National Australia Bank

FULL YEAR RESULTS 2017

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.

Sarah and Justin Montesalvo
Patriot Campers

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 2017

						30 September 2017 $m
Revenue from ordinary activities [1]	page 56	down	(0.5%)	*	to	18,024
Net profit after tax from ordinary activities attributable to owners of NAB [2]	page 56	up	1,401.4%	*	to	5,285
Net profit attributable to owners of NAB [2]	page 56	up	1,401.4%	*	to	5,285

** On prior corresponding period (twelve months ended 30 September 2016).*

[1] *Required to be disclosed by Appendix 4E. Reported as the sum of the following from the Group's consolidated income statement: Net interest income $13,182 million and total other income $4,842 million. On a cash earnings basis revenue increased by 2.7%. Refer to information on cash earnings on page 3 of Section 1, of the 2017 full year results.*

[2] *Net profit attributable to owners of NAB was up 1,401.4% to $5,285 million, mainly reflecting the loss on CYBG demerger, provisions for conduct costs pursuant to claims under the Conduct Indemnity Deed with CYBG and the sale of 80% of Wealth's life insurance business in the 30 September 2016 full year, partially offset by provisions for conduct costs pursuant to claims under the Conduct Indemnity Deed with CYBG in the 30 September 2017 full year.*

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		10 November 2017

A Glossary of Terms is included in Section 7.

A reference in this Appendix 4E to the 'Group' is a reference to NAB Limited and its controlled entities. All currency amounts are expressed in Australian dollars unless otherwise stated. References in this document to the September 2017 year are references to the twelve months ended 30 September 2017. Other twelve month periods are referred to in a corresponding manner. NAB's consolidated financial statements, prepared in accordance with the *Corporations Act 2001* (Cth), are included in Section 5. See page 103 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.

2017 FINANCIAL HIGHLIGHTS

$5,285M
Statutory net profit

$6,642M
Cash earnings[1]
Up 2.5% v 2016

99CPS
Final dividend
100% franked

198CPS
Total FY17 dividend

$5.3BN
Dividends declared

Returned 79% of cash earnings[1] to over 571,000 shareholders, 95% who are Australians

"Our FY17 result represents another year of consistent delivery. Cash earnings and revenue are up, asset quality is a highlight again, and we have further strengthened our balance sheet.

Outcomes from our focus on improving the customer experience are also pleasing. Our Priority Segments Net Promoter Score (NPS)[2] is first of the major banks at 30 September 2017.

We have made strong progress over the past three years and now we announce an acceleration of our strategy. This involves an estimated $1.5 billion increase in investment by the end of FY20 to further improve the experience for our customers, reshape our workforce and grow our bank. Cost savings of greater than $1 billion are targeted by the end of FY20 as we further simplify our business[3].

We have a clear plan to deliver for our customers. We move forward with confidence and a purpose to 'back the bold who move Australia forward'."

ANDREW THORBURN
NAB CEO

DELIVERING FOR OUR SHAREHOLDERS

ANNUAL DIVIDENDS DECLARED ($ MILLIONS)

In respect of each financial year

BACKING OUR CUSTOMERS IN 2017

- Supporting our customers into home ownership, with $70 billion in new Australian home lending[4]
- $70 billion in new Australian business lending[5], $29 billion to SMEs[6], backing economic growth
- First bank to significantly overhaul our standard form business contract. Now in plain English, a third of T&Cs removed, benefitting 130,000 businesses
- Expanding our fully online small business platform QuickBiz to include commercial cards & overdrafts
- Faster, easier Everyday Account application experience, with application time cut to 7 minutes

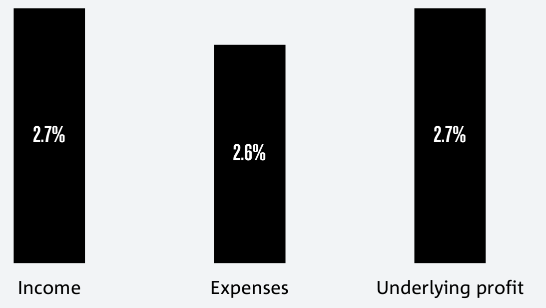
[1] Refer note on cash earnings and reconciliation on page 6.
[2] Net Promoter® and NPS® are registered trademarks and Net Promoter Score and Net Promoter System are trademarks of Bain & Company, Satmetrix Systems and Fred Reichheld. Priority Segments Net Promoter Score (NPS) is a simple average of the NPS scores of four priority segments: Home Owners, Investors, Small Business ($0.1m-<$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.
[3] Refer to key risks, qualifications and assumptions in relation to forward-looking statements on page 7.
[4] Drawdowns (excluding redraws) by Australian customers.
[5] New and increased (on and off balance sheet) commitments by Australian customers. New lending has been derived from year on year customer limit movements.
[6] SME represents new Australian business lending for NAB's Business & Private Banking division in FY17.

The September 2017 full year results are compared with the September 2016 full year results for continuing operations unless otherwise stated, and reflect revisions to prior comparative financial information as detailed in NAB's ASX announcements on 13 October 2016 and 20 April 2017. Operating Performance and Asset Quality are expressed on a cash earnings basis.

OPERATING PERFORMANCE FY17 V FY16

- Revenue up 2.7% with growth in housing and business lending, and stronger Markets & Treasury[7] income.
- Net Interest Margin down 3 basis points (bps), or up 1 bp excluding Markets & Treasury.
- Expenses up 2.6%, or 1.5% excluding redundancies, due to increased investment partly offset by productivity savings.

FY17 V FY16 CASH EARNINGS GROWTH BASIS

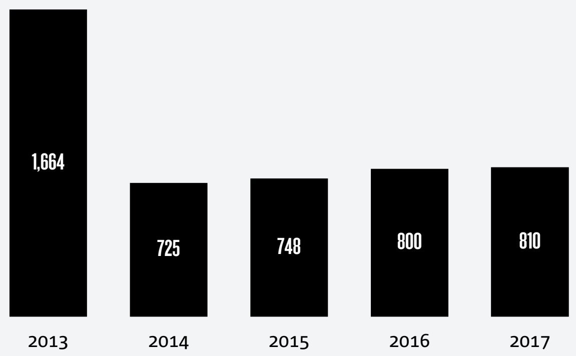


"Our commitment to reshaping and simplifying our business has delivered productivity savings of $301 million this year against a target of greater than $200 million."

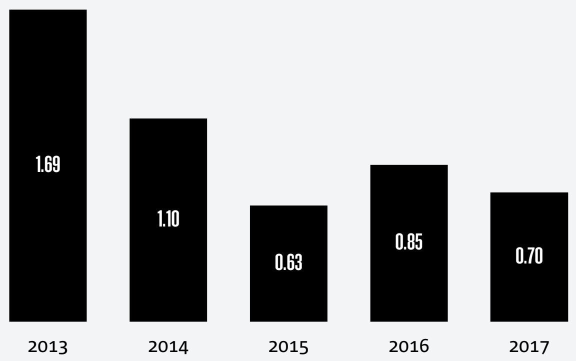
ASSET QUALITY FY17 V FY16

- Bad and doubtful debt (B&DD) charges rose 1.3% to $810 million, but as a percentage of gross loans and acceptances declined 1 bp to 14 bps.
- The charge includes additional collective provision (CP) overlays of $249 million for potential risks mainly relating to commercial real estate, retail trade and mortgage portfolios.
- Asset quality improved with the ratio of 90+ days past due and gross impaired assets to gross loans and acceptances down 15 bps to 0.70% benefitting from better conditions for New Zealand dairy customers and successful work-out strategies across the Australian business lending portfolio.

BAD & DOUBTFUL DEBT CHARGES ($MILLIONS)



90+ DPD & GIAS/GLAS (%)

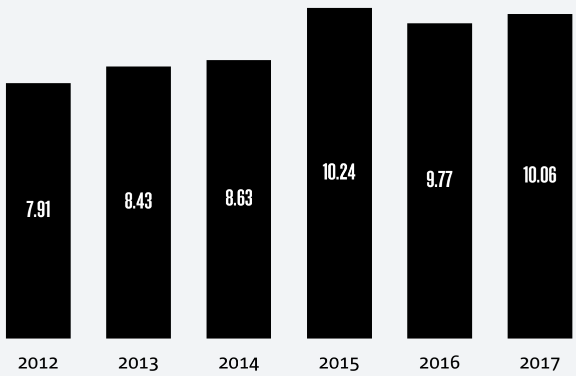


"Asset quality is a highlight again, benefitting from supportive economic conditions and sound risk settings. Total collective provision overlays for targeted sectors were increased by $249 million over the year and now stand at $451 million."

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

CAPITAL, FUNDING & LIQUIDITY

CET1 RATIO (%)



KEY RATIOS AS AT 30 SEPTEMBER 2017

- Group Common Equity Tier 1 (CET1) ratio of 10.06%, up 29 bps from September 2016, despite 17 bps impact for higher risk weights due to previously advised mortgage model changes
- Expect to meet APRA's 'unquestionably strong' target of 10.5% in an orderly manner by January 2020, supported by a 1.5% Dividend Reinvestment Plan discount for the FY17 Final Dividend
- Internationally comparable CET1 ratio[8] of 14.5%
- Leverage ratio (APRA basis) of 5.5%
- Liquidity coverage ratio (LCR) quarterly average of 123%
- Net Stable Funding Ratio (NSFR) of 108%

DIVISIONAL PERFORMANCE – CASH EARNINGS

	FY17 ($M)	% CHANGE FY17 V FY16	HIGHLIGHTS FY17 V FY16
Consumer Banking & Wealth	1,633	4.3	A solid result featuring housing volume growth, low expense growth and lower B&DD charges, benefitting from a much stronger 2H17 revenue performance
Business & Private Banking	2,841	6.3	Strong revenue performance from lending growth and increased margins, combined with disciplined expense management, partly offset by higher B&DD charges
Corporate & Institutional Banking	1,535	12.3	A disciplined result, with tight management of capital, expense reductions and strong asset quality outcomes
New Zealand Banking (NZ$M)	941	8.9	Strong lending and revenue growth combined with lower B&DD charges and continued investment

[8] Internationally Comparable CET1 ratio at 30 September 2017 aligns with the APRA study entitled "International Capital Comparison Study" released on 13 July 2015.

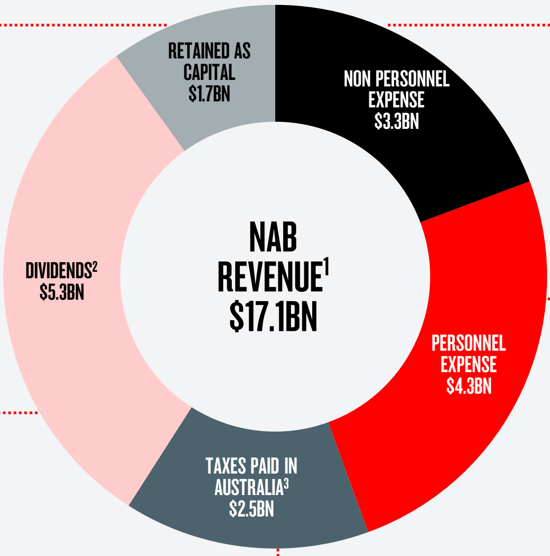
NAB'S ROLE IN THE COMMUNITY

NAB REVENUE

- Supports all stakeholders and business partners
- NAB revenue is shown after interest payments to 4.6 million Australian and New Zealand retail and business deposit customers who have deposited over $390 billion with us

BORROWERS

- Total of over $330 billion in Home Lending and $236 billion in Business Lending
- $1.7 billion retained as capital to support new lending and further strengthen capital position to meet future regulatory requirements



SUPPLIERS & COMMUNITY

- +1,800 supplier agreements
- +26,000 microfinance loans provided
- Carbon neutral since 2010, 75% of Australian key office buildings[4] are Green Star Rated

OUR PEOPLE

- Employ over 33,000 people[5]
- Over 50% of our workforce directly engages with customers

SHAREHOLDERS (INC. SUPER FUNDS)

- Over 571,000 shareholders
- 79% of NAB's cash earnings distributed in dividends

GOVERNMENT

- Australia's fourth largest income tax payer
- Signatory to the Voluntary Tax Transparency Code

Figures based on NAB's FY17 cash earnings

1 Revenue shown net of $0.8bn of bad and doubtful debts
2 Dividends declared in respect of FY17
3 Includes income tax, GST, FBT, payroll tax and other taxes borne by NAB that were paid during the year ended 30 September 2017
4 'Key office buildings' are all NAB commercial tenancies over 4,000m²
5 Represents full time equivalent employees as at 30 September 2017 for NAB Group

ECONOMIC OUTLOOK

"The outlook for the Australian and New Zealand economies remains supportive of solid growth. In Australia, the mining investment decline is slowing and an upswing in business investment and government infrastructure spending are forecast to support economic growth despite a subdued consumer sector. Some slowing in the housing cycle and a moderation in housing credit is expected, but downside is likely to be limited by stong population growth and low unemployment."

ACCELERATING OUR STRATEGY[9]

The FY17 result caps off a three year period of discipline and focus that has delivered improved performance for our customers, employees and shareholders. Over this time we have:

- Deepened the focus on customers with the roll out of the Net Promoter System
- Divested non-core, low returning businesses including Clydesdale and Great Western banks and life insurance
- Strengthened the balance sheet through improved asset quality, stronger capital ratios and more stable funding
- Closed the ROE gap on major bank peers and reinvigorated our core SME franchise
- Upgraded NAB's digital offering through NAB Labs and innovative strategic partnerships

The environment is one of rapid and constant change. Our customers are now largely "digital-first" and expect seamless, personal experiences. New competitors continue to emerge, and community and regulatory expectations have never been greater. The risks we face are constantly evolving, requiring ever greater vigilance around cybercrime and data protection.

We are optimistic about the future and the opportunities for NAB in a changing world, and we move forward as a much stronger bank. This allows us to plan for the longer term and today we announce an acceleration of our strategy to enable us to grow while staying focussed on productivity.

This includes an estimated $1.5 billion increase in our investment over the next three years. A key focus will be driving a major uplift in innovation and capabilities in our leading Australian SME franchise. The timing and amount of investment spend may vary depending on the operating environment.

We expect this to deliver benefits including:

- Improved customer experience with fewer, simpler products, delivered via digital channels
- Cumulative cost savings, currently targeted at greater than $1 billion by the end of FY20, as we significantly simplify and automate processes, reduce procurement and third party costs, and get closer to our customers with a flatter organisational structure
- Increased revenue from higher customer retention and targeted market share gains
- Reduced operational and regulatory risks from a simplified, more responsive and resilient technology environment

We are reshaping our workforce to enable us to deliver for our customers and by FY20 expect to create up to 2,000 new jobs while about 6,000 roles will be impacted as we further automate and simplify our business. This will result in a net reduction in staff currently targeted at approximately 4,000 by the end of FY20, which is expected to give rise to a 1H18 restructuring provision of $0.5-0.8 billion. Throughout this process we will treat our people with care and respect and equip them for the future.

Reflecting the accelerated investment impact, FY18 expenses are expected to grow 5-8%, with expenses then targeted to remain broadly flat over FY19-20 (excluding the restructuring provision and large one-off expenses). Taking account of the near term impact of these changes, the Board expects to maintain FY18 dividends at the FY17 level, subject to no material change in the external environment and satisfactory Group financial performance.

We have set four aspirational objectives:

- NPS positive and #1 of Australian major banks for our priority segments
- Cost-to-income ratio towards 35%
- #1 ROE of Australian major banks
- Top quartile employee engagement

We plan to achieve these by being the best business bank; becoming simpler and faster for our customers and our people; focussing on new and emerging growth opportunities; and having great leaders, talent and culture.

This is an ambitious and necessary plan. It will enable us to continue to deliver for all our stakeholders, live our purpose to `back the bold who move Australia forward' and achieve our vision to be Australia and New Zealand's most respected bank.

KEY TARGETS

~$1.5BN	>$1BN	~15-20%	~50%
increase in investment program over 3 years	in cost savings targeted by end of FY20	reduction in IT applications to simplify technology	fewer products, 60% digitally originated

[9] Refer to key risks, qualifications and assumptions in relation to forward-looking statements on page 7

GROUP PERFORMANCE RESULTS[10]

Cash earnings 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. 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 2017 is set out on pages 2 to 8 of the 2017 Full Year Results Announcement under the heading "Profit Reconciliation".

	Year to			Half Year to		
	Sep 17 $m	Sep 16 $m	Sep 17 v Sep 16 %	Sep 17 $m	Mar 17 $m	Sep 17 v Mar 17 %
Net interest income	13,166	12,930	1.8	6,773	6,393	5.9
Other operating income	4,729	4,503	5.0	2,253	2,476	(9.0)
Net operating income	17,895	17,433	2.7	9,026	8,869	1.8
Operating expenses	(7,635)	(7,438)	2.6	(3,850)	(3,785)	1.7
Underlying profit	10,260	9,995	2.7	5,176	5,084	1.8
Charge to provide for bad and doubtful debts	(810)	(800)	1.3	(416)	(394)	5.6
Cash earnings before tax and distributions	9,450	9,195	2.8	4,760	4,690	1.5
Income tax expense	(2,710)	(2,588)	4.7	(1,363)	(1,347)	1.2
Cash earnings before distributions	6,740	6,607	2.0	3,397	3,343	1.6
Distributions	(98)	(124)	(21.0)	(49)	(49)	-
Cash earnings	6,642	6,483	2.5	3,348	3,294	1.6
Non-cash earnings items (after tax):						
Distributions	98	124	(21.0)	49	49	-
Treasury shares	-	61	large	-	-	-
Fair value and hedge ineffectiveness	(500)	(126)	large	(47)	(453)	(89.6)
Life insurance 20% share of profit	-	(39)	large	-	-	-
Amortisation of acquired intangible assets	(62)	(83)	(25.3)	(29)	(33)	(12.1)
Net profit from continuing operations	6,178	6,420	(3.8)	3,321	2,857	16.2
Net loss after tax from discontinued operations[11]	(893)	(6,068)	(85.3)	(581)	(312)	86.2
Net profit attributable to owners of NAB	5,285	352	large	2,740	2,545	7.7
Represented by:						
Consumer Banking and Wealth	1,633	1,565	4.3	869	764	13.7
Business and Private Banking	2,841	2,673	6.3	1,473	1,368	7.7
Corporate and Institutional Banking	1,535	1,367	12.3	744	791	(5.9)
NZ Banking	882	804	9.7	453	429	5.6
Corporate Functions and Other	(249)	74	large	(191)	(58)	large
Cash earnings	6,642	6,483	2.5	3,348	3,294	1.6

Shareholder Summary

	Year to			Half Year to		
	Sep 17	Sep 16	Sep 17 v Sep 16	Sep 17	Mar 17	Sep 17 v Mar 17
Dividend per share (cents)	198	198	-	99	99	-
Dividend payout ratio	79.4%	80.8%	(140 bps)	78.9%	79.9%	(100 bps)
Statutory earnings per share (cents) – basic	194.7	8.8	185.9	100.8	93.9	6.9
Statutory earnings per share (cents) – diluted	189.1	15.5	173.6	97.7	91.7	6.0
Statutory earnings per share from continuing operations (cents) – basic	228.2	242.4	(14.2)	122.5	105.6	16.9
Statutory earnings per share from continuing operations (cents) – diluted	220.1	232.7	(12.6)	117.9	102.6	15.3
Cash earnings per share (cents) – basic	249.3	245.1	4.2	125.4	123.9	1.5
Cash earnings per share (cents) – diluted	239.7	235.3	4.4	120.6	119.6	1.0
Statutory return on equity	10.9%	0.5%	Large	11.2%	10.6%	60 bps
Cash return on equity (ROE)	14.0%	14.3%	(30 bps)	13.9%	14.0%	(10 bps)

[10] Information is presented on a continuing operations basis.
[11] Refer to NAB's 2017 Full Year Results Announcement Note 14 – Discontinued Operations for further detail.

FOR FURTHER INFORMATION

MEDIA

Mark Alexander
M: +61 (0) 412 171 447

Chris Owens
M: +61 (0) 409 945 476

INVESTOR RELATIONS

Ross Brown
M: +61 (0) 417 483 549

Natalie Coombe
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", "target", "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. You are cautioned not to place undue reliance on such 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.

Pages 1 and 5 of this announcement describe certain initiatives relating to the Group's strategic agenda ("Program"), including certain forward-looking statements. These statements are subject to a number of risks, assumptions and qualifications, including: (1) detailed business plans have not been developed for the entirety of the Program, and the full scope and cost of the Program may vary as plans are developed and third parties engaged; (2) the Group's ability to execute and manage the Program in a sequenced, controlled and effective manner and in accordance with the relevant project and business plan (once developed); (3) the Group's ability to execute productivity initiatives and realise operational synergies, cost savings and revenue benefits in accordance with the Program plan (including, in relation to CTI and ROE targets, the extension of improvements beyond the current Program plan); (4) the Group's ability to meet its internal net FTE reduction targets; (5) the Group's ability to recruit and retain FTE and contractors with the requisite skills and experience to deliver Program initiatives; (6) there being no significant change in the Group's financial performance or operating environment, including the economic conditions in Australia and New Zealand, changes to financial markets and the Group's ability to raise funding and the cost of such funding, increased competition, changes in interest rates and changes in customer behaviour; (7) there being no material change to law or regulation or changes to regulatory policy or interpretation, including relating to the capital and liquidity requirements of the Group; and (8) for the purpose of calculating FTE cost savings and redundancy costs, the Group has assumed an average FTE cost based on Group-wide averages, and such costs are not calculated by reference to specific productivity initiatives or individual employee entitlements.

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 Luxembourg Transparency Law disclosures released to the ASX on 4 May 2017 and the Group's Annual Financial Report for the 2017 financial year, which will be available at www.nab.com.au on 14 November 2017.

This page has been left blank intentionally.

Section 1

Profit Reconciliation

Information about Cash Earnings and other Non-IFRS Measures

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). It also provides information about certain other key non-IFRS measures used by NAB disclosed in this document.

Non-IFRS key financial performance measures used by the Group

Certain financial measures detailed in this Results Announcement are not accounting measures within the scope of IFRS. Management review these financial metrics in order to measure the Group's overall financial performance and position and believe the presentation of these industry standard financial measures provides useful information to analysts and investors regarding the results of the Group's operations and allows ready comparison with other industry participants. The Group regularly reviews the non-IFRS measures included in its reporting documents to ensure that only material financial measures are incorporated. Further information in relation to these financial measures is set out below and in the Glossary.

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 and 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 2017 full year has been adjusted for the following:

- Distributions.
- Fair value and hedge ineffectiveness.
- Amortisation of acquired intangible assets.

In prior year comparative periods, cash earnings has been adjusted for the following:

- Life insurance 20% share of profit, which is included in statutory profit from 1 October 2016 onward.
- Treasury share adjustment, which from 1 October 2016 onward is not required due to NAB no longer consolidating managed schemes which invest in treasury shares, following the Successor Fund Merger on 1 July 2016.

The above adjustments did not recur in cash earnings for the September 2017 full year.

Reconciliation to Statutory Net Profit

Section 5 of the 2017 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 includes provisions for conduct 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 2017 Annual Financial Report on 14 November 2017.

Included in cash earnings and statutory net profit (within net interest income) is the cost of the bank levy that became effective from 1 July 2017.

A reconciliation of cash earnings to statutory net profit attributable to owners of NAB (statutory net profit, less non-controlling interest in controlled entities) is set out on page 3, and full reconciliations between statutory net profit and cash earnings are included in this section on pages 5-8 of the 2017 Full Year Results Announcement.

Page 4 contains a description of non-cash earnings items for September 2017.

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 and is not audited or reviewed in accordance with Australian Auditing Standards.

Average balances

Average balances (excluding risk weighted assets, funds under management / funds under administration and assets under management) are generally based on daily statutory balances derived from the Group's general ledger. This methodology produces numbers that more accurately reflect seasonality, timing of material accruals (such as dividends) and restructures (including discontinued operations), which would otherwise not be reflected in a simple average.

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		
	Sep 17 $m	Sep 16 $m	Sep 17 v Sep 16 %	Sep 17 $m	Mar 17 $m	Sep 17 v Mar 17 %
Net interest income	**13,166**	12,930	1.8	**6,773**	6,393	5.9
Other operating income	**4,729**	4,503	5.0	**2,253**	2,476	(9.0)
Net operating income	**17,895**	17,433	2.7	**9,026**	8,869	1.8
Operating expenses	**(7,635)**	(7,438)	2.6	**(3,850)**	(3,785)	1.7
Underlying profit	**10,260**	9,995	2.7	**5,176**	5,084	1.8
Charge to provide for bad and doubtful debts	**(810)**	(800)	1.3	**(416)**	(394)	5.6
Cash earnings before tax and distributions	**9,450**	9,195	2.8	**4,760**	4,690	1.5
Income tax expense	**(2,710)**	(2,588)	4.7	**(1,363)**	(1,347)	1.2
Cash earnings before distributions	**6,740**	6,607	2.0	**3,397**	3,343	1.6
Distributions	**(98)**	(124)	(21.0)	**(49)**	(49)	-
Cash earnings	**6,642**	6,483	2.5	**3,348**	3,294	1.6
Non-cash earnings items (after tax):						
Distributions	**98**	124	(21.0)	**49**	49	-
Treasury shares	**-**	61	large	**-**	-	-
Fair value and hedge ineffectiveness	**(500)**	(126)	large	**(47)**	(453)	(89.6)
Life insurance 20% share of profit	**-**	(39)	large	**-**	-	-
Amortisation of acquired intangible assets	**(62)**	(83)	(25.3)	**(29)**	(33)	(12.1)
Net profit from continuing operations	**6,178**	6,420	(3.8)	**3,321**	2,857	16.2
Net loss after tax from discontinued operations	**(893)**	(6,068)	(85.3)	**(581)**	(312)	86.2
Net profit attributable to owners of NAB	**5,285**	352	large	**2,740**	2,545	7.7

(1) *Information is presented on a continuing operations basis.*

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 2017 full year is to reduce cash earnings by $98 million.

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 held 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 2017 full year there was a reduction in statutory profit of $727 million ($500 million after tax) from fair value and hedge ineffectiveness. This was largely due to the mark-to-market losses from derivatives used to hedge the Group's long-term funding issuances, driven by unfavourable movements in interest rates, foreign exchange rates and cross currency spreads, and mark-to-market movements of assets and liabilities designated at fair value reflecting current market conditions.

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 2017 full year there was a decrease in statutory profit of $67 million ($62 million after tax) due to the amortisation of acquired intangible assets.

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

Year ended 30 September 2017	Statutory Net Profit from continuing operations $m	Wealth adj.[1] $m	Distri-butions $m	Fair value and hedge ineffec. $m	Amortisation of acquired intangible assets $m	Cash Earnings $m
Net interest income	13,182	(37)	-	21	-	**13,166**
Other operating income	4,842	(817)	-	692	12	**4,729**
Net operating income	18,024	(854)	-	713	12	**17,895**
Operating expenses	(8,539)	849	-	-	55	**(7,635)**
Profit / (loss) before charge to provide for doubtful debts	9,485	(5)	-	713	67	**10,260**
Charge to provide for doubtful debts	(824)	-	-	14	-	**(810)**
Profit / (loss) before tax	8,661	(5)	-	727	67	**9,450**
Income tax (expense) / benefit	(2,480)	2	-	(227)	(5)	**(2,710)**
Net profit on continuing operations before distributions and non-controlling interest	6,181	(3)	-	500	62	**6,740**
Net (loss) / profit attributable to non-controlling interest in controlled entities	(3)	3	-	-	-	**-**
Distributions	-	-	(98)	-	-	**(98)**
Net profit attributable to owners of NAB from continuing operations	**6,178**	**-**	**(98)**	**500**	**62**	**6,642**

[1] *In the Wealth cash earnings view, volume related expenses are reclassified from operating expenses and net interest income to other operating income.*

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

Year ended 30 September 2016	Statutory Net Profit from continuing operations $m	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 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 attributable to owners of NAB from continuing operations	**6,420**	**-**	**(124)**	**(61)**	**126**	**39**	**83**	**6,483**

(1) *In the Wealth cash earnings view, policyholder tax is reclassified and offset within other operating income. In addition to this, volume related expenses are reclassified from operating expenses and net interest income to other operating income.*

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

Half Year ended 30 September 2017	Statutory Net Profit from continuing operations $m	Wealth adj.[1] $m	Distri-butions $m	Fair value and hedge ineffec. $m	Amortisation of acquired intangible assets $m	Cash Earnings $m
Net interest income	6,785	(21)	-	9	-	**6,773**
Other operating income	2,600	(388)	-	35	6	**2,253**
Net operating income	9,385	(409)	-	44	6	**9,026**
Operating expenses	(4,283)	407	-	-	26	**(3,850)**
Profit / (loss) before charge to provide for doubtful debts	5,102	(2)	-	44	32	**5,176**
Charge to provide for doubtful debts	(425)	-	-	9	-	**(416)**
Profit / (loss) before tax	4,677	(2)	-	53	32	**4,760**
Income tax (expense) / benefit	(1,354)	-	-	(6)	(3)	**(1,363)**
Net profit on continuing operations before distributions and non-controlling interest	3,323	(2)	-	47	29	**3,397**
Net (loss) / profit attributable to non-controlling interest in controlled entities	(2)	2	-	-	-	**-**
Distributions	-	-	(49)	-	-	**(49)**
Net profit attributable to owners of NAB from continuing operations	**3,321**	**-**	**(49)**	**47**	**29**	**3,348**

(1) *In the Wealth cash earnings view, volume related expenses are reclassified from operating expenses and net interest income to other operating income.*

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

Half Year ended 31 March 2017	Statutory Net Profit from continuing operations $m	Wealth adj.[(1)] $m	Distri-butions $m	Fair value and hedge ineffec. $m	Amortisation of acquired intangible assets $m	Cash Earnings $m
Net interest income	6,397	(16)	-	12	-	**6,393**
Other operating income	2,242	(429)	-	657	6	**2,476**
Net operating income	8,639	(445)	-	669	6	**8,869**
Operating expenses	(4,256)	442	-	-	29	**(3,785)**
Profit / (loss) before charge to provide for doubtful debts	4,383	(3)	-	669	35	**5,084**
Charge to provide for doubtful debts	(399)	-	-	5	-	**(394)**
Profit / (loss) before tax	3,984	(3)	-	674	35	**4,690**
Income tax (expense) / benefit	(1,126)	2	-	(221)	(2)	**(1,347)**
Net profit from continuing operations before distributions and non-controlling interest	2,858	(1)	-	453	33	**3,343**
Net (loss) / profit attributable to non-controlling interest in controlled entities	(1)	1	-	-	-	**-**
Distributions	-	-	(49)	-	-	**(49)**
Net profit attributable to owners of NAB from continuing operations	**2,857**	**-**	**(49)**	**453**	**33**	**3,294**

(1) *In the Wealth cash earnings view, volume related expenses are reclassified from operating expenses and net interest income to other operating income.*

Section 2

Highlights

Group Performance Results (1)

