These unaudited financial statements for the half year ended 31 March 2018, together with the notes hereto and the independent auditor review report and the report of the Company's directors, each provided in connection herewith (together, the **Half Year Financial Statements**), are filed with the CSSF and stored with the Luxembourg Stock Exchange as the Officially Appointed Mechanism in order to comply with the semi-annual financial reporting requirements of Article 4 of the Luxembourg Law of 11 January 2008 relating to transparency requirements, as amended. These requirements apply to National Australia Bank Limited ABN 12 004 044 937 (the **Company**) because it has debt securities admitted to trading on the regulated market of the Luxembourg Stock Exchange and is subject to the supervision of the Commission de Surveillance du Secteur Financier (the **CSSF**). These Half Year Financial Statements must be read in conjunction the Company's "Luxembourg Transparency Law – 2018 Half Year Financial Report" document, which has been published simultaneously with these Half Year Financial Statements.

Section 5

Financial Report

Report of the Directors

The directors of National Australia Bank Limited (NAB) (ABN 12 004 044 937) present their report, together with the financial statements of NAB and its controlled entities (the Group) for the half year ended 31 March 2018.

Directors

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

Dr Kenneth R Henry
Chairman from December 2015 and Director since November 2011

Andrew G Thorburn
Managing Director and Chief Executive Officer since August 2014

David H Armstrong
Director since August 2014

Philip W Chronican
Director since May 2016

Peeyush K Gupta
Director since November 2014

Anne J Loveridge
Director since December 2015

Geraldine C McBride
Director since March 2014

Douglas A McKay
Director since February 2016

Ann C Sherry
Director since November 2017

Anthony KT Yuen
Director since March 2010

Rounding of Amounts

Pursuant to the ASIC Corporations (Rounding in Financial / Directors' Reports) Instrument 2016/191, amounts in this report and the accompanying financial statements have been rounded to the nearest million dollars, except where indicated.

Review of Group Operations and Results [1]

In November 2017, the Group announced an acceleration of its strategy to enable the Group to grow whilst staying focussed on productivity.

The Group’s purpose is to back the bold who move Australia forward and achieve its vision to be Australia and New Zealand’s most respected bank.

This is underpinned by four aspirational objectives:

1. Net Promoter Score (NPS) [2] positive and number one NPS [2] [3] of Australian major banks for the Group's priority segments.
2. Cost-to-income ratio towards 35%.
3. Number 1 ROE of Australian major banks.
4. Top quartile employee engagement.

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

The March 2018 half year result reflects growth in income, including a solid net interest margin outcome, strong asset quality across the Group' s businesses as well as increased investment in new capabilities to support the Group's acceleration of its strategy.

Business and Private Banking delivered a strong revenue performance reflecting good business lending volume growth across the portfolio and increased margins, combined with continued improvement in asset quality. NAB continues to leverage its deep industry specialisations and strong market position.

Consumer Banking and Wealth results reflect growth in housing lending volumes combined with lower credit impairment charges. The Group continued to invest in the business to innovate and enhance customer experience.

Corporate and Institutional Banking focussed successfully on high growth high return sectors including infrastructure and financial institutions. It also delivered strong growth in Corporate Finance fee income by supporting Australian businesses to raise funding in global capital markets while matching investor clients with these issuances.

New Zealand Banking results reflect strong revenue driven by growth in housing, business lending and customer deposits, supported by investment in digital capabilities and productivity savings across the business.

The Group has improved its balance sheet strength, increasing its CET1 ratio by 10 basis points to 10.2% compared to the 31 March 2017 half year results.

Net profit from continuing operations increased by $18 million or 0.6% for the 31 March 2018 half year compared to the 31 March 2017 half year. This was largely due to favourable movements in fair value and hedge ineffectiveness combined with higher revenue from repricing of the housing and business lending portfolios in Australia and New Zealand. This was partially offset by higher operating expenses from restructuring-related costs and continued investment in customer and technology capabilities.

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(1) *Refer to key risks, qualifications and assumptions in relation to forward looking statements on page 7 of NAB's 2018 Half Year Results Summary.*
(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.*
(3) *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 months moving averages from Roy Morgan Research and DBM BFSM Research.*

Report of the Directors (continued)

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

Net interest income increased by $369 million or 5.8%. The increase was driven by growth in housing and business lending volumes, combined with the benefits received from repricing activity and lower funding costs. This was partially offset by competitive pressures on housing and business lending margins, the impact of the bank levy introduced in the final quarter of 2017 and lower earnings on capital driven by a decline in the earnings rate, reflecting the low interest rate environment.

Other income increased by $616 million or 27.5%. The increase was largely driven by favourable movements in fair value and hedge ineffectiveness, combined with higher Corporate Finance fees and increased sales of customer risk management products, partially offset by lower trading income in Markets and reduced risk management income in Treasury.

Operating expenses increased by $928 million or 21.8%. Excluding restructuring-related costs of $755 million, operating expenses increased due to an uplift in investment in customer and technology capabilities combined with annual salary and property rental increases, partially offset by productivity savings across the Group's businesses.

Credit impairment charge decreased by $17 million or 4.3% due to the impairment of a smaller number of larger exposures in Corporate and Institutional Banking and lower charges in Business and Private Banking. This was partially offset by an increase in the combined level of collective provisions raised for planned model changes and Forward Looking Adjustments (FLAs) for targeted sectors.

Total assets increased by $7,743 million or 1.0% compared to 30 September 2017. The increase was mainly due to growth in loans and advances (net of other financial assets at fair value and due from customers on acceptances) of $5,754 million or 1.0%. This reflects continued momentum in housing lending, combined with growth in non-housing lending driven by the Group's focus on priority business segments. The increases in cash and liquid assets, due from other banks and trading securities of $1,369 million or 1.0% reflect the Group's management of liquidity during the period. In addition, there were increases in trading and hedging derivative assets of $1,119 million or 3.4% predominantly driven by foreign exchange rate and interest rate movements during the period.

Total liabilities increased by $6,659 million or 0.9% compared to 30 September 2017. The increase was mainly due to growth in bonds, notes and subordinated debt of $7,470 million or 6.0% due to foreign exchange movements and growth in long-term funding to support the Group's asset growth. In addition, there was an increase in deposits and other borrowings of $2,086 million or 0.4% to support the increase in the Group's lending and liquidity portfolios. The increases were partially offset by a decrease in trading and hedging derivative liabilities of $1,805 million or 6.3%, largely driven by interest rate movements during the period. Total equity increased by $1,084 million or 2.1% compared to 30 September 2017 mainly due to an increase in contributed equity attributable to the Dividend Reinvestment Plan.

Reshaping of Wealth Management

On 3 May 2018, the Group announced a strategy to reshape its Wealth Management offering. This involves an intention to pursue an exit of the Advice, Platform and Superannuation and Asset Management businesses. The Group is targeting separation by the end of the 2019 calendar year, subject to market conditions and the required approvals. The Group will continue to serve the needs of its customers by investing in a more focussed wealth offering, including JBWere (part of the Group's leading Business and Private Banking franchise) and nabtrade, the Group's fast growing online investing platform supporting self-directed customers.

