37	0.36

	As at		
90+ days past due loans - by geographic location	**30 Sep 16 $m**	**31 Mar 16 $m**	**30 Sep 15 $m**
Australia	**1,806**	1,794	1,620
Europe	**3**	16	324
New Zealand	**165**	190	178
Asia	**1**	3	-
90+ days past due loans	**1,975**	2,003	2,122

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

10. Deposits and Other Borrowings [(1)]

	As at		
	30 Sep 16 $m	31 Mar 16 $m	30 Sep 15 $m
Term deposits	**158,763**	151,493	161,020
On-demand and short-term deposits	**190,018**	186,533	216,719
Certificates of deposit	**46,018**	49,017	40,251
Deposits not bearing interest	**41,698**	38,640	41,138
Total deposits	**436,497**	425,683	459,128
Borrowings	**18,785**	20,058	29,177
Securities sold under agreements to repurchase	**16,064**	11,189	8,917
Fair value adjustment	**21**	14	16
Total deposits and other borrowings	**471,367**	456,944	497,238
Represented by:			
Total deposits and other borrowings at fair value [(1)]	**11,653**	8,285	8,228
Total deposits and other borrowings at amortised cost	**459,714**	448,659	489,010
Total deposits and other borrowings	**471,367**	456,944	497,238

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

By product and geographic location	Australia $m	Europe $m	New Zealand $m	United States $m	Asia $m	Total Group $m
As at 30 September 2016						
Term deposits	120,390	1,360	26,430	151	10,432	**158,763**
On-demand and short-term deposits	155,818	417	18,234	14,102	1,447	**190,018**
Certificates of deposit	35,298	4,431	2,255	4,034	-	**46,018**
Deposits not bearing interest	37,292	-	4,401	1	4	**41,698**
Total deposits	348,798	6,208	51,320	18,288	11,883	**436,497**
Borrowings	14,990	-	3,495	300	-	**18,785**
Securities sold under agreements to repurchase	787	4,533	-	10,744	-	**16,064**
Fair value adjustment	-	-	21	-	-	**21**
Total deposits and other borrowings	364,575	10,741	54,836	29,332	11,883	**471,367**
Represented by:						
Total deposits and other borrowings at fair value	-	-	11,653	-	-	**11,653**
Total deposits and other borrowings at amortised cost	364,575	10,741	43,183	29,332	11,883	**459,714**
Total deposits and other borrowings	364,575	10,741	54,836	29,332	11,883	**471,367**

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

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

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

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

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

11. Contributed Equity and Reserves [(1)]

Contributed equity	As at 30 Sep 16 $m	31 Mar 16 $m	30 Sep 15 $m
Issued and paid-up ordinary share capital			
Ordinary shares, fully paid	**30,968**	29,349	31,334
Other contributed equity			
National Income Securities	**1,945**	1,945	1,945
Trust Preferred Securities	**975**	975	975
National Capital Instruments	**397**	397	397
Total contributed equity	**34,285**	32,666	34,651

Movements in issued and paid-up ordinary share capital	Year to Sep 16 $m	Sep 15 $m	Half Year to Sep 16 $m	Mar 16 $m
Ordinary share capital				
Balance at beginning of period	**31,334**	24,049	**29,349**	31,334
Shares issued:				
Dividend reinvestment plan (DRP)	**596**	1,137	**289**	307
DRP underwritten allotments	**-**	800	**-**	-
Rights issue	**-**	5,446	**-**	-
Transfer from equity-based compensation reserve	**166**	182	**61**	105
Capital distribution on CYBG demerger [(1)]	**(2,645)**	-	**-**	(2,645)
Treasury shares sold / (purchased) relating to life insurance business [(2)]	**1,517**	(280)	**1,269**	248
Balance at end of period	**30,968**	31,334	**30,968**	29,349

(1) *Refer to Note 14 - Discontinued operations for further details.*

(2) *Relates to shares in NAB previously held by NAB Wealth's life insurance business which are no longer held by a controlled entity of the Group. Refer to Note 14 – Discontinued operations for further details.*

Reserves	As at 30 Sep 16 $m	31 Mar 16 $m	30 Sep 15 $m
Foreign currency translation reserve	**(71)**	(350)	(1,091)
Asset revaluation reserve	**83**	68	75
Cash flow hedge reserve	**143**	106	110
Equity-based compensation reserve	**234**	190	204
General reserve for credit losses	**75**	130	64
Debt instruments at fair value through other comprehensive income reserve	**80**	46	56
Equity instruments at fair value through other comprehensive income reserve	**85**	168	220
Total reserves	**629**	**358**	**(362)**

Foreign currency translation reserve

Foreign currency translation reserve	Year to Sep 16 $m	Sep 15 $m	Half Year to Sep 16 $m	Mar 16 $m
Balance at beginning of period	**(1,091)**	(1,936)	**(350)**	(1,091)
Currency translation adjustments	**(329)**	1,067	**301**	(630)
Attributable to non-controlling interest	**-**	(166)	**-**	-
Released on divestment of discontinued operations [(1)]	**1,368**	(46)	**-**	1,368
Tax on foreign currency translation reserve	**(19)**	(10)	**(22)**	3
Balance at end of period	**(71)**	(1,091)	**(71)**	(350)

(1) *Please refer Note 14 - Discontinued operations for further details.*

The results and financial position of all Group entities that have a functional currency different from the Australian dollar are translated into Australian dollars as follows:

- Assets and liabilities are translated at the closing rate at the date of the balance sheet.
- Income and expenses are translated at average exchange rates for the period, unless the average is not a reasonable approximation.
- All resulting exchange differences are recognised in the foreign currency translation reserve.

The foreign currency translation reserve records foreign currency differences arising from the translation of foreign operations, the translation of transactions that hedge NAB's net investment in a foreign operation or the translation of foreign currency monetary items forming part of the net investment in a foreign operation.

When a foreign operation is disposed of, any such exchange differences are recognised in the income statement as part of the gain or loss on disposal.

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

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

Asset revaluation reserve

The asset revaluation reserve records revaluation increments and decrements arising from the revaluation of land and buildings.

Cash flow hedge reserve

The cash flow hedge reserve records the effective portion of changes in the fair valuation of derivatives designated as cash flow hedging instruments.

Equity-based compensation reserve

The equity-based compensation reserve records the value of equity benefits provided to employees as part of their remuneration.

Share capital tainting rules contained in Australian tax legislation apply prospectively from 26 May 2006 to discourage companies from distributing profits to shareholders as preferentially taxed capital rather than dividends. The focus of the tax legislation is on the transfer of amounts to a share capital account from another account. The tainting rules are inconsistent with AASB 2 ‘Share-based Payment’ which allows transfers between equity accounts upon the vesting of employee equity-based payments (i.e. when all conditions have been met by the employee).

During 2009, the Group received a private binding ruling from the Australian Taxation Office on this matter. The ruling allows, under certain circumstances, vested employee shares to be reversed from the equity-based compensation reserve and ultimately recorded in paid-up capital without giving rise to a tainting of the NAB’s share capital account for tax purposes. The share capital tainting rules and private binding ruling have no impact on the regulatory capital of the Group.

General reserve for credit losses

APRA Prudential Standard APS 220 ‘*Credit Quality’* requires a reserve to be held to cover credit losses estimated but not certain to arise in the future over the full life of all individual facilities. The general reserve for credit losses represents an appropriation of retained profits to non-distributable reserves.

Debt instruments at fair value through other comprehensive income reserve

Debt instruments at fair value through other comprehensive income reserve includes all changes in the fair value of investments in debt instruments except for impairment based on the three-stage expected credit loss model, foreign exchange gains and losses and interest income. The changes recognised in reserve are transferred to profit or loss when the asset is derecognised or impaired.

Equity instruments at fair value through other comprehensive income reserve

Investments in equity instruments that are neither held for trading nor contingent consideration recognised by the Group in a business combination to which AASB 3 'Business Combinations' applies are measured at fair value through other comprehensive income, where an irrevocable election has been made by management. Amounts in the reserve are subsequently transferred to retained earnings, and not profit or loss, when the asset is derecognised. Dividends on such investments are recognised in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment.

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

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

	Year to		Half Year to	
	Sep 16	Sep 15	Sep 16	Mar 16
Reconciliation of movement in retained profits	$m	$m	$m	$m
Balance at beginning of period	**21,205**	20,377	**17,033**	21,205
Restated for adoption of new accounting standards	**-**	(465)	**-**	-
Actuarial gains / (losses) on defined benefit superannuation plans	**31**	(79)	**-**	31
Fair value changes on financial liabilities designated at fair value attributable to the Group's own credit risk	**(113)**	165	**(324)**	211
Tax on items taken directly (from) / to equity	**(10)**	(15)	**21**	(31)
Net profit attributable to owners of NAB from continuing operations	**6,420**	6,800	**3,196**	3,224
Net (loss) attributable to owners of NAB from discontinued operations	**(6,068)**	(462)	**(1,102)**	(4,966)
Transfer from equity instruments at FVOCI reserve	**94**	-	**94**	-
Transfer (to) / from general reserve for credit losses	**(11)**	(49)	**55**	(66)
Transfer from asset revaluation reserve	**1**	1	**-**	1
Transfer of options and rights lapsed from equity-based compensation reserve	**7**	11	**6**	1
Dividends paid	**(5,060)**	(4,573)	**(2,541)**	(2,519)
Distributions on other equity instruments	**(124)**	(175)	**(60)**	(64)
Gains / (losses) on disposal of interest in subsidiary [(1)]	**6**	(323)	**-**	6
Reclassification of Trust Preferred Securities II transaction costs	**-**	(8)	**-**	-
Balance at end of period	**16,378**	21,205	**16,378**	17,033

(1) *Represents gains / (losses) from discontinued operations recognised directly in retained profits. Refer Note 14 - Discontinued operations for further details.*

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

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

(a) Reconciliation of cash and cash equivalents

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

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

	As at		
	30 Sep 16	**31 Mar 16**	**30 Sep 15**
Cash and cash equivalents	**$m**	**$m**	**$m**
Assets			
Cash and liquid assets	**30,630**	33,174	30,934
Treasury and other eligible bills	**574**	507	1,371
Due from other banks (excluding mandatory deposits with supervisory central banks)	**37,349**	36,810	40,775
Total cash and cash equivalents assets	**68,553**	70,491	73,080
Liabilities			
Due to other banks	**(40,593)**	(43,839)	(52,552)
Total cash and cash equivalents	**27,960**	26,652	20,528

Prior period cash and liquid assets included cash and liquid assets within NAB Wealth's life insurance business statutory funds (September 2016 nil, March 2016 $2,287 million, September 2015 $2,453 million) which were subject to restrictions imposed under the *Life Insurance Act* 1995 (Cth) and other restrictions and therefore were not available for use in operating, investing or financing activities of other parts of the Group.