	Year to			Half Year to		
	Sep 17 $m	**Sep 16 $m**	**Sep 17 v Sep 16 %**	**Sep 17 $m**	**Mar 17 $m**	**Sep 17 v Mar 17 %**
Net interest income	**13,166**	12,930	1.8	**6,773**	6,393	5.9
Other operating income	**4,729**	4,503	5.0	**2,253**	2,476	(9.0)
Net operating income	**17,895**	17,433	2.7	**9,026**	8,869	1.8
Operating expenses	**(7,635)**	(7,438)	2.6	**(3,850)**	(3,785)	1.7
Underlying profit	**10,260**	9,995	2.7	**5,176**	5,084	1.8
Charge to provide for bad and doubtful debts	**(810)**	(800)	1.3	**(416)**	(394)	5.6
Cash earnings before tax and distributions	**9,450**	9,195	2.8	**4,760**	4,690	1.5
Income tax expense	**(2,710)**	(2,588)	4.7	**(1,363)**	(1,347)	1.2
Cash earnings before distributions	**6,740**	6,607	2.0	**3,397**	3,343	1.6
Distributions	**(98)**	(124)	(21.0)	**(49)**	(49)	-
Cash earnings	**6,642**	6,483	2.5	**3,348**	3,294	1.6
Non-cash earnings items (after tax):						
Distributions	**98**	124	(21.0)	**49**	49	-
Treasury shares	**-**	61	large	**-**	-	-
Fair value and hedge ineffectiveness	**(500)**	(126)	large	**(47)**	(453)	(89.6)
Life insurance 20% share of profit	**-**	(39)	large	**-**	-	-
Amortisation of acquired intangible assets	**(62)**	(83)	(25.3)	**(29)**	(33)	(12.1)
Net profit from continuing operations	**6,178**	6,420	(3.8)	**3,321**	2,857	16.2
Net loss after tax from discontinued operations	**(893)**	(6,068)	(85.3)	**(581)**	(312)	86.2
Net profit attributable to owners of NAB	**5,285**	352	large	**2,740**	2,545	7.7
Represented by:						
Consumer Banking and Wealth	**1,633**	1,565	4.3	**869**	764	13.7
Business and Private Banking	**2,841**	2,673	6.3	**1,473**	1,368	7.7
Corporate and Institutional Banking	**1,535**	1,367	12.3	**744**	791	(5.9)
NZ Banking	**882**	804	9.7	**453**	429	5.6
Corporate Functions and Other	**(249)**	74	large	**(191)**	(58)	large
Cash earnings	**6,642**	6,483	2.5	**3,348**	3,294	1.6

Shareholder Summary

	Year to			Half Year to		
	Sep 17	**Sep 16**	**Sep 17 v Sep 16**	**Sep 17**	**Mar 17**	**Sep 17 v Mar 17**
Dividend per share (cents)	**198**	198	-	**99**	99	-
Dividend payout ratio	**79.4%**	80.8%	(140 bps)	**78.9%**	79.9%	(100 bps)
Statutory earnings per share (cents) - basic	**194.7**	8.8	185.9	**100.8**	93.9	6.9
Statutory earnings per share (cents) - diluted	**189.1**	15.5	173.6	**97.7**	91.7	6.0
Statutory earnings per share from continuing operations (cents) - basic	**228.2**	242.4	(14.2)	**122.5**	105.6	16.9
Statutory earnings per share from continuing operations (cents) - diluted	**220.1**	232.7	(12.6)	**117.9**	102.6	15.3
Cash earnings per share (cents) - basic	**249.3**	245.1	4.2	**125.4**	123.9	1.5
Cash earnings per share (cents) - diluted	**239.7**	235.3	4.4	**120.6**	119.6	1.0
Statutory return on equity	**10.9%**	0.5%	large	**11.2%**	10.6%	60 bps
Cash return on equity (ROE)	**14.0%**	14.3%	(30 bps)	**13.9%**	14.0%	(10 bps)

(1) *Information is presented on a continuing operations basis.*

Key Performance Indicators

	Year to			Half Year to		
	Sep 17	**Sep 16**	**Sep 17 v Sep 16**	**Sep 17**	**Mar 17**	**Sep 17 v Mar 17**
Group [1]						
Cash earnings on average assets	**0.83%**	0.76%	7 bps	**0.83%**	0.83%	-
Cash earnings on average risk-weighted assets	**1.73%**	1.77%	(4 bps)	**1.76%**	1.72%	4 bps
Cash earnings per average FTE ($'000)	**197**	188	4.9%	**200**	194	2.7%
Jaws	**0.1%**	0.3%	(20 bps)	**0.1%**	(1.1%)	120 bps
Cost to income (CTI) ratio	**42.7%**	42.7%	-	**42.7%**	42.7%	-
Net interest margin	**1.85%**	1.88%	(3 bps)	**1.88%**	1.82%	6 bps
Capital						
Common Equity Tier 1 ratio	**10.06%**	9.77%	29 bps	**10.06%**	10.11%	(5 bps)
Tier 1 ratio	**12.41%**	12.19%	22 bps	**12.41%**	12.51%	(10 bps)
Total capital ratio	**14.58%**	14.14%	44 bps	**14.58%**	14.71%	(13 bps)
Risk-weighted assets ($bn)	**382.1**	388.4	(1.6%)	**382.1**	374.5	2.0%
Volumes ($bn)						
Gross loans and acceptances [2]	**565.1**	545.8	3.6%	**565.1**	550.0	2.7%
Average interest earning assets	**711.3**	689.5	3.2%	**718.2**	704.3	2.0%
Total average assets	**798.8**	855.8	(6.7%)	**802.4**	795.2	0.9%
Total customer deposits	**407.6**	390.5	4.4%	**407.6**	399.6	2.0%
Asset quality						
90+ days past due and gross impaired assets to gross loans and acceptances	**0.70%**	0.85%	(15 bps)	**0.70%**	0.85%	(15 bps)
Collective provision to credit risk-weighted assets	**0.86%**	0.85%	1 bp	**0.86%**	0.85%	1 bp
Specific provision to gross impaired assets [3]	**45.5%**	38.3%	720 bps	**45.5%**	44.9%	60 bps
Other						
Funds under management and administration (FUM/A) (spot) ($bn) [4]	**133.8**	125.0	7.1%	**133.8**	129.8	3.1%
Assets under management (AUM) (spot) ($bn) [4]	**195.3**	184.9	5.6%	**195.3**	194.2	0.6%
Full Time Equivalent Employees (FTE) (spot)	**33,422**	34,263	(2.5%)	**33,422**	33,552	(0.4%)
Full Time Equivalent Employees (FTE) (average)	**33,746**	34,567	(2.4%)	**33,464**	34,001	(1.6%)

(1) *Information is presented on a continuing operations basis.*

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

(3) *Consists only of impaired assets where a specific provision has been raised and excludes $205 million (NZ$222 million), (March 2017: $726 million (NZ$795 million), September 2016: $785 million (NZ$823 million)) of NZ Banking dairy exposures currently assessed as no loss based on security held. Collective provisions are held against these loans.*

(4) *For September 2017 there has been a change to how FUM/A and AUM are presented to now include two separate disclosures that represent all managed funds and assets from which the Group derives revenue. Certain items will be represented in both FUM/A and AUM meaning the two should not be summed. Comparative period information has been restated.*

Divisional Key Performance Indicators

	Year to			Half Year to		
	Sep 17	**Sep 16**	**Sep 17 v Sep 16**	**Sep 17**	**Mar 17**	**Sep 17 v Mar 17**
Consumer Banking and Wealth						
Net operating income ($m)	**5,481**	5,368	2.1%	**2,789**	2,692	3.6%
Cash earnings ($m)	**1,633**	1,565	4.3%	**869**	764	13.7%
Cash earnings on average assets (Consumer Banking)	**0.79%**	0.79%	-	**0.83%**	0.75%	8 bps
Cash earnings on average risk-weighted assets (Consumer Banking)	**1.98%**	2.52%	(54 bps)	**2.06%**	1.92%	14 bps
Net interest margin (Consumer Banking)	**2.07%**	2.07%	-	**2.10%**	2.03%	7 bps
Cost to income ratio (Consumer Banking)	**50.40%**	51.20%	(80 bps)	**49.70%**	51.20%	(150 bps)
Investment income to average FUM/A (bps) (Wealth)	**62**	71	(9 bps)	**61**	62	(1 bp)
Investment income to average AUM (bps) (Wealth)	**16**	16	-	**15**	17	(2 bps)
Cost to income ratio (Wealth)	**64.7%**	62.2%	250 bps	**61.7%**	67.5%	(580 bps)
Business and Private Banking						
Net operating income ($m)	**6,319**	6,003	5.3%	**3,229**	3,090	4.5%
Cash earnings ($m)	**2,841**	2,673	6.3%	**1,473**	1,368	7.7%
Cash earnings on average assets	**1.49%**	1.46%	3 bps	**1.53%**	1.46%	7 bps
Cash earnings on average risk-weighted assets	**2.53%**	2.54%	(1 bp)	**2.62%**	2.45%	17 bps
Net interest margin	**2.88%**	2.79%	9 bps	**2.91%**	2.84%	7 bps
Cost to income ratio	**33.0%**	34.1%	(110 bps)	**32.4%**	33.6%	(120 bps)
Corporate and Institutional Banking						
Net operating income ($m)	**3,340**	3,346	(0.2%)	**1,626**	1,714	(5.1%)
Cash earnings ($m)	**1,535**	1,367	12.3%	**744**	791	(5.9%)
Cash earnings on average assets	**0.55%**	0.50%	5 bps	**0.53%**	0.58%	(5 bps)
Cash earnings on average risk-weighted assets	**1.30%**	1.06%	24 bps	**1.30%**	1.30%	-
Net interest margin	**0.83%**	0.81%	2 bps	**0.84%**	0.81%	3 bps
Net interest margin (ex markets)	**1.56%**	1.50%	6 bps	**1.58%**	1.53%	5 bps
Cost to income ratio	**37.0%**	38.8%	(180 bps)	**37.2%**	36.8%	40 bps
NZ Banking						
Net operating income (NZ$m)	**2,257**	2,181	3.5%	**1,154**	1,103	4.6%
Cash earnings (NZ$m)	**941**	864	8.9%	**486**	455	6.8%
Cash earnings on average assets	**1.18%**	1.17%	1 bp	**1.20%**	1.16%	4 bps
Cash earnings on average risk-weighted assets	**1.63%**	1.57%	6 bps	**1.68%**	1.59%	9 bps
Net interest margin	**2.18%**	2.24%	(6 bps)	**2.21%**	2.15%	6 bps
Cost to income ratio	**39.1%**	39.8%	(70 bps)	**38.9%**	39.3%	(40 bps)

Group Performance

Andrew Thorburn

Restatement of Prior Period Financial Information

Following the previously announced changes to the Group's organisational structure and the Executive Leadership team effective from 1 August 2016, the Group has changed its management financial information to align to customer segments. This change has resulted in three new Australian reportable segments being Consumer Banking and Wealth, Business and Private Banking, and Corporate and Institutional Banking.

The restatement of historical results presented also impacts New Zealand Banking (with the inclusion of NZ Markets Sales Operations) and Corporate Functions and Other (reflecting the inclusion of Australian Treasury and changed attributions consistent with the organisational realignment). There is no change to the consolidated Group financial information reported for the prior financial periods as a result of the organisational realignment to customer segments.

Divisional financial information and ratios of the Australian reportable segments, restated New Zealand Banking and Corporate Functions and Other within Sections 1 to 4, Section 5 *Note 2 Segment information* and Section 6 of the 2017 Full Year Results Announcement have been restated for the impact of the restructure where applicable for the full year ended 30 September 2016.

Net Profit Attributable to Owners of NAB

During the September 2017 full year, net profit attributable to owners of NAB (statutory net profit) was $5,285 million. This represented an increase of $4,933 million compared to the September 2016 full year statutory net profit. This increase was mainly driven by the prior year loss from discontinued operations reflecting the loss on CYBG demerger, provisions for conduct costs pursuant to claims under the Conduct Indemnity Deed with CYBG and the sale of 80% of Wealth's life insurance business, partially offset by the current year provisions for conduct costs pursuant to claims under the Conduct Indemnity Deed with CYBG.

Excluding the impact of discontinued operations, net profit attributable to owners of NAB (statutory net profit) was $6,178 million for the September 2017 full year. This represented a decrease of $242 million or 3.8% against the September 2016 full year largely due to unfavourable movements in fair value and hedge ineffectiveness, and higher operating expenses, partially offset by an increase in 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 10.9% for the September 2017 full year. The change in the Group's statutory ROE was materially impacted by the prior year loss from discontinued operations as noted above. Given the magnitude of the change in statutory ROE is related to discontinued businesses in the prior year, the amount of the increase in basis points is too large to be meaningful.

The Group's cash return on equity decreased by 30 basis points to 14.0% compared to the September 2016 full year.

The final dividend for September 2017 is 99 cents per share, consistent with the interim dividend for the March 2017 half year. This represents a dividend payout ratio of 79.4% for the September 2017 full year on a cash earnings basis.

The dividend payment is 100% franked and will be paid on 13 December 2017. Shares will be quoted ex-dividend on 9 November 2017.

Earnings Per Share

Basic statutory earnings per share increased by 185.9 cents on the September 2016 year. Diluted earnings per share increased by 173.6 cents. This is mainly driven by the prior year loss from discontinued operations.

Basic statutory earnings per share increased by 6.9 cents or 7.3% on the March 2017 half year. Diluted earnings per share increased by 6.0 cents or 6.5%. This reflects the Group's increase in statutory earnings, particularly a favourable movement in fair value and hedge ineffectiveness.

Basic statutory earnings from continuing operations per share decreased by 14.2 cents or 5.9% on the September 2016 year. Diluted earnings per share decreased by 12.6 cents or 5.4%. The Group's statutory earnings from continuing operations declined mainly due to unfavourable movements in fair value and hedge ineffectiveness. In addition, the increase in weighted average ordinary shares from a lower treasury share balance and convertible notes issued in the second half of the prior year, led to the overall decline.

Basic statutory earnings from continuing operations per share increased by 16.9 cents or 16.0% on the March 2017 half year. Diluted earnings per share increased by 15.3 cents or 14.9%. This reflects the Group's increase in statutory earnings from continuing operations mostly due to higher net operating income and lower fair value and hedge ineffectiveness.

Basic cash earnings per share increased by 4.2 cents or 1.7% on the September 2016 year. Diluted cash earnings per share increased by 4.4 cents or 1.9%. This reflects the Group's increase in cash earnings over the period.

Basic cash earnings per share increased by 1.5 cents on the March 2017 half year. Diluted cash earnings per share increased by 1.0 cents. This reflects the Group's increase in cash earnings over the period.

Strategic Highlights

Year End Review

The Group's strategic focus supports its vision of becoming Australia and New Zealand's most respected bank. In the September 2017 full year, this was underpinned by three key objectives:

1. Our customers are advocates
2. Our people are engaged
3. Our shareholders receive attractive returns

To meet these objectives, execution was focused around four key themes – deepening relationships in priority customer segments, delivering a great customer experience, reshaping our business to perform, and being known for great leadership, talent and people.

Deepen relationships in priority customer segments

The Group has prioritised four customer segments where it is focussing investment to deepen customer relationships. These are small and medium business customers given NAB's stong market position and attractive returns, combined with home owners and investors.

Investment in priority segments is driving improved results. This is evident in the performance of Business and Private Banking which, during the September 2017 full year, recorded positive revenue growth on higher volumes and stronger margins.

Delivering a great customer experience and reshaping our business to perform

The Group uses the Net Promoter Score (NPS) [(1)] system to access real-time, targeted feedback so it can understand and improve the customer experience. For the September 2017 full year, our priority segment NPS [(1)] [(2)] was first of the major peer banks.

The Group is committed to using customer feedback and a new way of working to transform the end-to-end customer experience across a range of products and channels. This is known as Customer Journeys.

In the September 2017 full year, the Group launched seven Customer Journeys aimed at driving customer advocacy through increased efficiencies and improved interactions with customers. Examples include:
- A new 10 minute digital transaction account onboarding for business customers with simple needs, significantly reducing processing time for onboarding new customers and removing the need for a customer to visit a branch.
- A faster, easier application process for Everyday Accounts, reducing application time to seven minutes.
- A simplified digital Superannuation portal to help customers better understand their retirement options and e-forms pre-populated with existing customer data.
- A virtual banking assistant pilot for business customers using artificial intelligence chat technology to help customers fulfill simple needs through self-service.

The Group continues to enhance its products and services for customers through digitisation and innovation, as evidenced by:
- Enabling small business customers to access funding quickly with QuickBiz unsecured lending expanded to include business cards and overdraft facilities.
- The launch of the HICAPS Go mobile app solution in partnership with start-up, Medipass Solutions, which allows health patients to book and pay for services via their mobile device while receiving full transparency of costs, and for practitioners removes the need for a physical terminal.

The Group is also exploring new strategic alliances and direct equity investments through its dedicated innovation fund, NAB Ventures, to fast-track improvements in customer experience and leverage innovative new technologies and business models. Examples of investments made during the September 2017 full year include investments in Veem (business-to-business global payments) and Wave (a cloud-based integrated suite of small business tools including accounting, invoicing, payments, and payroll for micro businesses).

Great leadership, talent and people

The Group is committed to attracting, developing and inspiring talent to drive a culture that delivers high performance. Key initiatives during the September 2017 full year include:
- Significant investment in senior executive assessment to understand organisational leadership strengths driving performance.
- Implementing targeted development programs including accelerated streams for high potential female talent and executives identified as key talent.
- Introducing a new performance framework with leaders accountable for coaching every day, supported by monthly performance and development conversations.
- Investment in new technology to track performance, talent, capability and deliver leadership data and insights.

Generating attractive returns

The Group has continued to shift its portfolio towards business with higher returns where it has strong capability to compete. For the September 2017 full year, the Group delivered a statutory ROE of 10.9% and a cash ROE of 14.0% on a continuing operations basis.

Maintain and strengthen our foundations

The Group underpins its strategy by maintaining strong foundations: balance sheet strength (including capital, funding and liquidity), risk management capability (including credit and operational risk) and core technology platforms and infrastructure.

The Group remained well capitalised during the September 2017 full year, and expects to meet APRA's new

(1) 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.

(2) Priority Segments Net Promoter Score (NPS) is a simple average of the NPS scores of four priority segments: Home Owners, Investors, Small Business ($0.1m-<$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.

Strategic Highlights (continued)

'unquestionably strong' capital requirements in an orderly manner by 1 January 2020. The Common Equity Tier 1 (CET1) ratio as at 30 September 2017 was 10.1%.

The Group has maintained strong liquidity through the September 2017 full year with a quarterly average Liquidity Coverage Ratio (LCR) of 123%, which is above the APRA requirement of 100%. The 30 September 2017 Net Stable Funding Ratio (NSFR) was 108%, above the APRA minimum regulatory requirement of 100% from 1 January 2018.

Overall credit risk in the Group's portfolio remains sound, and bad and doubtful debts are stable. Portfolio concentrations are managed with reference to established Group risk appetite settings.

Accelerating our strategy (1)

The environment in which the Group operates is one of rapid and constant change. The Group's customers are now largely 'digital-first' and expect seamless, personal experiences. New competitors continue to emerge, and community and regulatory expectations have never been greater. The risks faced by the Group are constantly evolving, requiring ever greater vigilance around cybercrime and data protection.

The Group is optimistic about the future and the opportunities for NAB in a changing world, and moves forward in a much stronger position. This allows the Group to plan for the longer term and, on 2 November 2017, the Group announced an acceleration of its strategy to enable the Group to grow while staying focussed on productivity.

This includes an estimated $1.5 billion increase in investment over the next three years. A key focus will be driving a major uplift in innovation and capabilities in the Group's leading Australian SME franchise. The timing and amount of investment spend may vary depending on the operating environment.

The Group expects this to deliver benefits including:
- Improved customer experience with fewer, simpler products, delivered by digital channels.
- Cumulative cost savings, currently targeted at greater than $1 billion by 30 September 2020, as the Group significantly simplifies and automates processes, reduces procurement and third party costs, and gets closer to its customers with a flatter organisational structure.
- Increased revenue from higher customer retention and targeted market share gains.
- Reduced operational and regulatory risks from a simplified, more responsive and resilient technology environment.

The Group is reshaping its workforce to enable it to deliver for its customers and by 30 September 2020 expects to create up to 2,000 new jobs while about 6,000 roles will be impacted as the Group further automates and simplifies its business. This will result in a net reduction in staff currently targeted at approximately 4,000 by 30 September 2020, which is expected to give rise to a restructuring provision of $0.5-0.8 billion in the first half of the 2018 financial year. Throughout this process, the Group will treat its people with care and respect and equip them for the future.

Reflecting the accelerated investment impact, September 2018 full year expenses are expected to grow 5-8%, with expenses then targeted to remain broadly flat through to 30 September 2020 (excluding the restructuring provision and large one-off expenses). Taking account of the near term impact of these changes, the Board expects to maintain dividends for the September 2018 full year at the same level as the September 2017 full year, subject to no material change in the external environment and satisfactory Group financial performance.

The Group has set four new aspirational objectives:
- NPS positive and number 1 NPS of Australian major banks for the Group's priority segments.
- Cost-to-income ratio towards 35%.
- Number 1 ROE of Australian major banks.
- Top quartile employee engagement.

The Group plans to achieve these by being the best business bank; becoming simpler and faster for its customers and its people; focussing on new and emerging growth opportunities; and having great leaders, talent and culture.

This is an ambitious and necessary plan. It will enable the Group to continue to deliver for all its stakeholders, live its purpose to 'back the bold who move Australia forward' and achieve the Group's vision to be Australia and New Zealand's most respected bank.

---

(1) *Refer to key risks, qualifications and assumptions in relation to forward-looking statements on page 7 of NAB's 2017 Full Year Results Summary.*

This page has been left blank intentionally.

Section 3

Review of Group Operations and Results

Review of Group Operations and Results [1]

Financial Analysis

September 2017 v September 2016

Net profit attributable to owners of NAB from continuing operations decreased $242 million or 3.8%. This was largely due to unfavourable movements in fair value and hedge ineffectiveness, and higher operating expenses, partially offset by an increase in net operating income.

Cash earnings increased $159 million or 2.5% largely driven by higher net interest income from increased volumes and repricing partially offset by higher operating expenses largely from continued investment in the business, net of productivity savings.

Cash earnings on average risk-weighted assets decreased 4 basis points, driven by higher average risk-weighted assets due to mortgage regulatory changes in September 2016, partially offset by an uplift in cash earnings.

Net interest income increased $236 million or 1.8%, including a decrease of $281 million which was offset by movements in economic hedges in other operating income. Excluding this movement, the underlying increase was driven by growth in both housing and business lending volumes, combined with repricing activity. These movements were partially offset by a lower earnings rate on capital and the impact of the bank levy for the final quarter of the 2017 year.

Other operating income increased $226 million or 5.0%, including an increase of $281 million due to movements in economic hedges, offset in net interest income. The underlying decrease was largely driven by lower sales of risk management products to the Group's customers as a result of reduced market volatility and lower Wealth income largely from margin compression, partially offset by higher gains in Treasury from the narrowing of credit spreads in the liquidity portfolios.

Operating expenses increased $197 million or 2.6% driven by continued investment in technology and associated depreciation and amortisation charges, higher redundancy costs, the impact of annual salary increases, and provisions for regulatory remediation and legal costs. This is partially offset by productivity benefits including workforce restructuring, digitisation, and reduction in third party spend.

The **charge to provide for bad and doubtful debts** increased $10 million or 1.3% due to higher collective provision charges primarily driven by overlays for the commercial real estate, retail trade and mortgage portfolios. This was partially offset by improvements in credit quality across business lending and the New Zealand dairy portfolio, resulting in a lower level of new impairment activity.

September 2017 v March 2017

Net profit attributable to owners of NAB from continuing operations increased $464 million or 16.2% largely due to lower unfavourable movements in fair value and hedge ineffectiveness and higher net operating income, partially offset by higher expenses.

Cash earnings increased $54 million or 1.6% driven by higher net interest income from increased volumes and an increased net interest margin, partially offset by lower income from sales of risk management products and less market opportunities, combined with higher operating expenses from continued investment in technology and associated depreciation and amortisation, net of productivity savings.

Cash earnings on average risk-weighted assets increased 4 basis points, driven by an increase in cash earnings combined with lower average risk-weighted assets.

Net interest income increased $380 million or 5.9%, including an increase of $40 million which was offset by movements in economic hedges in other operating income. Excluding this movement, the underlying increase was driven by growth in both housing and business lending volumes, combined with the full period benefit of repricing that occurred during the March 2017 half year mostly in mortgages. These movements were partially offset by competitive pressures affecting housing lending margins and the impact of the bank levy which was implemented for the final quarter of the 2017 year.

Other operating income decreased $223 million or 9.0%, including a decrease of $40 million due to movements in economic hedges, offset in net interest income. The underlying decrease is due to a lower trading result with less market opportunities due to stabilised interest rates and a low volatility environment.

Operating expenses increased $65 million or 1.7% driven by continued investment in technology and associated depreciation and amortisation charges, higher redundancy costs, and provisions for regulatory remediation and legal costs. This is partially offset by productivity benefits, including workforce restructuring, digitisation, and reduction in third party spend.

The **charge to provide for bad and doubtful debts** increased $22 million or 5.6% due to higher collective provision overlays related to the mortgage and retail trade portfolios. These were partially offset by a reduction in the number of individual impaired exposures in Corporate and Institutional Banking, combined with seasonally lower charges across the Consumer Banking unsecured portfolio.

---

(1) *Information is presented on a continuing operations basis.*

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

Financial Analysis (continued)

Impact of Foreign Exchange Rate Movements

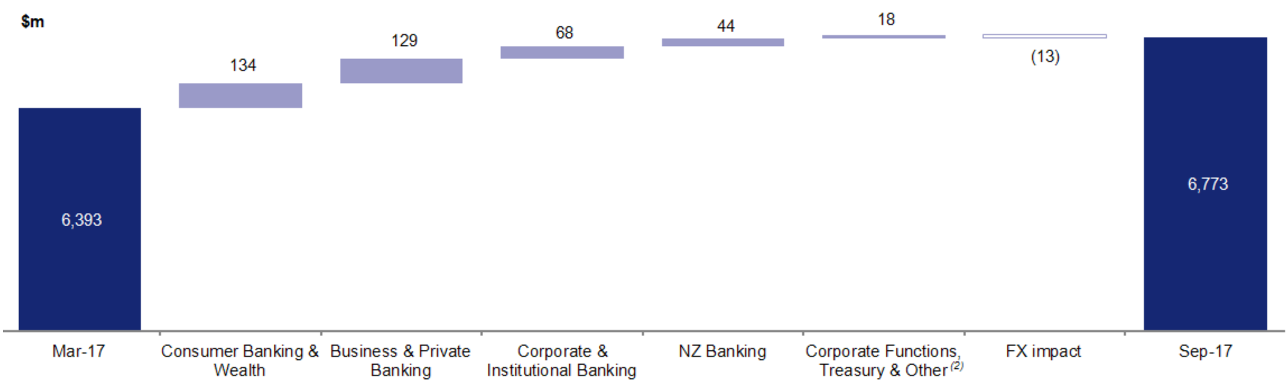
Excluding foreign exchange rate movements, cash earnings increased by $180 million or 2.8% on the September 2016 full year and increased by $60 million or 1.8% on the March 2017 half year. Page 104 contains the September 2017 full year and March 2017 half year divisional performance summaries excluding foreign exchange rate movements.

(1) *Information is presented on a continuing operations basis.*

Net Interest Income [1]

	Year to			Half Year to		
	Sep 17	Sep 16	Sep 17 v Sep 16 %	Sep 17	Mar 17	Sep 17 v Mar 17 %
Net interest income ($m)	13,166	12,930	1.8	6,773	6,393	5.9
Average interest earning assets ($bn)	711.3	689.5	3.2	718.2	704.3	2.0
Net interest margin (%)	1.85	1.88	(3 bps)	1.88	1.82	6 bps

Net Interest Income - Contribution to Net Movement [1]



[1] *At constant exchange rates.*

[2] *Corporate Functions, Treasury & Other includes eliminations. Refer to page 53 for the definition of Corporate Functions.*

September 2017 v September 2016

Net interest income increased by $236 million or 1.8%. This includes a decrease of $281 million which was offset by movements in economic hedges in other operating income. Excluding this movement, the underlying increase was due to:

- Growth in both housing and business lending volumes, reflecting the Group's focus on priority segments in Australia and New Zealand.
- Repricing of the housing and business lending portfolios in Australia, combined with improving lending margins in NZ Banking.

The underlying increase was partially offset by:

- Competition, mainly affecting housing lending margins in the March 2017 half year.
- Impact of the bank levy for the final quarter of the 2017 year which reduced net interest income by $94 million.
- Lower earnings on capital driven by a decline in the earnings rate, reflecting the low interest rate environment.

September 2017 v March 2017

Net interest income increased by $380 million or 5.9%. This includes an increase of $40 million which was offset by movements in economic hedges in other operating income. Excluding this movement, the underlying increase was due to:

- Growth in housing lending and business lending volumes, reflecting the Group's focus on priority segments in Australia and New Zealand.
- Repricing of the housing and business lending portfolios in Australia and New Zealand.
- Decrease in funding and liquidity costs, reflecting lower deposit costs and lower short term wholesale funding costs.

The underlying increase was partially offset by:

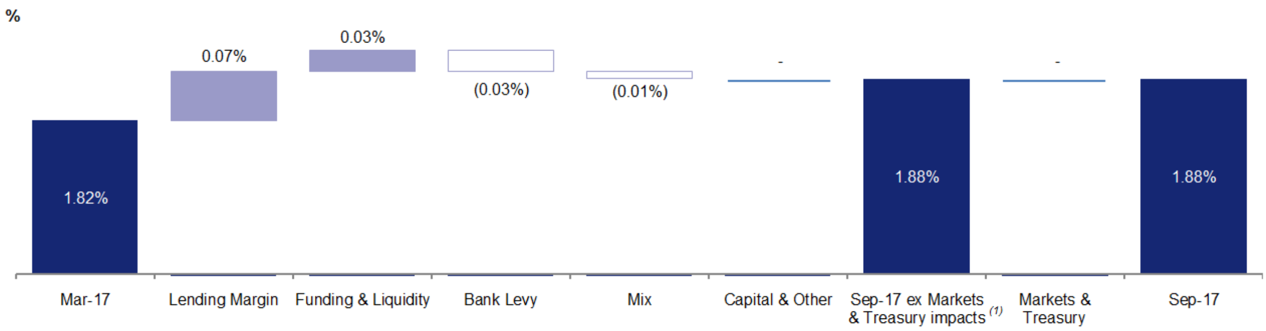
- Impact of the bank levy for the final quarter of the 2017 year which reduced net interest income by $94 million.

[1] *Information is presented on a continuing operations basis.*

Net Interest Margin [1]

	Year to			Half Year to		
	Sep 17 %	Sep 16 %	Sep 17 v Sep 16	Sep 17 %	Mar 17 %	Sep 17 v Mar 17
Group net interest margin	**1.85**	1.88	(3 bps)	**1.88**	1.82	6 bps
Consumer Banking and Wealth	**2.07**	2.07	-	**2.10**	2.03	7 bps
Business and Private Banking	**2.88**	2.79	9 bps	**2.91**	2.84	7 bps
Corporate and Institutional Banking	**0.83**	0.81	2 bps	**0.84**	0.81	3 bps
NZ Banking	**2.18**	2.24	(6 bps)	**2.21**	2.15	6 bps

Group Net Interest Margin Movement



(1) Markets & Treasury includes Liquid assets and Marketable securities.