Corporate Governance

The Board has received the relevant assurances required under Recommendation 4.2 of the ASX Corporate Governance Principles and Recommendations jointly from the Group Chief Executive Officer and the Group Chief Financial Officer in respect to the half year financial report for the period ended 31 March 2018.

The directors of NAB have a significant responsibility with respect to the integrity of external reporting. This involves reviewing and monitoring, with the assistance of the Audit Committee and management, the processes, controls and procedures that are in place to maintain the integrity of the Group's financial statements. Further details on the role of the Board and its Committees can be found online in the Corporate Governance section of the Group's website at www.nab.com.au/about-us/corporate-governance.

Auditor's independence declaration

A copy of the auditor's independence declaration as required by section 307C of the *Corporations Act 2001* (Cth) is set out on the following page and forms part of this report.

Directors' signatures

Signed in accordance with the resolution of the directors:

Dr Kenneth R Henry
Chairman

Mr Andrew G Thorburn
Group Chief Executive Officer

3 May 2018

[1] *Refer to key risks, qualifications and assumptions in relation to forward looking statements on page 7 of NAB's 2018 Half Year Results Summary.*

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

As lead auditor for the review of National Australia Bank Limited for the half-year ended 31 March 2018, I declare to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of National Australia Bank Limited and the entities it controlled during the financial period.

Ernst & Young

Ernst & Young

Sarah Lowe

Sarah Lowe
Partner
Melbourne

3 May 2018

Consolidated Financial Statements

Income Statement [1]

		Half Year to		
		Mar 18	Sep 17	Mar 17
	Note	$m	$m	$m
Interest income		**14,093**	14,052	13,351
Interest expense		**(7,327)**	(7,267)	(6,954)
Net interest income		**6,766**	6,785	6,397
Other income	3	**2,858**	2,600	2,242
Operating expenses [2]	4	**(5,184)**	(4,283)	(4,256)
Credit impairment charge	8	**(382)**	(425)	(399)
Profit before income tax		**4,058**	4,677	3,984
Income tax expense	5	**(1,182)**	(1,354)	(1,126)
Net profit for the period from continuing operations		**2,876**	3,323	2,858
Net loss after tax for the period from discontinued operations	15	**(291)**	(581)	(312)
Net profit for the period		**2,585**	2,742	2,546
Profit attributable to non-controlling interests		**2**	2	1
Net profit attributable to owners of NAB		**2,583**	2,740	2,545

	cents	cents	cents
Basic earnings per share	**93.9**	100.8	93.9
Diluted earnings per share	**91.1**	97.7	91.7

	cents	cents	cents
Basic earnings per share from continuing operations	**104.7**	122.5	105.6
Diluted earnings per share from continuing operations	**101.0**	117.9	102.6

(1) *Information is presented on a continuing operations basis.*
(2) *Includes restructuring-related costs. Refer to Note 4 Operating expenses for further information.*

Statement of Comprehensive Income [1]

		Half Year to		
		Mar 18	Sep 17	Mar 17
	Note	$m	$m	$m
Net profit for the period from continuing operations		**2,876**	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**	**19**	(56)	67
Revaluation of land and buildings		**-**	1	-
Currency adjustments on translation of other contributed equity		**46**	31	(27)
Equity instruments at fair value through other comprehensive income reserve:				
Revaluation gains / (losses)		**26**	2	(3)
Tax on items transferred directly to equity		**(6)**	21	10
Total items that will not be reclassified to profit or loss		**85**	(1)	47
Items that will be reclassified subsequently to profit or loss				
Cash flow hedges:				
(Losses) / gains on cash flow hedging instruments		**(55)**	14	(129)
Gains / (losses) transferred to the income statement		**4**	(6)	7
Foreign currency translation reserve:				
Currency adjustments on translation of foreign operations, net of hedging		**190**	58	(331)
Transfer to the income statement on disposal of foreign operations		**-**	(10)	-
Debt instruments at fair value through other comprehensive income reserve:				
Revaluation (losses) / gains		**(40)**	(47)	72
Losses from sale transferred to the income statement		**(2)**	(1)	(2)
Change in loss allowance on debt instruments at fair value through other comprehensive income		**5**	(2)	1
Tax on items transferred directly to equity		**1**	8	9
Total items that will be reclassified subsequently to profit or loss		**103**	14	(373)
Other comprehensive income for the period, net of income tax		**188**	13	(326)
Total comprehensive income for the period from continuing operations		**3,064**	3,336	2,532
Net loss for the period from discontinued operations	**15**	**(291)**	(581)	(312)
Total comprehensive income for the period		**2,773**	2,755	2,220
Attributable to owners of NAB		**2,771**	2,753	2,219
Attributable to non-controlling interests		**2**	2	1

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

Balance Sheet

		As at		
		31 Mar 18	30 Sep 17	31 Mar 17
	Note	$m	$m	$m
Assets				
Cash and liquid assets		**44,232**	43,826	40,373
Due from other banks		**40,309**	37,066	53,725
Trading derivatives (1)		**29,013**	29,137	33,176
Trading securities		**48,674**	50,954	48,501
Debt instruments at fair value through other comprehensive income		**40,969**	42,131	43,499
Other financial assets at fair value		**13,173**	16,058	18,520
Hedging derivatives (1)		**5,135**	3,892	5,625
Loans and advances		**550,262**	540,125	520,954
Due from customers on acceptances		**5,288**	6,786	8,548
Current tax assets		**-**	-	133
Property, plant and equipment		**1,245**	1,315	1,337
Goodwill and other intangible assets (2)		**5,607**	5,601	5,393
Deferred tax assets		**2,070**	1,988	1,711
Other assets (1) (3) (4)		**10,091**	9,446	7,825
Total assets		**796,068**	788,325	789,320
Liabilities				
Due to other banks		**35,914**	36,683	47,618
Trading derivatives (1)		**26,503**	27,187	33,988
Other financial liabilities at fair value		**29,986**	29,631	28,161
Hedging derivatives (1)		**553**	1,674	3,479
Deposits and other borrowings	**10**	**502,690**	500,604	487,252
Current tax liabilities		**44**	230	-
Provisions (2)		**2,050**	1,961	1,381
Bonds, notes and subordinated debt		**132,341**	124,871	124,027
Other debt issues		**6,159**	6,187	6,205
Other liabilities (1) (5)		**7,427**	7,980	6,353
Total liabilities		**743,667**	737,008	738,464
Net assets		**52,401**	51,317	50,856
Equity				
Contributed equity	**11**	**35,702**	34,627	34,341
Reserves	**11**	**331**	237	170
Retained profits	**11**	**16,357**	16,442	16,334
Total equity (parent entity interest)		**52,390**	51,306	50,845
Non-controlling interest in controlled entities		**11**	11	11
Total equity		**52,401**	51,317	50,856