Included within due from other banks is the cash deposit of $1,175 million (£691 million) (March 2016 $2,090 million (£1,115 million)) held with The Bank of England in connection with the CYBG demerger, that is required to collateralise NAB's obligations under the Capped Indemnity as agreed with the United Kingdom Prudential Regulation Authority (PRA).

(b) Non-cash Financing and Investing Transactions

	Year to		Half Year to	
	Sep 16	**Sep 15**	**Sep 16**	**Mar 16**
	$m	**$m**	**$m**	**$m**
New share issues				
Dividend reinvestment plan	**596**	1,137	**289**	307

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

13. Contingent Liabilities

(i) Legal proceedings

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

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

(ii) Class actions

In March 2013, a potential representative action against New Zealand banks was announced in relation to certain fees. On 20 August 2014, representative proceedings were filed against Bank of New Zealand (BNZ) with Litigation Lending Services (NZ) Limited funding the action. On 24 September 2014, 30 April 2015, 3 December 2015 and 4 May 2016, these proceedings were stayed. The potential outcome of these proceedings cannot be determined with any certainty at this stage.

On 16 August 2016, a class action complaint was filed in the United States District Court for the Southern District of New York regarding alleged conduct concerning the Bank Bill Swap Reference Rate (BBSW), which is administered by the Australian Financial Markets Association. The complaint names a number of defendants, including NAB and BNZ and references the proceedings brought by ASIC against NAB, ANZ and Westpac in relation to BBSW. At this stage, NAB and BNZ have not been served with the complaint and the potential outcome of such proceeding cannot be determined with any certainty.

(iii) UK conduct issues and the Conduct Indemnity Deed

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

- payment protection insurance (PPI), certain interest rate hedging products (IRHP) and certain fixed rate tailored business loans (FRTBLs); and
- other conduct matters, measured by reference to the following thresholds: (a) claims relating to an industry wide compensation customer redress program entered into as part of a settlement with a regulator exceeding £2.5 million, in aggregate; and (b) all other claims that exceed £5 million, in aggregate, and affect more than 50 customers, which, in each case, relate to conduct in the period prior to 8 February 2016 (the Demerger Date) whether or not known at the Demerger Date. Such conduct issues include acts, omissions and agreements by or on behalf of CYBG Group with respect to customers which either constitute a breach of or failure to comply with applicable law or regulations, or are determined by CYBG in good faith to be reasonably likely on a balance of probabilities to constitute a breach of or failure to comply with applicable law or regulations.

It is not expected that payments to CYBG under the Capped Indemnity will be taxable in the hands of CYBG Group, but if tax were to be payable then the Conduct Indemnity Deed contains provisions pursuant to which NAB has agreed to compensate CYBG for any actual tax incurred that would not have been incurred but for the receipt of amounts under the Capped Indemnity.

Claims may be made by CYBG under the Capped Indemnity when it or any member of CYBG Group raises a new provision or increases an existing provision in respect of any such conduct issues. Under a loss sharing arrangement, CYBG will be responsible for 9.7% of the liabilities under any provision for such conduct issues with NAB responsible for the remainder under the Capped Indemnity up to the Capped Indemnity Amount. The Capped Indemnity is perpetual in nature, although NAB has rights in certain circumstances to negotiate arrangements to terminate the Capped Indemnity subject to the approval of the PRA.

For the full year ended 30 September 2016, CYBG has made claims under the Capped Indemnity (or indicated that it will make such claims) for £433 million (£7 million since the March half year), leaving £682 million outstanding as available support under the Capped Indemnity (Unutilised Indemnity Amount).

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

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

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

(iv) Legal proceedings commenced by Australian regulators

Following an industry-wide review by ASIC into participants in the BBSW market, ASIC commenced Federal Court proceedings against NAB on 7 June 2016. ASIC has also commenced similar proceedings against two other market participants. ASIC's allegations against NAB include claims of market manipulation and unconscionable conduct in relation to trading in the BBSW market during the period June 2010 to December 2012. NAB disagrees with ASIC's

13. Contingent Liabilities (continued)

(iv) Legal proceedings commenced by Australian regulators (continued)

allegations which means that the matter will be decided by the Federal Court process. NAB fully co-operated with ASIC's review which preceded the commencement of proceedings.

(v) Industry investigations by Australian regulators

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

(vi) Wealth advice review

Since September 2014, the Senate Economics References Committee has been conducting an inquiry into aspects of the financial advice industry, including potential unethical or misleading financial advice and compensation processes for consumers impacted by that advice. The Committee's comprehensive final report was due by 31 August 2016; however this inquiry lapsed when the parliamentary committees of the 44th Parliament ceased to exist on the dissolution of the Senate and House of Representatives on 9 May 2016 for the general election held on 2 July 2016.

On 21 October 2015, NAB began contacting certain groups of customers where there was a concern that they may have received non-compliant advice since 2009 to: (a) assess the appropriateness of that advice; and (b) identify whether customers had suffered loss as a result of non-compliant advice that would warrant compensation. These cases are progressing through the review program with compensation in some cases offered and paid. No case has progressed to another forum, typically the Financial Ombudsman Service.

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

14. Discontinued Operations

During the financial year to 30 September 2016, the Group finalised two major transactions, the sale of 80% of NAB Wealth's life insurance business and the demerger and Initial Public Offering (IPO) of CYBG Group, resulting in two separate discontinued operations, the details of which are outlined below.

On 30 September 2016, the Group deconsolidated MLC Limited in line with the sale of 80% of NAB Wealth's life insurance business to Nippon Life [(1)]. The transaction met the criteria for being classified as a discontinued operation. The life insurance business was part of the NAB Wealth operating segment and was not a separate operating segment (Refer to *Note 2 - Segment information*).

On 8 February 2016, the Group completed the demerger and IPO of CYBG Group, which was a part of UK Banking operations of the Group. The transaction met the criteria for being classified as a discontinued operation. UK Banking was a separate operating and reportable segment of the Group in prior reporting periods (Refer to *Note 2 - Segment information*). This operating segment was not previously classified as held for sale or as a discontinued operation.

The comparative income statements and statements of comprehensive income of the Group have been restated to show discontinued operations separately from continuing operations.

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

(a) Loss of control over subsidiaries

Life Insurance Business Discontinued Operation

The consideration for the sale of 80% of NAB Wealth's life insurance business to Nippon Life was $2,206 million. This amount is recognised as a receivable on the balance sheet at 30 September 2016, with payment received on the completion date of 3 October 2016. A dividend of $186 million was also received during the financial year taking the total consideration for the transaction to $2,392 million.

The total accounting loss recognised in the Group's income statement in respect of the sale, including one-off transaction costs was $1,337 million. As part of the transaction the goodwill in the Wealth business was reduced by $1,711 million. The amount of cash and cash equivalents in the consolidated NAB Wealth life insurance business as of the date when control was lost was $1,217 million. In addition, NAB has given certain covenants, warranties and indemnities in favour of Nippon Life in connection with the transaction. A breach of these covenants, warranties or indemnities may result in NAB being liable to Nippon Life.

CYBG Discontinued Operation

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

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

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

Total net cash consideration proceeds received from the IPO was $783 million [(2)]. The amount of cash and cash equivalents in the consolidated CYBG Group as at the Demerger Date was $11,188 million.

GWB Discontinued Operation

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

(b) Retained Interest

Life Insurance Business Discontinued Operation

NAB has retained a 20% interest in MLC Limited following the sale of 80% of that company to Nippon Life. The retained interest gives NAB significant influence over the business and is accounted for using the equity method in accordance with AASB 128 "Investment in Associates and Joint Ventures". The investment is disclosed within other assets on the NAB Group balance sheet at 30 September 2016 with an initial carrying value of $550 million. The full current and prior period results of the life insurance business are presented within the life insurance business discontinued operation. From 2017, the Group will recognise its share of profit associated with the retained investment in the life insurance business within continuing operations.

Further to retaining a direct investment in the life insurance business, the Group has entered into a long term strategic partnership with Nippon Life which includes a 20 year distribution agreement to provide life insurance products

---

(1) *Loss of control occurred prior to legal completion, which took place on 3 October 2016.*
(2) *This amount is net of underwriting commissions and stamp duty fees.*

14. Discontinued Operations (continued)

(b) Retained Interest (continued)

through NAB's owned and aligned distribution networks. The distribution agreement will be a source of income for the Group in addition to the share of profits associated with the retained investment.

The sale of 80% of NAB Wealth's life insurance business required this business to be structurally separated from the investments business (including superannuation platforms, advice and asset management), which the Group is retaining. As part of this process, NAB simplified the structure of the investments business by merging five of its super funds into one fund, the MLC Super Fund. This was done primarily by way of a Successor Fund Merger on 1 July 2016. This Successor Fund Merger has resulted in the relevant investment assets being transferred from the Group balance sheet to the MLC Super Fund, which is not a controlled entity of the Group.