September 2017 v September 2016

The Group's **net interest margin** decreased by 3 basis points due to:

- An increase of 4 basis points in lending margin due to repricing activity mostly in mortgages, partially offset by competition affecting housing lending margins.
- A decrease of 1 basis point due to the impact of the bank levy for the final quarter of the 2017 year.
- A decrease of 1 basis point in mix due to growth in lower margin housing lending relative to business lending, combined with growth in lower margin fixed rate housing lending.
- A decrease of 1 basis point due to a lower earnings rate on capital as a result of the low interest rate environment.
- A decrease of 4 basis points in Markets and Treasury due to lower net interest income from Treasury and hedging activities, largely offset in other operating income.

September 2017 v March 2017

The Group's **net interest margin** increased by 6 basis points due to:

- An increase of 7 basis points in lending margin mainly due to repricing including the full period impact of changes that occurred in the March 2017 half year.
- An increase of 3 basis points due to lower funding and liquidity costs driven by lower deposit costs and lower short-term wholesale funding costs.
- A decrease of 3 basis points due to the impact of the bank levy for the final quarter of the 2017 year.
- A decrease of 1 basis point in mix due to growth in lower margin housing lending relative to business lending, combined with growth in lower margin fixed rate housing lending.

(1) *Information is presented on a continuing operations basis.*

Other Operating Income [(1)]

	Year to			Half Year to		
	Sep 17 $m	Sep 16 $m	Sep 17 v Sep 16 %	Sep 17 $m	Mar 17 $m	Sep 17 v Mar 17 %
Fees and commissions	2,131	2,093	1.8	1,060	1,071	(1.0)
Trading income	1,240	945	31.2	519	721	(28.0)
Other	1,358	1,465	(7.3)	674	684	(1.5)
Other operating income	4,729	4,503	5.0	2,253	2,476	(9.0)

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

(1) *At constant exchange rates.*
(2) *Includes net investment income.*
(3) *Corporate Functions & Other includes eliminations. Refer to page 53 for the definition of Corporate Functions.*

September 2017 v September 2016

Other operating income increased by $226 million or 5.0%.

Fees and commissions increased by $38 million or 1.8%. The increase was due to improved lending fee collection rates in Business and Private Banking, combined with higher merchant service fees in New Zealand.

Trading income increased by $295 million or 31.2%. This result includes an increase of $281 million due to movements in economic hedges, offset in net interest income. The underlying increase was mainly due to higher income gains in Treasury due to narrowing of credit spreads in the liquidity portfolios. This was partially offset by lower sales of risk management products as a result of reduced market volatility.

Other income decreased by $107 million or 7.3%. The underlying decrease was mainly due to lower income in Wealth due to margin compression, combined with gains related to debt sales in 2016 not repeated.

September 2017 v March 2017

Other operating income decreased by $223 million or 9.0%.

Fees and commissions decreased by $11 million or 1.0%. The decrease was mainly due to lower level of activity in Corporate and Institutional Banking compared to March 2017 half year.

Trading income decreased by $202 million or 28.0%. This result includes a decrease of $40 million due to movements in economic hedges, offset in net interest income. The underlying decrease is due to a lower trading result with less market opportunities due to stabilised interest rates and a low volatility environment.

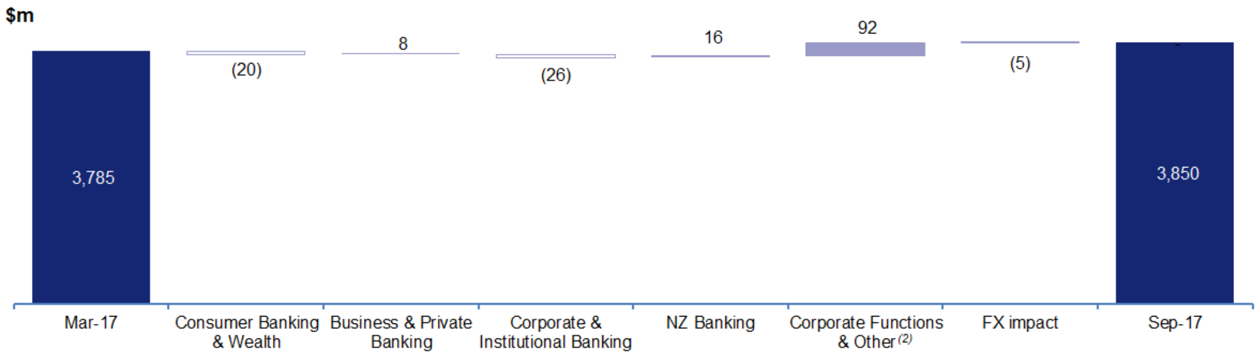
Other income decreased by $10 million or 1.5% compared to the March 2017 half year. The decrease was mainly due to a lower share of an associate's profit.

(1) *Information is presented on a continuing operations basis.*

Operating Expenses (1)

	Year to			Half Year to		
	Sep 17 $m	**Sep 16 $m**	**Sep 17 v Sep 16 %**	**Sep 17 $m**	**Mar 17 $m**	**Sep 17 v Mar 17 %**
Personnel expenses	**4,320**	4,362	(1.0)	**2,099**	2,221	(5.5)
Occupancy related expenses	**681**	658	3.5	**342**	339	0.9
General expenses	**2,634**	2,418	8.9	**1,409**	1,225	15.0
Total operating expenses	**7,635**	7,438	2.6	**3,850**	3,785	1.7

Operating Expenses - Contribution to Net Movement (1)



(1) *At constant exchange rates.*

(2) *Corporate Functions & Other includes eliminations. Refer to page 53 for the definition of Corporate Functions.*

September 2017 v September 2016

Operating expenses have increased by $197 million or 2.6%.

Personnel expenses have decreased by $42 million or 1.0%. The decrease was driven by lower average FTEs as a result of productivity savings focussed on operational excellence and associated workforce restructuring across the Group's businesses partially offset by restructuring costs and the impact of annual salary increases.

Occupancy related expenses have increased by $23 million or 3.5%. The increase was driven by property rental increases.

General expenses have increased by $216 million or 8.9%. The increase was driven by continued investment in technology and associated depreciation and amortisation charges and provisions for regulatory and legal costs. This was partially offset by productivity savings focussed on digitisation and reduction in third party spend across the Group's businesses.

September 2017 v March 2017

Operating expenses have increased by $65 million or 1.7%.

Personnel expenses have decreased by $122 million or 5.5%. The decrease was driven by lower average FTEs as a result of productivity savings across the Group's businesses focussed on operational excellence and associated workforce restructuring and reduced incentive based remuneration partially offset by redundancy costs.

Occupancy related expenses have increased $3 million or 0.9%. The increase was driven by property rental increases.

General expenses have increased by $184 million or 15.0%. The increase was driven by continued investment in technology and associated depreciation and amortisation charges and provisions for regulatory and legal costs. This was partially offset by productivity savings focussed on digitisation and reduction in third party spend across the Group's businesses.

(1) *Information is presented on a continuing operations basis.*

Investment Spend (1)

	Year to			Half Year to		
	Sep 17 $m	Sep 16 $m	Sep 17 v Sep 16 %	Sep 17 $m	Mar 17 $m	Sep 17 v Mar 17 %
Infrastructure	**448**	456	(1.8)	**234**	214	9.3
Compliance / Operational Risk	**352**	321	9.7	**185**	167	10.8
Efficiency and Sustainable Revenue	**414**	215	92.6	**235**	179	31.3
Other	**-**	8	large	**-**	-	-
Total Investment Spend	**1,214**	1,000	21.4	**654**	560	16.8

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 2017 full year was $1,214 million, an increase of $214 million or 21.4% compared to the September 2016 full year, and an increase of $94 million or 16.8% compared to the March 2017 half year.

September 2017 v September 2016

Investment in infrastructure projects decreased by $8 million or 1.8% due to reduced spend in the Personal Banking Origination Platform, the modernisation and enhancement of various digital based banking platforms and transformation of the IT service architecture. This has been largely offset by increased spend in relation to the new payments platform and delivering self service capabilities through the rollout of the Smart ATM network.

Investment in compliance and operational risk projects increased by $31 million or 9.7%, largely driven by NAB's implementation of the Common Reporting Standard, financial crimes prevention, and regulatory requirements within the Wealth business. This has been partially offset by reduced investment to meet APRA's revised residential mortgage lending guidelines.

Investment in efficiency and sustainable revenue projects increased by $199 million or 92.6%, reflecting the Group's ongoing investment to innovate and enhance the customer experience, improve customer focussed digital solutions, drive operational and technological productivity and develop an integrated experience for home loans settled through an online real estate provider.

September 2017 v March 2017

Investment in infrastructure projects increased $20 million or 9.3% due to increased spend to strengthen online channels in response to emerging security threats, the expansion of a Smart ATM network, and the development of a global enterprise human resource system. This was partially offset by reduced spend in relation to the Personal Banking Origination Platform and new payments platform.

Investment in compliance and operational risk projects has increased $18 million or 10.8% compared to the March 2017 half year, largely driven by increased regulatory spend on the Stronger Super project and payments industry related compliance. This has been partially offset by reduced investment to meet APRA's revised residential mortgage lending guidelines and the upgrade of Financial Crimes Systems.

Investment in efficiency and sustainable revenue projects increased $56 million or 31.3% largely driven by the Group's investment to innovate and enhance the customer experience, a continued focus on productivity initiatives and an integrated experience for home loans settled through an online real estate service provider. This was partially offset by timing and a change in mix of investment in the Wealth business.

(1) *Information is presented on a continuing operations basis.*

Taxation (1)

	Year to			Half Year to		
	Sep 17	Sep 16	Sep 17 v Sep 16	Sep 17	Mar 17	Sep 17 v Mar 17
Income tax expense ($m)	**2,710**	2,588	4.7%	**1,363**	1,347	1.2%
Effective tax rate (%)	**28.7**	28.1	60 bps	**28.6**	28.7	(10 bps)

September 2017 v September 2016

Cash earnings income tax expense increased by $122 million or 4.7%.

The **cash earnings effective tax rate** of 28.7% increased by 60 basis points. The increase in the effective tax rate is attributable to an increase in non-deductible hybrid distributions and some non-recurring items that impacted the prior period. Given the Group's concentration towards its Australian and New Zealand businesses, the effective tax rate is now expected to remain between the Australian tax rate of 30% and the New Zealand tax rate of 28%.

September 2017 v March 2017

Cash earnings income tax expense increased by $16 million or 1.2%.

The **cash earnings effective tax rate** of 28.6% decreased by 10 basis points. Both the tax expense and effective tax rate are comparable half on half.

(1) *Information is presented on a continuing operations basis.*

Lending (1)

	As at				
	30 Sep 17 $m	31 Mar 17 $m	30 Sep 16 $m	Sep 17 v Sep 16 %	Sep 17 v Mar 17 %
Housing					
Consumer Banking and Wealth	**202,508**	195,787	190,744	6.2	3.4
Business and Private Banking	**90,438**	89,681	88,012	2.8	0.8
Corporate and Institutional Banking	**2,171**	2,269	2,370	(8.4)	(4.3)
NZ Banking	**34,417**	33,051	33,431	2.9	4.1
Total housing	**329,534**	320,788	314,557	4.8	2.7
Non-housing					
Consumer Banking and Wealth	**6,875**	7,270	7,019	(2.1)	(5.4)
Business and Private Banking	**103,288**	100,771	100,186	3.1	2.5
Corporate and Institutional Banking	**85,852**	83,333	85,115	0.9	3.0
NZ Banking	**38,350**	36,605	37,188	3.1	4.8
Corporate Functions and Other	**1,247**	1,276	1,695	(26.4)	(2.3)
Total non-housing	**235,612**	229,255	231,203	1.9	2.8
Gross loans and advances including acceptances	**565,146**	550,043	545,760	3.6	2.7

September 2017 v September 2016

Lending (gross loans and advances including acceptances) increased by $19.4 billion or 3.6% primarily due to growth in housing lending.

Housing lending increased by $15.0 billion or 4.8% mainly due to:
- An increase of $11.8 billion in Consumer Banking and Wealth reflecting continued growth in broker and proprietary channels, driven by initiatives including pipeline management, mortgage retention and targeted marketing campaigns.
- An increase of $2.4 billion in Business and Private Banking due to growth in the proprietary channel, for the same reasons included above.
- An increase of $1.0 billion in NZ Banking reflecting growth in broker and proprietary channels.

Non-housing lending increased by $4.4 billion or 1.9% mainly due to:
- An increase of $3.1 billion in Business and Private Banking, driven by growth in NAB's specialised businesses.
- An increase of $1.2 billion in NZ Banking reflecting strong growth and market share gain across key segments.
- Lending in Corporate and Institutional Banking was largely flat reflecting returns focussed on portfolio management.

September 2017 v March 2017

Lending (gross loans and advances including acceptances) increased by $15.1 billion or 2.7%.

Housing lending increased by $8.7 billion or 2.7% mainly due to:
- An increase of $6.7 billion in Consumer Banking and Wealth largely due to growth in the broker channel.
- An increase of $0.8 billion in Business and Private Banking due to an increased focus on pipeline management and mortgage retention.
- An increase of $1.4 billion in NZ Banking reflecting growth in both proprietary and broker channels.

Non-housing lending increased by $6.4 billion or 2.8% mainly due to:
- An increase of $2.5 billion in Business and Private Banking driven by growth in key customer segments.
- An increase of $2.5 billion in Corporate and Institutional Banking mainly due to Capital Financing.
- An increase of $1.7 billion in NZ Banking reflecting strong growth and market share gain across key segments.
- A decrease of $0.4 billion in Consumer Banking and Wealth due to a decline in credit card balances.

(1) *Information is presented on a continuing operations basis.*

Goodwill and Other Intangible Assets [1]

Goodwill decreased by $51 million compared to the September 2016 full year, due to the sale of a subsidiary (NabInvest Oxley Singapore Pte Limited) combined with the effects of foreign exchange.

Intangible assets comprise capitalised software and other intangible assets. Intangible assets increased by $350 million or 14.7% compared to the September 2016 full year. This increase was largely attributable to continued software investment, partially offset by an increase in amortisation as the software has been deployed.

The Group continues to invest in software to support its customer focussed strategic objectives (refer to page 24). Major investments currently being undertaken are:

- In Australia, further investment in enhancing the digital capabilities of the Australian franchise and transforming the customer experience, as well as regulatory compliance initiatives; and
- In New Zealand, continued investment in capabilities to support the implementation of the Bank of New Zealand strategic plan, particularly its digitisation and automation agenda.

The movement in capitalised software is as follows:

	Year ended		Half Year ended	
	Sep 17 $m	Sep 16 $m	Sep 17 $m	Mar 17 $m
Balance at beginning of period	**2,344**	2,032	**2,490**	2,344
Additions	**766**	610	**430**	336
Disposals and write-offs	**(20)**	(10)	**(20)**	-
Amortisation	**(377)**	(290)	**(196)**	(181)
Foreign currency translation adjustments	**(7)**	2	**2**	(9)
Capitalised software	**2,706**	2,344	**2,706**	2,490

(1) *Information is presented on a continuing operations basis.*

Customer Deposits [1]

	As at				
	30 Sep 17 $m	31 Mar 17 $m	30 Sep 16 $m	Sep 17 v Sep 16 %	Sep 17 v Mar 17 %
Consumer Banking and Wealth	**116,318**	112,693	110,400	5.4	3.2
Business and Private Banking	**129,979**	127,017	123,519	5.2	2.3
Corporate and Institutional Banking	**96,966**	93,652	94,100	3.0	3.5
NZ Banking	**50,685**	48,461	48,160	5.2	4.6
Corporate Functions and Other	**13,637**	17,737	14,321	(4.8)	(23.1)
Total customer deposits	**407,585**	399,560	390,500	4.4	2.0

September 2017 v September 2016

Customer deposits increased by $17.1 billion or 4.4%. This is as a result of the Group continuing to execute on its funding strategy, which includes growth in stable and higher quality customer deposits. This growth was due to:

- An increase of $5.9 billion or 5.4% in Consumer Banking and Wealth from on-demand and term deposits of $3.9 billion and deposits not bearing interest of $2.0 billion.
- An increase of $6.5 billion or 5.2% in Business and Private Banking, driven from growth in on-demand business savings and transaction accounts of $5.1 billion, combined with term deposits of $1.4 billion, reflecting a continued focus on quality of deposits.
- An increase of $2.9 billion or 3.0% in Corporate and Institutional Banking. Growth was due to a focus on quality of deposits with growth in on-demand savings and deposits not bearing interest of $6.4 billion, offset by a decrease in large institutional term deposits of $3.5 billion.
- An increase of $2.5 billion or 5.2% in NZ Banking mainly due to growth in term deposits of $3.3 billion offset by a decrease in on demand deposits of $0.8 billion.
- A decrease of $0.7 billion or 4.8% in Corporate Functions and Other due to a decrease in on-demand and term deposits in Group Treasury.

September 2017 v March 2017

Customer deposits increased by $8.0 billion or 2.0%. This growth was due to:

- An increase of $3.6 billion or 3.2% in Consumer Banking and Wealth, with strong growth across all deposit products, particularly deposits not bearing interest and on-demand savings deposits.
- An increase of $3.0 billion or 2.3% in Business and Private Banking, driven from growth in on-demand business savings and transaction accounts of $2.1 billion, combined with term deposits of $0.9 billion, reflecting a continued focus on quality of deposits.
- An increase of $3.3 billion or 3.5% in Corporate and Institutional Banking. This was due to a cyclical increase in on-demand deposits of $2.6 billion, an increase in deposits not bearing interest of $0.4 billion and an increase in term deposits of $0.3 billion.
- An increase of $2.2 billion or 4.6% in NZ Banking. This was due to growth in term deposits and deposits not bearing interest of $3.0 billion more than offsetting a decrease in on-demand deposits of $0.8 billion.
- A decrease of $4.1 billion or 23.1% in Corporate Functions and Other. This was mainly due to a decrease in on-demand and term deposits in Group Treasury.

(1) *Information is presented on a continuing operations basis.*

Asset Quality [1]

Bad and Doubtful Debt Charge

	Year to		Half Year to	
	Sep 17 $m	Sep 16 $m	Sep 17 $m	Mar 17 $m
Specific charge to provide for bad and doubtful debts - new and increased	**1,049**	1,167	**439**	610
Specific charge to provide for bad and doubtful debts - write-backs	**(242)**	(156)	**(106)**	(136)
Specific charge to provide for bad and doubtful debts - recoveries	**(111)**	(111)	**(65)**	(46)
Specific charge to provide for bad and doubtful debts	**696**	900	**268**	428
Collective (write-back) / charge to provide for bad and doubtful debts	**114**	(100)	**148**	(34)
Total charge to provide for bad and doubtful debts	**810**	800	**416**	394

	Year to		Half Year to	
	Sep 17	Sep 16	Sep 17	Mar 17
Bad and doubtful debts charge to gross loans and acceptances (annualised)	**0.14%**	0.15%	**0.15%**	0.14%
Net write-offs to gross loans and acceptances (annualised) [1]	**0.13%**	0.12%	**0.11%**	0.15%

[1] *Net write-offs include net write-offs of fair value loans.*

September 2017 v September 2016

The total charge to provide for bad and doubtful debts (B&DD) was $810 million, an increase of $10 million or 1.3%.

Specific provision B&DD charges of $696 million decreased by $204 million, driven by:
- Lower charges in Corporate and Institutional Banking mainly due to the impairment of a smaller number of larger exposures.
- Lower charges in Business and Private Banking as a result of stronger asset quality.

The September 2017 full year collective provision B&DD charge was $114 million, an increase of $214 million, driven by:
- Increase in the level of collective provision overlays for targeted sectors on a forward looking basis.
- Lower collective provision write-backs for the business lending portfolio recognised in the September 2017 full year due to credit quality improvement, compared to the September 2016 full year.

The Group ratio of net write-offs to gross loans and acceptances increased by one basis point to 0.13%. This was largely due to higher write-off levels within Corporate and Institutional Banking driven by a small number of larger exposures predominately in the March 2017 half year. Partially offsetting this increase were lower write-offs within Business and Private Banking due to cyclical lows in the level of impairment activity.

Net write-offs remained stable for the retail portfolio (0.09% of gross retail loans) which includes the housing portfolio (0.02% of gross housing loans).

September 2017 v March 2017

The total charge to provide for B&DD was $416 million, an increase of $22 million or 5.6%.

Specific provision B&DD charges of $268 million decreased by $160 million largely due to a smaller number of larger impairments in Corporate and Institutional Banking in comparison to the March 2017 half year.

The September 2017 half year collective provision B&DD charge was $148 million, an increase of $182 million. This was mainly due to:
- Increase in the level of collective provision overlays for targeted sectors on a forward looking basis.
- Collective provision releases due to the impairment of a small number of larger exposures in the March 2017 half year that were not repeated in the September 2017 half year.
- The downgrading of customer credit ratings for a small number of larger exposures within Corporate and Institutional Banking.

This was partially offset by seasonally lower collective provision charges for the unsecured retail portfolio in Consumer Banking and Wealth.

The Group ratio of net write-offs to gross loans and acceptances decreased by 4 basis points to 0.11% for the September 2017 half year, as the higher level of Corporate and Institutional Banking write-offs in the March 2017 half year were not repeated.

Net write-offs remained stable for the retail portfolio (0.09% of gross retail loans) which includes the housing portfolio (0.02% of gross housing loans).

[1] *Information is presented on a continuing operations basis.*

Asset Quality (continued) [1]

Provisions for Bad and Doubtful Debts

	As at		
	30 Sep 17 $m	31 Mar 17 $m	30 Sep 16 $m
Collective provision on loans at amortised cost	**2,535**	2,373	2,408
Collective provision on loans at fair value	**114**	126	143
Collective provision on derivatives at fair value	**149**	196	260
Total collective provision for bad and doubtful debts	**2,798**	2,695	2,811
Total specific provision for bad and doubtful debts [(1)]	**691**	748	712
Total provision for bad and doubtful debts	**3,489**	3,443	3,523

	As at		
	30 Sep 17	31 Mar 17	30 Sep 16
Total provision to gross loans and acceptances	**0.62%**	0.63%	0.65%
Total provisions to net write-offs (annualised) [(2) (3)]	**473%**	415%	557%
Specific provision to gross impaired assets [(4)]	**45.5%**	44.9%	38.3%
Collective provision to credit risk-weighted assets	**0.86%**	0.85%	0.85%
Collective provision to gross loans and acceptances	**0.50%**	0.49%	0.52%

(1) *Specific provision on loans at fair value is $2 million (March 2017: $1 million; September 2016: $6 million).*
(2) *September 2017 and September 2016 metrics refer to the full year ratio; March 2017 metrics refers to the half year ratio annualised.*
(3) *Net write-offs include net write-offs of fair value loans.*
(4) *Consists only of impaired assets where a specific provision has been raised and excludes $205 million (NZ$222 million), (March 2017: $726 million (NZ$795 million), September 2016: $785 million (NZ$823 million)) of NZ Banking dairy exposures currently assessed as no loss based on security held. Collective provisions are held against these loans.*

September 2017 v September 2016

Total provisions for B&DD decreased by $34 million to $3,489 million.

Specific provisions decreased by $21 million to $691 million due to low levels of newly impaired assets combined with successful work-out strategies across the Australian business lending portfolio.

Total collective provisions decreased by $13 million to $2,798 million. This was mainly due to:

- Release of collective provisions for credit quality improvement across the business lending portfolio.
- Release of collective provisions due to the impairment of a small number of larger exposures across the Australian business lending portfolio.
- Reduction in the collective provisions held for the derivatives portfolio due to market movements.

This was partially offset by:

- Collective provision overlays raised for the commercial real estate, mortgage and retail trade portfolios.

The collective provision to credit risk weighted assets ratio increased by one basis point to 0.86% over the September 2017 full year, even though an adverse 2 basis points movement was realised due to the impact on credit risk weighted assets from a model change for the Australian mortgage portfolio in the September 2017 full year.

September 2017 v March 2017

Total provisions for B&DD increased by $46 million to $3,489 million.

Specific provisions decreased by $57 million to $691 million due to low levels of newly impaired assets combined with successful work-out strategies across the Australian business lending portfolio.

Total collective provisions increased by $103 million to $2,798 million. This was mainly due to:

- Collective provision overlays raised for the mortgage and retail trade portfolios.
- Downgrading of customer credit ratings for a small number of larger exposures within Corporate and Institutional Banking.

This was partially offset by:

- Release of collective provisions for credit quality improvement across the lending portfolio, including New Zealand dairy exposures.
- Reduction in the collective provisions held for the derivatives portfolio due to market movements.

The collective provision to credit risk weighted assets ratio increased by one basis point to 0.86% over the September 2017 half year, even though an adverse 2 basis points movement was realised due to the impact on credit risk weighted assets from a model change for the Australian mortgage portfolio in the September 2017 half year.

(1) *Information is presented on a continuing operations basis.*

Asset Quality (continued) [1]

90+ Days Past Due and Gross Impaired Assets

	As at		
	30 Sep 17 $m	31 Mar 17 $m	30 Sep 16 $m
90+ days past due (DPD) loans	**2,245**	2,282	1,975
Gross impaired assets [1]	**1,724**	2,393	2,642
90+ DPD and gross impaired assets	**3,969**	4,675	4,617

	As at		
	30 Sep 17	31 Mar 17	30 Sep 16
90+ DPD loans to gross loans and acceptances	**0.40%**	0.41%	0.36%
Gross impaired assets to gross loans and acceptances	**0.30%**	0.44%	0.49%
90+ DPD and gross impaired assets to gross loans and acceptances	**0.70%**	0.85%	0.85%

(1) *Gross impaired assets include $205 million (NZ$222 million), (March 2017: $726 million (NZ$795 million), September 2016: $785 million (NZ$823 million)) of NZ Banking dairy exposures currently assessed as no loss based on security held. Collective provisions are held against these loans.*

September 2017 v September 2016

The Group ratio of 90+ DPD loans to gross loans and acceptances has increased by 4 basis points to 0.40%, primarily driven by the Australian mortgage portfolio. This was due to deterioration in Western Australia reflecting economic conditions including mining sector stress, combined with increases experienced in New South Wales and Victoria in the March 2017 half year that have since stabilised.

The Group ratio of gross impaired assets to gross loans and acceptances decreased by 19 basis points to 0.30% during the September 2017 full year. This was predominantly driven by a number of successful work-out strategies across the Australian lending portfolio. The improved state of the New Zealand dairy industry also resulted in a reduction in the impaired dairy portfolio for which no loss (based on security held) is currently expected. This was partially offset by the impairment of a small number of larger exposures in Australia.

September 2017 v March 2017

The Group ratio of 90+ DPD loans to gross loans and acceptances has decreased by 1 basis point to 0.40%. This was driven by improvements in the business lending portfolio partially offset by ongoing deterioration in the mortgage portfolio in Western Australia reflecting economic conditions including mining sector stress.

The Group ratio of gross impaired assets to gross loans and acceptances decreased by 14 basis points to 0.30%. The decrease was predominantly driven by the improved state of the New Zealand dairy industry resulting in a reduction in the impaired dairy portfolio for which no loss (based on security held) is currently expected. This has been combined with a number of successful work-out strategies across the Australian lending portfolio, partially offset by the impairment of a small number of larger exposures in Australia.

(1) *Information is presented on a continuing operations basis.*

Capital Management and Funding

Balance Sheet Management Overview

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

- Seeking to maintain a well-diversified wholesale funding portfolio which accesses a range of funding and capital options across various senior, subordinated, secured and hybrid markets.
- Continuing to assess its position in order to accommodate changing market conditions and regulatory changes.

Regulatory Reform

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

Federal Government's Financial System Inquiry (FSI):

- In July 2017, APRA announced changes to its approach in setting capital standards such that capital ratios are deemed to be 'unquestionably strong'. APRA has advised that the major Australian banks, including NAB, are expected to have Common Equity Tier 1 capital ratios of at least 10.5 per cent to meet the 'unquestionably strong' benchmark by 1 January 2020. An APRA consultation on draft capital standards is expected in the near future.

Basel III:

- The September 2017 Leverage Ratio is disclosed within NAB's September 2017 Pillar 3 Report. The minimum Leverage Ratio is yet to be determined by APRA.
- The Basel Committee on Banking Supervision (BCBS) has announced its revised market risk framework, which is due to come into effect from 2019 globally. APRA has advised domestic implementation is not expected prior to 2021. The Credit Valuation Adjustment (CVA) framework is currently in BCBS consultation.
- In December 2016, APRA released an amended APRA Prudential Standard APS 210 "Liquidity", which includes the Net Stable Funding Ratio (NSFR) requirement. A ratio of at least 100% is required on both a Level 1 and Level 2 basis from 1 January 2018.

Total Loss-Absorbing Capacity:

- The Financial Stability Board (FSB) issued the *Total Loss-Absorbing Capacity* (TLAC) standard in November 2015 for global systemically important banks (G-SIBs). In line with the recommendations in the FSI, 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 Basel Committee on Banking Supervision 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 BCBS Standards are expected in the near future, 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

Other regulatory changes of note include:

- On 1 April 2017, the Group transitioned to a revised Level 2 Group structure, which had an immaterial impact on the Group's capital position. Remaining transitional arrangements arising from debt issued directly by National Wealth Management Holdings Limited (NWMH) are no longer required.
- APRA's revisions to APRA Prudential Standard APS 120 "Securitisation" bring together proposals to simplify securitisation for originating ADIs and the updated BCBS securitisation framework. The revised APS 120 will take effect from 1 January 2018.
- APRA's consultation on the standardised approach to counterparty credit risk (SA-CCR) introduces the new APRA Prudential Standard APS 180 "Counterparty Credit Risk". These requirements will not take effect until January 2019 at the earliest.
- APRA's standards on the non-capital components of the supervision of conglomerate groups (Level 3 framework) took effect on 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 that implementation will be no earlier than 2019.
- In March 2017, the RBNZ announced a review of the framework for New Zealand banks' capital requirements. The review is in the initial consultation phase. The RBNZ has signalled its intention to conclude the review in early 2018.

Capital Management

The Group's capital management strategy is focussed on adequacy, efficiency and flexibility. The capital adequacy objective seeks to ensure sufficient capital is held in excess of internal risk-based required capital assessments and regulatory requirements, and is within the Group's balance sheet risk appetite. This approach is consistent across the Group's subsidiaries.

The Group's capital ratio operating targets are regularly reviewed in the context of the external economic and regulatory outlook with the objective of maintaining balance sheet strength. The Group expects that it can meet the new 'unquestionably strong' capital requirements in an orderly manner by 1 January 2020.