(1) *In September 2017, the March 2017 comparative information was 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) *Includes restructuring-related costs. Refer to Note 4 Operating expenses for further details.*
(3) *In September 2017, the March 2017 comparative information was restated following a reclassification of investments relating to life insurance business into other assets.*
(4) *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.*
(5) *Includes cash collateral received from third parties, payables and accrued expenses and accrued interest payable.*

Condensed Cash Flow Statement

		Half Year to		
		Mar 18	**Sep 17**	**Mar 17**
	Note	**$m**	**$m**	**$m**
Cash flows from operating activities				
Interest received		**13,859**	13,938	13,238
Interest paid		**(7,286)**	(7,270)	(7,045)
Dividends received		**15**	29	7
Income tax paid		**(1,451)**	(1,234)	(1,310)
Other cash flows from operating activities before changes in operating assets and liabilities		**(1,135)**	(4,862)	(1,777)
Changes in operating assets and liabilities arising from cash flow movements [(1)]		**(5,101)**	(6,169)	15,672
Net cash provided by / (used in) operating activities [(2)]		**(1,099)**	(5,568)	18,785
Net cash provided by / (used in) investing activities [(3)]		**907**	1,284	(1,597)
Cash flows from financing activities				
Repayments of bonds, notes and subordinated debt [(1)]		**(12,947)**	(15,058)	(17,368)
Proceeds from issue of bonds, notes and subordinated debt [(1)]		**16,100**	17,963	19,355
Repayments of other contributed equity		**-**	-	(400)
Repayment of other debt issues		**(34)**	(33)	(40)
Dividends and distributions paid (excluding dividend reinvestment plan)		**(1,769)**	(2,397)	(2,353)
Net cash provided by / (used in) financing activities		**1,350**	475	(806)
Net increase / (decrease) in cash and cash equivalents		**1,158**	(3,809)	16,382
Cash and cash equivalents at beginning of period		**39,800**	43,917	27,960
Effects of exchange rate changes on balance of cash held in foreign currencies		**2,104**	(308)	(425)
Cash and cash equivalents at end of period	**12**	**43,062**	39,800	43,917

(1) *In September 2017, the March 2017 comparative information was restated to reflect the reclassification of cash flows relating to bonds, notes and subordinated 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 subordinated debt.*

(2) *The half year to 31 March 2018 includes cash outflows related to the Group's discontinued operations, being $618 million (September 2017: $270 million; March 2017: $64 million) related to CYBG and $33 million (September 2017: $56 million; March 2017: $78 million) related to Wealth's life insurance business.*

(3) *Net cash provided by / (used in) investing activities includes a $342 million cash outflow (September 2017: $49 million cash inflow; March 2017: $2,206 million cash inflow) from the sale of controlled entities or businesses.*

Statement of Changes in Equity

	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 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 (to) / from 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**
Net profit for the period from continuing operations	-	-	2,874	2,874	2	**2,876**
Net loss for the period from discontinued operations	-	-	(291)	(291)	-	**(291)**
Other comprehensive income for the period from continuing operations	-	174	14	188	-	**188**
Total comprehensive income for the period	-	174	2,597	2,771	2	**2,773**
Transactions with owners, recorded directly in equity:						
Contributions by and distributions to owners						
Issue of ordinary shares	914	-	-	914	-	**914**
Transfer from / (to) retained profits	-	1	(1)	-	-	**-**
Transfer from equity-based compensation reserve	161	(161)	-	-	-	**-**
Equity-based compensation	-	80	-	80	-	**80**
Dividends paid	-	-	(2,632)	(2,632)	(2)	**(2,634)**
Distributions on other equity instruments	-	-	(49)	(49)	-	**(49)**
Balance at 31 March 2018	35,702	331	16,357	52,390	11	**52,401**

(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

This interim financial report for the half year reporting period ended 31 March 2018 has been prepared in accordance with the Australian Securities Exchange (ASX) Listing Rules, the *Corporations Act 2001* (Cth) and AASB 134 "Interim Financial Reporting".

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

This interim financial report does not contain all disclosures of the type normally found within an annual financial report and therefore cannot be expected to provide as full an understanding of the financial position and financial performance of the Group as that given by the annual financial report. This report should be read in conjunction with the Group's 2017 Annual Financial Report and any public announcements made up until the date of this interim financial report.

Accounting policies are consistent with those applied in the Group's 2017 Annual Financial Report. There were no amendments to Australian Accounting Standards adopted during the period that have a material impact on 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.
- Provisions other than loan impairment (including provisions for conduct matters and restructuring-related costs).

No significant changes in assumptions have occurred in the 31 March 2018 half year reporting period compared to those applied in the 2017 Annual Financial Report.

b) Currency of presentation

All amounts are expressed in Australian dollars unless otherwise stated.

2. Segment Information [1]

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

The Group's business consists of the following reportable segments: Business and Private Banking; Consumer Banking and Wealth; Corporate and Institutional Banking; and New Zealand 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

	Half Year ended 31 March 2018			
Segment Information	**Cash Earnings $m**	**Net interest income $m**	**Total other income $m**	**Total assets[2] $m**
Business and Private Banking	1,482	2,756	532	196,180
Consumer Banking and Wealth	804	2,014	770	223,416
Corporate and Institutional Banking	778	946	737	250,117
New Zealand Banking	452	828	263	79,048
Corporate Functions and Other [3]	(757)	206	41	47,307
Total	**2,759**	**6,750**	**2,343**	**796,068**

	Half Year ended 30 September 2017			
Segment Information	**Cash Earnings $m**	**Net interest income $m**	**Total other income $m**	**Total assets[2] $m**
Business and Private Banking	1,473	2,693	536	192,848
Consumer Banking and Wealth	869	2,009	780	217,567
Corporate and Institutional Banking	744	1,019	607	259,297
New Zealand Banking	453	810	266	76,055
Corporate Functions and Other [3]	(191)	242	64	42,558
Total	**3,348**	**6,773**	**2,253**	**788,325**

	Half Year ended 31 March 2017			
Segment Information	**Cash Earnings $m**	**Net interest income $m**	**Total other income $m**	**Total assets[2] $m**
Business and Private Banking	1,368	2,564	526	189,819
Consumer Banking and Wealth	764	1,875	817	211,347
Corporate and Institutional Banking	791	953	761	258,172
New Zealand Banking	429	776	264	72,880
Corporate Functions and Other [3]	(58)	225	108	57,102
Total	**3,294**	**6,393**	**2,476**	**789,320**

(1) *Information is presented on a continuing operations basis.*
(2) *Balances have not been restated to exclude discontinued operations.*
(3) *Corporate Functions and Other includes Group Eliminations.*

2. Segment Information (continued) [(1)]

Reportable Segments (continued)