CYBG Discontinued Operation

Immediately following the CYBG demerger, NAB held two types of instruments issued by CYBG Group, Additional Tier 1 capital notes (AT1 Notes) with an issue size of £450 million, and Tier 2 capital notes (Tier 2 Notes) with an issue size of £475 million. On 22 September 2016 NAB sold both these instruments to unrelated third party investors. The gains and losses associated with these instruments, including their sale, are reflected in the CYBG discontinued operation.

(c) Conduct Indemnity Deed

As part of the CYBG demerger, NAB and CYBG entered into the Conduct Indemnity Deed under which NAB agreed, subject to certain limitations, to provide CYBG with a Capped Indemnity in respect of certain historic conduct liabilities (Refer to *Note 13 - Contingent liabilities* for further information on the Capped Indemnity). During the 2016 year, CYBG raised provisions of £479 million in relation to conduct issues covered under the terms of the Capped Indemnity and made claims in relation to those amounts. NAB has recognised conduct provisions of £433 million in respect of these claims. This represents NAB's 90.3% portion of the relevant costs with CYBG recording the other 9.7% as agreed under the loss sharing arrangement. All conduct provisions recognised by NAB under the Conduct Indemnity Deed are presented within the CYBG discontinued operation and Other liabilities.

14. Discontinued Operations (continued)

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

The results set out below represent the discontinued operations of NAB Wealth's life insurance business and UK Banking operations as related to the CYBG demerger. The information contained in the table is prepared under Australian Accounting Standards. The CYBG discontinued operation also includes NAB's provisions for claims under the Conduct Indemnity Deed in the year to 30 September 2016 and gains and losses relating to the AT1 Notes and Tier 2 Notes.

Analysis of profit for the year from discontinued operations

	Year to	
	Sep 16	Sep 15
Life insurance business discontinued operation	$m	$m
Net operating income	1,101	839
Total expenses	(747)	(537)
Profit before income tax	354	302
Income tax expense	(140)	(118)
Net profit from life insurance business discontinued operation before loss on sale	214	184
Loss on sale of life insurance business before taxation	(1,507)	-
Income tax benefit associated with loss on sale	170	-
Loss on sale of life insurance business after taxation	(1,337)	-
Net (loss) / profit from life insurance business discontinued operation	(1,123)	184
CYBG discontinued operation		
Net operating income	667	1,944
Total expenses including doubtful debts	(1,339)	(2,681)
Loss before income tax	(672)	(737)
Income tax (expense) / benefit	(55)	110
Net loss from CYBG discontinued operation before loss on demerger	(727)	(627)
Loss on demerger of CYBG before taxation	(4,285)	-
Income tax benefit associated with demerger	67	-
Loss on demerger of CYBG after taxation	(4,218)	-
Net loss from CYBG discontinued operation	(4,945)	(627)
Total discontinued operations		
Net (loss) / profit from life insurance business discontinued operation	(1,123)	184
Net loss from CYBG discontinued operation	(4,945)	(627)
Net profit from GWB discontinued operation (prior period transaction)	-	29
Net loss from discontinued operations	(6,068)	(414)
Attributable to owners of NAB	(6,068)	(462)
Attributable to non-controlling interests	-	48

Cash flow from / (used in) discontinued operations

The results of cash flows from / (used in) the life insurance business discontinued operation and the CYBG discontinued operation for the period up to the loss of control date included in the Group's cash flow statement are set out below, including full year comparative information.

	Year to	
	Sep 16	Sep 15
Life insurance business discontinued operation	$m	$m
Net cash from / (used in) operating activities	22	844
Net cash from / (used in) investing activities	(698)	223
Net cash from / (used in) financing activities	(604)	(765)
Net cash inflows / (outflows) from life insurance business discontinued operation	(1,280)	302
CYBG discontinued operation		
Net cash from / (used in) operating activities	(504)	1,843
Net cash from / (used in) investing activities	256	(276)
Net cash from / (used in) financing activities	(38)	385
Net cash inflows / (outflows) from CYBG discontinued operation	(286)	1,952

14. Discontinued Operations (continued)

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

The assets and liabilities of the life insurance business discontinued operation and the CYBG discontinued operation removed from the Group's balance sheet at the date that control was lost are set out below. In accordance with AASB 5 "Non-current Assets Held for Sale and Discontinued Operations", comparative information of the Group's balance sheet for discontinued operations has not been restated. The information contained in the table is prepared under Australian Accounting Standards.

Effect of disposal on the financial position of the Group

Life insurance business discontinued operation	2016 $m
Assets	
Cash and liquid assets	1,217
Investments relating to life insurance business	4,304
Deferred tax assets	17
Other assets	659
Total assets	6,197
Liabilities	
Life policy liabilities	3,746
Deferred tax liabilities	93
Provisions	37
Other liabilities	347
Total liabilities	4,223
Net assets	1,974

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

15. Events Subsequent to Reporting Date

On 3 October 2016, the Group completed the sale of 80% of NAB Wealth's life insurance business to Nippon Life. Refer to *Note 14 - Discontinued operations* for further information.

There are no other matters, items, transactions or events of a material or unusual nature that have arisen in the interval between the end of the reporting period (30 September 2016) and the date of this report that, in the opinion of the directors, have significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in future years.

Compliance Statement

The preliminary final report for the year ended 30 September 2016 is prepared:

- In accordance with the ASX Listing Rules.
- In accordance with the recognition and measurement requirements of applicable Australian Accounting Standards.
- Based on the financial statements of the Group, which are in the process of being audited.

This report should be read in conjunction with any announcements to the market made by the Group during the period.

Louise Thomson
Company Secretary
27 October 2016

Section 6

Supplementary Information

1. Net Interest Margins and Spreads [(1)]

	Year to			Half Year to		
	Sep 16	**Sep 15**	**Sep 16 v**	**Sep 16**	**Mar 16**	**Sep 16 v**
Group	**%**	**%**	**Sep 15**	**%**	**%**	**Mar 16**
Net interest spread [(1)]	**1.71**	1.72	(1 bp)	**1.65**	1.76	(11 bps)
Benefit of net free liabilities, provisions and equity	**0.17**	0.17	-	**0.17**	0.17	-
Net interest margin - statutory basis [(2)]	**1.88**	1.89	(1 bp)	**1.82**	1.93	(11 bps)

(1) *Net interest spread represents the difference between the average interest rate earned and the average interest rate incurred on funds.*

(2) *Net interest margin (NIM) is net interest income as a percentage of average interest earning assets.*

Year ended September 2016 v Year ended September 2015

	Impact of		
Contribution to Group Margin	**Change in NIM** [(1) (2)]	**Change in Mix**[(3)]	**Impact on Group NIM**
Australian Banking	6 bps	-	**6 bps**
NZ Banking	(2 bps)	-	**(2 bps)**
Other [(4)]	-	(2 bps)	**(2 bps)**
Group (excluding Liquid Assets, and Markets & Treasury)	4 bps	(2 bps)	**2 bps**
Total Liquid Assets and Marketable Securities [(5)]	-	(1 bp)	**(1 bp)**
Markets & Treasury	12 bps	(14 bps)	**(2 bps)**
Total Group	16 bps	(17 bps)	**(1 bp)**

(1) *The increase/(decrease) in NIM assuming no change in mix of average interest earning assets (AIEA).*

(2) *Impact of Change in NIM represents the effect of each division's NIM movement on the Group's NIM. These amounts do not reflect each individual division's NIM movement.*

(3) *The increase/(decrease) in NIM caused by changes in divisional mix of AIEA.*

(4) *Includes NAB UK CRE, other supporting units and eliminations.*

(5) *Liquid Assets and Marketable Securities volume impact only.*

Half year ended September 2016 v Half year ended March 2016

	Impact of		
Contribution to Group Margin	**Change in NIM** [(1) (2)]	**Change in Mix**[(3)]	**Impact on Group NIM**
Australian Banking	(3 bps)	-	**(3 bps)**
NZ Banking	(1 bp)	-	**(1 bp)**
Other [(4)]	1 bp	-	**1 bp**
Group (excluding Liquid Assets, and Markets & Treasury)	(3 bps)	-	**(3 bps)**
Total Liquid Assets and Marketable Securities [(5)]	-	-	**-**
Markets & Treasury	(10 bps)	2 bps	**(8 bps)**
Total Group	(13 bps)	2 bps	**(11 bps)**

(1) *The increase/(decrease) in NIM assuming no change in mix of average interest earning assets (AIEA).*

(2) *Impact of Change in NIM represents the effect of each division's NIM movement on the Group's NIM. These amounts do not reflect each individual division's NIM movement.*

(3) *The increase/(decrease) in NIM caused by changes in divisional mix of AIEA.*

(4) *Includes NAB UK CRE, other supporting units and eliminations.*

(5) *Liquid Assets and Marketable Securities volume impact only.*

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

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

As at 30 September 2016	Australia $m	Europe $m	New Zealand $m	United States $m	Asia $m	Total $m
Real estate - mortgage	278,848	-	33,431	-	2,278	**314,557**
Other commercial and industrial	55,175	2,376	8,300	440	1,700	**67,991**
Commercial property services	57,826	89	8,496	22	58	**66,491**
Agriculture, forestry, fishing and mining	22,158	-	14,185	-	86	**36,429**
Financial, investment and insurance	16,075	1,573	1,628	2,407	838	**22,521**
Asset and lease financing	10,477	469	3	-	-	**10,949**
Instalment loans to individuals and other personal lending (including credit cards)	9,593	-	1,384	-	112	**11,089**
Manufacturing	7,117	-	2,884	-	665	**10,666**
Real estate - construction	1,607	374	831	-	-	**2,812**
Government and public authorities	2,041	-	175	39	-	**2,255**
Gross loans and advances including acceptances (1)	460,917	4,881	71,317	2,908	5,737	**545,760**
Deduct:						
Unearned income and deferred net fee income	(552)	(33)	80	(16)	(11)	**(532)**
Provisions for doubtful debts	(2,581)	(5)	(474)	(3)	(51)	**(3,114)**
Total net loans and advances including acceptances	457,784	4,843	70,923	2,889	5,675	**542,114**