Capital Management and Funding (continued)

Capital Management (continued)

Capital Ratios

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

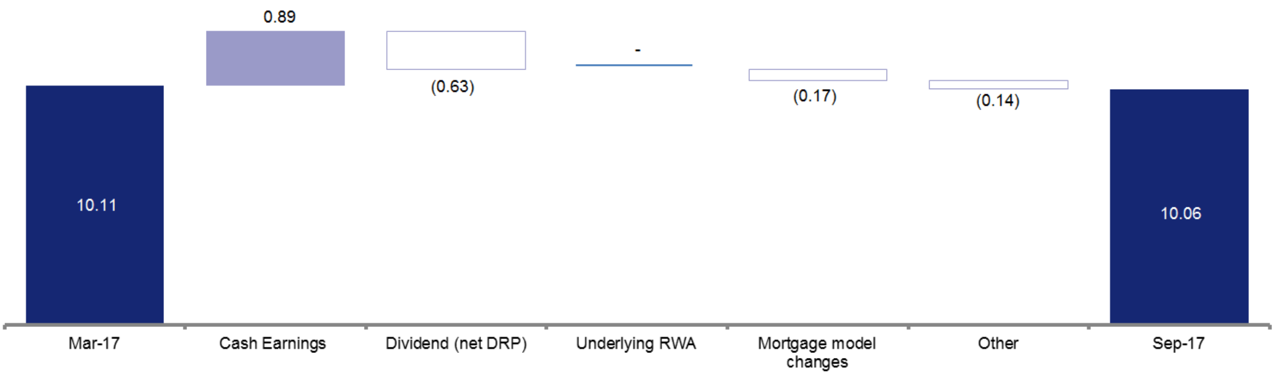
	As at				
Capital Ratios	**30 Sep 17 %**	**31 Mar 17 %**	**30 Sep 16 %**	**Sep 17 v Sep 16**	**Sep 17 v Mar 17**
Common Equity Tier 1	**10.06**	10.11	9.77	29 bps	(5 bps)
Tier 1	**12.41**	12.51	12.19	22 bps	(10 bps)
Total capital	**14.58**	14.71	14.14	44 bps	(13 bps)

	As at				
Risk-Weighted Assets [(1)]	**30 Sep 17 $m**	**31 Mar 17 $m**	**30 Sep 16 $m**	**Sep 17 v Sep 16 %**	**Sep 17 v Mar 17 %**
Credit risk	**325,969**	317,853	331,510	(1.7)	2.6
Market risk	**7,766**	7,001	7,299	6.4	10.9
Operational risk	**37,575**	37,500	37,500	0.2	0.2
Interest rate risk in the banking book [(2)]	**10,804**	12,133	12,136	(11.0)	(11.0)
Total risk-weighted assets	**382,114**	374,487	388,445	(1.6)	2.0

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

(2) *Due to an IRRBB model amendment reflected in the 30 September 2017 result, the equivalent March 2017 result would now be $10,895 million.*

Movements in Basel III Common Equity Tier 1 Ratio



Capital Movements During the Period

The Group's CET1 ratio was 10.1% at 30 September 2017. The key movements in capital over the September 2017 half year include:

- Cash earnings less the dividend net of Dividend Reinvestment Plan participation resulting in an increase of 26 basis points.
- Mortgage model changes resulting in a decrease of 17 basis points.

Dividend and Dividend Reinvestment Plan (DRP)

The Group periodically adjusts the DRP to reflect its capital position and outlook. The final dividend has been maintained at 99 cents and the Group will offer a 1.5% discount on the DRP, with no participation limit.

Tier 2 Capital Initiatives

On 19 June 2017 NAB redeemed in full the $634 million outstanding amount of NAB Subordinated Notes.

The Group also repurchased and surrendered for cancellation in aggregate US$15 million of the Undated Subordinated Notes issued on 9 October 1986. The outstanding nominal amount of the Undated Subordinated Notes is US$115 million as at 30 September 2017.

Pillar 3 Disclosures

Further disclosures with respect to capital adequacy and risk management will be made in the September 2017 Pillar 3 Report as required by APRA Prudential Standard APS 330 "Public Disclosure".

Capital Management and Funding (continued)

Funding

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

Funding Indices

The Group employs a range of 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 the 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 12 months.

The SFI increased over the September 2017 full year from 91% to 93%. The TFI has strengthened to 23% at the September 2017 full year supported by term wholesale funding issuance of $36.8 billion. Term wholesale funding issuance over the September 2017 full year has been executed in excess of term wholesale funding maturities. The CFI increased to 70% with the focus on improving the quality of the deposit portfolio.

The Group has continued to focus on managing the funding profile over the September 2017 full year in preparation for compliance with the Net Stable Funding Ratio (NSFR), which applies from 1 January 2018. The Group's NSFR at 30 September 2017 was 108%.

Group Funding Indices

	As at			
	30 Sep 17	**30 Sep 16**	**30 Sep 15**(1)	**30 Sep 14**(1)
Group Funding Indices	**%**	**%**	**%**	**%**
Customer Funding Index	**70**	69	71	70
Term Funding Index	**23**	22	21	20
Stable Funding Index	**93**	91	92	90
Net Stable Funding Ratio	**108**	n/a	n/a	n/a

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

Customer Funding

The Group has continued to grow deposits over the September 2017 full year. NAB's deposit strategy is to grow a stable and reliable deposit base informed by market conditions, funding requirements and customer relationships.

The Monthly Banking Statistics published by APRA show that for the 12 months ended 30 September 2017, NAB has grown Australian domestic household deposits by 5.7% (0.9x system), business deposits (excluding deposits from financial corporations) by 4.4% (0.6x system) and deposits from financial institutions by 7.0% (0.8x system).

Term Wholesale Funding

Global funding conditions remained supportive of term wholesale funding issuance across all major markets during the September 2017 full year, despite some periods of instability driven by global events. Credit spreads widened at the start of the September 2017 full year as the market cautiously monitored the lead up to the US presidential elections. Post the election, market conditions and credit spreads globally have continued to improve. Whilst current conditions are reasonably stable, markets remain sensitive to ongoing macroeconomic, geo-political and financial risks. Despite being downgraded, along with the other major banks, by Moody's Investor Services (refer to Credit Ratings on page 35), the Group continued to see strong investor demand for its debt.

The Group maintains a well-diversified funding profile based across issuance type, currency, investor location and tenor, and raised $36.8 billion during the September 2017 full year.

NAB raised $31.9 billion, including $26.7 billion senior unsecured, $3.9 billion of secured funding (comprised of covered bonds) and $1.3 billion of Tier 2 subordinated debt. BNZ raised $4.9 billion during the September 2017 full year.

The weighted average maturity of term wholesale funding raised by the Group over the September 2017 full year was approximately 4.8 years to the first call date. The weighted average remaining maturity of the Group's term wholesale funding portfolio is 3.4 years.

Term Wholesale Funding by Deal Type

	As at		
Wholesale Funding by Deal Type	**30 Sep 17**	**31 Mar 17**	**30 Sep 16**
Senior Public Offshore	**49%**	54%	45%
Senior Public Domestic	**21%**	12%	22%
Secured Public Offshore	**14%**	20%	11%
Secured Public Domestic	**-**	-	6%
Private Placements	**13%**	7%	10%
Subordinated Public Debt	**3%**	6%	5%
Subordinated Private Debt (1)	**-**	1%	1%
Total	**100%**	100%	100%

(1) *Subordinated private debt comprised 0.3% of September 2017 full year term wholesale funding issuance.*

Capital Management and Funding (continued)

Funding (continued)

Term Wholesale Funding by Currency

	As at		
Wholesale Funding by Currency	**30 Sep 17**	**31 Mar 17**	**30 Sep 16**
USD	**47%**	47%	44%
AUD	**24%**	20%	30%
EUR	**14%**	17%	16%
GBP	**7%**	6%	1%
JPY	**4%**	7%	1%
Other	**4%**	3%	8%
Total	**100%**	100%	100%

Short-term Wholesale Funding

The Group maintained consistent access to international and domestic short-term wholesale funding markets during the September 2017 full year.

Reliance on offshore short term wholesale funding reduced slightly over the September 2017 full year to 7.3% of total funding and equity.

In addition, repurchase agreements are primarily utilised to support markets and trading activities. Repurchase agreements entered into are materially offset by reverse repurchase agreements with similar tenors and are not used to fund NAB's core activities.

Liquid Asset Portfolio

The Group maintains well-diversified and high quality liquid asset portfolios to support regulatory and internal requirements in the various regions in which it operates. The market value of total liquid assets held as at 30 September 2017 was $124 billion excluding contingent liquidity. This represents a reduction of $7 billion from 31 March 2017 and increase of $6 billion from 30 September 2016.

Liquid asset holdings include $108 billion of regulatory liquid assets (consisting of both High Quality Liquid Assets (HQLA) and Committed Liquidity Facility (CLF) eligible assets) as at 30 September 2017.

In addition, the Group holds internal securitisation pools of Residential Mortgage Backed Securities (RMBS) as a source of contingent liquidity and to support the CLF. Unencumbered Internal RMBS held at 30 September 2017 was $44 billion (post applicable central bank deduction).

Liquid assets that qualify for inclusion in the Group's LCR and Internal RMBS (net of applicable regulatory deductions) were on average $136 billion for the quarter ending 30 September 2017 resulting in an average Group LCR of 123%.

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: NAB AA-/Aa3/AA- (S&P/Moody's/Fitch); BNZ AA-/A1/AA- and NWMH A (S&P).

On 19 June 2017, Moody's revised its Australian Macro Profile to "Strong +" from "Very Strong --" reflecting Moody's view of elevated risks in the household sector. As a result, Moody's revised Baseline Credit Assessments, and Counterparty Risk Assessments for 12 Australian banks and their affiliates. Moody's also downgraded the long term ratings of the four major Australian banks, including NAB. NAB's long term rating was downgraded to Aa3 from Aa2 and Baseline Credit Assessment to a2 from a1. NAB's short-term rating was affirmed at P-1. On 19 June 2017 Moody's revised long-term ratings of four major New Zealand Banks, including BNZ, in line with their parents, to A1 from Aa3.

On 4 September 2017, S&P revised its long term rating of NWMH from A+ to A, and removed it from CreditWatch. The change reflects S&P's view of NWMH following the completion of the divestment of Wealth's life insurance business.

This page has been left blank intentionally.

Section 4

Review of Divisional Operations and Results

Divisional Performance Summary

Year ended 30 September 2017	Consumer Banking and Wealth $m	Business and Private Banking $m	Corporate and Institutional Banking $m	NZ Banking $m	Corporate Functions and Other $m	Eliminations(1) $m	Group Cash Earnings $m
Net interest income	3,884	5,257	1,972	1,586	467	-	**13,166**
Other operating income (2)	1,597	1,062	1,368	530	198	(26)	**4,729**
Net operating income	5,481	6,319	3,340	2,116	665	(26)	**17,895**
Operating expenses	(2,910)	(2,084)	(1,236)	(827)	(604)	26	**(7,635)**
Underlying profit	2,571	4,235	2,104	1,289	61	-	**10,260**
Charge to provide for bad and doubtful debts	(267)	(180)	(37)	(67)	(259)	-	**(810)**
Cash earnings / (deficit) before tax and distributions	2,304	4,055	2,067	1,222	(198)	-	**9,450**
Income tax expense	(671)	(1,214)	(532)	(340)	47	-	**(2,710)**
Cash earnings / (deficit) before distributions	1,633	2,841	1,535	882	(151)	-	**6,740**
Distributions	-	-	-	-	(98)	-	**(98)**
Cash earnings / (deficit)	**1,633**	**2,841**	**1,535**	**882**	**(249)**	**-**	**6,642**

Key balance sheet items ($bn)							Total
Gross loans and acceptances	209.4	193.7	88.0	72.8	1.2	-	**565.1**
Customer deposits	116.3	130.0	97.0	50.7	13.6	-	**407.6**

(1) *Balance reflects Nautilus insurance costs booked and eliminated within Corporate Functions and Other.*

(2) *Consumer Banking and Wealth includes net investment income.*

Divisional Performance Summary

Year ended 30 September 2016	Consumer Banking and Wealth $m	Business and Private Banking $m	Corporate and Institutional Banking $m	NZ Banking $m	Corporate Functions and Other $m	Eliminations[1] $m	Group Cash Earnings $m
Net interest income	3,709	4,955	1,919	1,496	851	-	**12,930**
Other operating income [2]	1,659	1,048	1,427	533	(113)	(51)	**4,503**
Net operating income	5,368	6,003	3,346	2,029	738	(51)	**17,433**
Operating expenses	(2,870)	(2,045)	(1,298)	(806)	(470)	51	**(7,438)**
Underlying profit	2,498	3,958	2,048	1,223	268	-	**9,995**
Charge to provide for bad and doubtful debts	(282)	(140)	(217)	(116)	(45)	-	**(800)**
Cash earnings before tax and distributions	2,216	3,818	1,831	1,107	223	-	**9,195**
Income tax expense	(651)	(1,145)	(464)	(303)	(25)	-	**(2,588)**
Cash earnings before distributions	1,565	2,673	1,367	804	198	-	**6,607**
Distributions	-	-	-	-	(124)	-	**(124)**
Cash earnings	**1,565**	**2,673**	**1,367**	**804**	**74**	**-**	**6,483**

Key balance sheet items ($bn)							Total
Gross loans and acceptances	197.8	188.2	87.5	70.6	1.7	-	**545.8**
Customer deposits	110.4	123.5	94.1	48.2	14.3	-	**390.5**

(1) *Balance reflects Nautilus insurance costs booked to Customer segments and eliminated at the Group level.*

(2) *Consumer Banking and Wealth includes net investment income.*

Divisional Performance Summary

Half Year ended 30 September 2017	Consumer Banking and Wealth $m	Business and Private Banking $m	Corporate and Institutional Banking $m	NZ Banking $m	Corporate Functions and Other $m	Eliminations[1] $m	Group Cash Earnings $m
Net interest income	2,009	2,693	1,019	810	242	-	6,773
Other operating income [2]	780	536	607	266	70	(6)	2,253
Net operating income	2,789	3,229	1,626	1,076	312	(6)	9,026
Operating expenses	(1,445)	(1,046)	(605)	(419)	(341)	6	(3,850)
Underlying profit / (loss)	1,344	2,183	1,021	657	(29)	-	5,176
Charge to provide for bad and doubtful debts	(105)	(82)	(23)	(29)	(177)	-	(416)
Cash earnings / (deficit) before tax and distributions	1,239	2,101	998	628	(206)	-	4,760
Income tax expense	(370)	(628)	(254)	(175)	64	-	(1,363)
Cash earnings / (deficit) before distributions	869	1,473	744	453	(142)	-	3,397
Distributions	-	-	-	-	(49)	-	(49)
Cash earnings / (deficit)	**869**	**1,473**	**744**	**453**	**(191)**	**-**	**3,348**

Key balance sheet items ($bn)							Total
Gross loans and acceptances	209.4	193.7	88.0	72.8	1.2	-	565.1
Customer deposits	116.3	130.0	97.0	50.7	13.6	-	407.6

(1) *Balance reflects Nautilus insurance costs booked and eliminated within Corporate Functions and Other.*

(2) *Consumer Banking and Wealth includes net investment income.*

Divisional Performance Summary

Half Year ended 31 March 2017	**Consumer Banking and Wealth $m**	**Business and Private Banking $m**	**Corporate and Institutional Banking $m**	**NZ Banking $m**	**Corporate Functions and Other $m**	**Eliminations[1] $m**	**Group Cash Earnings $m**
Net interest income	1,875	2,564	953	776	225	-	**6,393**
Other operating income [2]	817	526	761	264	128	(20)	**2,476**
Net operating income	2,692	3,090	1,714	1,040	353	(20)	**8,869**
Operating expenses	(1,465)	(1,038)	(631)	(408)	(263)	20	**(3,785)**
Underlying profit	1,227	2,052	1,083	632	90	-	**5,084**
Charge to provide for bad and doubtful debts	(162)	(98)	(14)	(38)	(82)	-	**(394)**
Cash earnings before tax and distributions	1,065	1,954	1,069	594	8	-	**4,690**
Income tax expense	(301)	(586)	(278)	(165)	(17)	-	**(1,347)**
Cash earnings / (deficit) before distributions	764	1,368	791	429	(9)	-	**3,343**
Distributions	-	-	-	-	(49)	-	**(49)**
Cash earnings / (deficit)	**764**	**1,368**	**791**	**429**	**(58)**	**-**	**3,294**

Key balance sheet items ($bn)							**Total**
Gross loans and acceptances	203.0	190.5	85.6	69.7	1.2	-	**550.0**
Customer deposits	112.7	127.0	93.7	48.5	17.7	-	**399.6**

(1) *Balance reflects Nautilus insurance costs booked to Customer segments and eliminated at the Group level.*

(2) *Consumer Banking and Wealth includes net investment income.*

Consumer Banking and Wealth

Consumer Banking and Wealth comprises the NAB and UBank consumer banking divisions, and the Wealth divisions of Advice, Asset Management and Superannuation. The division provides customers with access to independent advisers, including mortgage brokers and the financial planning network of self-employed, aligned and salaried advisers in Australia.

	Year to			Half Year to		
	Sep 17 $m	**Sep 16 $m**	**Sep 17 v Sep 16 %**	**Sep 17 $m**	**Mar 17 $m**	**Sep 17 v Mar 17 %**
Net interest income	**3,884**	3,709	4.7	**2,009**	1,875	7.1
Net investment income	**987**	1,031	(4.3)	**488**	499	(2.2)
Other operating income	**610**	628	(2.9)	**292**	318	(8.2)
Net operating income	**5,481**	5,368	2.1	**2,789**	2,692	3.6
Operating expenses	**(2,910)**	(2,870)	1.4	**(1,445)**	(1,465)	(1.4)
Underlying profit	**2,571**	2,498	2.9	**1,344**	1,227	9.5
Charge to provide for bad and doubtful debts	**(267)**	(282)	(5.3)	**(105)**	(162)	(35.2)
Cash earnings before tax	**2,304**	2,216	4.0	**1,239**	1,065	16.3
Income tax expense	**(671)**	(651)	3.1	**(370)**	(301)	22.9
Cash earnings	**1,633**	1,565	4.3	**869**	764	13.7

Volumes ($bn)						
Housing lending	**202.5**	190.7	6.2	**202.5**	195.8	3.4
Other lending	**6.9**	7.1	(2.8)	**6.9**	7.2	(4.2)
Gross loans and acceptances	**209.4**	197.8	5.9	**209.4**	203.0	3.2
Average interest earning assets	**188.0**	179.3	4.9	**190.5**	185.5	2.7
Total assets	**217.6**	206.0	5.6	**217.6**	211.3	3.0
Customer deposits	**116.3**	110.4	5.3	**116.3**	112.7	3.2
Total risk-weighted assets	**78.2**	64.5	21.2	**78.2**	65.8	18.8

Performance Measures						
Cash earnings on average assets	**0.79%**	0.79%	-	**0.83%**	0.75%	8 bps
Cash earnings on average risk-weighted assets (Consumer Banking)	**1.98%**	2.52%	(54 bps)	**2.06%**	1.92%	14 bps
Net interest margin (Consumer Banking)	**2.07%**	2.07%	-	**2.10%**	2.03%	7 bps
Cost to income ratio (Consumer Banking)	**50.4%**	51.2%	(80 bps)	**49.7%**	51.2%	(150 bps)
Cost to income ratio (Wealth)	**64.7%**	62.2%	250 bps	**61.7%**	67.5%	(580 bps)
Funds under management and administration (FUM/A) (spot) ($m)	**112,935**	107,127	5.4	**112,935**	110,726	2.0
Funds under management and administration (FUM/A) (average) ($m)	**110,106**	105,047	4.8	**112,171**	108,042	3.8
Assets under management (AUM) (spot) ($m)	**195,258**	184,945	5.6	**195,258**	194,157	0.6
Assets under management (AUM) (average) ($m)	**192,655**	183,338	5.1	**195,173**	190,136	2.6
Investment income to average FUM/A (bps) (Wealth)	**62**	71	(9 bps)	**61**	62	(1 bp)
Investment income to average AUM (bps) (Wealth)	**16**	16	-	**15**	17	(2 bps)

	As at		
Asset Quality	**30 Sep 17**	**31 Mar 17**	**30 Sep 16**
90+DPD assets plus gross impaired assets to gross loans and acceptances	**0.74%**	0.75%	0.67%
Bad and doubtful debt charge to gross loans and acceptances (annualised) [(1)]	**0.13%**	0.16%	0.14%

(1) *September 2017 and September 2016 refer to the full year ratio, March 2017 refers to the half year ratio annualised.*

Consumer Banking and Wealth

Financial Analysis

September 2017 v September 2016

Cash earnings increased by $68 million or 4.3%, driven by balance sheet growth and repricing, combined with disciplined expense management while continuing to invest in the business.

Key movements	Key drivers
Net interest income up $175m, 4.7%	• Average interest earning assets increased by $8.7 billion or 4.9% driven by growth in housing lending. • Customer deposits increased by $5.9 billion or 5.3% through an increase in term deposits, on-demand deposits and transactional accounts. • Net interest margin was stable at 2.07%, driven by repricing of housing lending, offset by competitive pressure and increased funding costs which included the impact of the bank levy.
Net investment income down $44m, 4.3%	• Lower margins due to the MySuper plan transitions, consistent with broader industry experience and the change in business mix to lower margin products. • Average FUM/A increased $5.1 billion or 4.8% and average AUM increased by $9.3 billion or 5.1% driven by stronger investment markets.
Other operating income down $18m, 2.9%	• Lower share of an associate's profit.
Operating expenses up $40m, 1.4%	• Continued investment in core banking technology, the mobile platform and the Wealth business. • Partially offset by productivity savings, including a reduction in over the counter branch transactions, as customers migrate to self-service channels and simplification of the Wealth business.
Charge to provide for bad and doubtful debts down $15m, 5.3%	• Lower due to the unsecured lending overlay raised in the prior period. • 90+ DPD assets plus gross impaired assets to gross loans and acceptances increased 7 basis points to 0.74%, reflecting an increase in mortgages 90+DPD. This was mainly due to an increase in 90+ DPD assets in Victoria, New South Wales, and Western Australia. This increase did not materially contribute to charges for bad and doubtful debts.
Risk-weighted assets up $13.7bn, 21.2%	• Increased due to mortgage model changes, combined with housing lending volume growth.

September 2017 v March 2017

Cash earnings increased by $105 million or 13.7%, driven by repricing benefits in the home lending portfolio combined with disciplined expense management and lower charges to provide for bad and doubtful debts.

Key movements	Key drivers
Net interest income up $134m, 7.1%	• Average interest earnings assets increased by $5.0 billion or 2.7% largely due to an increase in housing lending. • Customer deposits increased by $3.6 billion or 3.2% as a result of an increase in on-demand deposits, transactional accounts and term deposits. • Net interest margin increased 7 basis points, driven by repricing benefits and lower funding costs, partially offset by the impact of the bank levy.
Net investment income down $11m, 2.2%	• Lower margins due to MySuper plan transitions, consistent with broader industry experience and the change in business mix to lower margin products. • Average FUM/A increased $4.1 billion or 3.8% and average AUM increased $5.0 billion or 2.6% driven by stronger investment markets and positive flows.
Other operating income down $26m, 8.2%	• Lower share of an associate's profit, combined with lower cards income driven by changes to interchange rates.
Operating expenses down $20m, 1.4%	• Timing and a change in mix of investment spend in the Wealth business. • Productivity savings including a reduction in over the counter branch transactions, as customers migrate to self-service channels, combined with simplification of the Wealth business. • Partially offset by continued investment in our Direct customer servicing teams.
Charge to provide for bad and doubtful debts down $57m, 35.2%	• Seasonally lower charges for the unsecured lending portfolio. • 90+ DPD assets plus gross impaired assets to gross loans and acceptances was broadly stable.
Risk-weighted assets up $12.4bn, 18.8%	• Increased due to mortgage model changes, combined with housing lending volume growth.

Consumer Banking and Wealth

Consumer Banking

	Year to			Half Year to		
	Sep 17 $m	Sep 16 $m	Sep 17 v Sep 16 %	Sep 17 $m	Mar 17 $m	Sep 17 v Mar 17 %
Net interest income	**3,884**	3,709	4.7	**2,009**	1,875	7.1
Other operating income	**565**	560	0.9	**281**	284	(1.1)
Net operating income	**4,449**	4,269	4.2	**2,290**	2,159	6.1
Operating expenses	**(2,242)**	(2,186)	2.6	**(1,137)**	(1,105)	2.9
Underlying profit	**2,207**	2,083	6.0	**1,153**	1,054	9.4
Charge to provide for bad and doubtful debts	**(267)**	(282)	(5.3)	**(105)**	(162)	(35.2)
Cash earnings before tax	**1,940**	1,801	7.7	**1,048**	892	17.5
Income tax expense	**(581)**	(544)	6.8	**(313)**	(268)	16.8
Cash earnings	**1,359**	1,257	8.1	**735**	624	17.8

Wealth

	Year to			Half Year to		
	Sep 17 $m	Sep 16 $m	Sep 17 v Sep 16 %	Sep 17 $m	Mar 17 $m	Sep 17 v Mar 17 %
Net investment income	**987**	1,031	(4.3)	**488**	499	(2.2)
Other operating income	**45**	68	(33.8)	**11**	34	(67.6)
Net operating income	**1,032**	1,099	(6.1)	**499**	533	(6.4)
Operating expenses	**(668)**	(684)	(2.3)	**(308)**	(360)	(14.4)
Cash earnings before tax	**364**	415	(12.3)	**191**	173	10.4
Income tax expense	**(90)**	(107)	(15.9)	**(57)**	(33)	72.7
Cash earnings	**274**	308	(11.0)	**134**	140	(4.3)

Business and Private Banking

Business and Private Banking focusses on serving priority small and medium (SME) customers via the NAB Business franchise and specialist services in key segments including Agriculture, Health, Government, Education, Community and Franchise. The division also serves NAB's micro and small business customers and includes Private Banking and JBWere.

	Year to			Half Year to		
	Sep 17 $m	**Sep 16 $m**	**Sep 17 v Sep 16 %**	**Sep 17 $m**	**Mar 17 $m**	**Sep 17 v Mar 17 %**
Net interest income	**5,257**	4,955	6.1	**2,693**	2,564	5.0
Other operating income	**1,062**	1,048	1.3	**536**	526	1.9
Net operating income	**6,319**	6,003	5.3	**3,229**	3,090	4.5
Operating expenses	**(2,084)**	(2,045)	1.9	**(1,046)**	(1,038)	0.8
Underlying profit	**4,235**	3,958	7.0	**2,183**	2,052	6.4
Charge to provide for bad and doubtful debts	**(180)**	(140)	28.6	**(82)**	(98)	(16.3)
Cash earnings before tax	**4,055**	3,818	6.2	**2,101**	1,954	7.5
Income tax expense	**(1,214)**	(1,145)	6.0	**(628)**	(586)	7.2
Cash earnings	**2,841**	2,673	6.3	**1,473**	1,368	7.7

Volumes ($bn)						
Housing lending	**90.4**	88.0	2.7	**90.4**	89.7	0.8
Business lending	**100.0**	96.9	3.2	**100.0**	97.8	2.2
Other lending	**3.3**	3.3	-	**3.3**	3.0	10.0
Gross loans and acceptances	**193.7**	188.2	2.9	**193.7**	190.5	1.7
Average interest earning assets	**182.7**	177.3	3.0	**184.7**	180.8	2.2
Total assets	**192.8**	187.2	3.0	**192.8**	189.8	1.6
Customer deposits	**130.0**	123.5	5.3	**130.0**	127.0	2.4
Total risk-weighted assets	**112.2**	112.1	0.1	**112.2**	111.1	1.0

Performance Measures						
Cash earnings on average assets	**1.49%**	1.46%	3 bps	**1.53%**	1.46%	7 bps
Cash earnings on average risk-weighted assets	**2.53%**	2.54%	(1 bp)	**2.62%**	2.45%	17 bps
Net interest margin	**2.88%**	2.79%	9 bps	**2.91%**	2.84%	7 bps
Cost to income ratio	**33.0%**	34.1%	(110 bps)	**32.4%**	33.6%	(120 bps)

	As at		
Asset Quality	**30 Sep 17**	**31 Mar 17**	**30 Sep 16**
90+DPD assets plus gross impaired assets to gross loans and acceptances	**0.76%**	0.79%	0.75%
Bad and doubtful debt charge to gross loans and acceptances (annualised) (1)	**0.09%**	0.10%	0.07%

(1) *September 2017 and September 2016 refer to the full year ratio, March 2017 refers to the half year ratio annualised.*

Business and Private Banking

Financial Analysis

September 2017 v September 2016

Cash earnings increased by $168 million or 6.3% driven by balance sheet growth and repricing benefits in the lending portfolio, combined with disciplined expense management while continuing to invest in the business.

Key movements	Key drivers
Net interest income up $302m, 6.1%	• Average interest earnings assets increased by $5.4 billion or 3.0% due to growth in both housing and business lending largely driven by NAB's Specialised businesses as NAB continues to leverage its deep industry specialisations and strong market position. • Customer deposits increased by $6.5 billion or 5.3% mainly due to growth in on-demand business savings and business transaction accounts, combined with term deposits reflecting a continued focus on quality of deposits. • Net interest margin increased by 9 basis points mainly due to repricing benefits on lending and lower funding costs. This was partly offset by the impact of the bank levy.
Other operating income up $14m, 1.3%	• Higher lending fees from continued improvement in fee collection, combined with higher JBWere income. • Lower customer risk management income driven by competitive pressures impacting margins.
Operating expenses up $39m, 1.9%	• Continued investment in technology and associated depreciation and amortisation charges, partly offset by productivity savings including digitisation, procurement savings and simplifying the business.
Charge to provide for bad and doubtful debts up $40m, 28.6%	• Asset quality remains sound. • Higher collective provision write-backs were recognised in the September 2016 full year. • Lower specific provision charges as a result of a reduction in the number of individual impaired exposures.
Risk-weighted assets up $0.1bn or 0.1%.	• The increase was due to volume growth offset by improved credit quality and data quality management.

September 2017 v March 2017

Cash earnings increased by $105 million or 7.7% driven by balance sheet growth and repricing benefits in the lending portfolio, combined with disciplined expense management and stable asset quality.

Key movements	Key drivers
Net interest income up $129m, 5.0%	• Average interest earnings assets increased by $3.9 billion or 2.2% due to growth in both housing and business lending with growth across key customer segments. • Customer deposits increased by $3.0 billion or 2.4% mainly due to growth in on-demand business savings and business transaction accounts, combined with term deposits reflecting a continued focus on quality of deposits. • Net interest margin increased by 7 basis points due to repricing benefits on lending and lower funding costs. This was partly offset by the impact of the bank levy.
Other operating income up $10m, 1.9%	• Increased lending fees due to improved fee collection rates on both housing and business lending and increased volume growth. • Higher customer risk management income driven by increased volumes.
Operating expenses up $8m, 0.8%	• Continued investment in technology and associated depreciation and amortisation charges, partly offset by productivity savings including digitisation, procurement savings and simplifying the business.
Charge to provide for bad and doubtful debts down $16m, 16.3%	• Asset quality remains sound with the 90+ DPD and impaired assets to gross loans and advances decreasing by 3 basis points to 0.76% reflecting an improvement in 90+ DPD. • Lower specific provision charges as a result of a reduction in the number of individual impaired exposures.
Risk-weighted assets up $1.1bn, 1.0%	• The increase was due to volume growth, partially offset by improved credit quality and data quality management.

Corporate and Institutional Banking

Corporate and Institutional Banking provides a range of lending and transactional products and services related to financial and debt capital markets, specialised capital, custody and alternative investments. The division serves its customers in Australia and globally through branches in the US, UK and Asia with specialised industry relationships and product teams.