Reconciliations between reportable segment information and statutory results

	Half Year to		
Reconciliation of cash earnings to Net profit attributable to owners of NAB	**Mar 18 $m**	**Sep 17 $m**	**Mar 17 $m**
Cash earnings [(2)]	**2,759**	3,348	3,294
Non-cash earnings items (after tax):			
Distributions	**49**	49	49
Fair value and hedge ineffectiveness	**81**	(47)	(453)
Amortisation of acquired intangible assets	**(15)**	(29)	(33)
Net loss from discontinued operations	**(291)**	(581)	(312)
Net profit attributable to owners of NAB	**2,583**	2,740	2,545

	Half Year to		
Reconciliation of net interest income	**Mar 18 $m**	**Sep 17 $m**	**Mar 17 $m**
Net interest income on a cash earnings basis	**6,750**	6,773	6,393
Wealth net adjustment [(3)]	**19**	21	16
Fair value and hedge ineffectiveness	**(3)**	(9)	(12)
Net interest income on a statutory basis	**6,766**	6,785	6,397

	Half Year to		
Reconciliation of other income	**Mar 18 $m**	**Sep 17 $m**	**Mar 17 $m**
Other income on a cash earning basis	**2,343**	2,253	2,476
Wealth net adjustment [(3)]	**413**	388	429
Fair value and hedge ineffectiveness	**109**	(35)	(657)
Amortisation of acquired intangible assets	**(7)**	(6)	(6)
Other income on a statutory basis	**2,858**	2,600	2,242

(1) *Information is presented on a continuing operations basis.*
(2) *Includes eliminations and distributions.*
(3) *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.*

3. Other Income [(1)]

	Half Year to		
	Mar 18 $m	**Sep 17 $m**	**Mar 17 $m**
Gains less losses on financial instruments at fair value			
Trading securities	**662**	(47)	(774)
Trading derivatives	**(570)**	691	1,444
Assets, liabilities and derivatives designated in hedge relationships [(2)]	**463**	(123)	(557)
Assets and liabilities designated at fair value	**163**	(98)	(127)
Other	**-**	66	77
Total gains less losses on financial instruments at fair value	**718**	489	63
Other operating income			
Dividend revenue	**15**	20	7
Gains from sale of investments, loans, property, plant and equipment and other assets	**9**	30	6
Banking fees	**521**	478	465
Money transfer fees	**284**	281	303
Fees and commissions	**1,077**	1,078	1,084
Investment management fees	**154**	143	137
Other income	**80**	81	177
Total other operating income	**2,140**	2,111	2,179
Total other income	**2,858**	2,600	2,242

(1) *Information is presented on a continuing operations basis.*
(2) *Represents hedge ineffectiveness of designated hedging relationships.*

4. Operating Expenses [1]

	Half Year to		
	Mar 18 $m	Sep 17 $m	Mar 17 $m
Personnel expenses			
Salaries and related on-costs [2]	**1,672**	1,597	1,655
Superannuation costs - defined contribution plans [2]	**134**	127	131
Performance-based compensation:			
Cash [2]	**241**	144	251
Equity-based compensation	**80**	103	84
Total performance-based compensation	**321**	247	335
Other expenses [2] [3]	**577**	170	156
Total personnel expenses	**2,704**	2,141	2,277
Occupancy-related expenses			
Operating lease rental expense	**225**	224	218
Other expenses [3]	**82**	42	43
Total occupancy-related expenses	**307**	266	261
General expenses			
Fees and commission expense [2]	**304**	293	318
Depreciation and amortisation of property, plant and equipment	**153**	153	152
Amortisation of intangible assets	**208**	221	208
Advertising and marketing	**103**	102	85
Charge to provide for operational risk event losses	**93**	124	58
Communications, postage and stationery	**104**	118	86
Computer equipment and software	**331**	310	341
Data communication and processing charges	**42**	41	39
Professional fees [3]	**420**	283	220
Loss on disposal of property, plant and equipment and other assets	**15**	5	4
Impairment losses recognised [3]	**150**	20	-
Other expenses [3]	**250**	206	207
Total general expenses	**2,173**	1,876	1,718
Total operating expenses	**5,184**	4,283	4,256

Restructuring

On 2 November 2017, the Group announced an acceleration of its strategic agenda to enhance the customer experience and simplify its business. During the March 2018 half year, management undertook activities to identify changes to the Group's workforce, physical footprint and processes in order to commence delivering on the acceleration initiative.

The Group satisfied the requirements of AASB 137 "Provisions, Contingent Liabilities and Contingent Assets" in March 2018 with internal announcements of a revised organisational structure, which identified specific roles affected by the restructuring. Furthermore, the Group commenced closure of a number of branches as part of the Group's changes to its physical footprint.

In the March 2018 half year the Group recognised restructuring-related costs of $755 million, which comprises $540 million of redundancy, outplacement and project management costs, $146 million of software write-offs and $69 million of property rationalisation costs.

The restructuring-related costs are reflected in other operating expenses as:
- $427 million of personnel expenses;
- $35 million of occupancy related expenses;
- $146 million of impairment losses recognised; and
- $147 million of other expenses.

The expenses are reflected in the Group's balance sheet as:
- $568 million within provisions (excluding $41 million of expenses already incurred in the half year prior to recognising the provision); and
- $146 million reduction in goodwill and other intangible assets.

The Group expects the cash flows related to the restructuring provision to occur over the period to September 2020 as it undertakes the acceleration of its strategic agenda. Nonetheless, some uncertainty remains concerning the specific reporting periods in which particular portions of the provision will affect the Group's cash flows.

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(1) *Information is presented on a continuing operations basis.*
(2) *In September 2017, the March 2017 comparative information was restated to reflect a change in presentation due to reallocation of expenses between 'salaries and related oncosts', 'superannuation costs - defined contribution plans', 'performance based compensation - cash', 'other personnel expenses' and 'fees and commission expense'.*
(3) *Includes restructuring-related costs.*

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

	Half Year to		
	Mar 18 $m	Sep 17 $m	Mar 17 $m
Profit before income tax expense	**4,058**	4,677	3,984
Prima facie income tax at 30%	**1,217**	1,403	1,195
Add / (deduct): Tax effect of amounts not deductible / (assessable):			
Assessable foreign income	**3**	4	3
Foreign tax rate differences	**(20)**	(16)	(27)
Foreign branch income not assessable	**(31)**	(35)	(43)
Over provision in prior years	**(3)**	(10)	(7)
Offshore banking unit income	**(33)**	(30)	(32)
Restatement of deferred tax balances for tax rate changes	**8**	5	(4)
Non-deductible hybrid distributions	**36**	35	35
Losses not tax effected	**-**	11	-
Other	**5**	(13)	6
Total income tax expense	**1,182**	1,354	1,126
Effective tax rate (%)	**29.1%**	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:

	Half Year to					
	Mar 18		Sep 17		Mar 17	
	Amount per share	Total amount	Amount per share	Total amount	Amount per share	Total amount
Dividends on ordinary shares	**cents**	**$m**	**cents**	**$m**	**cents**	**$m**
Dividends declared	**99**	**2,659**	99	2,649	99	2,630
Deduct: Bonus shares in lieu of dividend	**n/a**	**(27)**	n/a	(28)	n/a	(35)
Dividends paid by NAB	**n/a**	**2,632**	n/a	2,621	n/a	2,595
Add: Dividends paid to non-controlling interest in controlled entities	**n/a**	**2**	n/a	2	n/a	3
Total dividends paid by the Group	**n/a**	**2,634**	n/a	2,623	n/a	2,598

Franked dividends declared or paid during the period were fully franked at a tax rate of 30% (2017: 30%).