(1) *Includes loans at fair value.*

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

(1) *Includes loans at fair value.*

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

(1) *Includes loans at fair value.*

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

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

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

Average assets and interest income

	Year ended Sep 16			Year ended Sep 15		
	Average balance	Interest	Average rate	Average balance	Interest	Average rate
	$m	$m	%	$m	$m	%
Average interest earning assets						
Due from other banks						
Australia	**13,086**	**257**	**2.0**	13,163	256	1.9
New Zealand	**3,657**	**54**	**1.5**	3,911	74	1.9
Other International	**39,064**	**274**	**0.7**	32,144	215	0.7
Total due from other banks	**55,807**	**585**	**1.0**	49,218	545	1.1
Marketable debt securities						
Australia	**67,750**	**1,816**	**2.7**	67,922	2,059	3.0
New Zealand	**5,041**	**142**	**2.8**	4,969	199	4.0
Other International	**14,159**	**139**	**1.0**	14,301	147	1.0
Total marketable debt securities	**86,950**	**2,097**	**2.4**	87,192	2,405	2.8
Loans and advances - housing						
Australia	**248,055**	**11,350**	**4.6**	237,541	11,308	4.8
New Zealand	**29,718**	**1,621**	**5.5**	27,743	1,679	6.1
Other International	**2,422**	**76**	**3.1**	2,426	72	3.0
Total loans and advances - housing	**280,195**	**13,047**	**4.7**	267,710	13,059	4.9
Loans and advances - non-housing						
Australia	**178,735**	**9,156**	**5.1**	166,458	9,303	5.6
New Zealand	**35,438**	**1,745**	**4.9**	32,514	2,004	6.2
Other International	**13,289**	**308**	**2.3**	16,816	380	2.3
Total loans and advances - non-housing	**227,462**	**11,209**	**4.9**	215,788	11,687	5.4
Other interest earning assets [(1)]						
Australia	**6,285**	**358**	**n/a**	8,038	434	n/a
New Zealand	**178**	**14**	**n/a**	77	5	n/a
Other International	**32,649**	**319**	**n/a**	30,111	212	n/a
Total other interest earning assets	**39,112**	**691**	**n/a**	38,226	651	n/a
Total average interest earning assets and interest income by:						
Australia	**513,911**	**22,937**	**4.5**	493,122	23,360	4.7
New Zealand	**74,032**	**3,576**	**4.8**	69,214	3,961	5.7
Other International	**101,583**	**1,116**	**1.1**	95,798	1,026	1.1
Total average interest earning assets and interest income	**689,526**	**27,629**	**4.0**	658,134	28,347	4.3

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

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

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

Average assets and interest income

	Year ended Sep 16 $m	Year ended Sep 15 $m
Average non-interest earning assets		
Investments relating to Life insurance / fund merger[1]		
Australia	**66,776**	85,521
New Zealand	**71**	67
Investments relating to Life insurance / fund merger	**66,847**	85,588
Other assets[2]	**102,437**	124,084
Total average non-interest earning assets	**169,284**	209,672
Provision for doubtful debts		
Australia	**(2,479)**	(2,546)
New Zealand	**(441)**	(367)
Other International	**(82)**	(284)
Total provision for doubtful debts	**(3,002)**	(3,197)
Total average assets	**855,808**	864,609

(1) *Fund merger refers to the Successor Fund Merger that occurred on 1 July 2016 which resulted in the deconsolidation of non-interest earning assets and non-interest bearing liabilities from the Group.*

(2) *Includes netting of centrally cleared derivative assets and their associated collateral amounts.*

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

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

Average liabilities and interest expense

	Year ended Sep 16			Year ended Sep 15		
	Average balance $m	Interest $m	Average rate %	Average balance $m	Interest $m	Average rate %
Average interest bearing liabilities						
Due to other banks						
Australia	**25,916**	**479**	**1.8**	27,705	573	2.1
New Zealand	**1,652**	**16**	**1.0**	1,318	14	1.1
Other International	**23,597**	**151**	**0.6**	19,337	89	0.5
Total due to other banks	**51,165**	**646**	**1.3**	48,360	676	1.4
On-demand and short-term deposits						
Australia	**156,975**	**2,597**	**1.7**	149,002	3,103	2.1
New Zealand	**17,970**	**256**	**1.4**	16,370	411	2.5
Other International	**15,805**	**49**	**0.3**	8,775	9	0.1
Total on-demand and short-term deposits	**190,750**	**2,902**	**1.5**	174,147	3,523	2.0
Certificates of deposit						
Australia	**34,395**	**790**	**2.3**	33,850	855	2.5
New Zealand	**2,345**	**62**	**2.6**	2,096	75	3.6
Other International	**11,747**	**74**	**0.6**	20,704	62	0.3
Total certificates of deposit	**48,487**	**926**	**1.9**	56,650	992	1.8
Term deposits						
Australia	**116,518**	**3,414**	**2.9**	110,415	3,657	3.3
New Zealand	**24,466**	**884**	**3.6**	23,451	968	4.1
Other International	**13,497**	**185**	**1.4**	16,030	203	1.3
Total term deposits	**154,481**	**4,483**	**2.9**	149,896	4,828	3.2
Other borrowings						
Australia	**22,678**	**260**	**1.1**	18,745	165	0.9
New Zealand	**2,887**	**27**	**0.9**	3,163	13	0.4
Other International	**16,507**	**135**	**0.8**	22,291	81	0.4
Total other borrowings	**42,072**	**422**	**1.0**	44,199	259	0.6
Bonds, notes and subordinated debt						
Australia	**117,571**	**3,750**	**3.2**	110,319	4,062	3.7
New Zealand	**14,793**	**685**	**4.6**	13,640	805	5.9
Other International	**12,078**	**275**	**2.3**	9,622	179	1.9
Total bonds, notes and subordinated debt	**144,442**	**4,710**	**3.3**	133,581	5,046	3.8
Other interest bearing liabilities [(1)]						
Australia	**3,345**	**534**	**n/a**	3,973	498	n/a
New Zealand	**2**	**-**	**n/a**	10	-	n/a
Other International	**4,285**	**76**	**n/a**	3,262	63	n/a
Total other interest bearing liabilities	**7,632**	**610**	**-**	7,245	561	-
Total average interest bearing liabilities and interest expense by:						
Australia	**477,398**	**11,824**	**2.5**	454,009	12,913	2.8
New Zealand	**64,115**	**1,930**	**3.0**	60,048	2,286	3.8
Other International	**97,516**	**945**	**1.0**	100,021	686	0.7
Total average interest bearing liabilities and interest expense	**639,029**	**14,699**	**2.3**	614,078	15,885	2.6

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

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

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

Average liabilities and equity

	Year ended	
	Sep 16 $m	Sep 15 $m
Average non-interest bearing liabilities		
Deposits not bearing interest		
Australia	35,139	30,120
New Zealand	3,826	2,709
Other International	4	10
Total deposits not bearing interest	38,969	32,839
Life insurance / fund merger policy liabilities [1]		
Australia	56,123	71,976
Life insurance / fund merger policy liabilities	56,123	71,976
Other liabilities [2]	74,038	101,462
Total average non-interest bearing liabilities	169,130	206,277
Total average liabilities	808,159	820,355
Average equity		
Contributed equity	33,425	29,418
Reserves	919	(264)
Retained profits	13,281	15,083
Parent entity interest	47,625	44,237
Non-controlling interest in controlled entities	24	17
Total average equity	47,649	44,254
Total average liabilities and equity	855,808	864,609

(1) *Fund merger refers to the Successor Fund Merger that occurred on 1 July 2016 which resulted in the deconsolidation of non-interest earning assets and non-interest bearing liabilities from the Group.*

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

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

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

Average assets and interest income

	Half Year ended Sep 16			Half Year ended Mar 16		
	Average balance $m	Interest $m	Average rate %	Average balance $m	Interest $m	Average rate %
Average interest earning assets						
Due from other banks						
Australia	12,090	116	1.9	14,083	141	2.0
New Zealand	3,897	29	1.5	3,416	25	1.5
Other International	39,052	111	0.6	39,075	163	0.8
Total due from other banks	55,039	256	0.9	56,574	329	1.2
Marketable debt securities						
Australia	68,436	935	2.7	67,064	881	2.6
New Zealand	5,126	67	2.6	4,956	75	3.0
Other International	13,612	66	1.0	14,705	73	1.0
Total marketable debt securities	87,174	1,068	2.5	86,725	1,029	2.4
Loans and advances - housing						
Australia	251,356	5,616	4.5	244,754	5,734	4.7
New Zealand	30,673	810	5.3	28,763	811	5.6
Other International	2,348	37	3.2	2,496	39	3.1
Total loans and advances - housing	284,377	6,463	4.5	276,013	6,584	4.8
Loans and advances - non-housing						
Australia	180,093	4,557	5.1	177,377	4,599	5.2
New Zealand	36,418	857	4.7	34,457	888	5.2
Other International	11,983	138	2.3	14,595	170	2.3
Total loans and advances - non-housing	228,494	5,552	4.9	226,429	5,657	5.0
Other interest earning assets [(1)]						
Australia	5,786	185	n/a	6,784	173	n/a
New Zealand	159	9	n/a	196	5	n/a
Other International	34,109	191	n/a	31,189	128	n/a
Total other interest earning assets	40,054	385	n/a	38,169	306	n/a
Total average interest earning assets and interest income by:						
Australia	517,761	11,409	4.4	510,062	11,528	4.5
New Zealand	76,273	1,772	4.6	71,788	1,804	5.0
Other International	101,104	543	1.1	102,060	573	1.1
Total average interest earning assets and interest income	695,138	13,724	3.9	683,910	13,905	4.1