	Year to			Half Year to		
	Sep 17 $m	Sep 16 $m	Sep 17 v Sep 16 %	Sep 17 $m	Mar 17 $m	Sep 17 v Mar 17 %
Net interest income	**1,972**	1,919	2.8	**1,019**	953	6.9
Other operating income	**1,368**	1,427	(4.1)	**607**	761	(20.2)
Net operating income	**3,340**	3,346	(0.2)	**1,626**	1,714	(5.1)
Operating expenses	**(1,236)**	(1,298)	(4.8)	**(605)**	(631)	(4.1)
Underlying profit	**2,104**	2,048	2.7	**1,021**	1,083	(5.7)
Charge to provide for bad and doubtful debts	**(37)**	(217)	(82.9)	**(23)**	(14)	64.3
Cash earnings before tax	**2,067**	1,831	12.9	**998**	1,069	(6.6)
Income tax expense	**(532)**	(464)	14.7	**(254)**	(278)	(8.6)
Cash earnings	**1,535**	1,367	12.3	**744**	791	(5.9)

Net operating income						
Lending and deposits income	**1,986**	1,927	3.1	**1,012**	973	4.0
Markets income (ex derivative valuation adjustments)	**903**	922	(2.1)	**427**	476	(10.3)
Derivative valuation adjustments [(1)]	**24**	51	(52.9)	**(22)**	46	large
Other income	**427**	446	(4.3)	**209**	219	(4.6)
Total net operating income	**3,340**	3,346	(0.2)	**1,626**	1,714	(5.1)

(1) *Derivative valuation adjustments consist of credit valuation adjustments and funding valuation adjustments.*

Volumes ($bn)						
Capital financing	**26.8**	24.8	8.1	**26.8**	25.5	5.1
Business lending	**58.7**	60.0	(2.2)	**58.7**	57.6	1.9
Other lending	**2.5**	2.7	(7.4)	**2.5**	2.5	-
Gross loans and acceptances	**88.0**	87.5	0.6	**88.0**	85.6	2.8
Average interest earning assets	**239.0**	235.9	1.3	**242.9**	235.1	3.3
Total assets	**259.3**	257.3	0.8	**259.3**	258.2	0.4
Customer deposits	**97.0**	94.1	3.1	**97.0**	93.7	3.5
Total risk-weighted assets	**114.7**	124.3	(7.7)	**114.7**	114.2	0.4

Performance Measures						
Cash earnings on average assets	**0.55%**	0.50%	5 bps	**0.53%**	0.58%	(5 bps)
Cash earnings on average risk-weighted assets	**1.30%**	1.06%	24 bps	**1.30%**	1.30%	-
Net interest margin	**0.83%**	0.81%	2 bps	**0.84%**	0.81%	3 bps
Net interest margin (ex markets)	**1.56%**	1.50%	6 bps	**1.58%**	1.53%	5 bps
Cost to income ratio	**37.0%**	38.8%	(180 bps)	**37.2%**	36.8%	40 bps

	As at		
Asset Quality	30 Sep 17	31 Mar 17	30 Sep 16
90+DPD assets plus gross impaired assets to gross loans and acceptances	**0.34%**	0.53%	0.77%
Bad and doubtful debt charge to gross loans and acceptances (annualised) [(1)]	**0.04%**	0.03%	0.25%

(1) *September 2017 and September 2016 refer to the full year ratio, March 2017 refers to the half year ratio annualised.*

Corporate and Institutional Banking

Financial Analysis

September 2017 v September 2016

Cash earnings increased by $168 million or 12.3% reflecting a decline in operating expenses and bad and doubtful debts. Revenue was flat with growth in business lending and lower funding costs offset by lower sales of customer risk management products.

Key movements	Key drivers
Net interest income up $53m, 2.8%	• Strengthening of the Australian dollar resulted in lower net interest income of $18 million. • Gross loans and acceptances increased by $0.5 billion or 0.6% reflecting $2.0 billion or 8.1% growth in higher margin Capital Finance lending partially offset by a decline of $1.3 billion in lower margin institutional loans. • Customer deposits increased by $2.9 billion or 3.1% reflecting growth in at-call accounts and continued focus on the quality of deposits. • Includes a decrease of $47 million which is offset by movements in economic hedges in other operating income. • Net interest margin (ex markets) increased by 6 basis points to 1.56% due to lower funding costs and improved lending margins including results of returns focussed portfolio management, partially offset by the impact of the bank levy.
Other operating income down $59m, 4.1%	• Strengthening of the Australian dollar resulted in lower other operating income of $38 million. • Lower sales of customer risk management products as a result of lower market volatility and unfavourable movements in derivative valuation adjustments of $27 million. • Includes an increase of $47 million due to movements of economic hedges in trading income offset in net interest income.
Operating expenses down $62m, 4.8%	• Strengthening of the Australian dollar resulted in lower operating expenses of $28 million. • Productivity and FTE savings from restructuring operations. • Simplification of infrastructure and back office support services.
Charge to provide for bad and doubtful debts down $180m, 82.9%	• Credit quality improvement and lower charges relating to the impairment of a small number of large exposures.
Risk-weighted assets down $9.6bn, 7.7%	• Returns focussed portfolio management and optimisation initiatives undertaken in the markets and trading businesses as well as a favourable currency translation impact.

Corporate and Institutional Banking

Financial Analysis (continued)

September 2017 v March 2017

Cash earnings decreased $47 million or 5.9% driven by lower trading performance partially offset by increased revenue from institutional business lending and lower funding costs combined with disciplined expense management.

Key movements	Key drivers
Net interest income up $66m, 6.9%	• Gross loans and acceptances increased by $2.4 billion or 2.8% reflecting $1.3 billion growth in higher margin Capital Finance lending and $1.1 billion in institutional lending. • Customer deposits increased by $3.3 billion or 3.5% reflecting growth in at-call accounts and continued focus on quality deposits. • The impact of foreign exchange movements and offsets in economic hedges to other operating income are immaterial. • Net interest margin (ex markets) increased 5 basis points to 1.58% due to lower funding costs and improved lending margins including results of returns focussed portfolio management, partially offset by the impact of the bank levy.
Other operating income down $154m, 20.2%	• Lower trading results following a strong performance in the March 2017 half year. • Unfavourable movements in derivative valuation adjustments due to changes in valuation methodology related to trading business in New Zealand and hedging outcomes. • Recognition of higher Capital Finance fees in the March 2017 half year. • The impact of foreign exchange movements and offsets in economic hedges to net interest income was immaterial.
Operating expenses down $26m, 4.1%	• Productivity and FTE savings from restructuring operations. • Simplifying infrastructure and back office support services.
Charge to provide for bad and doubtful debts up $9m, 64.3%	• Downgrading of customer credit ratings for a small number of larger exposures in the September 2017 half year, partially offset by a smaller number of large impairments.
Risk-weighted assets up $0.5bn, 0.4%	• Growth in line with volumes of gross loans and advances partially offset by returns focussed portfolio management.

New Zealand Banking

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

Results presented in local currency. See page 52 for results in Australian dollars and page 102 for foreign exchange rates.

	Year to			Half Year to		
	Sep 17 $m	**Sep 16 $m**	**Sep 17 v Sep 16 %**	**Sep 17 $m**	**Mar 17 $m**	**Sep 17 v Mar 17 %**
Net interest income	**1,692**	1,607	5.3	**869**	823	5.6
Other operating income	**565**	574	(1.6)	**285**	280	1.8
Net operating income	**2,257**	2,181	3.5	**1,154**	1,103	4.6
Operating expenses	**(882)**	(867)	1.7	**(449)**	(433)	3.7
Underlying profit	**1,375**	1,314	4.6	**705**	670	5.2
Charge to provide for bad and doubtful debts	**(71)**	(125)	(43.2)	**(31)**	(40)	(22.5)
Cash earnings before tax	**1,304**	1,189	9.7	**674**	630	7.0
Income tax expense	**(363)**	(325)	11.7	**(188)**	(175)	7.4
Cash earnings	**941**	864	8.9	**486**	455	6.8

Volumes ($bn)						
Housing lending	**37.4**	35.1	6.6	**37.4**	36.2	3.3
Business lending	**40.4**	37.7	7.2	**40.4**	38.7	4.4
Other lending	**1.3**	1.3	-	**1.3**	1.3	-
Gross loans and acceptances	**79.1**	74.1	6.7	**79.1**	76.2	3.8
Average interest earning assets	**77.7**	71.9	8.1	**78.6**	76.6	2.6
Total assets	**82.6**	77.5	6.6	**82.6**	79.8	3.5
Customer deposits	**55.1**	50.5	9.1	**55.1**	53.0	4.0
Total risk-weighted assets	**57.8**	57.5	0.5	**57.8**	57.7	0.2

Performance Measures						
Cash earnings on average assets	**1.18%**	1.17%	1 bp	**1.20%**	1.16%	4 bps
Cash earnings on average risk-weighted assets	**1.63%**	1.57%	6 bps	**1.68%**	1.59%	9 bps
Net interest margin	**2.18%**	2.24%	(6 bps)	**2.21%**	2.15%	6 bps
Cost to income ratio	**39.1%**	39.8%	(70 bps)	**38.9%**	39.3%	(40 bps)
FTEs (spot)	**4,732**	4,963	(4.7)	**4,732**	4,788	(1.2)

	As at	
Market Share [(1)]	**30 Sep 17**	**31 Mar 17**
Housing lending	**15.6%**	15.6%
Agribusiness	**22.5%**	22.3%
Business lending	**23.8%**	23.5%
Retail deposits	**18.1%**	17.9%

(1) Source: RBNZ September 2017 based on a three month rolling weighted average. RBNZ published data collection has changed based on a new collection template implemented across all NZ Banks. The new categories are not on a comparable basis to September 2016.

	As at		
Distribution	**30 Sep 17**	**31 Mar 17**	**30 Sep 16**
Number of retail branches	**158**	161	171
Number of ATMs	**549**	488	478
Number of internet banking customers (no. '000s)	**757**	745	723

	As at		
Asset Quality	**30 Sep 17**	**31 Mar 17**	**30 Sep 16**
90+DPD assets plus gross impaired assets to gross loans and acceptances [(1)]	**0.79%**	1.61%	1.69%
Bad and doubtful debt charge to gross loans and acceptances (annualised) [(2)]	**0.09%**	0.10%	0.17%

(1) Gross impaired assets include NZ$222 million, (March 2017: NZ$795 million, September 2016: NZ$823 million) of NZ Banking dairy exposures currently assessed as no loss based on security held. Collective provisions are held against these loans.

(2) September 2017 and September 2016 refer to the full year ratio, March 2017 refers to the half year ratio annualised.

New Zealand Banking

Financial Analysis (in local currency)

September 2017 v September 2016

Cash earnings increased by NZ$77 million or 8.9% driven by higher net interest income and lower charges to provide for bad and doubtful debts, partially offset by lower operating income and higher expenses.

Key movements	Key drivers
Net interest income up $85m, 5.3%	• Gross loans and acceptances increased by $5.0 billion or 6.7% due to strong growth in both housing and business lending. Growth in the Auckland market and broker channel contributed to the overall growth in the housing portfolio, while business lending growth outperformed system. • Customer deposits increased by $4.6 billion or 9.1% reflecting a continued focus on the importance of funding asset growth with new deposit growth. • Net interest margin decreased by 6 basis points mainly due to lower earnings on capital as a result of a low interest rate environment and a competitive market for deposits. This was partly offset by improved lending margins.
Other operating income down $9m, 1.6%	• Lower revenue in the credit card portfolio and life insurance business. • Fee waivers for Internet Banking for Business customers. • Partly offset by an increase in merchant service fee income.
Operating expenses up $15m, 1.7%	• Continued investment in digital capabilities to enhance frontline efficiency and customer experience combined with depreciation and amortisation charges, partly offset by productivity savings across the business.
Charge to provide for bad and doubtful debts down $54m, 43.2%	• Recovery in the dairy portfolio, partially offset by increased collective provisioning coverage across other sectors in the portfolio. • 90+DPD assets plus gross impaired assets to gross loans and acceptances decreased by 90 basis points mainly due to a significant decrease in gross impaired assets relating to dairy exposures.
Risk-weighted assets up $0.3bn, 0.5%	• An increase in gross loans and acceptances was largely offset by an improvement in the dairy portfolio compared to the prior year.

September 2017 v March 2017

Cash earnings increased by NZ$31 million or 6.8% driven by improved revenue and charges to provide for bad and doubtful debts, partially offset by higher expenses.

Key movements	Key drivers
Net interest income up $46m, 5.6%	• Gross loans and acceptances increased by $2.9 billion or 3.8% due to solid growth in both housing and business lending. • Customer deposits increased by $2.1 billion or 4.0% reflecting a continued focus on the importance of funding asset growth with new deposit growth. • Net interest margin increased by 6 basis points due to improved lending margins, partially offset by lower earnings on capital.
Other operating income up $5m, 1.8%	• Increased market sales fee income. • Higher wealth income following growth in funds under management. • Increase in merchant service fee income and improvement in the credit card portfolio.
Operating expenses up $16m, 3.7%	• Continued investment in digital capabilities to enhance frontline efficiency and customer experience combined with depreciation and amortisation charges, partly offset by productivity savings across the business.
Charge to provide for bad and doubtful debts down $9m, 22.5%	• Recovery in the dairy portfolio, partially offset by increased collective provisioning coverage across other sectors in the portfolio. • 90+DPD assets plus gross impaired assets to gross loans and acceptances decreased by 82 basis points mainly due to a significant decrease in gross impaired assets relating to dairy exposures.
Risk-weighted assets up $0.1bn, 0.2%.	• An increase in gross loans and acceptances was largely offset by an improvement in the dairy portfolio.

New Zealand Banking

Results presented in Australian dollars. *See page 50 for results in local currency.*

	Year to			Half Year to		
	Sep 17 $m	Sep 16 $m	Sep 17 v Sep 16 %	Sep 17 $m	Mar 17 $m	Sep 17 v Mar 17 %
Net interest income	**1,586**	1,496	6.0	**810**	776	4.4
Other operating income	**530**	533	(0.6)	**266**	264	0.8
Net operating income	**2,116**	2,029	4.3	**1,076**	1,040	3.5
Operating expenses	**(827)**	(806)	2.6	**(419)**	(408)	2.7
Underlying profit	**1,289**	1,223	5.4	**657**	632	4.0
Charge to provide for bad and doubtful debts	**(67)**	(116)	(42.2)	**(29)**	(38)	(23.7)
Cash earnings before tax	**1,222**	1,107	10.4	**628**	594	5.7
Income tax expense	**(340)**	(303)	12.2	**(175)**	(165)	6.1
Cash earnings	**882**	804	9.7	**453**	429	5.6

Impact of foreign exchange rate movements

Favourable/ (unfavourable) September 17	Year since Sep 16 $m	Sep 17 v Sep 16 Ex FX %	Half Year since Mar 17 $m	Sep 17 v Mar 17 Ex FX %
Net interest income	**11**	5.3	**(10)**	5.7
Other operating income	**4**	(1.3)	**(3)**	1.9
Operating expenses	**(6)**	1.9	**5**	3.9
Charge to provide for bad and doubtful debts	**(1)**	(43.1)	**-**	(23.7)
Income tax expense	**(2)**	11.6	**2**	7.3
Cash earnings	**6**	9.0	**(6)**	7.0

Corporate Functions and Other

The Group's 'Corporate Functions' business includes functions that support all businesses including Treasury and Other Corporate Functions activities. Treasury acts as the central vehicle for movements of capital and structural funding to support the Group's operations, together with capital, balance sheet management and the liquid asset portfolio. Other Corporate Functions activities include Technology and Operations and Support Units.

	Year to			Half Year to		
	Sep 17 $m	Sep 16 $m	Sep 17 v Sep 16 %	Sep 17 $m	Mar 17 $m	Sep 17 v Mar 17 %
Net operating income	665	738	(9.9)	312	353	(11.6)
Operating expenses	(604)	(470)	28.5	(341)	(263)	29.7
Underlying profit	61	268	(77.2)	(29)	90	large
Charge to provide for bad and doubtful debts	(259)	(45)	large	(177)	(82)	large
Cash (deficit) / earnings before tax and distributions	(198)	223	large	(206)	8	large
Income tax benefit / (expense)	47	(25)	large	64	(17)	large
Cash (deficit) / earnings before distributions	(151)	198	large	(142)	(9)	large
Distributions	(98)	(124)	(21.0)	(49)	(49)	-
Cash (deficit) / earnings	(249)	74	large	(191)	(58)	large

Corporate Functions

Financial Analysis

September 2017 v September 2016

Cash earnings decreased by $323 million compared to the September 2016 full year. This decrease was mainly due to redundancy costs recognised centrally and higher collective provision overlays within the Australian portfolio.

Key movements	Key drivers
Net operating income down $73m, 9.9%	• Lower income mainly from capital management, funding, and risk management activities within Treasury and non-recurring asset sales in 2016.
Operating expenses up $134m, 28.5%	• Higher redundancy costs related to productivity initiatives. • Provisions for regulatory remediation and legal costs.
Charge to provide for bad and doubtful debts up $214m	• Collective provision overlays largely related to retail trade, commercial real estate and mortgages.
Distributions down $26m, 21.0%	• Lower number of equity instruments held during the period following the redemption of the National Capital Instruments in the September 2017 full year.

September 2017 v March 2017

Cash earnings decreased by $133 million compared to the March 2017 half year. This decrease was driven mainly by higher regulatory costs and higher collective provision overlays within the Australian portfolio.

Key movements	Key drivers
Net operating income down $41m, 11.6%	• Lower income from funding and risk management activities within Treasury.
Operating expenses up $78m, 29.7%	• Higher redundancy costs related to productivity initiatives. • Provisions for regulatory remediation and legal costs.
Charge to provide for bad and doubtful debts up $95m	• Increased collective provision overlays mainly for mortgages and retail trade.
No change in distributions	• Distributions have remained stable over the half.

This page has been left blank intentionally.

Section 5

Financial Report

Consolidated Financial Statements

Income Statement [1]

		Year to		Half Year to	
		Sep 17	**Sep 16**	**Sep 17**	**Mar 17**
	Note	**$m**	**$m**	**$m**	**$m**
Interest income		**27,403**	27,629	**14,052**	13,351
Interest expense		**(14,221)**	(14,699)	**(7,267)**	(6,954)
Net interest income		**13,182**	12,930	**6,785**	6,397
Other income	3	**4,842**	5,192	**2,600**	2,242
Operating expenses	4	**(8,539)**	(8,331)	**(4,283)**	(4,256)
Charge to provide for bad and doubtful debts	8	**(824)**	(813)	**(425)**	(399)
Profit before income tax		**8,661**	8,978	**4,677**	3,984
Income tax expense	5	**(2,480)**	(2,553)	**(1,354)**	(1,126)
Net profit for the period from continuing operations		**6,181**	6,425	**3,323**	2,858
Net loss after tax for the period from discontinued operations	14	**(893)**	(6,068)	**(581)**	(312)
Net profit for the period		**5,288**	357	**2,742**	2,546
Profit attributable to non-controlling interests		**3**	5	**2**	1
Net profit attributable to owners of NAB		**5,285**	352	**2,740**	2,545

	cents	**cents**	**cents**	**cents**
Basic earnings per share	**194.7**	8.8	**100.8**	93.9
Diluted earnings per share	**189.1**	15.5	**97.7**	91.7

	cents	**cents**	**cents**	**cents**
Basic earnings per share from continuing operations	**228.2**	242.4	**122.5**	105.6
Diluted earnings per share from continuing operations	**220.1**	232.7	**117.9**	102.6

(1) *Information is presented on a continuing operations basis.*

Statement of Comprehensive Income [1]

		Year to		Half Year to	
		Sep 17	Sep 16	Sep 17	Mar 17
	Note	$m	$m	$m	$m
Net profit for the period from continuing operations		**6,181**	6,425	**3,323**	2,858
Other comprehensive income					
Items that will not be reclassified to profit or loss					
Fair value changes on financial liabilities designated at fair value attributable to the Group's own credit risk	11	**11**	(113)	**(56)**	67
Revaluation of land and buildings		**1**	(1)	**1**	-
Currency adjustments on translation of other contributed equity		**4**	(183)	**31**	(27)
Equity instruments at fair value through other comprehensive income reserve:					
Revaluation (losses) / gains		**(1)**	(51)	**2**	(3)
Tax on items transferred directly to equity		**31**	23	**21**	10
Total items that will not be reclassified to profit or loss		**46**	(325)	**(1)**	47
Items that will be reclassified subsequently to profit or loss					
Cash flow hedges:					
(Losses) / gains on cash flow hedging instruments		**(115)**	38	**14**	(129)
Losses / (gains) transferred to the income statement		**1**	(6)	**(6)**	7
Foreign currency translation reserve:					
Currency adjustments on translation of foreign operations, net of hedging		**(273)**	249	**58**	(331)
Transfer to the income statement on disposal of foreign operations		**(10)**	-	**(10)**	-
Debt instruments at fair value through other comprehensive income reserve:					
Revaluation gains / (losses)		**25**	14	**(47)**	72
Gains from sale transferred to the income statement		**(3)**	(16)	**(1)**	(2)
Change in loss allowance on debt instruments at fair value through other comprehensive income		**(1)**	4	**(2)**	1
Tax on items transferred directly to equity		**17**	22	**8**	9
Total items that will be reclassified subsequently to profit or loss		**(359)**	305	**14**	(373)
Other comprehensive income for the period, net of income tax		**(313)**	(20)	**13**	(326)
Total comprehensive income for the period from continuing operations		**5,868**	6,405	**3,336**	2,532
Net loss for the period from discontinued operations	14	**(893)**	(6,068)	**(581)**	(312)
Other comprehensive income for the period from discontinued operations, net of income tax		**-**	979	**-**	-
Total comprehensive income for the period		**4,975**	1,316	**2,755**	2,220
Attributable to owners of NAB		**4,972**	1,311	**2,753**	2,219
Attributable to non-controlling interests		**3**	5	**2**	1

(1) *Information is presented on a continuing operations basis.*

Balance Sheet

	Note	30 Sep 17 $m	31 Mar 17 $m	30 Sep 16 $m
		As at		
Assets				
Cash and liquid assets		**43,826**	40,373	30,630
Due from other banks		**37,066**	53,725	45,236
Trading derivatives (1)		**29,137**	33,176	43,146
Trading securities		**50,954**	48,501	45,971
Debt instruments at fair value through other comprehensive income		**42,131**	43,499	40,689
Other financial assets at fair value		**16,058**	18,520	21,496
Hedging derivatives (1)		**3,892**	5,625	6,741
Loans and advances		**540,125**	520,954	510,045
Due from customers on acceptances		**6,786**	8,548	12,205
Current tax assets		**-**	133	-
Property, plant and equipment		**1,315**	1,337	1,423
Goodwill and other intangible assets		**5,601**	5,393	5,302
Deferred tax assets		**1,988**	1,711	1,925
Other assets (1) (2) (3)		**9,446**	7,825	11,901
Total assets		**788,325**	789,320	776,710
Liabilities				
Due to other banks		**36,683**	47,618	43,903
Trading derivatives (1)		**27,187**	33,988	41,559
Other financial liabilities at fair value		**29,631**	28,161	33,224
Hedging derivatives (1)		**1,674**	3,479	3,402
Deposits and other borrowings	**10**	**500,604**	487,252	459,714
Current tax liabilities		**230**	-	297
Provisions		**1,961**	1,381	1,432
Bonds, notes and subordinated debt		**124,871**	124,027	127,942
Other debt issues		**6,187**	6,205	6,248
Other liabilities (1) (4)		**7,980**	6,353	7,674
Total liabilities		**737,008**	738,464	725,395
Net assets		**51,317**	50,856	51,315
Equity				
Contributed equity	**11**	**34,627**	34,341	34,285
Reserves	**11**	**237**	170	629
Retained profits	**11**	**16,442**	16,334	16,378
Total equity (parent entity interest)		**51,306**	50,845	51,292
Non-controlling interest in controlled entities		**11**	11	23
Total equity		**51,317**	50,856	51,315

(1) *The prior period comparative information has been restated to reflect a change in presentation of interest accrual on certain derivative assets and derivative liabilities, which is now presented within derivative assets and derivative liabilities (previously included in other assets and other liabilities).*

(2) *The prior period comparative information has been restated following a reclassification of investments relating to life insurance business into other assets.*

(3) *Includes cash collateral placed with third parties, accrued interest receivable, other debt instruments at amortised cost, equity instruments at fair value through other comprehensive income and investments in associates.*

(4) *Includes cash collateral received from third parties, payables and accrued expenses and accrued interest payable.*

Condensed Cash Flow Statement

		Year to		Half Year to	
	Note	Sep 17 $m	Sep 16 $m	Sep 17 $m	Mar 17 $m
Cash flows from operating activities					
Interest received		**27,176**	28,338	**13,938**	13,238
Interest paid		**(14,315)**	(15,592)	**(7,270)**	(7,045)
Dividends received		**36**	21	**29**	7
Income tax paid		**(2,544)**	(3,148)	**(1,234)**	(1,310)
Other cash flows from operating activities before changes in operating assets and liabilities		**(6,639)**	(8,205)	**(4,862)**	(1,777)
Changes in operating assets and liabilities arising from cash flow movements [(1)]		**9,503**	13,046	**(6,169)**	15,672
Net cash provided by / (used in) operating activities [(2)]		**13,217**	14,460	**(5,568)**	18,785
Net cash (used in) / provided by investing activities [(3)]		**(313)**	(9,970)	**1,284**	(1,597)
Cash flows from financing activities					
Repayments of bonds, notes and subordinated debt [(1)]		**(32,426)**	(29,543)	**(15,058)**	(17,368)
Proceeds from issue of bonds, notes and subordinated debt, net of costs [(1)]		**37,318**	43,521	**17,963**	19,355
Repayments of other contributed equity		**(400)**	-	**-**	(400)
Proceeds from other debt issues, net of costs		**-**	111	**-**	-
Repayment of other debt issues		**(73)**	-	**(33)**	(40)
Dividends and distributions paid (excluding dividend reinvestment plan)		**(4,750)**	(4,593)	**(2,397)**	(2,353)
Net cash (used in) / provided by financing activities		**(331)**	9,496	**475**	(806)
Net increase / (decrease) in cash and cash equivalents		**12,573**	13,986	**(3,809)**	16,382
Cash and cash equivalents at beginning of period		**27,960**	20,528	**43,917**	27,960
Effects of exchange rate changes on balance of cash held in foreign currencies		**(733)**	(6,554)	**(308)**	(425)
Cash and cash equivalents at end of period	12	**39,800**	27,960	**39,800**	43,917

(1) *Comparative information has been restated to reflect the reclassification of cash flows relating to bonds, notes and subordinate debt at fair value from changes in operating assets and liabilities arising from cash flow movements, to repayment of and proceeds from bonds, notes and subordinate debt.*

(2) *The year to 30 September 2017 includes cash outflows related to the Group's discontinued operations, being $334 million (March 2017: $64 million) related to CYBG and $134 million (March 2017: $78 million) related to Wealth's life insurance business.*

(3) *Net cash provided by / (used in) investing activities includes a $2,255 million cash inflow (September 2016 $11,780 million cash outflow) being proceeds from the sale of controlled entities, net of cash disposed. The March 2017 amount ($2,206 million) includes proceeds from the sale of 80% of Wealth's life insurance business which were accrued at 30 September 2016.*

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 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:						
Contributions by and distributions to owners						
Issue of ordinary shares	596	-	-	596	-	**596**
Treasury shares adjustment relating to life insurance business [2]	1,517	-	-	1,517	-	**1,517**
Transfer from / (to) retained profits	-	(91)	91	-	-	**-**
Transfer from equity-based compensation reserve	166	(166)	-	-	-	**-**
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	(2,645)	-	-	(2,645)	-	**(2,645)**
Released on divestment of discontinued operations	-	(6)	6	-	-	**-**
Changes in ownership interests [3]						
Movement of non-controlling interest in controlled entities	-	-	-	-	4	**4**
Balance at 30 September 2016	34,285	629	16,378	51,292	23	**51,315**
Net profit for the year from continuing operations	-	-	6,178	6,178	3	**6,181**
Net loss for the year from discontinued operations	-	-	(893)	(893)	-	**(893)**
Other comprehensive income for the year from continuing operations	-	(356)	43	(313)	-	**(313)**
Total comprehensive income for the year	-	(356)	5,328	4,972	3	**4,975**
Transactions with owners, recorded directly in equity:						
Contributions by and distributions to owners						
Issue of ordinary shares	569	-	-	569	-	**569**
Redemption of National Capital Instruments [4]	(397)	-	(3)	(400)	-	**(400)**
Transfer from / (to) retained profits	-	(53)	53	-	-	**-**
Transfer from equity-based compensation reserve	170	(170)	-	-	-	**-**
Equity-based compensation	-	187	-	187	-	**187**
Dividends paid	-	-	(5,216)	(5,216)	(5)	**(5,221)**
Distributions on other equity instruments	-	-	(98)	(98)	-	**(98)**
Changes in ownership interests [3]						
Movement of non-controlling interest in controlled entities	-	-	-	-	(10)	**(10)**
Balance at 30 September 2017	34,627	237	16,442	51,306	11	**51,317**

(1) *Refer to Note 11 Contributed equity and reserves.*
(2) *Relates to shares in NAB previously held by Wealth's life insurance business which are no longer held by a controlled entity of the Group.*
(3) *Changes in ownership interests in controlled entities that does not result in a loss of control.*
(4) *National Capital Instruments were fully redeemed on 4 October 2016.*

Statement of Changes in Equity

Group – Half Yearly

	Contributed equity[1]	Reserves[1]	Retained profits[1]	Total	Non-controlling interest in controlled entities	Total equity
	$m	$m	$m	$m	$m	$m
Balance at 1 October 2016	34,285	629	16,378	51,292	23	**51,315**
Net profit for the period from continuing operations	-	-	2,857	2,857	1	**2,858**
Net loss for the period from discontinued operations	-	-	(312)	(312)	-	**(312)**
Other comprehensive income for the period from continuing operations	-	(403)	77	(326)	-	**(326)**
Total comprehensive income for the period	-	(403)	2,622	2,219	1	**2,220**
Transactions with owners, recorded directly in equity:						
Contributions by and distributions to owners						
Issue of ordinary shares	294	-	-	294	-	**294**
Redemption of National Capital Instruments [2]	(397)	-	(3)	(400)	-	**(400)**
Transfer from / (to) retained profits	-	19	(19)	-	-	**-**
Transfer from equity-based compensation reserve	159	(159)	-	-	-	**-**
Equity-based compensation	-	84	-	84	-	**84**
Dividends paid	-	-	(2,595)	(2,595)	(3)	**(2,598)**
Distributions on other equity instruments	-	-	(49)	(49)	-	**(49)**
Changes in ownership interests [3]						
Movement of non-controlling interest in controlled entities	-	-	-	-	(10)	**(10)**
Balance at 31 March 2017	34,341	170	16,334	50,845	11	**50,856**
Net profit for the period from continuing operations	-	-	3,321	3,321	2	**3,323**
Net loss for the period from discontinued operations	-	-	(581)	(581)	-	**(581)**
Other comprehensive income for the period from continuing operations	-	47	(34)	13	-	**13**
Total comprehensive income for the period	-	47	2,706	2,753	2	**2,755**
Transactions with owners, recorded directly in equity:						
Contributions by and distributions to owners						
Issue of ordinary shares	275	-	-	275	-	**275**
Transfer from / (to) retained profits	-	(72)	72	-	-	**-**
Transfer from equity-based compensation reserve	11	(11)	-	-	-	**-**
Equity-based compensation	-	103	-	103	-	**103**
Dividends paid	-	-	(2,621)	(2,621)	(2)	**(2,623)**
Distributions on other equity instruments	-	-	(49)	(49)	-	**(49)**
Balance at 30 September 2017	34,627	237	16,442	51,306	11	**51,317**

(1) *Refer to Note 11 Contributed equity and reserves.*
(2) *National Capital Instruments were fully redeemed on 4 October 2016.*
(3) *Changes in ownership interests in controlled entities that does not result in a loss of control.*

Notes to the Consolidated Financial Statements

1. Principal Accounting Policies

The preliminary financial report for the year ended 30 September 2017 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 2017 Annual Financial Report.