Interim dividend

On 3 May 2018, the directors declared the following dividend:

	Amount per share	Franked amount per share	Foreign income per share	Total amount
	cents	**%**	**%**	**$m**
Interim dividend declared in respect of the year ended 30 September 2018	99	100	-	**2,696**

The record date for determining entitlements to the 2018 interim dividend is 16 May 2018. The interim dividend has been declared by the directors of NAB and is payable on 5 July 2018. The discount applied to the Dividend Reinvestment Plan is nil, with no participation limit. The financial effect of this dividend has not been brought to account in the financial statements for the half year ended 31 March 2018 and will be recognised in subsequent financial reports.

	Half Year to					
	Mar 18		Sep 17		Mar 17	
	Amount per security[(1)]	Total amount	Amount per security[(1)]	Total amount	Amount per security[(1)]	Total amount
Distributions on other equity instruments	**$**	**$m**	**$**	**$m**	**$**	**$m**
National Income Securities	**1.49**	**30**	1.49	30	1.52	30
Trust Preferred Securities [(2)]	**49.08**	**19**	47.82	19	46.17	19
Total distributions on other equity instruments		**49**		49		49

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 17 May 2018 at 5pm (Australian Eastern Standard time).

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

7. Loans and Advances including Acceptances

	As at 31 Mar 18 $m	30 Sep 17 $m	31 Mar 17 $m
Housing loans	**333,758**	329,534	320,788
Other term lending	**199,856**	197,134	189,479
Asset and lease financing	**11,989**	11,674	11,201
Overdrafts	**5,853**	5,673	5,833
Credit card outstandings	**7,538**	7,409	7,545
Other	**6,620**	6,539	6,181
Fair value adjustment	**338**	397	468
Gross loans and advances	**565,952**	558,360	541,495
Acceptances	**5,288**	6,786	8,548
Gross loans and advances including acceptances	**571,240**	565,146	550,043
Represented by:			
Loans and advances at fair value [(1)]	**11,966**	14,596	17,029
Loans and advances at amortised cost	**553,986**	543,764	524,466
Acceptances	**5,288**	6,786	8,548
Gross loans and advances including acceptances	**571,240**	565,146	550,043
Unearned income and deferred net fee income	**(316)**	(415)	(392)
Provision for credit impairment	**(3,408)**	(3,224)	(3,120)
Net loans and advances including acceptances	**567,516**	561,507	546,531
Securitised loans and loans supporting covered bonds [(2)]	**34,847**	38,957	38,726

By product and geographic location	Australia $m	New Zealand $m	Other International $m	Total Group $m
As at 31 March 2018				
Housing loans	297,668	35,965	125	**333,758**
Other term lending	153,034	36,298	10,524	**199,856**
Asset and lease financing	11,515	7	467	**11,989**
Overdrafts	3,773	2,039	41	**5,853**
Credit card outstandings	6,427	1,111	-	**7,538**
Other	4,569	500	1,551	**6,620**
Fair value adjustment	296	42	-	**338**
Gross loans and advances	477,282	75,962	12,708	**565,952**
Acceptances	5,288	-	-	**5,288**
Gross loans and advances including acceptances	482,570	75,962	12,708	**571,240**
Represented by:				
Loans and advances at fair value	8,668	3,298	-	**11,966**
Loans and advances at amortised cost	468,614	72,664	12,708	**553,986**
Acceptances	5,288	-	-	**5,288**
Gross loans and advances including acceptances	482,570	75,962	12,708	**571,240**

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**

(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.*

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 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**

8. Provision for credit impairment on loans at amortised cost

	Half Year to Mar 2018 $m	Sep 2017 $m	Mar 2017 $m
New and increased provisions (net of releases)	**521**	596	581
Write-backs of specific provisions	**(94)**	(106)	(136)
Recoveries of specific provisions	**(45)**	(65)	(46)
Total charge to the income statement	**382**	425	399
Attributable to:			
Charge to income statement from continuing operations	**382**	425	399

Movement in provision for credit impairment on loans at amortised cost

	Stage 1 12-mth expected credit losses (ECL) Collective provision $m	Stage 2 Lifetime ECL not credit impaired Collective provision $m	Stage 3 Lifetime ECL credit impaired Collective provision $m	Stage 3 Lifetime ECL credit impaired Specific provision $m	Total $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)**
Write-offs from specific provisions	-	-	-	(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)**
Write-offs from specific provisions	-	-	-	(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**
Changes due to financial assets recognised in the opening balance that have:					
Transferred to 12-mth ECL - collective provision	194	(178)	(16)	-	**-**
Transferred to Lifetime ECL not credit impaired - collective provision	(42)	109	(67)	-	**-**
Transfer to Lifetime ECL credit impaired - collective provision	(2)	(48)	50	-	**-**
Transfer to Lifetime ECL credit impaired - specific provision	(1)	(22)	(101)	124	**-**
New and increased provisions (net of releases)	(128)	291	114	244	**521**
Write-backs of specific provisions	-	-	-	(94)	**(94)**
Write-offs from specific provisions	-	-	-	(256)	**(256)**
Foreign currency translation and other adjustments	2	7	2	2	**13**
Balance at 31 March 2018	**336**	**1,978**	**385**	**709**	**3,408**

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		
	31 Mar 18	30 Sep 17	31 Mar 17
Summary of total impaired assets	$m	$m	$m
Impaired assets	**1,560**	1,724	2,393
Restructured loans	**49**	-	-
Gross impaired assets [(1)] [(2)]	**1,609**	1,724	2,393
Specific provisions for credit impairment [(3)]	**(710)**	(691)	(748)
Net impaired assets	**899**	1,033	1,645

Movement in gross impaired assets	Australia $m	New Zealand $m	Other International $m	Total Group $m
Balance as at 1 October 2016	1,558	1,028	56	**2,642**
New [(4)]	572	93	25	**690**
Written-off	(251)	(13)	(18)	**(282)**
Returned to performing or repaid	(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 [(4)]	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**
Balance as at 30 September 2017	1,213	437	74	**1,724**
New [(4)]	314	155	-	**469**
Written-off	(72)	(14)	(5)	**(91)**
Returned to performing, repaid or no longer impaired	(260)	(230)	(14)	**(504)**
Foreign currency translation adjustments	-	8	3	**11**
Balance as at 31 March 2018	1,195	356	58	**1,609**

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

	As at		
	31 Mar 18	30 Sep 17	31 Mar 17
90+ days past due loans - by geographic location	$m	$m	$m
Australia	**2,296**	2,094	2,086
New Zealand	**113**	138	182
Other international	**18**	13	14
90+ days past due loans [(5)]	**2,427**	2,245	2,282