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

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

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

Average assets and interest income

	Half year ended	
	Sep 16 $m	Mar 16 $m
Average non-interest earning assets		
Investments relating to Life insurance / fund merger [1]		
Australia	**46,761**	86,790
New Zealand	**76**	66
Investments relating to Life insurance / fund merger	**46,837**	86,856
Other assets [2]	**98,115**	106,262
Total average non-interest earning assets	**144,952**	193,118
Provision for doubtful debts		
Australia	**(2,452)**	(2,505)
New Zealand	**(465)**	(416)
Other International	**(74)**	(90)
Total provision for doubtful debts	**(2,991)**	(3,011)
Total average assets	**837,099**	874,017

(1) *Fund merger refers to the Successor Fund Merger that occurred on 1 July 2016 which resulted in the deconsolidation of non-interest earning assets and non-interest bearing liabilities from the Group.*

(2) *Includes netting of centrally cleared derivative assets and their associated collateral amounts.*

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

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

Average liabilities and interest expense

	Half Year ended Sep 16			Half Year ended Mar 16		
	Average balance $m	Interest $m	Average rate %	Average balance $m	Interest $m	Average rate %
Average interest bearing liabilities						
Due to other banks						
Australia	**26,036**	**231**	**1.8**	25,795	248	1.9
New Zealand	**1,749**	**9**	**1.0**	1,555	7	0.9
Other International	**21,857**	**80**	**0.7**	25,337	71	0.6
Total due to other banks	**49,642**	**320**	**1.3**	52,687	326	1.2
On-demand and short-term deposits						
Australia	**157,195**	**1,205**	**1.5**	156,754	1,392	1.8
New Zealand	**18,268**	**109**	**1.2**	17,671	147	1.7
Other International	**17,263**	**33**	**0.4**	14,346	16	0.2
Total on-demand and short-term deposits	**192,726**	**1,347**	**1.4**	188,771	1,555	1.6
Certificates of deposit						
Australia	**35,263**	**407**	**2.3**	33,526	383	2.3
New Zealand	**2,470**	**30**	**2.4**	2,221	32	2.9
Other International	**9,974**	**41**	**0.8**	13,520	33	0.5
Total certificates of deposit	**47,707**	**478**	**2.0**	49,267	448	1.8
Term deposits						
Australia	**120,459**	**1,762**	**2.9**	112,578	1,652	2.9
New Zealand	**25,299**	**435**	**3.4**	23,633	449	3.8
Other International	**12,717**	**90**	**1.4**	14,276	95	1.3
Total term deposits	**158,475**	**2,287**	**2.9**	150,487	2,196	2.9
Other borrowings						
Australia	**19,098**	**135**	**1.4**	26,258	125	1.0
New Zealand	**2,977**	**19**	**1.3**	2,797	8	0.6
Other International	**15,808**	**75**	**0.9**	17,205	60	0.7
Total other borrowings	**37,883**	**229**	**1.2**	46,260	193	0.8
Bonds, notes and subordinated debt						
Australia	**119,190**	**1,881**	**3.2**	115,952	1,869	3.2
New Zealand	**15,203**	**344**	**4.5**	14,384	341	4.7
Other International	**13,281**	**158**	**2.4**	10,875	117	2.2
Total bonds, notes and subordinated debt	**147,674**	**2,383**	**3.2**	141,211	2,327	3.3
Other interest bearing liabilities [1]						
Australia	**3,332**	**310**	**n/a**	3,359	224	n/a
New Zealand	**3**	**-**	**n/a**	1	-	n/a
Other International	**5,588**	**37**	**n/a**	2,983	39	n/a
Total other interest bearing liabilities	**8,923**	**347**	**n/a**	6,343	263	n/a
Total average interest bearing liabilities and interest expense by:						
Australia	**480,573**	**5,931**	**2.5**	474,222	5,893	2.5
New Zealand	**65,969**	**946**	**2.9**	62,262	984	3.2
Other International	**96,488**	**514**	**1.1**	98,542	431	0.9
Total average interest bearing liabilities and interest expense	**643,030**	**7,391**	**2.3**	635,026	7,308	2.3

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

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

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

Average liabilities and equity

	Half year ended	
	Sep 16 $m	Mar 16 $m
Average non-interest bearing liabilities		
Deposits not bearing interest		
Australia	35,840	34,438
New Zealand	4,101	3,550
Other International	5	4
Total deposits not bearing interest	39,946	37,992
Life insurance / fund merger policy liabilities [1]		
Australia	38,950	73,295
Life insurance / fund merger policy liabilities	38,950	73,295
Other liabilities [2]	67,175	80,901
Total average non-interest bearing liabilities	146,071	192,188
Total average liabilities	789,101	827,214
Average equity		
Contributed equity	33,625	33,225
Reserves	648	1,190
Retained profits	13,701	12,364
Parent entity interest	47,974	46,779
Non-controlling interest in controlled entities	24	24
Total average equity	47,998	46,803
Total average liabilities and equity	837,099	874,017

(1) *Fund merger refers to the Successor Fund Merger that occurred on 1 July 2016 which resulted in the deconsolidation of non-interest earning assets and non-interest bearing liabilities from the Group.*

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

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

4. Capital Adequacy - Basel III (1)

The APRA Basel III capital standards have been in effect since 1 January 2013. Under APRA's Prudential Standards, Wealth Management activities are de-consolidated from the Group for the purposes of calculating capital adequacy and excluded from the risk based capital adequacy framework. Under Basel III the investment in Wealth Management entities is deducted from CET1 capital. Additionally, any profits from these activities included in the Group's results are excluded from CET1 capital to the extent that they have not been remitted to NAB. The principal Wealth Management entities are separately regulated and need to meet APRA's prudential standards. The Group conservatively manages the Wealth Management capital adequacy and solvency position separately from the banking business, with a conservative capital buffer in excess of minimum regulatory requirements.

	As at		
	30 Sep 16	31 Mar 16	30 Sep 15
Reconciliation to shareholders' funds	$m	$m	$m
Contributed equity	**34,285**	32,666	34,651
Reserves	**629**	358	(362)
Retained profits	**16,378**	17,033	21,205
Non-controlling interest in controlled entities	**23**	25	19
Total equity per consolidated balance sheet	**51,315**	50,082	55,513
Equity-accounted Additional Tier 1 capital before application of Basel III transitional arrangements	**(3,317)**	(3,317)	(3,317)
Non-controlling interest in controlled entities	**(23)**	(25)	(19)
Treasury shares	**6**	1,322	1,686
General reserve for credit losses	**(75)**	(130)	(64)
Deconsolidation of Wealth Management equity	**909**	(142)	(230)
Common Equity Tier 1 Capital before regulatory adjustments	**48,815**	47,790	53,569
Banking goodwill and other intangibles	**(547)**	(549)	(550)
Wealth Management goodwill and other intangibles	**(2,375)**	(3,993)	(4,030)
Investment in non-consolidated controlled entities (net of intangible component)	**(1,551)**	(1,676)	(1,651)
DTA in excess of DTL	**(1,466)**	(1,282)	(2,049)
Capitalised expenses	**(474)**	(385)	(310)
Capitalised software (excluding Wealth Management)	**(2,285)**	(2,076)	(2,558)
Defined benefit pension scheme surplus	**(18)**	(18)	(131)
Change in own creditworthiness	**214**	(115)	98
Cash flow hedge reserve	**(143)**	(106)	(112)
Equity exposures	**(408)**	(648)	(737)
Expected loss in excess of eligible provisions	**(69)**	-	-
Other (1)	**(1,746)**	(1,906)	(602)
Common Equity Tier 1 Capital	**37,947**	35,036	40,937
Transitional Additional Tier 1 Capital instruments	**3,317**	3,634	4,240
Basel III eligible Additional Tier 1 Capital instruments	**6,073**	4,574	4,574
Eligible Additional Tier 1 Capital for non-controlling interest	**-**	-	-
Regulatory adjustments to Additional Tier 1 Capital	**(1)**	(709)	(8)
Additional Tier 1 Capital	**9,389**	7,499	8,806
Tier 1 Capital	**47,336**	42,535	49,743
Collective provision for doubtful debts - Standardised approach	**63**	75	566
IRB approach surplus provisions on non-defaulted exposures	**-**	112	85
Transitional Tier 2 Capital instruments	**3,373**	3,373	3,935
Basel III eligible Tier 2 Capital instruments	**3,755**	2,206	2,302
Eligible Tier 2 Capital for non-controlling interest	**501**	453	-
Regulatory adjustments to Tier 2 Capital	**(83)**	(875)	(81)
Tier 2 Capital	**7,609**	5,344	6,807
Total Capital	**54,945**	47,879	56,550
Risk-weighted assets			
Credit risk	**331,510**	303,458	344,326
Market risk	**7,299**	7,250	5,793
Operational risk	**37,500**	40,000	40,000
Interest rate risk in the banking book	**12,136**	10,725	9,639
Total risk-weighted assets	**388,445**	361,433	399,758
Risk-based regulatory capital ratios			
Common Equity Tier 1	**9.77%**	9.69%	10.24%
Tier 1	**12.19%**	11.77%	12.44%
Total Capital	**14.14%**	13.25%	14.15%

(1) *Includes the deduction for the remaining conduct indemnity pursuant to the Conduct Indemnity Deed, net of conduct provisions raised at 30 September 2016 and 31 March 2016.*