This report should be read in conjunction with the annual financial report for the year ended 30 September 2016, the 31 March 2017 half year results, any public announcements made by the Group during the year and when released, the 2017 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 operations and are presented as a single amount as profit or loss after tax from discontinued operations in the income statement.

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 include:

- Impairment charges on loans and advances.
- Fair value of financial assets and liabilities.
- Assessment of goodwill for impairment and allocation to cash generating units.
- Provisions other than loan impairment.
- Provisions for conduct related matters including obligations to CYBG related to UK conduct risk under the terms of the Conduct Indemnity Deed.

As a result of the organisational restructure effective from 1 August 2016, new cash generating units were identified from 1 October 2016 and goodwill was allocated to the newly identified cash generating units for assessment of impairment. No other significant changes in assumptions have occurred in this financial reporting year from those applied in the 2016 Annual Financial Report.

b) Currency of presentation

All amounts are expressed in Australian dollars unless otherwise stated.

c) Rounding of amounts

In accordance with ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, all amounts have been rounded to the nearest million dollars, except where indicated.

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 and distributions.

Following the implementation of the organisational restructure effective from 1 August 2016, the Group's business now consists of the following reportable segments: Consumer Banking and Wealth; Business and Private Banking; Corporate and Institutional Banking; and NZ Banking. In addition, information on Corporate Functions and Other is included in this note to reconcile to Group information.

Major Customers

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

Reportable Segments

	Year ended 30 September 2017			
	Cash Earnings	Net interest income	Total other income	Total assets[1]
Segment Information	$m	$m	$m	$m
Consumer Banking and Wealth	1,633	3,884	1,597	217,567
Business and Private Banking	2,841	5,257	1,062	192,848
Corporate and Institutional Banking	1,535	1,972	1,368	259,297
NZ Banking	882	1,586	530	76,055
Corporate Functions and Other [2]	(249)	467	198	97,981
Eliminations	-	-	(26)	(55,423)
Total	**6,642**	**13,166**	**4,729**	**788,325**

(1) *Balances have not been restated to exclude discontinued operations.*
(2) *Balance reflects Nautilus Insurance premiums booked and eliminated all within Corporate Functions and Other.*

	Year ended 30 September 2016			
	Cash Earnings	Net interest income	Total other income	Total assets[1]
Segment Information	$m	$m	$m	$m
Consumer Banking and Wealth	1,565	3,709	1,659	206,016
Business and Private Banking	2,673	4,955	1,048	187,200
Corporate and Institutional Banking	1,367	1,919	1,427	257,303
NZ Banking	804	1,496	533	73,916
Corporate Functions and Other [2]	74	851	(113)	103,265
Eliminations [3]	-	-	(51)	(50,990)
Total	**6,483**	**12,930**	**4,503**	**776,710**

(1) *Balances have not been restated to exclude discontinued operations.*
(2) *Total assets for Corporate Functions and Other has been restated to reflect a change in presentation of interest accrual on certain derivatives.*
(3) *Balance includes Nautilus Insurance premiums which are booked to the Customer Segments and eliminated at the Group Level.*

	Half Year ended 30 September 2017			
	Cash Earnings	Net interest income	Total other income	Total assets[1]
Segment Information	$m	$m	$m	$m
Consumer Banking and Wealth	869	2,009	780	217,567
Business and Private Banking	1,473	2,693	536	192,848
Corporate and Institutional Banking	744	1,019	607	259,297
NZ Banking	453	810	266	76,055
Corporate Functions and Other [2]	(191)	242	70	97,981
Eliminations	-	-	(6)	(55,423)
Total	**3,348**	**6,773**	**2,253**	**788,325**

(1) *Balances have not been restated to exclude discontinued operations.*
(2) *Balance reflects Nautilus Insurance premiums booked and eliminated all within Corporate Functions and Other.*

(1) *Information is presented on a continuing operations basis.*

2. Segment Information (continued) [1]

Reportable Segments (continued)

Segment Information	Half Year ended 31 March 2017 Cash Earnings $m	Net interest income $m	Total other income $m	Total assets[1] $m
Consumer Banking and Wealth	764	1,875	817	211,347
Business and Private Banking	1,368	2,564	526	189,819
Corporate and Institutional Banking	791	953	761	258,172
NZ Banking	429	776	264	72,880
Corporate Functions and Other [2]	(58)	225	128	108,582
Eliminations [3]	-	-	(20)	(51,480)
Total	**3,294**	**6,393**	**2,476**	**789,320**

(1) *Balances have not been restated to exclude discontinued operations.*
(2) *Total assets for Corporate Functions and Other has been restated to reflect a change in presentation of interest accrual on certain derivatives.*
(3) *Balance includes Nautilus Insurance premiums which are booked to the Customer Segments and eliminated at the Group Level.*

Reconciliations between reportable segment information and statutory results

	Year to		Half Year to	
Reconciliation of cash earnings to Net profit attributable to owners of NAB	**Sep 17 $m**	**Sep 16 $m**	**Sep 17 $m**	**Mar 17 $m**
Cash earnings [1]	**6,642**	6,483	**3,348**	3,294
Non-cash earnings items (after tax):				
Distributions	**98**	124	**49**	49
Treasury shares	**-**	61	**-**	-
Fair value and hedge ineffectiveness	**(500)**	(126)	**(47)**	(453)
Life insurance 20% share of profit [2]	**-**	(39)	**-**	-
Amortisation of acquired intangible assets	**(62)**	(83)	**(29)**	(33)
Net loss from discontinued operations	**(893)**	(6,068)	**(581)**	(312)
Net profit attributable to owners of NAB	**5,285**	352	**2,740**	2,545

(1) *Includes eliminations and distributions.*
(2) *Included in statutory profit from 1 October 2016 onward.*

	Year to		Half Year to	
Reconciliation of net interest income	**Sep 17 $m**	**Sep 16 $m**	**Sep 17 $m**	**Mar 17 $m**
Net interest income on a cash earnings basis	**13,166**	12,930	**6,773**	6,393
Wealth net adjustment [1]	**37**	-	**21**	16
Fair value and hedge ineffectiveness	**(21)**	-	**(9)**	(12)
Net interest income on a statutory basis	**13,182**	12,930	**6,785**	6,397

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

	Year to		Half Year to	
Reconciliation of other income	**Sep 17 $m**	**Sep 16 $m**	**Sep 17 $m**	**Mar 17 $m**
Other income on a cash earning basis	**4,729**	4,503	**2,253**	2,476
Wealth net adjustment [1]	**817**	801	**388**	429
Treasury shares	**-**	68	**-**	-
Fair value and hedge ineffectiveness	**(692)**	(141)	**(35)**	(657)
Life insurance 20% share of profit [2]	**-**	(39)	**-**	-
Amortisation of acquired intangible assets	**(12)**	-	**(6)**	(6)
Other income on a statutory basis	**4,842**	5,192	**2,600**	2,242

(1) *The Wealth net adjustment represents a reallocation of the income statement of the Wealth business prepared on a cash earnings basis into the appropriate statutory income lines.*
(2) *Included in statutory profit from 1 October 2016 onward.*

(1) *Information is presented on a continuing operations basis.*

3. Other Income [1]

	Year to		Half Year to	
	Sep 17 $m	**Sep 16 $m**	**Sep 17 $m**	**Mar 17 $m**
Net investment income				
Change in policy liabilities	**-**	(2,861)	**-**	-
Movement in external unitholders' liabiliy	**-**	(1,015)	**-**	-
Investment revenue [1]	**-**	4,037	**-**	-
Fee income [2]	**-**	433	**-**	-
Total net investment and insurance income	**-**	594	**-**	-
Gains less losses on financial instruments at fair value				
Trading securities	**(821)**	1,275	**(47)**	(774)
Trading derivatives	**2,135**	(275)	**691**	1,444
Assets, liabilities and derivatives designated in hedge relationships [3]	**(680)**	(82)	**(123)**	(557)
Assets and liabilities designated at fair value	**(225)**	(187)	**(98)**	(127)
Other	**143**	96	**66**	77
Total gains less losses on financial instruments at fair value	**552**	827	**489**	63
Other operating income				
Dividend revenue	**27**	21	**20**	7
Gains from sale of investments, loans, property, plant and equipment and other assets	**36**	52	**30**	6
Banking fees	**943**	871	**478**	465
Money transfer fees	**584**	596	**281**	303
Fees and commissions	**2,162**	1,696	**1,078**	1,084
Investment management fees	**280**	255	**143**	137
Other income [1]	**258**	280	**81**	177
Total other operating income	**4,290**	3,771	**2,111**	2,179
Total other income	**4,842**	5,192	**2,600**	2,242

(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.*

(2) *Subsequent to the Successor Fund Merger, fee income on the related investment assets and investment contract liabilities is recognised within fees and commissions in Other operating income.*

(3) *Represents hedge ineffectiveness of designated hedging relationships.*

(1) *Information is presented on a continuing operations basis.*

4. Operating Expenses [1]

	Year to		Half Year to	
	Sep 17 $m	Sep 16 $m	Sep 17 $m	Mar 17 $m
Personnel expenses				
Salaries and related on-costs [1]	**3,252**	3,344	**1,597**	1,655
Superannuation costs - defined contribution plans [1]	**258**	267	**127**	131
Performance-based compensation:				
Cash [1]	**395**	445	**144**	251
Equity-based compensation	**187**	197	**103**	84
Total performance-based compensation	**582**	642	**247**	335
Other expenses [1]	**326**	278	**170**	156
Total personnel expenses	**4,418**	4,531	**2,141**	2,277
Occupancy-related expenses				
Operating lease rental expense	**442**	404	**224**	218
Other expenses	**85**	89	**42**	43
Total occupancy-related expenses	**527**	493	**266**	261
General expenses				
Fees and commission expense [1]	**611**	501	**293**	318
Depreciation and amortisation of property, plant and equipment	**305**	274	**153**	152
Amortisation of intangible assets	**429**	347	**221**	208
Advertising and marketing	**187**	196	**102**	85
Charge to provide for operational risk event losses	**182**	48	**124**	58
Communications, postage and stationery	**204**	272	**118**	86
Computer equipment and software	**651**	621	**310**	341
Data communication and processing charges	**80**	89	**41**	39
Professional fees	**503**	500	**283**	220
Loss on disposal of property, plant and equipment and other assets	**9**	8	**5**	4
Impairment losses / (reversals) recognised	**20**	6	**20**	-
Other expenses	**413**	445	**206**	207
Total general expenses	**3,594**	3,307	**1,876**	1,718
Total operating expenses	**8,539**	8,331	**4,283**	4,256

[1] *Comparative information has been restated to accord with changes in presentations made in the current period, reflecting a reallocation of expenses between 'salaries and related on-costs', 'superannuation costs - defined contribution plans', 'performance based compensation - cash', 'other personnel expenses' and 'fees and commission expense'.*

[1] *Information is presented on a continuing operations basis.*

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 17 $m	Sep 16 $m	Sep 17 $m	Mar 17 $m
Profit before income tax expense	**8,661**	8,978	**4,677**	3,984
Prima facie income tax at 30%	**2,598**	2,693	**1,403**	1,195
Add / (deduct): Tax effect of amounts not deductible / (assessable):				
Assessable foreign income	**7**	4	**4**	3
Foreign tax rate differences	**(43)**	(36)	**(16)**	(27)
Foreign branch income not assessable	**(78)**	(65)	**(35)**	(43)
(Over) / under provision in prior years	**(17)**	(26)	**(10)**	(7)
Offshore banking unit income	**(62)**	(56)	**(30)**	(32)
Restatement of deferred tax balances for tax rate changes	**1**	4	**5**	(4)
Treasury shares adjustment	**-**	(14)	**-**	-
Non-deductible hybrid distributions	**70**	58	**35**	35
Losses not tax effected	**11**	42	**11**	-
Other	**(7)**	(51)	**(13)**	6
Total income tax expense	**2,480**	2,553	**1,354**	1,126
Effective tax rate (%)	**28.6%**	28.4%	**29.0%**	28.3%

(1) *Information is presented on a continuing operations basis.*

6. Dividends and Distributions

The Group has recognised the following dividends on ordinary shares:

	Year to			
	Sep 17		Sep 16	
	Amount per share cents	Total amount $m	Amount per share cents	Total amount $m
Final dividend (in respect of prior year)	**99**	**2,630**	99	2,600
Interim dividend (in respect of current year)	**99**	**2,649**	99	2,618
Deduct: Bonus shares in lieu of dividend	**n/a**	**(63)**	n/a	(57)
Dividends paid by the Company	**n/a**	**5,216**	n/a	5,161
Deduct: Dividends on treasury shares (1)	**n/a**	**-**	n/a	(101)
Add: Dividends paid to non-controlling interest in controlled entities	**n/a**	**5**	n/a	5
Dividends paid by the Group (Before dividend reinvestment plan)	**n/a**	**5,221**	n/a	5,065

(1) *Includes Treasury Shares held in the Group's investments businesses (consolidated until the Successor Fund Merger on 1 July 2016) and excludes any Treasury Shares held in respect of employee incentive schemes.*

Franked dividends declared or paid during the period were fully franked at a tax rate of 30% (2016: 30%).

In the September 2016 full year, the CYBG demerger resulted in the distribution of CYBG shares valued at $2,645 million to NAB shareholders.

Final dividend

On 2 November 2017, 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 2017	99	100	-	**2,659**

The record date for determining entitlements to the 2017 final dividend is 10 November 2017. The final dividend has been declared by the directors of NAB and is payable on 13 December 2017. The Group will offer a 1.5% discount on the Dividend Reinvestment Plan, with no participation limit. The financial effect of this dividend has not been brought to account in the financial statements for the year ended 30 September 2017 and will be recognised in subsequent financial reports.

	Year to			
	Sep 17		Sep 16	
Distributions on other equity instruments	Amount per security(1) $	Total amount $m	Amount per security(1) $	Total amount $m
National Income Securities	**3.01**	**60**	3.42	68
Trust Preferred Securities (2)	**93.99**	**38**	108.50	43
National Capital Instruments (3)	**-**	**-**	1,594.34	13
Total distributions on other equity instruments		**98**		124

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

(2) *$A equivalent.*

(3) *National Capital Instruments were fully redeemed on 4 October 2016.*

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 13 November 2017 at 5pm (Australian Eastern Standard time).

7. Loans and Advances including Acceptances

	As at		
	30 Sep 17 $m	**31 Mar 17 $m**	**30 Sep 16 $m**
Housing loans	**329,534**	320,788	314,557
Other term lending	**197,134**	189,479	187,695
Asset and lease financing	**11,674**	11,201	10,949
Overdrafts	**5,673**	5,833	6,304
Credit card outstandings	**7,409**	7,545	7,518
Other	**6,539**	6,181	5,759
Fair value adjustment	**397**	468	773
Gross loans and advances	**558,360**	541,495	533,555
Acceptances	**6,786**	8,548	12,205
Gross loans and advances including acceptances	**565,146**	550,043	545,760
Represented by:			
Loans and advances at fair value [1]	**14,596**	17,029	19,864
Loans and advances at amortised cost	**543,764**	524,466	513,691
Acceptances	**6,786**	8,548	12,205
Gross loans and advances including acceptances	**565,146**	550,043	545,760
Unearned income and deferred net fee income	**(415)**	(392)	(532)
Provision for doubtful debts	**(3,224)**	(3,120)	(3,114)
Net loans and advances including acceptances	**561,507**	546,531	542,114
Securitised loans and loans supporting covered bonds [2]	**38,957**	38,726	41,002

(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**	**New Zealand $m**	**Other International $m**	**Total Group $m**
As at 30 September 2017				
Housing loans	292,989	34,417	2,128	**329,534**
Other term lending	151,239	35,552	10,343	**197,134**
Asset and lease financing	11,214	6	454	**11,674**
Overdrafts	3,662	1,958	53	**5,673**
Credit card outstandings	6,365	1,044	-	**7,409**
Other	4,336	508	1,695	**6,539**
Fair value adjustment	346	51	-	**397**
Gross loans and advances	470,151	73,536	14,673	**558,360**
Acceptances	6,786	-	-	**6,786**
Gross loans and advances including acceptances	476,937	73,536	14,673	**565,146**
Represented by:				
Loans and advances at fair value	10,926	3,670	-	**14,596**
Loans and advances at amortised cost	459,225	69,866	14,673	**543,764**
Acceptances	6,786	-	-	**6,786**
Gross loans and advances including acceptances	476,937	73,536	14,673	**565,146**

By product and geographic location	**Australia $m**	**New Zealand $m**	**Other International $m**	**Total Group $m**
As at 31 March 2017				
Housing loans	285,538	33,051	2,199	**320,788**
Other term lending	146,847	33,968	8,664	**189,479**
Asset and lease financing	10,740	6	455	**11,201**
Overdrafts	3,930	1,853	50	**5,833**
Credit card outstandings	6,473	1,072	-	**7,545**
Other	4,171	511	1,499	**6,181**
Fair value adjustment	437	57	(26)	**468**
Gross loans and advances	458,136	70,518	12,841	**541,495**
Acceptances	8,548	-	-	**8,548**
Gross loans and advances including acceptances	466,684	70,518	12,841	**550,043**
Represented by:				
Loans and advances at fair value	12,599	4,405	25	**17,029**
Loans and advances at amortised cost	445,537	66,113	12,816	**524,466**
Acceptances	8,548	-	-	**8,548**
Gross loans and advances including acceptances	466,684	70,518	12,841	**550,043**

7. Loans and Advances including Acceptances (continued)

By product and geographic location	Australia $m	New Zealand $m	Other International $m	Total Group $m
As at 30 September 2016				
Housing loans	278,848	33,431	2,278	**314,557**
Other term lending	144,044	34,064	9,587	**187,695**
Asset and lease financing	10,477	3	469	**10,949**
Overdrafts	4,222	2,081	1	**6,304**
Credit card outstandings	6,439	1,079	-	**7,518**
Other	3,997	537	1,225	**5,759**
Fair value adjustment	685	122	(34)	**773**
Gross loans and advances	448,712	71,317	13,526	**533,555**
Acceptances	12,205	-	-	**12,205**
Gross loans and advances including acceptances	460,917	71,317	13,526	**545,760**
Represented by:				
Loans and advances at fair value	14,523	5,304	37	**19,864**
Loans and advances at amortised cost	434,189	66,013	13,489	**513,691**
Acceptances	12,205	-	-	**12,205**
Gross loans and advances including acceptances	460,917	71,317	13,526	**545,760**

8. Provision for doubtful debts on loans at amortised cost

	Year to		Half Year to	
	Sep 17	Sep 16	Sep 17	Mar 17
	$m	$m	$m	$m
New and increased provisions (net of releases)	1,177	1,158	596	581
Write-backs of specific provisions	(242)	(156)	(106)	(136)
Recoveries of specific provisions	(111)	(119)	(65)	(46)
Total charge to the income statement	824	883	425	399
Attributable to:				
Charge to income statement from continuing operations	824	813	425	399
Charge to income statement from discontinuing operations	-	70	-	-

Movement in provisions for doubtful debts - loans and advances at amortised cost

Group – Yearly

	Stage 1	Stage 2	Stage 3		
	12-mth expected credit losses (ECL)	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Lifetime ECL credit impaired	
	Collective provision	Collective provision	Collective provision	Specific provision	Total
	$m	$m	$m	$m	$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 - collective provision	543	(520)	(23)	-	-
Transferred to Lifetime ECL not credit impaired - collective provision	(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	-
New and increased provisions (net of releases)	(518)	526	191	959	1,158
Write-backs of specific provisions	-	-	-	(156)	(156)
Bad debts written-off	-	-	-	(778)	(778)
Derecognised in respect of the group disposal [(1)]	(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
Changes due to financial assets recognised in the opening balance that have:					
Transferred to 12-mth ECL - collective provision	329	(316)	(13)	-	-
Transferred to Lifetime ECL not credit impaired - collective provision	(44)	123	(79)	-	-
Transfer to Lifetime ECL credit impaired - collective provision	(3)	(42)	45	-	-
Transfer to Lifetime ECL credit impaired - specific provision	(2)	(135)	(100)	237	-
New and increased provisions (net of releases)	(295)	538	124	810	1,177
Write-backs of specific provisions	-	-	-	(242)	(242)
Bad debts written-off	-	-	-	(849)	(849)
Foreign currency translation and other adjustments	(1)	(6)	4	27	24
Balance at 30 September 2017	313	1,819	403	689	3,224

(1) *The September 2016 full year reflects the demerger of CYBG.*

8. Provision for doubtful debts on loans at amortised cost (continued)

Movement in provisions for doubtful debts for loans at amortised cost

Group – Half Yearly

	Stage 1	Stage 2	Stage 3		
	12-mth ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Lifetime ECL credit impaired	
	Collective provision	Collective provision	Collective provision	Specific provision	Total
	$m	$m	$m	$m	$m
Balance at 1 October 2016	329	1,657	422	706	**3,114**
Changes due to financial assets recognised in the opening balance that have:					
Transferred to 12-mth ECL - collective provision	227	(216)	(11)	-	**-**
Transferred to Lifetime ECL not credit impaired - collective provision	(31)	73	(42)	-	**-**
Transfer to Lifetime ECL credit impaired - collective provision	(2)	(45)	47	-	**-**
Transfer to Lifetime ECL credit impaired - specific provision	(1)	(121)	(73)	195	**-**
New and increased provisions (net of releases)	(195)	273	87	416	**581**
Write-backs of specific provisions	-	-	-	(136)	**(136)**
Bad debts written-off	-	-	-	(460)	**(460)**
Foreign currency translation and other adjustments	-	(8)	3	26	**21**
Balance at 31 March 2017	**327**	**1,613**	**433**	**747**	**3,120**
Changes due to financial assets recognised in the opening balance that have:					
Transferred to 12-mth ECL - collective provision	231	(218)	(13)	-	**-**
Transferred to Lifetime ECL not credit impaired - collective provision	(40)	120	(80)	-	**-**
Transfer to Lifetime ECL credit impaired - collective provision	(2)	(42)	44	-	**-**
Transfer to Lifetime ECL credit impaired - specific provision	(1)	(36)	(96)	133	**-**
New and increased provisions (net of releases)	(201)	380	114	303	**596**
Write-backs of specific provisions	-	-	-	(106)	**(106)**
Bad debts written-off	-	-	-	(389)	**(389)**
Foreign currency translation and other adjustments	(1)	2	1	1	**3**
Balance at 30 September 2017	**313**	**1,819**	**403**	**689**	**3,224**

9. Asset Quality

Impaired assets consist of retail loans (excluding unsecured portfolio managed facilities) which are contractually 90 days past due with security insufficient to cover principal and interest revenue, non-retail loans which are contractually 90 days past due and / or where 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		
	30 Sep 17	**31 Mar 17**	**30 Sep 16**
Summary of total impaired assets	**$m**	**$m**	**$m**
Gross impaired assets [(1)][(2)]	**1,724**	2,393	2,642
Specific provisions for doubtful debts	**(691)**	(748)	(712)
Net impaired assets	**1,033**	1,645	1,930

(1) *Gross Impaired assets include $205 million (NZ$222 million), (March 2017: $726 million (NZ$795 million), September 2016: $785 million (NZ$823 million)) of NZ Banking dairy exposures currently assessed as no loss based on security held. Collective provisions are held against these loans.*

(2) *Gross impaired assets include $34 million (March 2017: $119 million, September 2016: $135 million) of gross impaired other financial assets at fair value.*

Movement in gross impaired assets	**Australia $m**	**New Zealand $m**	**Other International $m**	**Total Group $m**
Balance as at 31 March 2016	1,398	728	48	**2,174**
New [(1)]	619	367	60	**1,046**
Written-off	(187)	(23)	(31)	**(241)**
Returned to performing, repaid or no longer impaired	(272)	(87)	(10)	**(369)**
Foreign currency translation adjustments	-	43	(11)	**32**
Balance as at 30 September 2016	1,558	1,028	56	**2,642**
New [(1)]	572	93	25	**690**
Written-off	(251)	(13)	(18)	**(282)**
Returned to performing, repaid or no longer impaired	(496)	(124)	(35)	**(655)**
Foreign currency translation adjustments	(1)	(42)	41	**(2)**
Balance as at 31 March 2017	1,382	942	69	**2,393**
New [(1)]	335	99	18	**452**
Written-off	(164)	(14)	(8)	**(186)**
Returned to performing, repaid or no longer impaired	(341)	(606)	(8)	**(955)**
Foreign currency translation adjustments	1	16	3	**20**
Gross impaired assets as at 30 September 2017	1,213	437	74	**1,724**

(1) *New gross impaired assets during the September 2017 half year include $9 million (NZ$10 million) (March 2017 half year: $31 million (NZ$33 million), September 2016 half year: $300 million (NZ$319 million)) of NZ Banking dairy exposures currently assessed as no loss based on security held. Collective provisions are held against these loans.*

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

	As at		
	30 Sep 17	**31 Mar 17**	**30 Sep 16**
90+ days past due loans - by geographic location	**$m**	**$m**	**$m**
Australia	**2,094**	2,086	1,806
New Zealand	**138**	182	165
Other international	**13**	14	4
90+ days past due loans [(1)]	**2,245**	2,282	1,975

(1) *Includes $3 million (March 2017: $3 million, September 2016: $nil) of 90+ days past due loans at fair value.*

10. Deposits and Other Borrowings

	As at		
	30 Sep 17	31 Mar 17	30 Sep 16
	$m	$m	$m
Term deposits	**160,884**	156,568	158,763
On-demand and short-term deposits	**199,449**	198,847	190,018
Certificates of deposit	**52,255**	52,149	46,018
Deposits not bearing interest [(1)]	**47,247**	44,138	41,698
Total deposits	**459,835**	451,702	436,497
Borrowings	**21,981**	22,415	18,785
Securities sold under agreements to repurchase	**23,493**	19,543	16,064
Fair value adjustment	**5**	8	21
Total deposits and other borrowings	**505,314**	493,668	471,367
Represented by:			
Total deposits and other borrowings at fair value	**4,710**	6,416	11,653
Total deposits and other borrowings at amortised cost	**500,604**	487,252	459,714
Total deposits and other borrowings	**505,314**	493,668	471,367

(1) *Deposits not bearing interest include mortgage offset accounts.*

By product and geographic location	Australia $m	New Zealand $m	Other International $m	Total Group $m
As at 30 September 2017				
Term deposits	121,766	29,623	9,495	**160,884**
On-demand and short-term deposits	165,951	17,346	16,152	**199,449**
Certificates of deposit	38,617	1,246	12,392	**52,255**
Deposits not bearing interest	42,548	4,682	17	**47,247**
Total deposits	368,882	52,897	38,056	**459,835**
Borrowings	19,560	2,232	189	**21,981**
Securities sold under agreements to repurchase	1,282	-	22,211	**23,493**
Fair value adjustment	-	5	-	**5**
Total deposits and other borrowings	389,724	55,134	60,456	**505,314**
Represented by:				
Total deposits and other borrowings at fair value	-	4,710	-	**4,710**
Total deposits and other borrowings at amortised cost	389,724	50,424	60,456	**500,604**
Total deposits and other borrowings	389,724	55,134	60,456	**505,314**

By product and geographic location	Australia $m	New Zealand $m	Other International $m	Total Group $m
As at 31 March 2017				
Term deposits	117,540	26,695	12,333	**156,568**
On-demand and short-term deposits	160,606	18,111	20,130	**198,847**
Certificates of deposit	36,181	1,480	14,488	**52,149**
Deposits not bearing interest	39,591	4,508	39	**44,138**
Total deposits	353,918	50,794	46,990	**451,702**
Borrowings	18,825	3,103	487	**22,415**
Securities sold under agreements to repurchase	550	-	18,993	**19,543**
Fair value adjustment	-	8	-	**8**
Total deposits and other borrowings	373,293	53,905	66,470	**493,668**
Represented by:				
Total deposits and other borrowings at fair value	-	6,416	-	**6,416**
Total deposits and other borrowings at amortised cost	373,293	47,489	66,470	**487,252**
Total deposits and other borrowings	373,293	53,905	66,470	**493,668**

10. Deposits and Other Borrowings (continued)

By product and geographic location	Australia $m	New Zealand $m	Other International $m	Total Group $m
As at 30 September 2016				
Term deposits	120,390	26,430	11,943	**158,763**
On-demand and short-term deposits	155,818	18,234	15,966	**190,018**
Certificates of deposit	35,298	2,255	8,465	**46,018**
Deposits not bearing interest	37,292	4,401	5	**41,698**
Total deposits	348,798	51,320	36,379	**436,497**
Borrowings	14,990	3,495	300	**18,785**
Securities sold under agreements to repurchase	787	-	15,277	**16,064**
Fair value adjustment	-	21	-	**21**
Total deposits and other borrowings	364,575	54,836	51,956	**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	43,183	51,956	**459,714**
Total deposits and other borrowings	364,575	54,836	51,956	**471,367**

11. Contributed Equity and Reserves

Contributed equity	As at 30 Sep 17 $m	31 Mar 17 $m	30 Sep 16 $m
Issued and paid-up ordinary share capital			
Ordinary shares, fully paid	**31,707**	31,421	30,968
Other contributed equity			
National Income Securities	**1,945**	1,945	1,945
Trust Preferred Securities	**975**	975	975
National Capital Instruments	**-**	-	397
Total contributed equity	**34,627**	34,341	34,285

Movement in issued and paid-up ordinary share capital	Year to Sep 17 $m	Year to Sep 16 $m	Half Year to Sep 17 $m	Half Year to Mar 17 $m
Ordinary share capital				
Balance at beginning of period	**30,968**	31,334	**31,421**	30,968
Shares issued:				
Dividend reinvestment plan (DRP)	**569**	596	**275**	294
Transfer from equity-based compensation reserve	**170**	166	**11**	159
Capital distribution on CYBG demerger	**-**	(2,645)	**-**	-
Treasury shares sold relating to life insurance business [1]	**-**	1,517	**-**	-
Balance at end of period	**31,707**	30,968	**31,707**	31,421

[1] *Relates to shares in NAB previously held by Wealth's life insurance business which are no longer held by a controlled entity of the Group.*

Reserves	As at 30 Sep 17 $m	31 Mar 17 $m	30 Sep 16 $m
Foreign currency translation reserve	**(338)**	(415)	(71)
Asset revaluation reserve	**83**	83	83
Cash flow hedge reserve	**46**	40	143
Equity-based compensation reserve	**273**	157	234
General reserve for credit losses	**-**	96	75
Debt instruments at fair value through other comprehensive income reserve	**89**	127	80
Equity instruments at fair value through other comprehensive income reserve	**84**	82	85
Total reserves	**237**	170	629

Movement in retained profits	Year to Sep 17 $m	Year to Sep 16 $m	Half Year to Sep 17 $m	Half Year to Mar 17 $m
Balance at beginning of period	**16,378**	21,205	**16,334**	16,378
Net profit attributable to owners of NAB from continuing operations	**6,178**	6,420	**3,321**	2,857
Net loss attributable to owners of NAB from discontinued operations	**(893)**	(6,068)	**(581)**	(312)
Dividends paid	**(5,216)**	(5,060)	**(2,621)**	(2,595)
Distributions on other equity instruments	**(98)**	(124)	**(49)**	(49)
Fair value changes on financial liabilities designated at fair value attributable to the Group's own credit risk	**11**	(113)	**(56)**	67
Reclassification of National Capital Instruments transaction costs	**(3)**	-	**-**	(3)
Actuarial gains on defined benefit superannuation plans	**-**	31	**-**	-
Gains on disposal of interest in subsidiary [1]	**-**	6	**-**	-
Transfer from asset revaluation reserve	**-**	1	**-**	-
Transfer (to) / from equity-based compensation reserve [2]	**(22)**	7	**(24)**	2
Transfer from / (to) general reserve for credit losses	**75**	(11)	**96**	(21)
Transfer from equity instruments at fair value through other comprehensive income reserve	**-**	94	**-**	-
Tax on items taken directly to / (from) equity	**32**	(10)	**22**	10
Balance at end of period	**16,442**	16,378	**16,442**	16,334

[1] *Represents gains from discontinued operations recognised directly in retained profits.*

[2] *Transfer (to) / from equity-based compensation reserve relates to lapsed options and rights. In addition, the amount for the half year to September 2017 includes an adjustment related to prior period equity-based compensation.*

12. Notes to the Condensed Cash Flow Statement

(a) Reconciliation of cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents includes cash and liquid assets and amounts due from other banks (including reverse repurchase agreements and short-term government securities), net of amounts due to other banks that are readily convertible to known amounts of cash within three months.