(1) *Gross impaired assets include $76 million (NZ$81 million), (September 2017: $205 million (NZ$222 million), March 2017: $726 million (NZ$795 million)) of New Zealand Banking dairy exposures currently assessed as no loss based on security held. Collective provisions are held against these loans.*
(2) *Gross impaired assets include $19 million (September 2017: $34 million, March 2017: $119 million) of gross impaired other financial assets at fair value.*
(3) *Includes $1 million (September 2017: $2 million; March 2017: $1 million) of specific provision on loans at fair value.*
(4) *New gross impaired assets during the March 2018 half year include $43 million (NZ$47 million) (September 2017 half year $9 million (NZ$10 million), March 2017 half year $31 million (NZ$33 million)) of New Zealand Banking dairy exposures currently assessed as no loss based on security held. Collective provisions are held against these loans.*
(5) *Includes $nil (September 2017: $3 million, March 2017: $3 million) of 90+ days past due loans at fair value.*

10. Deposits and Other Borrowings

	As at		
	31 Mar 18	30 Sep 17	31 Mar 17
	$m	$m	$m
Term deposits	**158,146**	160,884	156,568
On-demand and short-term deposits	**200,951**	199,449	198,847
Certificates of deposit	**46,867**	52,255	52,149
Deposits not bearing interest [(1)]	**49,306**	47,247	44,138
Total deposits	**455,270**	459,835	451,702
Borrowings	**27,919**	21,981	22,415
Securities sold under agreements to repurchase	**24,063**	23,493	19,543
Fair value adjustment	**(3)**	5	8
Total deposits and other borrowings	**507,249**	505,314	493,668
Represented by:			
Total deposits and other borrowings at fair value	**4,559**	4,710	6,416
Total deposits and other borrowings at amortised cost	**502,690**	500,604	487,252
Total deposits and other borrowings	**507,249**	505,314	493,668

By product and geographic location	Australia $m	New Zealand $m	Other International $m	Total Group $m
As at 31 March 2018				
Term deposits	119,139	31,676	7,331	**158,146**
On-demand and short-term deposits	168,397	18,920	13,634	**200,951**
Certificates of deposit	36,848	1,849	8,170	**46,867**
Deposits not bearing interest [(1)]	44,117	5,179	10	**49,306**
Total deposits	368,501	57,624	29,145	**455,270**
Borrowings	25,697	1,635	587	**27,919**
Securities sold under agreements to repurchase	888	-	23,175	**24,063**
Fair value adjustment	-	(3)	-	**(3)**
Total deposits and other borrowings	395,086	59,256	52,907	**507,249**
Represented by:				
Total deposits and other borrowings at fair value	-	4,559	-	**4,559**
Total deposits and other borrowings at amortised cost	395,086	54,697	52,907	**502,690**
Total deposits and other borrowings	395,086	59,256	52,907	**507,249**

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 [(1)]	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**

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

10. Deposits and Other Borrowings (continued)

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 [(1)]	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**

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

11. Contributed Equity and Reserves

Contributed equity	As at 31 Mar 18 $m	 30 Sep 17 $m	 31 Mar 17 $m
Issued and paid-up ordinary share capital			
Ordinary shares, fully paid	**32,782**	31,707	31,421
Other contributed equity			
National Income Securities	**1,945**	1,945	1,945
Trust Preferred Securities	**975**	975	975
Total contributed equity	**35,702**	34,627	34,341

Movement in issued and paid-up ordinary share capital	Half Year to Mar 18 $m	 Sep 17 $m	 Mar 17 $m
Ordinary share capital			
Balance at beginning of period	**31,707**	31,421	30,968
Shares issued:			
Dividend reinvestment plan	**914**	275	294
Transfer from equity-based compensation reserve	**161**	11	159
Balance at end of period	**32,782**	31,707	31,421

Reserves	As at 31 Mar 18 $m	 30 Sep 17 $m	 31 Mar 17 $m
Foreign currency translation reserve	**(109)**	(338)	(415)
Asset revaluation reserve	**83**	83	83
Cash flow hedge reserve	**(6)**	46	40
Equity-based compensation reserve	**191**	273	157
General reserve for credit losses	**-**	-	96
Debt instruments at fair value through other comprehensive income reserve	**61**	89	127
Equity instruments at fair value through other comprehensive income reserve	**111**	84	82
Total reserves	**331**	237	170

Movement in retained profits	Half Year to Mar 18 $m	 Sep 17 $m	 Mar 17 $m
Balance at beginning of period	**16,442**	16,334	16,378
Net profit attributable to owners of NAB from continuing operations	**2,874**	3,321	2,857
Net loss attributable to owners of NAB from discontinued operations	**(291)**	(581)	(312)
Dividends paid	**(2,632)**	(2,621)	(2,595)
Distributions on other equity instruments	**(49)**	(49)	(49)
Fair value changes on financial liabilities designated at fair value attributable to the Group's own credit risk	**19**	(56)	67
Reclassification of National Capital Instruments transaction costs	**-**	-	(3)
Transfer from / (to) equity-based compensation reserve [(1)]	**1**	(24)	2
Transfer from / (to) general reserve for credit losses	**-**	96	(21)
Transfer from equity instruments at fair value through other comprehensive income reserve	**(2)**	-	-
Tax on items taken directly (from) / to equity	**(5)**	22	10
Balance at end of period	**16,357**	16,442	16,334

[(1)] *Transfer from / (to) equity-based compensation reserve relates to lapsed options and rights. In addition, the amount for the half year to September 2017 included an adjustment for correction of 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	**31 Mar 18 $m**	**30 Sep 17 $m**	**31 Mar 17 $m**
Assets			
Cash and liquid assets	**44,232**	43,826	40,373
Treasury and other eligible bills	**379**	762	358
Due from other banks (excluding mandatory deposits with supervisory central banks)	**34,212**	31,703	48,385
Total cash and cash equivalents assets	**78,823**	76,291	89,116
Liabilities			
Due to other banks	**(35,761)**	(36,491)	(45,199)
Total cash and cash equivalents	**43,062**	39,800	43,917

Included within due from other banks is the cash deposit of $263 million (£148 million) (September 2017: $877 million (£513 million), March 2017: $1,055 million (£646 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). Further information is provided in *Note 14 Contingent liabilities*.

(b) Non-cash financing and investing transactions

	Half Year to		
	Mar 18 $m	**Sep 17 $m**	**Mar 17 $m**
New share issues			
Dividend reinvestment plan	**914**	275	294
New debt issues			
Subordinated medium-term notes reinvestment offer	**-**	-	539

(c) Disposal of businesses

The Group sold its Private Wealth business in Singapore and Hong Kong to Oversea-Chinese Banking Corporation Limited (OCBC Bank) on 10 November 2017 and 24 November 2017 respectively.