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

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

	Risk-Weighted Assets as at			Exposures as at		
	30 Sep 16	31 Mar 16	30 Sep 15	30 Sep 16	31 Mar 16	30 Sep 15
	$m	$m	$m	$m	$m	$m
Credit risk [(1)]						
IRB approach						
Corporate (including SME) [(2)]	**124,765**	126,757	128,382	**262,099**	261,531	261,339
Sovereign	**1,596**	1,684	1,679	**80,462**	71,351	71,477
Bank	**11,269**	11,381	12,291	**61,650**	75,690	81,055
Residential Mortgage	**90,143**	62,504	60,783	**357,831**	347,493	340,777
Qualifying revolving retail	**3,925**	3,897	3,782	**11,651**	11,557	11,272
Retail SME	**6,182**	6,188	6,470	**16,286**	16,238	16,227
Other retail	**3,666**	3,631	3,429	**4,614**	4,522	4,432
Total IRB approach	**241,546**	216,042	216,816	**794,593**	788,382	786,579
Specialised lending (SL)	**57,900**	59,498	58,376	**67,011**	67,701	66,039
Standardised approach						
Australian and foreign governments	**-**	-	55	**-**	-	14,499
Bank	**-**	-	189	**-**	-	1,157
Residential mortgage	**2,706**	2,804	20,877	**4,768**	4,954	53,430
Corporate	**4,219**	4,172	20,896	**60,190**	58,996	80,962
Other	**554**	558	3,404	**1,182**	1,173	3,999
Total standardised approach	**7,479**	7,534	45,421	**66,140**	65,123	154,047
Other						
Securitisation	**3,435**	3,351	2,515	**21,625**	21,198	18,277
Credit value adjustment	**13,871**	12,257	13,940	**-**	-	-
Central counterparty default fund contribution guarantee	**473**	393	557	**-**	-	-
Other [(3)]	**6,806**	4,383	6,701	**8,168**	6,163	10,497
Total other	**24,585**	20,384	23,713	**29,793**	27,361	28,774
Total credit risk	**331,510**	303,458	344,326	**957,537**	948,567	1,035,439
Market risk	**7,299**	7,250	5,793			
Operational risk	**37,500**	40,000	40,000			
Interest rate risk in the banking book	**12,136**	10,725	9,639			
Total risk-weighted assets & exposures	**388,445**	361,433	399,758			

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

(2) Corporate (including SME) consists of corporations, partnerships or proprietorships not elsewhere classified and includes non-banking entities held by banks.

(3) 'Other' includes non-lending asset exposures.

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

5. Earnings Per Share

	Year to			
	Sep 16		Sep 15	
Earnings per Share	**Basic**	**Diluted**	**Basic**	**Diluted**
Earnings ($m)				
Net profit attributable to owners of NAB	**352**	**352**	6,338	6,338
Distributions on other equity instruments	**(124)**	**(124)**	(175)	(175)
Potential dilutive adjustments (after tax)				
Interest expense on convertible notes	**-**	**75**	-	30
Interest expense on convertible preference shares	**-**	**130**	-	135
Adjusted earnings	**228**	**433**	6,163	6,328
Net loss attributable to owners of NAB from discontinued operations [(1)]	**(6,068)**	**(6,068)**	(462)	(462)
Adjusted earnings from continuing operations [(2)]	**6,296**	**6,501**	6,625	6,790
Weighted average ordinary shares (no. '000)				
Weighted average ordinary shares (net of treasury shares)	**2,596,957**	**2,596,957**	2,438,782	2,438,782
Potential dilutive weighted average ordinary shares				
Performance options and performance rights	**-**	**4,735**	-	3,705
Partly paid ordinary shares	**-**	**32**	-	45
Employee share plans	**-**	**8,587**	-	4,458
Convertible notes	**-**	**63,689**	-	23,617
Convertible preference shares	**-**	**119,686**	-	108,041
Total weighted average ordinary shares	**2,596,957**	**2,793,686**	2,438,782	2,578,648
Earnings per share (cents) attributable to owners of NAB	**8.8**	**15.5**	252.7	245.4
Earnings per share from continuing operations (cents)	**242.4**	**232.7**	271.7	263.3

(1) *Included within discontinued operations are the post-tax profit / loss of discontinued operations and the post-tax gain / loss recognised on the disposal of the assets relating to the discontinued operations. Refer to Note 14 - Discontinued operations for further details.*

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

	Half Year to			
	Sep 16		Mar 16	
Earnings per Share	**Basic**	**Diluted**	**Basic**	**Diluted**
Earnings ($m)				
Net profit / (loss) attributable to owners of NAB	**2,094**	**2,094**	(1,742)	(1,742)
Distributions on other equity instruments	**(60)**	**(60)**	(64)	(64)
Potential dilutive adjustments (after tax)				
Interest expense on convertible notes	**-**	**46**	-	29
Interest expense on convertible preference shares	**-**	**65**	-	65
Adjusted earnings	**2,034**	**2,145**	(1,806)	(1,712)
Net loss attributable to owners of NAB from discontinued operations [(1)]	**(1,102)**	**(1,102)**	(4,966)	(4,966)
Adjusted earnings from continuing operations [(2)]	**3,136**	**3,247**	3,160	3,254
Weighted average ordinary shares (no. '000)				
Weighted average ordinary shares (net of treasury shares)	**2,608,186**	**2,608,186**	2,575,501	2,575,501
Potential dilutive weighted average ordinary shares				
Performance options and performance rights	**-**	**4,862**	-	4,349
Partly paid ordinary shares	**-**	**32**	-	35
Employee share plans	**-**	**8,506**	-	11,801
Convertible notes	**-**	**77,643**	-	50,031
Convertible preference shares	**-**	**119,686**	-	120,399
Total weighted average ordinary shares	**2,608,186**	**2,818,915**	2,575,501	2,762,116
Earnings per share (cents) attributable to owners of NAB	**78.0**	**76.1**	(70.1)	(62.0)
Earnings per share from continuing operations (cents)	**120.2**	**115.2**	122.7	117.8

(1) *Included within discontinued operations are the post-tax profit / loss of discontinued operations and the post-tax gain / loss recognised on the disposal of the assets relating to the discontinued operations. Refer to Note 14 - Discontinued operations for further details.*

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

5. Earnings Per Share (continued)

	Year to			
	Sep 16 (1) (2)		Sep 15 (1) (2)	
Cash Earnings per Share	**Basic**	**Diluted**	**Basic**	**Diluted**
Earnings ($m)				
Cash earnings (1)	**6,483**	**6,483**	6,222	6,222
Potential dilutive adjustments (after tax)				
Interest expense on convertible notes	**-**	**75**	-	30
Interest expense on convertible preference shares	**-**	**130**	-	135
Adjusted cash earnings	**6,483**	**6,688**	6,222	6,387
Weighted average ordinary shares (no. '000)				
Weighted average ordinary shares	**2,645,573**	**2,645,573**	2,498,364	2,498,364
Potential dilutive weighted average ordinary shares				
Performance options and performance rights	**-**	**4,735**	-	3,705
Partly paid ordinary shares	**-**	**32**	-	45
Employee share plans	**-**	**8,587**	-	4,458
Convertible notes	**-**	**63,689**	-	23,617
Convertible preference shares	**-**	**119,686**	-	108,041
Total weighted average ordinary shares	**2,645,573**	**2,842,302**	2,498,364	2,638,230
Earnings per share (cents) attributable to owners of NAB	**245.1**	**235.3**	249.0	242.1

(1) *Refer to Profit Reconciliation section for reconciliation of cash earnings to net profit attributable to owners of NAB.*
(2) *Information is presented on a continuing operations basis including prior period restatements.*

	Half Year to			
	Sep 16 (1) (2)		Mar 16 (1) (2)	
Cash Earnings per Share	**Basic**	**Diluted**	**Basic**	**Diluted**
Earnings ($m)				
Cash earnings (1)	**3,263**	**3,263**	3,220	3,220
Potential dilutive adjustments (after tax)				
Interest expense on convertible notes	**-**	**46**	-	29
Interest expense on convertible preference shares	**-**	**65**	-	65
Adjusted cash earnings	**3,263**	**3,374**	3,220	3,314
Weighted average ordinary shares (no. '000)				
Weighted average ordinary shares	**2,650,869**	**2,650,869**	2,633,700	2,633,700
Potential dilutive weighted average ordinary shares				
Performance options and performance rights	**-**	**4,862**	-	4,349
Partly paid ordinary shares	**-**	**32**	-	35
Employee share plans	**-**	**8,506**	-	11,801
Convertible notes	**-**	**77,643**	-	50,031
Convertible preference shares	**-**	**119,686**	-	120,399
Total weighted average ordinary shares	**2,650,869**	**2,861,598**	2,633,700	2,820,315
Earnings per share (cents) attributable to owners of NAB	**123.1**	**117.9**	122.3	117.5

(1) *Refer to Profit Reconciliation section for reconciliation of cash earnings to net profit attributable to owners of NAB.*
(2) *Information is presented on a continuing operations basis including prior period restatements.*

6. Net Tangible Assets [1]

	As at		
	30 Sep 16	**31 Mar 16**	**30 Sep 15**
Net tangible assets per ordinary share ($) [1]	**16.06**	14.47	13.90

(1) *Represents net assets excluding intangible assets, non-controlling interests, preference shares and other equity instruments divided by ordinary shares on issue at the end of the year.*