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		
Cash and cash equivalents	**30 Sep 17 $m**	**31 Mar 17 $m**	**30 Sep 16 $m**
Assets			
Cash and liquid assets	**43,826**	40,373	30,630
Treasury and other eligible bills	**762**	358	574
Due from other banks (excluding mandatory deposits with supervisory central banks)	**31,703**	48,385	37,349
Total cash and cash equivalents assets	**76,291**	89,116	68,553
Liabilities			
Due to other banks	**(36,491)**	(45,199)	(40,593)
Total cash and cash equivalents	**39,800**	43,917	27,960

Included within due from other banks is the cash deposit of $877 million (£513 million) (March 2017 $1,055 million (£646 million), September 2016 $1,175 million (£691 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 17 $m	**Sep 16 $m**	**Sep 17 $m**	**Mar 17 $m**
New share issues				
Dividend reinvestment plan	**569**	596	**275**	294
New debt issues				
Subordinated medium-term notes reinvestment offer	**539**	-	**-**	539

13. Contingent Liabilities

(i) Legal proceedings - general

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) Legal proceedings - specific

Bank Bill Swap Reference Rate

Following an industry-wide review by ASIC into participants in the Bank Bill Swap Reference Rate (BBSW) market, ASIC commenced Federal Court proceedings against NAB on 7 June 2016. ASIC has also commenced similar proceedings against two other major Australian banks. ASIC's allegations against NAB include claims of market manipulation and unconscionable conduct in relation to trading in the BBSW market during the period from June 2010 to December 2012. NAB has agreed a settlement with ASIC (refer to *Note 15 Events subsequent to reporting date*). The settlement is subject to Federal Court approval. The financial impact of this settlement has been reflected in the Group's 2017 full year results.

BBSW class action

In 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 BBSW. The complaint named a number of defendants, including NAB, ANZ, CBA and Westpac, and references the proceedings brought by ASIC against NAB, ANZ and Westpac in relation to BBSW. The potential outcome of these proceedings cannot be determined with any certainty at this stage.

NZ fee class action

On 20 August 2014, a representative action was filed against Bank of New Zealand (BNZ) in relation to certain fees. On 8 May 2017, Fair Play on Fees agreed not to continue that representative action. BNZ agreed to make a contribution towards costs incurred in commencing the action. BNZ has not admitted any liability.

(iii) Regulatory compliance investigations - general

Entities within the Group are subject from time to time to regulatory investigations arising from the conduct of their business. This includes regulatory investigations in relation to actual or potential breaches of law or regulations. In addition to situations where the relevant regulatory authority is carrying out the investigation, this includes situations where the Group is carrying out the investigation itself or a third party has been engaged to carry out the investigation.

There are contingent liabilities in respect of regulatory investigations involving entities of the Group. Where appropriate, provisions have been made. The outcome of such regulatory investigations, including whether enforcement action will be taken or other legal proceedings initiated, is typically uncertain and the aggregate of potential liability in respect thereof cannot be accurately assessed.

(iv) Regulatory compliance investigations - specific

Adviser service fees

ASIC is conducting an industry-wide investigation into financial advice fees paid by customers pursuant to ongoing service arrangements with financial advice firms, including members of the NAB Group. Under the service arrangements, customers generally pay an adviser service fee in consideration for a range of services provided to the customer. NAB is investigating whether customers who have paid to receive ongoing services have been provided with the agreed services in accordance with the relevant service agreement with a member of the NAB Group. NAB continues to engage with ASIC on the design of the methodology for investigating and assessing this matter; however, agreement with ASIC has not yet been reached due to different views about aspects of NAB's proposed approach. The outcomes of the investigation are uncertain at this time.

Plan Service Fees

Further to ASIC’s May 2017 report about its industry-wide investigation into financial advice fees, NAB has finalised refunds to customers who did not have a plan adviser attached to their superannuation account and were incorrectly charged Plan Service Fees. ASIC has requested NAB consider certain circumstances regarding continuity of service where a Plan Service Fee continues to be charged and paid to a plan adviser after a superannuation fund member leaves an employer and a change to the member's superannuation plan occurs as a result. NAB continues to engage with ASIC on this matter. The outcomes of the investigation are uncertain at this time.

Wealth advice review

In 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 Customer Response Initiative review program with compensation in some cases offered and paid.

The outcomes and total costs associated with this work are uncertain. Plaintiff law firms continue to encourage NAB customers who have suffered losses as a result of financial advice received from NAB advisers to contact them for legal advice. No class actions have been taken against the Group in this regard.

NZ Ministry of Business, Innovation and Employment compliance audit

The Labour Inspectorate of the New Zealand Ministry of

13. Contingent Liabilities (continued)

Business, Innovation and Employment is currently undertaking a program of compliance audits of a number of New Zealand organisations in respect of the New Zealand Holidays Act 2003 (the "Holidays Act"). BNZ requested early participation in this program in May 2016 and received the Labour Inspectorate's final report, which set out its findings regarding BNZ's compliance with the Holidays Act, on 18 January 2017. The findings indicated that BNZ has not complied with certain requirements of the Holidays Act, including in respect of annual and public holiday payments to certain employees. BNZ is reviewing the findings and is working with the Labour Inspectorate to reach an appropriate resolution. At this stage, the final outcome of the audit, including possible remediation, cannot be determined with any certainty.

Anti-Money Laundering and Counter-Terrorist Financing Program Uplift Work

Since July 2016, NAB has been progressing a program of work to uplift and strengthen the Group Anti-Money Laundering (AML) and Counter-Terrorist Financing (CTF) Program and its implementation. The work involves significant investment in systems, ensuring an effective and efficient control environment and uplifting compliance capability. In addition to a general uplift in capability, the program of work aims to remediate specific compliance issues and weaknesses if they are identified.

Where significant AML/CTF compliance issues are identified, they are notified to AUSTRAC or equivalent foreign regulators, and those regulators are typically consulted and updated about progress in investigating and remediating the relevant issues. The Group is currently investigating and remediating a number of identified issues, including certain weaknesses with the implementation of 'Know Your Customer' requirements and systems and process issues that impacted transaction monitoring and reporting for some specific areas.

It is possible that, as the work progresses, further issues may be identified and additional strengthening may be required. The outcomes of the investigation and remediation process for specific issues identified to date, and for any issues identified in the future, are uncertain.

(v) Contractual commitments

Insurance claims

NAB is in the process of making insurance claims in relation to certain conduct-related losses suffered by the Group. The insurance claims are accounted for by NAB as a contingent asset. The outcome of such claims cannot be determined with any certainty at this stage.

Contracts - general

Entities within the Group enter into contractual agreements from time to time, which sometimes involve giving contingent commitments such as warranties, indemnities or guarantees.

There are contingent liabilities in respect of such commitments. Where appropriate, provisions have been made. The aggregate potential liability in respect thereof cannot be accurately assessed.

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. Certain other conduct matters, including matters arising from a review of investment advice sales, have now satisfied the thresholds for inclusion as conduct issues covered by the Capped Indemnity.

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 year ended 30 September 2017, CYBG has made claims under the Capped Indemnity for £171 million, leaving £511 million outstanding as available support

13. Contingent Liabilities (continued)

under the Capped Indemnity (Unutilised Indemnity Amount). In addition, NAB has increased the amount of provisions held for expected future claims under the Conduct Indemnity Deed by £343 million (representing the portion of any increased CYBG provision for which NAB would be responsible under the loss sharing arrangement). If CYBG makes claims under the Conduct Indemnity Deed for this amount, it would reduce the Unutilised Indemnity Amount to £168 million.

The Unutilised Indemnity Amount at any point in time is accounted for by NAB as a contingent liability, with any potential future losses incurred under the indemnity expensed within discontinued operations. The frequency and timing of any potential future losses is presently unknown. The amount of the Capped Indemnity that will be utilised by any potential future losses cannot be determined with any certainty at this stage.

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.

14. Discontinued Operations

In the previous financial year, the Group executed two major divestments, the demerger and Initial Public Offering (IPO) of CYBG Group and the sale of 80% of Wealth's life insurance business to Nippon Life. Each of these transactions qualified as a discontinued operation.

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 "Investments in Associates and Joint Ventures". The investment is disclosed within other assets on the Group balance sheet. The full prior period results of the life insurance business are presented within the life insurance business discontinued operation. The Group's share of current period profit associated with the retained investment in the life insurance business is presented 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 through NAB's owned and aligned distribution networks. The distribution agreement is a source of income for the Group in addition to the share of profits associated with the retained investment.

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). 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). All conduct provisions recognised by NAB under the Conduct Indemnity Deed are presented within the CYBG discontinued operation and Provisions.

Analysis of loss for the year from discontinued operations

The results set out below represent the discontinued operations of Wealth's life insurance business and UK Banking operations as related to the CYBG demerger. Adjustments to amounts previously presented in discontinued operations that are directly related to the disposal of a discontinued operation in a prior period are classified separately in discontinued operations in the current period. During the September 2017 full year, a net loss of $904 million before tax ($893 million after tax) was recognised in discontinued operations. This balance includes a loss of $853 million relating to the Conduct Indemnity Deed entered into with CYBG. Refer to *Note 13 Contingent liabilities* for further information on the Conduct Indemnity Deed.

Analysis of loss for the year from discontinued operations

	Year to	
	Sep 17	Sep 16
Total discontinued operations	$m	$m
Net loss from life insurance business discontinued operation	-	(1,123)
Net loss from CYBG discontinued operation	(893)	(4,945)
Net loss from discontinued operations	**(893)**	(6,068)

15. Events Subsequent to Reporting Date

On 27 October 2017, the Group announced it had agreed a settlement with the Australian Securities and Investments Commission (ASIC) of the Bank Bill Swap Rate (BBSW) legal action. The settlement is subject to Federal Court approval. As part of the settlement the Group has agreed to a $10 million penalty, and to pay ASIC's costs of $20 million. The Group will also make a donation of $20 million to a financial consumer protection fund nominated by ASIC. The financial impact of this settlement has been reflected in the Group's 2017 full year results.

On 2 November 2017, the Group announced an acceleration of its strategic agenda to enhance the customer experience and simplify the bank. A restructuring provision of between $500 million and $800 million is expected to be raised in the Group's interim financial report for the first half of the 2018 financial year.

Compliance Statement

The preliminary final report for the year ended 30 September 2017 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
2 November 2017

This page has been left blank intentionally.

Section 6

Supplementary Information

1. Australian Banking and Wealth

	Year to			Half Year to		
	Sep 17	Sep 16	Sep 17 v	Sep 17	Mar 17	Sep 17 v
Net interest income	$m	$m	Sep 16 %	$m	$m	Mar 17 %
Housing lending	**3,458**	3,372	2.6	**1,828**	1,630	12.1
Business lending	**3,409**	3,274	4.1	**1,749**	1,660	5.4
Other banking products	**972**	962	1.0	**473**	499	(5.2)
Deposits	**3,051**	2,733	11.6	**1,561**	1,490	4.8
NAB Risk Management	**223**	242	(7.9)	**110**	113	(2.7)
Total net interest income	**11,113**	10,583	5.0	**5,721**	5,392	6.1
Other operating income						
Housing lending	**259**	257	0.8	**131**	128	2.3
Business lending	**638**	623	2.4	**312**	326	(4.3)
Other banking products	**898**	924	(2.8)	**429**	469	(8.5)
Deposits	**64**	75	(14.7)	**31**	33	(6.1)
Customer Risk Management	**612**	656	(6.7)	**315**	297	6.1
NAB Risk Management	**392**	375	4.5	**136**	256	(46.9)
Wealth income	**1,148**	1,203	(4.6)	**559**	589	(5.1)
Total other operating income	**4,011**	4,113	(2.5)	**1,913**	2,098	(8.8)
Bad and doubtful debt charge						
Specific charge to provide for bad and doubtful debts	**659**	859	(23.3)	**244**	415	(41.2)
Collective write-back for bad and doubtful debts	**(175)**	(220)	(20.5)	**(34)**	(141)	(75.9)
Total charge to provide for bad and doubtful debts	**484**	639	(24.3)	**210**	274	(23.4)
Housing lending	**59**	97	(39.2)	**35**	24	45.8
Business lending	**164**	308	(46.8)	**76**	88	(13.6)
Other banking products	**261**	234	11.5	**99**	162	(38.9)
Total charge to provide for bad and doubtful debts	**484**	639	(24.3)	**210**	274	(23.4)
Net interest margin						
Housing lending net interest margin	**1.32%**	1.35%	(3 bps)	**1.38%**	1.27%	11 bps
Business lending net interest margin	**1.87%**	1.81%	6 bps	**1.90%**	1.84%	6 bps
Volumes ($bn)						
Housing lending	**295.1**	281.1	5.0	**295.1**	287.7	2.6
Business lending	**185.7**	181.8	2.1	**185.7**	180.9	2.7
Other lending	**10.3**	10.5	(1.9)	**10.3**	10.5	(1.9)
Gross loans and acceptances	**491.1**	473.4	3.7	**491.1**	479.1	2.5
Customer deposits	**343.3**	328.0	4.7	**343.3**	333.4	3.0

	As at		
Market Share	30 Sep 17	31 Mar 17	30 Sep 16
Business lending [(1)]	**21.4%**	21.5%	21.7%
Business lending [(2)]	**20.4%**	20.7%	21.1%
Business deposits [(1)]	**19.5%**	19.1%	20.0%
Housing lending [(1)]	**15.7%**	15.6%	15.6%
Household deposits [(1)]	**14.2%**	14.3%	14.3%

(1) *Source: APRA Banking System.*

(2) *Source: RBA Financial System.*

	As at		
Distribution	30 Sep 17	31 Mar 17	30 Sep 16
Number of branches and business banking centres	**796**	810	820
Number of ATMs [(1)]	**2,934**	2,984	2,976
Number of internet banking customers (million)	**4.00**	3.81	3.80

(1) *Number of ATMs includes RediATMs.*

1. Australian Banking and Wealth (continued)

Funds Under Management and Administration (FUM/A) and Assets Under Management (AUM) [(1)]

Movement in FUM/A ($m) [(1)]	As at Sep 16	Inflows	Outflows	Netflows	Investment earnings	Other[(2)]	As at Sep 17	Sep 17 v Sep 16 %
Retail	54,279	7,779	(7,929)	(150)	3,708	164	**58,001**	6.9
Offsale Products	9,652	252	(1,358)	(1,106)	713	(616)	**8,643**	(10.5)
Business & Corporate Superannuation	43,196	5,894	(5,466)	428	2,667	-	**46,291**	7.2
JBWere	17,857	4,129	(1,987)	2,142	866	-	**20,865**	16.8
Total	124,984	18,054	(16,740)	1,314	7,954	(452)	**133,800**	7.1
Movement in AUM ($m) [(3)]								
Portfolio Management	128,328	14,389	(13,648)	741	8,802	806	**138,677**	8.1
Investment Management	56,617	8,509	(7,261)	1,248	552	(1,836)	**56,581**	(0.1)
Total	184,945	22,898	(20,909)	1,989	9,354	(1,030)	**195,258**	5.6

Movement in FUM/A ($m) [(1)]	As at Mar 17	Inflows	Outflows	Netflows	Investment earnings	Other[(2)]	As at Sep 17	Sep 17 v Mar 17 %
Retail	56,737	4,611	(4,403)	208	786	270	**58,001**	2.2
Offsale Products	9,295	160	(709)	(549)	194	(297)	**8,643**	(7.0)
Business & Corporate Superannuation	44,694	3,339	(2,792)	547	1,050	-	**46,291**	3.6
JBWere	19,071	2,626	(1,110)	1,516	278	-	**20,865**	9.4
Total	129,797	10,736	(9,014)	1,722	2,308	(27)	**133,800**	3.1
Movement in AUM ($m) [(3)]								
Portfolio Management	136,964	7,331	(6,239)	1,092	176	445	**138,677**	1.3
Investment Management	57,193	4,653	(5,034)	(381)	635	(866)	**56,581**	(1.1)
Total	194,157	11,984	(11,273)	711	811	(421)	**195,258**	0.6

(1) *FUM/A represents the market value of funds administered by the Group excluding AUM.*
(2) *Other includes trust distributions.*
(3) *AUM represents the market value of funds for which the Group acts as Funds Adviser or Investment Manager.*

(1) *For September 2017 there has been a change to how FUM/A and AUM are presented to now include two separate disclosures that represent all managed funds and assets from which the Group derives revenue. Certain items will be represented in both FUM/A and AUM meaning the two should not be summed. Comparative period information has been restated.*

2. Loans and Advances by Industry and Geography

As at 30 September 2017	Australia $m	New Zealand $m	Other International $m	Total $m
Real estate - mortgage	292,989	34,417	2,128	**329,534**
Other commercial and industrial	56,629	8,885	4,835	**70,349**
Commercial property services	59,022	8,600	121	**67,743**
Agriculture, forestry, fishing and mining	21,822	14,262	114	**36,198**
Financial, investment and insurance	14,973	2,017	6,178	**23,168**
Asset and lease financing	11,214	6	454	**11,674**
Instalment loans to individuals and other personal lending (including credit cards)	9,428	1,386	63	**10,877**
Manufacturing	7,334	2,821	521	**10,676**
Real estate - construction	1,588	942	220	**2,750**
Government and public authorities	1,938	200	39	**2,177**
Gross loans and advances including acceptances (1)	476,937	73,536	14,673	**565,146**
Deduct:				
Unearned income and deferred net fee income	(429)	71	(57)	**(415)**
Provisions for doubtful debts	(2,648)	(509)	(67)	**(3,224)**
Total net loans and advances including acceptances	473,860	73,098	14,549	**561,507**

(1) *Includes loans at fair value.*

As at 31 March 2017	Australia $m	New Zealand $m	Other International $m	Total $m
Real estate - mortgage	285,538	33,051	2,199	**320,788**
Other commercial and industrial	56,758	8,244	4,485	**69,487**
Commercial property services	57,310	8,283	335	**65,928**
Agriculture, forestry, fishing and mining	21,426	13,566	94	**35,086**
Financial, investment and insurance	14,374	1,941	4,609	**20,924**
Asset and lease financing	10,740	6	455	**11,201**
Instalment loans to individuals and other personal lending (including credit cards)	9,615	1,433	105	**11,153**
Manufacturing	7,356	2,880	308	**10,544**
Real estate - construction	1,604	908	213	**2,725**
Government and public authorities	1,963	206	38	**2,207**
Gross loans and advances including acceptances (1)	466,684	70,518	12,841	**550,043**
Deduct:				
Unearned income and deferred net fee income	(411)	75	(56)	**(392)**
Provisions for doubtful debts	(2,580)	(476)	(64)	**(3,120)**
Total net loans and advances including acceptances	463,693	70,117	12,721	**546,531**

(1) *Includes loans at fair value.*

As at 30 September 2016	Australia $m	New Zealand $m	Other International $m	Total $m
Real estate - mortgage	278,848	33,431	2,278	**314,557**
Other commercial and industrial	55,175	8,300	4,516	**67,991**
Commercial property services	57,826	8,496	169	**66,491**
Agriculture, forestry, fishing and mining	22,158	14,185	86	**36,429**
Financial, investment and insurance	16,075	1,628	4,818	**22,521**
Asset and lease financing	10,477	3	469	**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	831	374	**2,812**
Government and public authorities	2,041	175	39	**2,255**
Gross loans and advances including acceptances (1)	460,917	71,317	13,526	**545,760**
Deduct:				
Unearned income and deferred net fee income	(552)	80	(60)	**(532)**
Provisions for doubtful debts	(2,581)	(474)	(59)	**(3,114)**
Total net loans and advances including acceptances	457,784	70,923	13,407	**542,114**

(1) *Includes loans at fair value.*

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 17			Year ended Sep 16		
	Average balance	Interest	Average rate	Average balance	Interest	Average rate
	$m	$m	%	$m	$m	%
Average interest earning assets						
Due from other banks						
Australia	12,150	191	1.6	13,086	257	2.0
New Zealand	3,073	45	1.5	3,657	54	1.5
Other International	34,269	354	1.0	39,064	274	0.7
Total due from other banks	49,492	590	1.2	55,807	585	1.0
Marketable debt securities						
Australia	73,300	1,980	2.7	67,750	1,816	2.7
New Zealand	5,477	124	2.3	5,041	142	2.8
Other International	12,304	122	1.0	14,159	139	1.0
Total marketable debt securities	91,081	2,226	2.4	86,950	2,097	2.4
Loans and advances - housing						
Australia	259,184	11,213	4.3	248,055	11,350	4.6
New Zealand	32,446	1,581	4.9	29,718	1,621	5.5
Other International	2,207	71	3.2	2,422	76	3.1
Total loans and advances - housing	293,837	12,865	4.4	280,195	13,047	4.7
Loans and advances - non-housing						
Australia	181,816	8,846	4.9	178,735	9,156	5.1
New Zealand	38,436	1,775	4.6	35,438	1,745	4.9
Other International	10,702	263	2.5	13,289	308	2.3
Total loans and advances - non-housing	230,954	10,884	4.7	227,462	11,209	4.9
Other interest earning assets						
Australia	5,473	294	n/a	6,285	358	n/a
New Zealand	965	59	n/a	178	14	n/a
Other International	39,463	485	n/a	32,649	319	n/a
Total other interest earning assets	45,901	838	n/a	39,112	691	n/a
Total average interest earning assets and interest income by:						
Australia	531,923	22,524	4.2	513,911	22,937	4.5
New Zealand	80,397	3,584	4.5	74,032	3,576	4.8
Other International	98,945	1,295	1.3	101,583	1,116	1.1
Total average interest earning assets and interest income	711,265	27,403	3.9	689,526	27,629	4.0

(1) *Information is presented on a continuing operations basis.*

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

Average assets and interest income

	Year ended	
	Sep 17	Sep 16
	$m	$m
Average non-interest earning assets		
Investments relating to life insurance business		
Australia	-	66,776
New Zealand	81	71
Total investments relating to life insurance business	81	66,847
Other assets	90,485	102,437
Total average non-interest earning assets	90,566	169,284
Provision for doubtful debts		
Australia	(2,501)	(2,479)
New Zealand	(484)	(441)
Other International	(72)	(82)
Total provision for doubtful debts	(3,057)	(3,002)
Total average assets	798,774	855,808

(1) *Information is presented on a continuing operations basis.*

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

Average liabilities and interest expense

	Year ended Sep 17			Year ended Sep 16		
	Average balance $m	Interest $m	Average rate %	Average balance $m	Interest $m	Average rate %
Average interest bearing liabilities						
Due to other banks						
Australia	**25,611**	**394**	**1.5**	25,916	479	1.8
New Zealand	**2,044**	**17**	**0.8**	1,652	16	1.0
Other International	**18,638**	**148**	**0.8**	23,597	151	0.6
Total due to other banks	**46,293**	**559**	**1.2**	51,165	646	1.3
On-demand and short-term deposits						
Australia	**162,076**	**2,124**	**1.3**	156,975	2,597	1.7
New Zealand	**18,391**	**162**	**0.9**	17,970	256	1.4
Other International	**14,940**	**110**	**0.7**	15,805	49	0.3
Total on-demand and short-term deposits	**195,407**	**2,396**	**1.2**	190,750	2,902	1.5
Certificates of deposit						
Australia	**36,714**	**719**	**2.0**	34,395	790	2.3
New Zealand	**1,912**	**37**	**1.9**	2,345	62	2.6
Other International	**11,594**	**146**	**1.3**	11,747	74	0.6
Total certificates of deposit	**50,220**	**902**	**1.8**	48,487	926	1.9
Term deposits						
Australia	**118,870**	**3,117**	**2.6**	116,518	3,414	2.9
New Zealand	**27,905**	**942**	**3.4**	24,466	884	3.6
Other International	**11,854**	**176**	**1.5**	13,497	185	1.4
Total term deposits	**158,629**	**4,235**	**2.7**	154,481	4,483	2.9
Other borrowings						
Australia	**17,938**	**330**	**1.8**	22,678	260	1.1
New Zealand	**3,121**	**53**	**1.7**	2,887	27	0.9
Other International	**23,149**	**313**	**1.4**	16,507	135	0.8
Total other borrowings	**44,208**	**696**	**1.6**	42,072	422	1.0
Bonds, notes and subordinated debt [(1)]						
Australia	**112,911**	**3,434**	**3.0**	117,571	3,556	3.0
New Zealand	**17,723**	**635**	**3.6**	14,793	685	4.6
Other International	**16,272**	**395**	**2.4**	12,078	275	2.3
Total bonds, notes and subordinated debt	**146,906**	**4,464**	**3.0**	144,442	4,516	3.1
Other interest bearing liabilities [(1)]						
Australia	**5,883**	**894**	**n/a**	3,345	728	n/a
New Zealand	**-**	**-**	**n/a**	2	-	n/a
Other International	**1,517**	**75**	**n/a**	4,285	76	n/a
Total other interest bearing liabilities	**7,400**	**969**	**n/a**	7,632	804	n/a
Total average interest bearing liabilities and interest expense by:						
Australia	**480,003**	**11,012**	**2.3**	477,398	11,824	2.5
New Zealand	**71,096**	**1,846**	**2.6**	64,115	1,930	3.0
Other International	**97,964**	**1,363**	**1.4**	97,516	945	1.0
Total average interest bearing liabilities and interest expense	**649,063**	**14,221**	**2.2**	639,029	14,699	2.3

(1) *For the year ended 30 September 2016, certain interest expense amounts previously classified as Bonds, notes and subordinated debt have been reclassified to other debt issues.*

(1) *Information is presented on a continuing operations basis.*

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

Average liabilities and equity

	Year ended Sep 17 $m	Sep 16 $m
Average non-interest bearing liabilities		
Deposits not bearing interest		
Australia	**40,011**	35,139
New Zealand	**4,521**	3,826
Other International	**16**	4
Total deposits not bearing interest	**44,548**	38,969
Life insurance policy liabilities		
Australia	**-**	56,123
Total life insurance liabilities	**-**	56,123
Other liabilities	**54,689**	74,038
Total average non-interest bearing liabilities	**99,237**	169,130
Total average liabilities	**748,300**	808,159
Average equity		
Total equity (parent entity interest)	**50,458**	47,625
Non-controlling interest in controlled entities	**16**	24
Total average equity	**50,474**	47,649
Total average liabilities and equity	**798,774**	855,808

(1) *Information is presented on a continuing operations basis.*

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

Average assets and interest income

	Half Year ended Sep 17			Half Year ended Mar 17		
	Average balance $m	Interest $m	Average rate %	Average balance $m	Interest $m	Average rate %
Average interest earning assets						
Due from other banks						
Australia	**10,706**	**90**	**1.7**	13,601	101	1.5
New Zealand	**2,540**	**19**	**1.5**	3,610	26	1.4
Other International	**32,045**	**207**	**1.3**	36,505	147	0.8
Total due from other banks	**45,291**	**316**	**1.4**	53,716	274	1.0
Marketable debt securities						
Australia	**76,710**	**1,064**	**2.8**	69,873	916	2.6
New Zealand	**5,752**	**63**	**2.2**	5,200	61	2.4
Other International	**10,991**	**56**	**1.0**	13,624	66	1.0
Total marketable debt securities	**93,453**	**1,183**	**2.5**	88,697	1,043	2.4
Loans and advances - housing						
Australia	**262,349**	**5,763**	**4.4**	256,003	5,449	4.3
New Zealand	**32,673**	**789**	**4.8**	32,217	792	4.9
Other International	**2,176**	**35**	**3.2**	2,239	36	3.2
Total loans and advances - housing	**297,198**	**6,587**	**4.4**	290,459	6,277	4.3
Loans and advances - non-housing						
Australia	**182,678**	**4,460**	**4.9**	180,950	4,386	4.9
New Zealand	**38,751**	**908**	**4.7**	38,120	867	4.6
Other International	**10,906**	**135**	**2.5**	10,497	128	2.4
Total loans and advances - non-housing	**232,335**	**5,503**	**4.7**	229,567	5,381	4.7
Other interest earning assets						
Australia	**5,768**	**141**	**n/a**	5,177	154	n/a
New Zealand	**1,404**	**40**	**n/a**	524	19	n/a
Other International	**42,718**	**282**	**n/a**	36,190	203	n/a
Total other interest earning assets	**49,890**	**463**	**n/a**	41,891	376	n/a
Total average interest earning assets and interest income by:						
Australia	**538,211**	**11,518**	**4.3**	525,604	11,006	4.2
New Zealand	**81,120**	**1,819**	**4.5**	79,671	1,765	4.4
Other International	**98,836**	**715**	**1.4**	99,055	580	1.2
Total average interest earning assets and interest income	**718,167**	**14,052**	**3.9**	704,330	13,351	3.8

(1) *Information is presented on a continuing operations basis.*

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

Average assets and interest income

	Half Year ended	
	Sep 17	Mar 17
	$m	$m
Average non-interest earning assets		
Investments relating to life insurance business		
New Zealand	**82**	80
Total investments relating to life insurance business	**82**	80
Other assets	**87,188**	93,798
Total average non-interest earning assets	**87,270**	93,878
Provision for doubtful debts		
Australia	**(2,501)**	(2,501)
New Zealand	**(487)**	(480)
Other International	**(69)**	(76)
Total provision for doubtful debts	**(3,057)**	(3,057)
Total average assets	**802,380**	795,151

[1] *Information is presented on a continuing operations basis.*

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

Average liabilities and interest expense

	Half Year ended Sep 17			Half Year ended Mar 17		
	Average balance $m	Interest $m	Average rate %	Average balance $m	Interest $m	Average rate %
Average interest bearing liabilities						
Due to other banks						
Australia	**25,955**	**201**	**1.5**	25,266	193	1.5
New Zealand	**2,155**	**10**	**0.9**	1,933	7	0.7
Other International	**16,788**	**71**	**0.8**	20,497	77	0.8
Total due to other banks	**44,898**	**282**	**1.3**	47,696	277	1.2
On-demand and short-term deposits						
Australia	**164,901**	**1,078**	**1.3**	159,235	1,046	1.3
New Zealand	**18,302**	**76**	**0.8**	18,481	86	0.9
Other International	**14,884**	**71**	**1.0**	14,994	39	0.5
Total on-demand and short-term deposits	**198,087**	**1,225**	**1.2**	192,710	1,171	1.2
Certificates of deposit						
Australia	**38,044**	**370**	**1.9**	35,377	349	2.0
New Zealand	**1,806**	**18**	**2.0**	2,018	19	1.9
Other International	**12,766**	**87**	**1.4**	10,416	59	1.1
Total certificates of deposit	**52,616**	**475**	**1.8**	47,811	427	1.8
Term deposits						
Australia	**117,448**	**1,499**	**2.5**	120,299	1,618	2.7
New Zealand	**28,535**	**486**	**3.4**	27,272	456	3.4
Other International	**11,278**	**83**	**1.5**	12,433	93	1.5
Total term deposits	**157,261**	**2,068**	**2.6**	160,004	2,167	2.7
Other borrowings						
Australia	**19,715**	**187**	**1.9**	16,150	143	1.8
New Zealand	**2,843**	**25**	**1.8**	3,401	28	1.7
Other International	**24,606**	**203**	**1.6**	21,684	110	1.0
Total other borrowings	**47,164**	**415**	**1.8**	41,235	281	1.4
Bonds, notes and subordinated debt						
Australia	**112,851**	**1,749**	**3.1**	112,972	1,685	3.0
New Zealand	**18,417**	**307**	**3.3**	17,024	328	3.9
Other International	**17,209**	**208**	**2.4**	15,331	187	2.4
Total bonds, notes and subordinated debt	**148,477**	**2,264**	**3.0**	145,327	2,200	3.0
Other interest bearing liabilities						
Australia	**5,973**	**495**	**n/a**	5,793	399	n/a
New Zealand	**-**	**-**	**n/a**	-	-	n/a
Other International	**1,306**	**43**	**n/a**	1,728	32	n/a
Total other interest bearing liabilities	**7,279**	**538**	**n/a**	7,521	431	n/a
Total average interest bearing liabilities and interest expense by:						
Australia	**484,887**	**5,579**	**2.3**	475,092	5,433	2.3
New Zealand	**72,058**	**922**	**2.6**	70,129	924	2.6
Other International	**98,837**	**766**	**1.5**	97,083	597	1.2
Total average interest bearing liabilities and interest expense	**655,782**	**7,267**	**2.2**	642,304	6,954	2.2

(1) *Information is presented on a continuing operations basis.*

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

Average liabilities and equity

	Half Year ended	
	Sep 17	Mar 17
	$m	$m
Average non-interest bearing liabilities		
Deposits not bearing interest		
Australia	41,158	38,858
New Zealand	4,579	4,462
Other International	29	4
Total deposits not bearing interest	45,766	43,324
Other liabilities	50,026	59,243
Total average non-interest bearing liabilities	95,792	102,567
Total average liabilities	751,574	744,871
Average equity		
Total equity (parent entity interest)	50,797	50,257
Non-controlling interest in controlled entities	9	23
Total average equity	50,806	50,280
Total average liabilities and equity	802,380	795,151

4. Net Interest Margins and Spreads [1]

	Year to			Half Year to		
	Sep 17	Sep 16	Sep 17 v	Sep 17	Mar 17	Sep 17 v
Group	%	%	Sep 16	%	%	Mar 17
Net interest spread	1.66	1.71	(5 bps)	1.69	1.63	6 bps
Benefit of net free liabilities, provisions and equity	0.19	0.17	2 bps	0.19	0.19	-
Net interest margin - statutory basis	1.85	1.88	(3 bps)	1.88	1.82	6 bps

(1) *Information is presented on a continuing operations basis.*

5. Capital Adequacy - Basel III

The APRA Basel III capital standards have been in effect since 1 January 2013. Under APRA Prudential Standards, superannuation and funds 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 superannuation and funds 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 superannuation and funds management entities are separately regulated and need to meet APRA Prudential Standards. The Group conservatively manages the superannuation and funds management capital adequacy and solvency position separately from the banking business, with a capital buffer in excess of minimum regulatory requirements.