The transaction involved the sale at book value of designated assets and liabilities of $2,015 million and $2,357 million respectively. The difference between the agreed value of the transferred assets and liabilities was settled through a cash payment of $342 million.

13. Fair Value of Financial Instruments

(a) Fair value of financial instruments carried at amortised cost

The table below shows a comparison of the carrying amounts, as reported on the balance sheet, and an estimate of the fair value of those financial assets and liabilities measured at amortised cost where the carrying amounts of the financial assets and financial liabilities recorded at amortised cost in the balance sheet are not approximately equal to their fair value.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The estimated fair values are based on relevant information available at the reporting date and involves judgement.

	As at 31 March 2018		As at 30 September 2017		As at 31 March 2017	
	Carrying Value $m	Fair Value $m	Carrying Value $m	Fair Value $m	Carrying Value $m	Fair Value $m
Financial assets						
Loans and advances	**550,262**	**550,615**	540,125	540,739	520,954	521,754
Financial liabilities						
Deposits and other borrowings	**502,690**	**502,934**	500,604	500,910	487,252	487,471
Bonds, notes and subordinated debt (1)	**132,341**	**133,459**	124,871	127,129	124,027	125,688
Other debt issues	**6,159**	**6,269**	6,187	6,361	6,205	6,339

(b) Fair value measurements recognised on the balance sheet

The following tables provide an analysis of financial instruments that are measured subsequent to initial recognition at fair value using a hierarchy that reflects the significance of inputs used in measuring the fair value. The level in the fair value hierarchy within which a fair value measurement is categorised is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. The fair value hierarchy is as follows:

- Level 1 - Financial instruments that have been valued by reference to unadjusted quoted prices for identical financial assets or financial liabilities in active markets. Financial instruments included in this category are typically related to Commonwealth of Australia and New Zealand government bonds and spot and exchange traded derivatives.
- Level 2 - Financial instruments that have been valued through valuation techniques incorporating inputs other than quoted prices within Level 1 that are observable for the financial asset or financial liability, either directly (as prices) or indirectly (derived from prices). Financial instruments included in this category are over-the-counter trading and hedging derivatives, semi-government bonds, financial institution and corporate bonds, mortgage-backed securities, loans measured at fair value, and issued bonds, notes and subordinated debt measured at fair value.
- Level 3 - Financial instruments that have been valued through valuation techniques incorporating inputs that are not based on observable market data. Unobservable inputs are those not readily available in an active market due to market illiquidity or complexity of the product. Financial instruments included in this category are bespoke trading derivatives, trading derivatives where the credit valuation adjustment is considered unobservable and significant to the valuation, and certain asset-backed securities valued using unobservable inputs.

Techniques to determine the fair value of financial instruments categorised as Level 2 or Level 3 include discounted cash flow models, option pricing models or other market accepted valuation techniques. These valuation techniques address factors such as interest rates, credit risk and liquidity.

(1) *Fair value hedge accounting is applied to certain bonds, notes and subordinated debt, and as a result the carrying amount includes fair value hedge adjustments.*

13. Fair Value of Financial Instruments (continued)

(b) Fair value measurements recognised on the balance sheet (continued)

	Fair value measurement as at 31 March 2018			
	Level 1 $m	Level 2 $m	Level 3 $m	Total $m
Financial assets				
Trading derivatives	-	28,916	97	29,013
Trading securities	26,887	21,787	-	48,674
Debt instruments at fair value through other comprehensive income	3,315	37,092	562	40,969
Investments relating to life insurance business	-	80	-	80
Other financial assets at fair value	-	13,173	-	13,173
Hedging derivatives	-	5,135	-	5,135
Equity instruments at fair value through other comprehensive income (1)	-	231	63	294
Total financial assets measured at fair value	**30,202**	**106,414**	**722**	**137,338**
Financial liabilities				
Trading derivatives	2	26,423	78	26,503
Other financial liabilities at fair value	506	29,480	-	29,986
Hedging derivatives	-	553	-	553
Total financial liabilities measured at fair value	**508**	**56,456**	**78**	**57,042**

	Fair value measurement as at 30 September 2017			
	Level 1 $m	Level 2 $m	Level 3 $m	Total $m
Financial assets				
Trading derivatives	-	29,043	94	29,137
Trading securities	27,811	23,143	-	50,954
Debt instruments at fair value through other comprehensive income	3,407	38,297	427	42,131
Investments relating to life insurance business	-	86	-	86
Other financial assets at fair value	-	16,058	-	16,058
Hedging derivatives	-	3,892	-	3,892
Equity instruments at fair value through other comprehensive income (1)	14	209	48	271
Total financial assets measured at fair value	**31,232**	**110,728**	**569**	**142,529**
Financial liabilities				
Trading derivatives	4	27,107	76	27,187
Other financial liabilities at fair value	279	29,352	-	29,631
Hedging derivatives	-	1,674	-	1,674
Total financial liabilities measured at fair value	**283**	**58,133**	**76**	**58,492**

	Fair value measurement as at 31 March 2017			
	Level 1 $m	Level 2 $m	Level 3 $m	Total $m
Financial assets				
Trading derivatives (2)	429	32,580	169	33,178
Trading securities	26,739	21,762	-	48,501
Debt instruments at fair value through other comprehensive income	3,760	39,570	169	43,499
Investments relating to life insurance business	-	81	-	81
Other financial assets at fair value	45	18,443	32	18,520
Hedging derivatives	-	5,621	-	5,621
Equity instruments at fair value through other comprehensive income (1)	8	-	254	262
Total financial assets measured at fair value	**30,981**	**118,057**	**624**	**149,662**
Financial liabilities				
Trading derivatives (2)	841	33,025	137	34,003
Other financial liabilities at fair value	375	27,785	1	28,161
Hedging derivatives (2)	-	3,468	-	3,468
Total financial liabilities measured at fair value	**1,216**	**64,278**	**138**	**65,632**

For the half year ending 31 March 2018, there were no material transfers between Level 1 and Level 2.

(1) *Equity instruments at fair value through other comprehensive income are included in other assets on the balance sheet.*
(2) *In September 2017, the March 2017 comparative information was 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).*

13. Fair Value of Financial Instruments (continued)

(b) Fair value measurements recognised on the balance sheet (continued)

Reconciliation of assets and liabilities measured at fair value based on valuation techniques for which any significant input is not based on observable market data (Level 3):

	Half Year to 31 March 2018			
	Assets			Liabilities
	Trading derivatives $m	Debt instruments at fair value through other comprehensive income $m	Equity instruments at fair value through other comprehensive income(1)	Trading derivatives $m
Balance at the beginning of period	94	427	48	76
Total gains / losses				
In profit or loss (2)	(3)	-	-	(2)
In other comprehensive income (3)	-	(10)	(5)	-
Purchases and issues	-	15	16	-
Sales and settlements	-	(53)	4	-
Transfers into Level 3 (4)	1	264	-	-
Transfers out of Level 3 (4)	-	(81)	-	-
Foreign currency translation adjustments	5	-	-	4
Balance at the end of period	97	562	63	78
Total gains / losses for the reporting period related to assets and liabilities held at the end of the reporting period				
- In profit or loss	(3)	-	-	(2)
- In other comprehensive income	-	(10)	(5)	-

The Group's exposure to fair value measurements based in full or in part on unobservable inputs is restricted to a small number of financial instruments, which comprise an insignificant component of the portfolios in which they belong. As such, a change in the assumptions used to value the instruments as at 31 March 2018 to reasonably possible alternatives would not have a material effect.