7. Asset Funding [1]

	As at				
Core assets	**30 Sep 16 $m**	**31 Mar 16 $m**	**30 Sep 15 $m**	**30 Sep 16 v 30 Sep 15 %**	**30 Sep 16 v 31 Mar 16 %**
Gross loans and advances	**513,691**	494,396	477,271	7.6	3.9
Loans at fair value	**19,864**	22,373	25,182	(21.1)	(11.2)
Other financial assets at fair value	**271**	408	590	(54.1)	(33.6)
Due from customers on acceptances	**12,205**	15,544	19,428	(37.2)	(21.5)
Other debt instruments at amortised cost	**778**	610	618	25.9	27.5
Total core assets	**546,809**	533,331	523,089	4.5	2.5
Customer deposits					
On-demand and short-term deposits	**189,718**	186,306	175,817	7.9	1.8
Term deposits	**153,180**	147,297	145,856	5.0	4.0
Deposits not bearing interest	**41,698**	38,640	36,842	13.2	7.9
Customer deposits at fair value	**5,904**	4,440	3,516	67.9	33.0
Total customer deposits	**390,500**	376,683	362,031	7.9	3.7
Wholesale funding					
Bonds, notes and subordinated debt	**127,942**	125,199	122,400	4.5	2.2
Other debt issues	**6,248**	6,143	6,292	(0.7)	1.7
Preference shares and other contributed equity	**3,317**	3,317	3,317	-	-
Certificates of deposit	**43,764**	47,533	38,488	13.7	(7.9)
Securities sold under repurchase agreements	**16,064**	11,189	8,917	80.2	43.6
Due to other banks - Securities sold under repurchase agreements	**18,358**	21,299	24,275	(24.4)	(13.8)
Due to other banks	**25,545**	26,522	29,280	(12.8)	(3.7)
Other borrowings	**15,290**	17,694	26,163	(41.6)	(13.6)
Other financial liabilities at fair value	**27,320**	23,719	26,388	3.5	15.2
Total wholesale funding	**283,848**	282,615	285,520	(0.6)	0.4
Total funding liabilities	**674,348**	659,298	647,551	4.1	2.3
Total equity excluding preference shares and other contributed equity	**47,998**	45,109	43,279	10.9	6.4
Life insurance / fund merger policy liabilities [1]	**-**	87,356	87,013	large	large
Other liabilities	**55,276**	71,297	89,406	(38.2)	(22.5)
Total liabilities and equity	**777,622**	863,060	867,249	(10.3)	(9.9)
Wholesale funding by maturity					
Short-term funding	**92,222**	97,122	100,848	(8.6)	(5.0)
Securities sold under repurchase agreements	**34,422**	32,488	33,192	3.7	6.0
Term funding:					
less than 1 year residual maturity	**37,160**	41,536	37,893	(1.9)	(10.5)
greater than 1 year residual maturity	**120,044**	111,469	113,587	5.7	7.7
Total wholesale funding by maturity	**283,848**	282,615	285,520	(0.6)	0.4

(1) *Fund merger refers to the Successor Fund Merger that occurred on 1 July 2016 which resulted in the deconsolidation of non-interest earning assets and non-interest bearing liabilities from the Group.*

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

8. Number of Ordinary Shares

	Year to	
	Sep 16 No. '000	Sep 15 No. '000
Ordinary shares, fully paid		
Balance at beginning of period	**2,625,764**	2,365,791
Shares issued:		
Rights issue	**-**	193,912
Dividend reinvestment plan	**21,325**	35,057
DRP underwritten allotments	**-**	24,603
Bonus share plan	**2,052**	2,095
Employee share plans	**7,461**	3,540
Performance options and performance rights	**359**	761
Paying up of partly paid shares	**15**	5
	2,656,976	2,625,764
Ordinary shares, partly paid to 25 cents		
Balance at beginning of period	**64**	69
Paying up of partly paid shares	**(15)**	(5)
	49	64
Total number of ordinary shares on issue at end of period (including treasury shares)	**2,657,025**	2,625,828
Less: Treasury shares	**(9,504)**	(62,955)
Total number of ordinary shares on issue at end of period (excluding treasury shares)	**2,647,521**	2,562,873

	Half Year to	
	Sep 16 No. '000	Mar 16 No. '000
Ordinary shares, fully paid		
Balance at beginning of period	**2,644,943**	2,625,764
Shares issued:		
Dividend reinvestment plan	**10,532**	10,793
Bonus share plan	**1,056**	996
Employee share plans	**387**	7,074
Performance options and performance rights	**53**	306
Paying up of partly paid shares	**5**	10
	2,656,976	2,644,943
Ordinary shares, partly paid to 25 cents		
Balance at beginning of period	**54**	64
Paying up of partly paid shares	**(5)**	(10)
	49	54
Total number of ordinary shares on issue at end of period (including treasury shares)	**2,657,025**	2,644,997
Less: Treasury shares	**(9,504)**	(59,568)
Total number of ordinary shares on issue at end of period (excluding treasury shares)	**2,647,521**	2,585,429

9. Exchange Rates

	Income Statement - average				Balance Sheet - spot		
	Year to		Half Year to		As at		
One Australian dollar equals	**Sep 16**	**Sep 15**	**Sep 16**	**Mar 16**	**30 Sep 16**	**31 Mar 16**	**30 Sep 15**
British Pounds	**0.5194**	0.5087	**0.5486**	0.4895	**0.5882**	0.5335	0.4623
Euros	**0.6630**	0.6848	**0.6699**	0.6561	**0.6795**	0.6763	0.6242
United States Dollars	**0.7368**	0.7864	**0.7521**	0.7212	**0.7627**	0.7653	0.7010
New Zealand Dollars	**1.0744**	1.0799	**1.0649**	1.0845	**1.0487**	1.1095	1.1001

10. ASX Appendix 4E

11. Divisional Performance Summary Excluding Foreign Currency Movements

Year ended 30 September 2016 at 30 September 2015 FX rates	Australian Banking[1] $m	NZ Banking $m	NAB Wealth $m	Corporate Functions & Other [2] $m	Distributions & Eliminations $m	Group Cash Earnings $m
Net interest income	11,161	1,498	-	253	-	**12,912**
Other operating income	2,873	457	1,233	(24)	(47)	**4,492**
Net operating income	14,034	1,955	1,233	229	(47)	**17,404**
Operating expenses	(5,770)	(773)	(758)	(167)	47	**(7,421)**
Underlying profit / (loss)	8,264	1,182	475	62	-	**9,983**
(Charge to provide for) / write-back of bad and doubtful debts	(636)	(116)	-	(44)	-	**(796)**
Cash earnings / (deficit) before tax and distributions	7,628	1,066	475	18	-	**9,187**
Income tax (expense) / benefit	(2,157)	(292)	(119)	(19)	-	**(2,587)**
Cash earnings / (deficit) before distributions	5,471	774	356	(1)	-	**6,600**
Distributions	-	-	-	-	(120)	**(120)**
Cash earnings / (deficit)	**5,471**	**774**	**356**	**(1)**	**(120)**	**6,480**

[1] *Australian Banking includes the Australian banking operations, offshore branches and New Zealand markets operations.*

[2] *Corporate Functions and Other includes Group Funding, NAB UK CRE, other supporting units and the results of SGA.*

Half Year ended 30 September 2016 at 31 March 2016 FX rates	Australian Banking[1] $m	NZ Banking $m	NAB Wealth $m	Corporate Functions & Other [2] $m	Distributions & Eliminations $m	Group Cash Earnings $m
Net interest income	5,478	742	-	104	-	**6,324**
Other operating income	1,605	235	635	(32)	(28)	**2,415**
Net operating income	7,083	977	635	72	(28)	**8,739**
Operating expenses	(2,888)	(388)	(370)	(72)	28	**(3,690)**
Underlying profit / (loss)	4,195	589	265	-	-	**5,049**
(Charge to provide for) / write-back of bad and doubtful debts	(298)	(38)	-	(86)	-	**(422)**
Cash earnings / (deficit) before tax and distributions	3,897	551	265	(86)	-	**4,627**
Income tax (expense) / benefit	(1,102)	(154)	(68)	28	-	**(1,296)**
Cash earnings / (deficit) before distributions	2,795	397	197	(58)	-	**3,331**
Distributions	-	-	-	-	(62)	**(62)**
Cash earnings / (deficit)	**2,795**	**397**	**197**	**(58)**	**(62)**	**3,269**

[1] *Australian Banking includes the Australian banking operations, offshore branches and New Zealand markets operations.*

[2] *Corporate Functions and Other includes Group Funding, NAB UK CRE, other supporting units and the results of SGA.*

This page has been left blank intentionally.