	As at		
	30 Sep 17 (1)	31 Mar 17	30 Sep 16
Reconciliation to shareholders' funds	$m	$m	$m
Contributed equity	**34,627**	34,341	34,285
Reserves	**237**	170	629
Retained profits	**16,442**	16,334	16,378
Non-controlling interest in controlled entities	**11**	11	23
Total equity per consolidated balance sheet	**51,317**	50,856	51,315
Equity-accounted Additional Tier 1 capital before application of Basel III transitional arrangements	**(2,919)**	(2,919)	(3,317)
Non-controlling interest in controlled entities	**(11)**	(11)	(23)
Treasury shares	**6**	6	6
General reserve for credit losses	**-**	(96)	(75)
Deconsolidation of Wealth equity	**(240)**	853	909
Common Equity Tier 1 Capital before regulatory adjustments	**48,153**	48,689	48,815
Banking goodwill and other intangibles	**(2,865)**	(547)	(547)
Wealth goodwill and other intangibles	**(13)**	(2,371)	(2,375)
Investment in non-consolidated controlled entities (net of intangible component)	**(478)**	(1,556)	(1,551)
Deferred tax assets in excess of deferred tax liabilities	**(1,654)**	(1,295)	(1,466)
Capitalised expenses	**(570)**	(537)	(474)
Capitalised software (excluding Wealth)	**(2,705)**	(2,430)	(2,285)
Defined benefit pension scheme surplus	**(29)**	(20)	(18)
Change in own creditworthiness	**199**	142	214
Cash flow hedge reserve	**(46)**	(40)	(143)
Equity exposures	**(982)**	(406)	(408)
Expected loss in excess of eligible provisions	**(170)**	(131)	(69)
Other (2)	**(415)**	(1,648)	(1,746)
Common Equity Tier 1 Capital	**38,425**	37,850	37,947
Transitional Additional Tier 1 Capital instruments	**2,920**	2,920	3,317
Basel III eligible Additional Tier 1 Capital instruments	**6,073**	6,073	6,073
Regulatory adjustments to Additional Tier 1 Capital	**(1)**	(1)	(1)
Additional Tier 1 Capital	**8,992**	8,992	9,389
Tier 1 Capital	**47,417**	46,842	47,336
Collective provision for doubtful debts - Standardised approach	**59**	60	63
Transitional Tier 2 Capital instruments	**2,811**	2,811	3,373
Basel III eligible Tier 2 Capital instruments	**5,076**	5,008	3,755
Eligible Tier 2 Capital for non-controlling interest	**436**	435	501
Regulatory adjustments to Tier 2 Capital	**(92)**	(84)	(83)
Tier 2 Capital	**8,290**	8,230	7,609
Total Capital	**55,707**	55,072	54,945
Risk-weighted assets			
Credit risk	**325,969**	317,853	331,510
Market risk	**7,766**	7,001	7,299
Operational risk	**37,575**	37,500	37,500
Interest rate risk in the banking book (3)	**10,804**	12,133	12,136
Total risk-weighted assets	**382,114**	374,487	388,445
Risk-based regulatory capital ratios			
Common Equity Tier 1	**10.06%**	10.11%	9.77%
Tier 1	**12.41%**	12.51%	12.19%
Total Capital	**14.58%**	14.71%	14.14%

(1) *On 1 April 2017 the Group transitioned to a revised Level 2 Group structure, which has impacted a number of line items in the table. The overall effect of this change on the Group's capital position is immaterial and prior reporting periods have not been restated. Remaining transitional arrangements arising from debt issued directly by NWMH are no longer required.*

(2) *Includes the deduction for the remaining conduct indemnity pursuant to the Conduct Indemnity Deed, net of conduct provisions.*

(3) *Due to an IRRBB model amendment reflected in the 30 September 2017 result, the equivalent March 2017 result would now be $10,895 million.*

5. Capital Adequacy - Basel III (continued)

	Risk-Weighted Assets as at			Exposures as at		
	30 Sep 17 $m	31 Mar 17 $m	30 Sep 16 $m	30 Sep 17 $m	31 Mar 17 $m	30 Sep 16 $m
Credit risk [(1)]						
IRB approach						
Corporate (including SME) [(2)]	**115,831**	118,133	124,765	**286,277**	275,333	262,099
Sovereign	**1,306**	1,632	1,596	**79,537**	93,246	80,462
Bank	**10,998**	10,789	11,269	**59,078**	67,043	61,650
Residential Mortgage [(3)]	**100,741**	91,883	90,143	**373,620**	362,937	357,831
Qualifying revolving retail	**4,062**	3,785	3,925	**11,574**	11,671	11,651
Retail SME	**5,949**	6,021	6,182	**16,342**	16,246	16,286
Other retail	**3,484**	3,731	3,666	**4,465**	4,574	4,614
Total IRB approach	**242,371**	235,974	241,546	**830,893**	831,050	794,593
Specialised lending	**58,902**	56,977	57,900	**68,572**	66,689	67,011
Standardised approach						
Australian and foreign governments	**-**	-	-	**-**	-	-
Bank	**-**	-	-	**-**	-	-
Residential mortgage	**2,414**	2,557	2,706	**4,306**	4,523	4,768
Corporate	**4,462**	4,307	4,219	**69,329**	62,730	60,190
Other	**521**	531	554	**1,170**	1,150	1,182
Total standardised approach	**7,397**	7,395	7,479	**74,805**	68,403	66,140
Other						
Securitisation	**3,380**	3,325	3,435	**22,486**	22,235	21,625
Credit value adjustment	**9,001**	9,815	13,871	**-**	-	-
Central counterparty default fund contribution guarantee	**1,005**	800	473	**-**	-	-
Other [(4)]	**3,913**	3,567	6,806	**6,191**	5,891	8,168
Total other	**17,299**	17,507	24,585	**28,677**	28,126	29,793
Total credit risk	**325,969**	317,853	331,510	**1,002,947**	994,268	957,537
Market risk	**7,766**	7,001	7,299			
Operational risk	**37,575**	37,500	37,500			
Interest rate risk in the banking book [(5)]	**10,804**	12,133	12,136			
Total risk-weighted assets and exposures	**382,114**	374,487	388,445			

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

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

(3) *Uplift in residential mortgage RWA is primarily driven by an IRB model change.*

(4) *'Other' includes non-lending asset exposures.*

(5) *Due to an IRRBB model amendment reflected in the 30 September 2017 result, the equivalent March 2017 result would now be $10,895 million.*

6. Earnings Per Share

	Year to			
	Sep 17		Sep 16	
Earnings per Share	**Basic**	**Diluted**	**Basic**	**Diluted**
Earnings ($m)				
Net profit attributable to owners of NAB	**5,285**	**5,285**	352	352
Distributions on other equity instruments	**(98)**	**(98)**	(124)	(124)
Potential dilutive adjustments (after tax)				
Interest expense on convertible notes	**-**	**126**	-	75
Interest expense on convertible preference shares	**-**	**119**	-	130
Adjusted earnings	**5,187**	**5,432**	228	433
Net loss attributable to owners of NAB from discontinued operations	**(893)**	**(893)**	(6,068)	(6,068)
Adjusted earnings from continuing operations	**6,080**	**6,325**	6,296	6,501
Weighted average ordinary shares (no. '000)				
Weighted average ordinary shares (net of treasury shares)	**2,664,511**	**2,664,511**	2,596,957	2,596,957
Potential dilutive weighted average ordinary shares				
Performance rights	**-**	**4,687**	-	4,735
Partly paid ordinary shares	**-**	**29**	-	32
Employee share plans	**-**	**5,375**	-	8,587
Convertible notes	**-**	**92,866**	-	63,689
Convertible preference shares	**-**	**105,605**	-	119,686
Total weighted average ordinary shares	**2,664,511**	**2,873,073**	2,596,957	2,793,686
Earnings per share (cents) attributable to owners of NAB	**194.7**	**189.1**	8.8	15.5
Earnings per share from continuing operations (cents)	**228.2**	**220.1**	242.4	232.7

	Half Year to			
	Sep 17		Mar 17	
Earnings per Share	**Basic**	**Diluted**	**Basic**	**Diluted**
Earnings ($m)				
Net profit attributable to owners of NAB	**2,740**	**2,740**	2,545	2,545
Distributions on other equity instruments	**(49)**	**(49)**	(49)	(49)
Potential dilutive adjustments (after tax)				
Interest expense on convertible notes	**-**	**63**	-	63
Interest expense on convertible preference shares	**-**	**60**	-	59
Adjusted earnings	**2,691**	**2,814**	2,496	2,618
Net loss attributable to owners of NAB from discontinued operations	**(581)**	**(581)**	(312)	(312)
Adjusted earnings from continuing operations	**3,272**	**3,395**	2,808	2,930
Weighted average ordinary shares (no. '000)				
Weighted average ordinary shares (net of treasury shares)	**2,670,722**	**2,670,722**	2,658,228	2,658,228
Potential dilutive weighted average ordinary shares				
Performance rights	**-**	**4,786**	-	4,993
Partly paid ordinary shares	**-**	**30**	-	30
Employee share plans	**-**	**5,021**	-	4,279
Convertible notes	**-**	**92,866**	-	88,362
Convertible preference shares	**-**	**105,605**	-	100,483
Total weighted average ordinary shares	**2,670,722**	**2,879,030**	2,658,228	2,856,375
Earnings per share (cents) attributable to owners of NAB	**100.8**	**97.7**	93.9	91.7
Earnings per share from continuing operations (cents)	**122.5**	**117.9**	105.6	102.6

6. Earnings Per Share (continued)

Cash Earnings per Share	Year to Sep 17 Basic	Sep 17 Diluted	Sep 16 Basic	Sep 16 Diluted
Earnings ($m)				
Cash earnings [(1)]	**6,642**	**6,642**	6,483	6,483
Potential dilutive adjustments (after tax)				
Interest expense on convertible notes	**-**	**126**	-	75
Interest expense on convertible preference shares	**-**	**119**	-	130
Adjusted cash earnings	**6,642**	**6,887**	6,483	6,688
Weighted average ordinary shares (no. '000)				
Weighted average ordinary shares [(2)]	**2,664,511**	**2,664,511**	2,645,573	2,645,573
Potential dilutive weighted average ordinary shares				
Performance rights	**-**	**4,687**	-	4,735
Partly paid ordinary shares	**-**	**29**	-	32
Employee share plans	**-**	**5,375**	-	8,587
Convertible notes	**-**	**92,866**	-	63,689
Convertible preference shares	**-**	**105,605**	-	119,686
Total weighted average ordinary shares	**2,664,511**	**2,873,073**	2,645,573	2,842,302
Earnings per share (cents) attributable to owners of NAB	**249.3**	**239.7**	245.1	235.3

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

(2) *Includes Treasury Shares held in the Group's investments businesses (consolidated until the Successor Fund Merger on 1 July 2016) and excludes any Treasury Shares held in respect of employee incentive schemes.*

Cash Earnings per Share	Half Year to Sep 17 Basic	Sep 17 Diluted	Mar 17 Basic	Mar 17 Diluted
Earnings ($m)				
Cash earnings [(1)]	**3,348**	**3,348**	3,294	3,294
Potential dilutive adjustments (after tax)				
Interest expense on convertible notes	**-**	**63**	-	63
Interest expense on convertible preference shares	**-**	**60**	-	59
Adjusted cash earnings	**3,348**	**3,471**	3,294	3,416
Weighted average ordinary shares (no. '000)				
Weighted average ordinary shares (net of treasury shares) [(2)]	**2,670,722**	**2,670,722**	2,658,228	2,658,228
Potential dilutive weighted average ordinary shares				
Performance rights	**-**	**4,786**	-	4,993
Partly paid ordinary shares	**-**	**30**	-	30
Employee share plans	**-**	**5,021**	-	4,279
Convertible notes	**-**	**92,866**	-	88,362
Convertible preference shares	**-**	**105,605**	-	100,483
Total weighted average ordinary shares	**2,670,722**	**2,879,030**	2,658,228	2,856,375
Earnings per share (cents) attributable to owners of NAB	**125.4**	**120.6**	123.9	119.6

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

(2) *Includes Treasury Shares held in the Group's investments businesses (consolidated until the Successor Fund Merger on 1 July 2016) and excludes any Treasury Shares held in respect of employee incentive schemes.*

7. Net Tangible Assets

	As at 30 Sep 17	31 Mar 17	30 Sep 16
Net tangible assets per ordinary share ($) [(1)]	**15.93**	15.90	16.06

(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 period.*

8. Asset Funding [(1)]

Core assets	As at 30 Sep 17 $m	31 Mar 17 $m	30 Sep 16 $m	Sep 17 v Mar 17 %	Sep 17 v Sep 16 %
Gross loans and advances	**543,764**	524,466	513,691	3.7	5.9
Loans at fair value	**14,596**	17,029	19,864	(14.3)	(26.5)
Other financial assets at fair value	**46**	52	271	(11.5)	(83.0)
Due from customers on acceptances	**6,786**	8,548	12,205	(20.6)	(44.4)
Other debt instruments at amortised cost	**584**	755	778	(22.6)	(24.9)
Total core assets	**565,776**	550,850	546,809	2.7	3.5
Funding and equity					
Customer deposits	**407,585**	399,560	390,500	2.0	4.4
Term wholesale funding	**156,846**	152,836	157,204	2.6	(0.2)
Certificates of deposit	**52,255**	52,149	46,018	0.2	13.6
Securities sold under repurchase agreements	**23,493**	19,543	16,064	20.2	46.2
Due to other banks [(1)]	**36,683**	47,618	43,903	(23.0)	(16.4)
Other short term liabilities	**24,035**	24,481	20,663	(1.8)	16.3
Total equity excluding preference shares and other contributed equity	**48,398**	47,937	47,998	1.0	0.8
Total funding liabilities and equity	**749,295**	744,124	722,350	0.7	3.7
Other liabilities					
Trading derivatives	**27,187**	33,988	41,559	(20.0)	(34.6)
Hedging derivatives	**1,674**	3,479	3,402	(51.9)	(50.8)
Other liabilities	**10,169**	7,729	9,399	31.6	8.2
Total liabilities and equity	**788,325**	789,320	776,710	(0.1)	1.5

(1) *Includes repurchase agreements due to other banks.*

Funded Balance Sheet

Funding sources [(1)]	As at 30 Sep 17 $m	31 Mar 17 $m	30 Sep 16 $m	Sep 17 v Mar 17 %	Sep 17 v Sep 16 %
Stable customer deposits [(2)]	**360,234**	352,313	341,883	2.2	5.4
Term funding greater than 12 months	**133,857**	123,331	120,044	8.5	11.5
Equity	**48,398**	47,937	47,998	1.0	0.8
Total stable funding	**542,489**	523,581	509,925	3.6	6.4
Short term wholesale funding	**97,041**	102,532	96,217	(5.4)	0.9
Term funding less than 12 months	**22,989**	29,505	37,160	(22.1)	(38.1)
Other deposits [(3)]	**47,351**	47,247	48,617	0.2	(2.6)
Total funding	**709,870**	702,865	691,919	1.0	2.6
Funded assets					
Liquid assets [(4)]	**107,904**	115,348	107,162	(6.5)	0.7
Other short term assets [(5)]	**31,060**	33,849	28,926	(8.2)	7.4
Total short term assets	**138,964**	149,197	136,088	(6.9)	2.1
Business and other lending [(6)]	**231,203**	224,903	227,219	2.8	1.8
Housing lending	**329,534**	320,788	314,557	2.7	4.8
Other assets [(7)]	**10,169**	7,977	14,055	27.5	(27.6)
Total long term assets	**570,906**	553,668	555,831	3.1	2.7
Total funded assets	**709,870**	702,865	691,919	1.0	2.6

(1) *Excludes repurchase agreements, trading and hedging derivatives, insurance assets and liabilities and any accruals, receivables and payables that do not provide net funding.*
(2) *Includes operational deposits, non-financial corporate deposits and retail / SME deposits.*
(3) *Includes non-operational financial institution deposits and certain offshore deposits.*
(4) *Regulatory liquid assets including HQLA and CLF eligible assets.*
(5) *Includes non-repo eligible liquid assets and trade finance loans.*
(6) *Excludes trade finance loans.*
(7) *Includes net derivatives, goodwill, property, plant and equipment and net of accruals, receivables and payables.*

(1) *Information is presented on a continuing operations basis.*

9. Number of Ordinary Shares

	Year to Sep 17 No. '000	Year to Sep 16 No. '000
Ordinary shares, fully paid		
Balance at beginning of period	**2,656,976**	2,625,764
Shares issued:		
Dividend reinvestment plan	**19,794**	21,325
Bonus share plan	**2,203**	2,052
Employee share plans	**6,249**	7,461
Performance rights	**241**	359
Paying up of partly paid shares	**6**	15
	2,685,469	2,656,976
Ordinary shares, partly paid to 25 cents		
Balance at beginning of period	**49**	64
Paying up of partly paid shares	**(6)**	(15)
	43	49
Total number of ordinary shares on issue at end of period (including treasury shares)	**2,685,512**	2,657,025
Less: Treasury shares	**(9,643)**	(9,504)
Total number of ordinary shares on issue at end of period (excluding treasury shares)	**2,675,869**	2,647,521

	Half Year to Sep 17 No. '000	Half Year to Mar 17 No. '000
Ordinary shares, fully paid		
Balance at beginning of period	**2,675,424**	2,656,976
Shares issued:		
Dividend reinvestment plan	**9,108**	10,686
Bonus share plan	**923**	1,280
Employee share plans	**2**	6,247
Performance rights	**10**	231
Paying up of partly paid shares	**2**	4
	2,685,469	2,675,424
Ordinary shares, partly paid to 25 cents		
Balance at beginning of period	**45**	49
Paying up of partly paid shares	**(2)**	(4)
	43	45
Total number of ordinary shares on issue at end of period (including treasury shares)	**2,685,512**	2,675,469
Less: Treasury shares	**(9,643)**	(10,322)
Total number of ordinary shares on issue at end of period (excluding treasury shares)	**2,675,869**	2,665,147

10. Exchange Rates

	Income Statement - average				Balance Sheet - spot		
	Year to		Half Year to		As at		
One Australian dollar equals	**Sep 17**	**Sep 16**	**Sep 17**	**Mar 17**	**30 Sep 17**	**31 Mar 17**	**30 Sep 16**
British Pounds	**0.6017**	0.5194	**0.5955**	0.6081	**0.5847**	0.6123	0.5882
Euros	**0.6902**	0.6630	**0.6777**	0.7033	**0.6658**	0.7162	0.6795
United States Dollars	**0.7623**	0.7368	**0.7702**	0.7543	**0.7842**	0.7646	0.7627
New Zealand Dollars	**1.0667**	1.0744	**1.0734**	1.0601	**1.0866**	1.0944	1.0487

11. ASX Appendix 4E

12. Divisional Performance Summary Excluding Foreign Currency Movements

Year ended **30 September 2017 at 30 September 2016 FX rates**	**Consumer Banking and Wealth** **$m**	**Business and Private Banking** **$m**	**Corporate and Institutional Banking** **$m**	**NZ Banking** **$m**	**Corporate Functions and Other** **$m**	**Eliminations[1]** **$m**	**Group Cash Earnings** **$m**
Net interest income	3,884	5,257	1,990	1,575	448	-	**13,154**
Other operating income	1,597	1,063	1,406	526	227	(26)	**4,793**
Net operating income	5,481	6,320	3,396	2,101	675	(26)	**17,947**
Operating expenses	(2,910)	(2,085)	(1,264)	(821)	(611)	26	**(7,665)**
Underlying profit	2,571	4,235	2,132	1,280	64	-	**10,282**
Charge to provide for bad and doubtful debts	(267)	(179)	(37)	(66)	(258)	-	**(807)**
Cash earnings / (deficit) before tax and distributions	2,304	4,056	2,095	1,214	(194)	-	**9,475**
Income tax expense	(671)	(1,215)	(539)	(338)	51	-	**(2,712)**
Cash earnings / (deficit) before distributions	1,633	2,841	1,556	876	(143)	-	**6,763**
Distributions	-	-	-	-	(100)	-	**(100)**
Cash earnings / (deficit)	**1,633**	**2,841**	**1,556**	**876**	**(243)**	**-**	**6,663**

[1] *Balance reflects Nautilus insurance costs booked and eliminated within Corporate Functions and Other.*

Half year ended **30 September 2017 at 31 March 2017 FX rates**	**Consumer Banking and Wealth** **$m**	**Business and Private Banking** **$m**	**Corporate and Institutional Banking** **$m**	**NZ Banking** **$m**	**Corporate Functions and Other** **$m**	**Eliminations[1]** **$m**	**Group Cash Earnings** **$m**
Net interest income	2,009	2,693	1,021	820	243	-	**6,786**
Other operating income	780	536	606	269	70	(6)	**2,255**
Net operating income	2,789	3,229	1,627	1,089	313	(6)	**9,041**
Operating expenses	(1,445)	(1,046)	(605)	(424)	(341)	6	**(3,855)**
Underlying profit / (loss)	1,344	2,183	1,022	665	(28)	-	**5,186**
Charge to provide for bad and doubtful debts	(105)	(81)	(24)	(29)	(178)	-	**(417)**
Cash earnings / (deficit) before tax and distributions	1,239	2,102	998	636	(206)	-	**4,769**
Income tax expense	(370)	(629)	(253)	(177)	64	-	**(1,365)**
Cash earnings / (deficit) before distributions	869	1,473	745	459	(142)	-	**3,404**
Distributions	-	-	-	-	(50)	-	**(50)**
Cash earnings / (deficit)	**869**	**1,473**	**745**	**459**	**(192)**	**-**	**3,354**

[1] *Balance reflects Nautilus insurance costs booked and eliminated within Corporate Functions and Other.*

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 losses arising from default events that could occur within 12 months of the reporting date.
90+ Days past due and gross impaired assets to GLAs	Loans and advances 90+ days past due but not impaired and impaired assets expressed as a percentage of Gross loans and acceptances. Calculated as the sum of 'Loans and advances past due but not impaired (Past due over 90 days)' and 'Gross impaired assets' divided by Gross loans and acceptances.
90+ days past due Assets	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.
AASB	Australian Accounting Standards Board.
APRA	Australian Prudential Regulation Authority.
APS	Prudential Standards issued by APRA applicable to Authorised Deposit-taking Institutions.
ASIC	Australian Securities and Investments Commission.
ASX	Australian Securities Exchange Limited.
Assets under management (AUM)	Represents the market value of funds for which the Group acts as Funds Adviser or Investment Manager.
Available Stable Funding (ASF)	The portion of capital and liabilities expected to be reliably provided over a one-year time horizon, 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 equity (adjusted)	Average shareholders' equity, excluding non-controlling interests and other equity instruments, when calculated on a statutory basis. When calculated on a cash earnings basis, Average equity (adjusted) is further adjusted for Treasury shares. Refer to 'Average balances' on page 2 for further information in relation to the calculation of average balances.
Average interest earning assets	The average balance of assets held by the Group over the period that generate interest income. Refer to 'average balances' on page 2 for further information in relation to the calculation of average balances.
Banking	Banking operations include the Group's: - Retail and Non-Retail deposits, lending and other banking services within Consumer Banking and Wealth, Business and Private Banking, Corporate and Institutional Banking, and NZ Banking - Wholesale operations comprising Global Capital Markets, Specialised Finance and Financial Institutions business within Corporate and Institutional Banking and NZ Banking, and - Treasury operations within Corporate Functions and Other.
Bank levy	A levy imposed under the *Major Bank Levy Act 2017* on authorised deposit-taking institutions with total liabilities of more than $100 billion.
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 in the Group's consolidated investments businesses (until the Successor Fund Merger on 1 July 2016).
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 in the Group's consolidated investments businesses (until the Successor Fund Merger on 1 July 2016) and dilutive potential ordinary shares.
Cash return on equity (ROE)	Cash earnings after tax expressed as a percentage of Average equity (adjusted), calculated on a cash earnings basis. See 'Information about Cash Earnings and other Non-IFRS Measures' on page 2 for more information in relation to cash earnings.
CLF	Committed Liquidity Facility
Cost to income ratio (CTI)	Cost to income ratio (CTI) represents operating expenses as a percentage of operating revenue.
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).
Customer deposits	The sum of interest bearing, non-interest bearing and term deposits (including retail and corporate deposits). Calculated as the sum of 'Term deposits', 'On-demand and short-term deposits' and 'Deposits not bearing interest'.
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).
CYBG	CYBG PLC.
CYBG Group	CYBG PLC and its controlled entities.
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 and National Capital Instruments.
Dividend payout ratio	Dividends paid on ordinary shares divided by cash earnings per share.
Earnings per share (EPS)	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.

Terms	Description
Fair value and hedge ineffectiveness	Represents volatility from the Group's assets and liabilities designated at fair value, hedge accounting ineffectiveness from designated accounting hedge relationships, or from economic hedges where hedge accounting has not been applied.
FSI	Financial System Inquiry.
Full-time equivalent employees (FTEs)	Includes all full-time staff, part-time, temporary, fixed term and casual staff equivalents, as well as agency temporary staff 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	Represents the market value of funds administered by the Group excluding AUM.
General reserve for credit losses (GRCL)	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 (GRCL) is calculated using a prudential expected loss methodology that differs to that used for AASB 9 "Financial Instruments" expected credit loss provisions. The GRCL represents an appropriation of retained profits to non-distributable reserves when the regulatory reserve is greater than the accounting provision. The purpose of the GRCL is to provide the Group with freely available capital which can be used to meet credit losses that may subsequently materialise.
Gross loans and acceptances (GLAs)	The total loans, advances and acceptances, including unearned and deferred fee income, excluding associated provisions for bad and doubtful debts. Calculated as the sum of 'Acceptances', 'Loans at fair value', and 'Total gross loans and advances'.
Group	NAB and its controlled entities.
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.
Leverage Ratio	The Leverage Ratio is a simple, transparent, non-risk based supplementary measure that use exposures to supplement the risk-weighted assets based capital requirements and is prepared in accordance with APRA's Prudential Standard APS111 "Capital Adequacy: Measurement of Capital".
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 calendar day 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 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.
Nautilus	Nautilus Insurance Pte Ltd (Nautilus), a wholly owned subsidiary of the Group, is a captive insurance company domiciled in Singapore.
Net interest margin (NIM)	Net interest income derived on a cash earnings basis expressed 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 amount of stable funding an ADI is required to hold measured as 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.
Stable Funding Index (SFI)	Term Funding Index (TFI) plus Customer Funding Index (CFI).
Statutory ROE	Statutory earnings after tax expressed as a percentage of Average equity (adjusted), calculated on a statutory basis.
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 1 capital ratio	Tier 1 capital as defined by APRA divided by risk-weighted assets.

Terms	Description
Total average assets	The average balance of assets held by the Group 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. Refer to 'Average balances' on page 2 for further information in relation to the calculation on average balances.
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".

A138944–1117