(1) *Equity instruments at fair value through other comprehensive income are included in other assets on the balance sheet.*
(2) *Net gains or losses were recorded in gains less losses on financial instruments at fair value within other income.*
(3) *Net gains or losses were recorded in the reserves for debt instruments or equity instruments at fair value through other comprehensive income as appropriate.*
(4) *Transfers into Level 3 were due to the lack of observable inputs for valuation of certain financial instruments. Transfers out of Level 3 were due to the valuation inputs becoming observable during the period. Transfers between levels are deemed to have occurred at the beginning of the reporting period in which the instruments were transferred.*

14. 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 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 the Bank Bill Swap Reference Rate (BBSW). The complaint named a number of defendants, including NAB, ANZ, CBA and Westpac, and references earlier proceedings brought by ASIC against NAB, ANZ and Westpac in relation to BBSW. The relevant ASIC proceedings against NAB were resolved in November 2017 pursuant to a court-approved settlement between ASIC and NAB. The potential outcome of the US class action proceedings cannot be determined with any certainty at this stage.

UK conduct issues - potential action

In December 2017, NAB received a letter before action from solicitors acting for RGL Management, a claims management company in the UK. The letter makes various allegations against NAB and CYBG in relation to the sale of fixed rate tailored business loans to customers of CYBG during the period from 2001 to 2012. The potential outcome of any proceedings which may arise cannot be determined with any certainty at this stage.

(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, and the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry established on 14 December 2017. 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. 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 is transferred to the personal division of the corporate superannuation product. NAB continues to engage with ASIC on this matter. The outcomes of the ASIC 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 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").

14. Contingent Liabilities (continued)

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 working with the Labour Inspectorate to reach an appropriate resolution. At this stage, the final outcome of the audit 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. Investigation and remediation activities are currently occurring in relation to 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 at 31 March 2018, £148 million remained outstanding as available support to CYBG under the Conduct Indemnity Deed (Deed). However, NAB has also increased the Group's provisions held for expected future conduct claims from CYBG by the same amount, leaving no further financial exposure for NAB to conduct indemnity claims under the Deed (other than any potential tax liabilities as described below, the likelihood of which is considered low).

As part of the arrangements relating to the CYBG demerger, NAB and CYBG entered into the Deed under which NAB agreed, subject to certain limitations, to provide an indemnity in respect of certain historic conduct liabilities (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. More information on the Deed is available in the contingent liabilities note to the Annual Financial Report 2017.

During the half year ended 31 March 2018, CYBG has made claims under the Capped Indemnity for £363 million (substantively provided for by NAB in prior periods), leaving £148 million outstanding as available support under the Capped Indemnity (Unutilised Indemnity Amount). In addition, CYBG has announced that it expects to increase its provisions held in respect of payment protection insurance (PPI) by £350 million at its half year results (for the period ended 31 March 2018). Consequently, NAB has increased the amount of provisions held for expected future claims under the Deed by £148 million (representing the portion of any increased CYBG provision for which NAB would be responsible). NAB expects that CYBG will make a claim under the Deed for this amount, reducing the Unutilised Indemnity Amount to zero.

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.

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 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.

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

15. Discontinued Operations

The results set out below represent the discontinued operations of the UK Banking operations related to the CYBG demerger which occurred in 2016. During the March 2018 half year, a net loss of $291 million (tax nil) was recognised in discontinued operations relating to the Conduct Indemnity Deed entered into with CYBG. Refer to *Note 14 Contingent liabilities* for further information on the Conduct Indemnity Deed.

Analysis of loss for the half year from discontinued operations

	Half Year to		
	Mar 18	**Sep 17**	**Mar 17**
Total discontinued operations	**$m**	**$m**	**$m**
Net loss from CYBG discontinued operation	(291)	(581)	(312)
Net loss from discontinued operations	**(291)**	**(581)**	**(312)**

16. Events Subsequent to Reporting Date

On 1 April 2018, the Group changed its accounting policy to apply the hedge accounting requirements in AASB 9 “Financial Instruments” to hedge relationships except fair value hedges of interest rate risk from portfolios of financial assets and financial liabilities. Under the new accounting policy, the Group has elected to exclude foreign currency basis spreads from the designation of derivatives hedging currency risk in respect of bonds, notes and subordinated debt. Rather than impacting profit or loss through hedge ineffectiveness, the change in fair value of foreign currency basis spreads will be recognised in a cost of hedging reserve to the extent it relates to the hedged item.

On 3 May 2018, the Group announced its intention to pursue a divestment of the Advice, Platform & Superannuation and Asset Management businesses. The Group is targeting separation by the end of the 2019 calendar year via public market options including demerger and initial public offering, while maintaining flexibility to consider trade sale options. Any potential transaction will be subject to market conditions and the required Board and regulatory approvals.

Other than the matter noted above, there are no other items, transactions or events of a material or unusual nature that have arisen in the interval between 31 March 2018 and the date of this report that, in the opinion of the directors, have significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in future years.

Directors' Declaration

The directors of National Australia Bank Limited declare that, in the directors’ opinion:

a) as at the date of this declaration, there are reasonable grounds to believe that NAB will be able to pay its debts as and when they become due and payable; and

b) the financial statements and the notes, as set out on pages 55 to 81, are in accordance with the *Corporations Act 2001* (Cth), including:

i. section 304, which requires that the half year financial report comply with Accounting Standards made by the Australian Accounting Standards Board for the purposes of the *Corporations Act 2001* (Cth) and any further requirements in the *Corporations Regulations 2001*; and

ii. section 305, which requires that the financial statements and notes give a true and fair view of the financial position of the Group as at 31 March 2018, and of the performance of the Group for the six months ended 31 March 2018.

Dated this 3rd day of May, 2018 and signed in accordance with a resolution of the directors.

Dr Kenneth R Henry
Chairman

Mr Andrew G Thorburn
Group Chief Executive Officer

Independent Review Report

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Independent Auditor's Review Report to the Members of National Australia Bank Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of National Australia Bank Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated balance sheet as at 31 March 2018, the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated condensed cash flow statement for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of the Group is not in accordance with the *Corporations Act 2001*, including:

a. giving a true and fair view of the consolidated financial position of the Group as at 31 March 2018 and of its consolidated financial performance for the half-year ended on that date; and

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

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's consolidated financial position as at 31 March 2018 and its consolidated financial performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Ernst & Young

Ernst & Young

Sarah Lowe

Sarah Lowe
Partner
Melbourne

3 May 2018