Section 7

Glossary of Terms

Glossary of Terms

Terms	Description
12-months expected credit losses (ECL)	The portion of lifetime expected credit losses that represent the expected credit losses that result from default events on a financial instrument that are possible within the 12 months after the reporting date.
AASB	Australian Accounting Standards Board.
ACCC	Australian Competition and Consumer Commission.
APRA	Australian Prudential Regulation Authority.
APS	Prudential Standards issued by APRA applicable to Authorised Deposit-taking Institutions.
ASIC	Australian Securities and Investments Commission.
Assets 90+ days past due	Assets 90+ days past due consist of well-secured assets that are more than 90 days past due and portfolio-managed facilities that are not well secured and between 90 and 180 days past due.
ASX	Australian Securities Exchange Limited.
AT1 Notes	Additional Tier 1 capital notes issued by CYBG.
Available Stable Funding (ASF)	The portion of capital and liabilities expected to be reliably provided over a one-year time horizon, and is measured based on the broad characteristics of the relative stability of an ADI's funding sources, including the contractual maturity of its liabilities and the differences in propensity of different types of funding providers to withdraw their funds.
Average assets	Represents the average of assets over the period adjusted for disposed operations. Disposed operations include any operations that will not form part of the continuing Group. These include operations sold and those which have been announced to the market that have yet to reach completion.
Average interest earning assets	The average balance of assets held by the Group that generate interest income.
Banking	Banking operations include the Group's: - Retail and Non-Retail deposits, lending and other banking services in Australian Banking, NZ Banking and NAB Wealth - Wholesale operations comprising Global Capital Markets and Treasury, Specialised Finance and Financial Institutions business within Australian Banking, and - NAB UK CRE operations and Group Funding within Corporate Functions and Other.
Banking cost to income ratio (CTI)	Represents banking operating expenses (before inter-segment eliminations) as a percentage of banking operating revenue (before inter-segment eliminations).
Basel III	Basel III is a global regulatory framework designed to increase the resilience of banks and banking systems and is effective for Australian Banks from 1 January 2013.
BNZ	Bank of New Zealand.
Business lending	Lending to non-retail customers including overdrafts, asset and lease financing, term lending, bill acceptances, foreign currency loans, international and trade finance, securitisation and specialised finance.
Cash earnings	Refer to page 2, Section 1 - Profit Reconciliation for information about, and the definition of, cash earnings.
Cash earnings on risk-weighted assets	Calculated as cash earnings (annualised) divided by average risk-weighted assets. Average risk-weighted assets are calculated as the average of the current and previous two quarters' risk-weighted assets.
Cash earnings per share - basic	Calculated as cash earnings adjusted for distributions on other equity instruments, divided by the weighted average number of ordinary shares adjusted to include treasury shares held by a controlled entity of the Group and employee share scheme trust.
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 a controlled entity of the Group, employee share scheme trust and dilutive potential ordinary shares.
Cash return on equity (ROE)	Calculated as cash earnings (annualised) divided by average shareholders' equity, excluding non-controlling interests and other equity instruments and adjusted for treasury shares.
CYBG	CYBG PLC.
CYBG Group	CYBG PLC and its controlled entities.
Common Equity Tier 1 (CET1) capital	Common Equity Tier 1 (CET1) capital is recognised as the highest quality component of capital. It is subordinated to all other elements of funding, absorbs losses as and when they occur, has full flexibility of dividend payments and has no maturity date. It is predominately comprised of common shares; retained earnings; undistributed current year earnings; as well as other elements as defined under APS111 - Capital Adequacy: Measurement of Capital.
Common Equity Tier 1 ratio	Common Equity Tier 1 as defined by APRA divided by risk-weighted assets.
Continuing operations	Continuing operations are the components of the Group which are not discontinued operations.
Core assets	Represents gross loans and advances including acceptances, financial assets at fair value, and other debt instruments at amortised cost (classified in comparative periods as investments held to maturity).
Core Funding Ratio (CFR)	The Core Funding Ratio (CFR) is the total retail funding plus wholesale funding maturing over one year as a percentage of total loans and advances included in BNZ's most recent disclosure statement. The CFR is a minimum quantitative ratio for liquidity risk imposed on a number of locally-incorporated banks by RBNZ, including BNZ.
Customer deposits	Interest bearing, non-interest bearing and term deposits (including retail and corporate deposits).
Customer Funding Index (CFI)	Customer deposits (excluding certain short dated institutional deposits used to fund liquid assets) divided by core assets.
Customer risk management	Activities to assist customers to manage their financial risks (predominantly foreign exchange and interest rate risks).
Discontinued operations	Discontinued operations are a component of the Group that either has been disposed of, or is classified as held for sale, and represents a separate major line of business or geographical area of operations, which is part of a single co-ordinated plan for disposal.
Distributions	Payments to holders of other equity instrument issues such as National Income Securities, Trust Preferred Securities, Trust Preferred Securities II and National Capital Instruments.
Dividend payout ratio	Dividends paid on ordinary shares divided by cash earnings per share.
Earnings per share	Basic and diluted earnings per share calculated in accordance with the requirements of AASB 133 'Earnings per Share'.
Effective tax rate	Income tax expense divided by profit before income tax expense.
Fair value	The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at measurement date.
Fair value and hedge ineffectiveness	Represents volatility attributable to the Group's application of the fair value option, ineffectiveness from designated accounting and economic hedge relationships and economic hedges of significant approved funding activities where hedge accounting has not been applied.
FSI	Financial System Inquiry.

Terms	Description
Full-time equivalent employees (FTEs)	Includes all full-time staff, part-time, temporary, fixed term and casual staff equivalents, as well as agency temps and external contractors either self-employed or employed by a third party agency. Note: This does not include consultants, IT professional services, outsourced service providers and non-executive directors.
FUM/A	Funds under management and administration.
General reserve for credit losses (GRCL)	The general reserve for credit losses (GRCL) is an estimate of the reasonable and prudent expected credit losses over the remaining life of the portfolio and on non-defaulted assets. The reserve is a compliance requirement under APS 220 - Credit Quality. The GRCL is calculated as a collective provision for doubtful debts, excluding securitisation and provision on default no-loss assets. The difference between the GRCL and accounting collective provision is covered with an additional top-up, created through a transfer from retained earnings to a reserve, to reflect losses expected as a result of future events that are not recognised in the Group's collective provision for accounting purposes.
Group	NAB and its controlled entities.
Great Western Bank (GWB)	Great Western Bancorp, Inc.
High Quality Liquid Assets (HQLA)	Eligible assets that include cash, balances held with Central Banks along with securities issued by highly rated Governments and supranationals.
Housing lending	Mortgages secured by residential properties as collateral.
IFRS	International Financial Reporting Standards.
Impaired assets	Consist of: - Retail loans (excluding unsecured portfolio managed facilities) which are contractually past due 90 days with security insufficient to cover principal and arrears of interest revenue - Non-retail loans which are contractually past due and there is sufficient doubt about the ultimate collectability of principal and interest, and - Impaired off-balance sheet credit exposures where current circumstances indicate that losses may be incurred. Unsecured portfolio managed facilities are also classified as impaired assets when they become 180 days past due (if not written off).
IRB approach	The internal ratings based (IRB) approach refers to the processes employed by the Group to estimate credit risk. This is achieved through the use of internally developed models to assess the potential credit losses using the outputs from the probability of default, loss given default and exposure at default models.
'Jaws'	The difference between the percentage growth in revenue on the preceding period and the percentage growth in the expenses on the preceding period, calculated on a cash earnings basis.
Lifetime expected credit losses (ECL)	The expected credit losses that result from all possible default events over the expected life of a financial instrument.
Liquidity Coverage Ratio (LCR)	LCR measures the amount of high quality liquid assets held that can be converted to cash easily and immediately in private markets, to total net cash flows required to meet the Group's liquidity needs for a 30 day calendar liquidity stress scenario.
Marketable debt securities	Comprises trading securities, debt instruments at fair value through other comprehensive income and other debt instruments at amortised cost (classified in comparative periods as investments - available for sale and investments - held to maturity respectively).
NAB	National Australia Bank Limited ABN 12 004 044 937.
NAB UK Commercial Real Estate (NAB UK CRE)	NAB UK CRE was created on 5 October 2012 following the transfer of certain commercial real estate loan assets from Clydesdale Bank to NAB. These loan assets are managed by the NAB London Branch.
NAB risk management	Management of interest rate risk in the banking book, wholesale funding and liquidity requirements and trading market risk to support the Group's franchises.
Net interest margin (NIM)	Net interest income as a percentage of average interest earning assets.
Net profit attributable to non-controlling interest	Reflects the allocation of profit to non-controlling interests in the Group.
Net profit attributable to owners of NAB	Represents the Group's statutory profit / (loss) after tax and reflects the amount of net profit / (loss) that is attributable to owners.
Net Stable Funding Ratio (NSFR)	The amount of available stable funding (ASF) relative to the amount of required stable funding (RSF).
Other banking products	Personal lending, credit cards (consumer and commercial), investment securities and margin lending.
PRA	United Kingdom Prudential Regulation Authority.
RBA	Reserve Bank of Australia.
RBNZ	Reserve Bank of New Zealand.
Required Stable Funding (RSF)	The minimum amount of stable funding an ADI is required to hold and is a function of the liquidity characteristics and residual maturities of the various assets held by an ADI including off-balance sheet (OBS) exposures.
Risk-weighted assets (RWA)	A quantitative measure of the Group's risk, required by the APRA risk-based capital adequacy framework, covering credit risk for on- and off-balance sheet exposures, market risk, operational risk and interest rate risk in the banking book.
Securitisation	Structured finance technique which involves pooling, packaging cash-flows and converting financial assets into securities that can be sold to investors.
SGA	Specialised Group Assets.
Stable Funding Index (SFI)	Term Funding Index (TFI) plus Customer Funding Index (CFI).
Successor Fund Merger	The transfer of five Group super funds into one new super fund called the MLC Super Fund, which was completed on 1 July 2016.
Term Funding Index (TFI)	Term wholesale funding (with a remaining maturity to first call date greater than 12 months) divided by core assets.
Tier 1 capital	Tier 1 capital comprises Common Equity Tier 1 (CET1) capital and instruments issued by the Group that meet the criteria for inclusion as Additional Tier 1 capital set out in APS111 - Capital Adequacy: Measurement of Capital.
Tier 2 capital	Tier 2 capital includes other components of capital that, to varying degrees, fall short of the quality of Tier 1 capital but nonetheless contribute to the overall strength of an ADI and its capacity to absorb losses; as set out in APS111 - Capital Adequacy: Measurement of Capital.
Tier 2 Notes	Tier 2 capital notes issued by CYBG.
Total capital ratio	Total capital ratio is the sum of Tier 1 capital and Tier 2 capital, as defined by APRA, divided by risk-weighted assets.
Treasury shares	Shares in the NAB held in the Group's consolidated investments businesses (up to the Successor Fund Merger on 1 July 2016) and in trust by a controlled entity of the Group to meet the requirements of employee incentive schemes. The unrealised mark-to-market movements arising from changes in the share price, dividend income and realised profit and losses arising from the sale of shares held by the Group's consolidated investment business are eliminated for statutory reporting purposes.
Weighted average number of ordinary shares	Calculated in accordance with the requirements of AASB 133 'Earnings per Share'.