National Australia Bank

National Australia Bank Limited
ABN 12 004 044 937

800 Bourke Street
Docklands Victoria 3008
AUSTRALIA

www.nabgroup.com

ASX Announcement

Monday, 19 November 2012

NATIONAL AUSTRALIA BANK LIMITED (NAB) RELEASES LUXEMBOURG TRANSPARENCY LAW DISCLOSURES

NAB will today lodge its "Luxembourg Transparency Law – Annual Financial Report" (attached) with the Luxembourg *Commission de Surveillance du Secteur Financier* (CSSF), which is required as part of NAB's obligation to comply with Article 3 of the Luxembourg Law of 11 January 2008 relating to EU reporting requirements. These reporting requirements apply to NAB 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 CSSF.

For further information:

Media
Brian Walsh
M: +61 (0) 411 227 585

Meaghan Telford
M: +61 (0) 457 551 211

Investor Relations
Ross Brown
M: +61 (0) 477 302 010

Craig Horlin
M: +61 (0) 417 372 474

Luxembourg Transparency Law – Annual Financial Report

This report (the "Report") is provided in order to comply with the annual financial reporting requirements of Article 3 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* ("CSSF").

1 Annual Financial Report 2012

This Report must be read in conjunction with the Company's Annual Financial Report 2012, which has been published simultaneously with this Report. The Company's Annual Financial Report 2012 and this Report have been filed with the CSSF and are stored with the Luxembourg Stock Exchange as Officially Appointed Mechanism (this Report and the Company's Annual Financial Report 2012 being collectively referred to as the "Annual Financial Report").

2 Risks specific to the Group, including those related to general banking and finance conditions

Set out below are the principal risks and uncertainties associated with the Company and its controlled entities (the "Group"). These risks and uncertainties are not listed in order of significance, and in the event that one or more of these risks occur then adverse impacts can result in other interconnected and consequential risks arising or the impact of the risks being significantly different to that expected.

2.1 Risks specific to the banking and financial services industry

The nature and impact of these external risks are generally not predictable and are often beyond the Group's direct control.

2.1.1 Macroeconomic risks and financial market conditions

The Group provides a range of banking and financial services and products to individuals, incorporated and unincorporated entities, financial institutions, governments and government entities across a range of jurisdictions including but not limited to Australia, New Zealand, the United Kingdom, Europe, the United States and Asia. The business activities of the Group are dependent on the level of banking, finance, financial services and wealth management activities required by its customers globally. In particular, levels of borrowing are heavily dependent on customer confidence, employment trends, the state of the economy, market interest rates and global economic trends (given the degree of global interconnectivity, interdependency and potential for contagion in the financial system).

Forecast global economic growth is projected to remain weak, especially in Europe, and there is variability in business and economic conditions across a number of the Group's key markets. Changes in the economic climate in which the Group operates may adversely impact the Group's financial performance and position. Examples of such changes include, but are not limited to, economic growth rates, interest rates, inflation rates, employment levels, labour costs, consumer sentiment, demand for credit, market volatility, relative changes in exchange rates, changes in commodity and asset prices (i.e. bonds, equity securities, property and derivative instruments), levels of industrial production, taxation levels, domestic and international competition, monetary policy, fiscal policy, domestic and international political changes and environmental conditions. Factors causing these changes are many and varied, and include, but are not limited to, the occurrence of major shock events such as natural disasters, war and terrorism, political and social unrest, and sovereign debt restructures and defaults.

The Australian and New Zealand economies are heavily reliant on the economic climate in China and therefore any weakness, significant slowdown in growth or downturn in China's economy could significantly impact the Group's Australian and New Zealand businesses (both directly and indirectly).

The Group operates in the United Kingdom and the United States where conditions are weak. Should conditions in the United Kingdom or the United States continue to be weak, or deteriorate, this could further impact the Group's activities and financial outcomes in the short to medium term. For example, absent legislative action, large government spending cuts and tax increases are due to commence in the United States on 1 January 2013 (referred to as the "Fiscal Cliff"). This has the potential to significantly reduce United States household income and adversely impact the United States and global Gross Domestic Product growth which could adversely impact on the Group's financial performance and position.

Eurozone conditions

Concerns about credit risk (including that of sovereigns) and the Euro zone debt crisis persist. The large sovereign debts and/ or fiscal deficits of a number of European countries and the United States, the United Kingdom, Japan and other countries have raised concerns regarding the financial condition of sovereign governments, financial institutions, insurers and other corporates (i) located in these countries; (ii) that have direct or indirect exposure to these countries; and/ or (iii) whose banks, counterparties, custodians, customers, service providers, clearing houses, funding providers and/ or suppliers have direct or indirect exposure to these countries. The default or a significant decline in the credit rating, of one or more sovereigns or financial institutions, insurers or other corporates could cause severe stress on the financial system generally and could adversely affect the markets and market participants in ways which could be difficult to predict or effectively manage.

It is possible that one or more Eurozone countries may abandon the Euro and return to national currencies or move to a series of new currency blocs. It is also possible that the Euro currency could cease to exist. In addition, it is possible that one or more member countries may decide to leave the broader European Union.

The Group has direct and indirect exposure to sovereigns, financial institutions, government entities, counterparties, custodians, customers and service providers within the European Union. These exposures may, in the future, be affected by restructuring of their terms, principal, interest and maturity, either via the voluntary agreement of creditors or involuntarily, irrespective of whether or not the event is deemed to be a default, however defined.

Potential Impacts of macroeconomic and financial market conditions

Current volatility in credit, currency and equity markets globally may result in uncertainty in financial markets that could affect all banks, including the Group. Market volatility has led to, and may in the future lead to, events including, but not limited to:

- Increased cost of funding and/ or lack of availability of funding;
- Deterioration in the value and liquidity of assets (including collateral);
- Inability to price certain assets;
- Increased likelihood of counterparty default and credit losses (including on the purchase and sale of protection as part of hedging strategies);
- Higher provisions for bad and doubtful debts;
- Mark to market losses in equity and trading positions;
- Increased cost of insurance and/ or lack of available insurance; and
- Lower growth, business revenues and earnings (for example the NAB Wealth business earnings are highly dependent on asset values, particularly the value of listed equities, and therefore a fall in the value of its assets under management may reduce its earnings contribution to the Group).

The financial performance and position of the Group have been, and its future financial performance and position may continue to be, affected by these factors.

2.1.2 Financial services policy and regulatory change risk

The Group is regulated in Australia and in the other countries in which it has operations, trades, raises funds, or has some other connection including New Zealand, the United Kingdom, the United States and certain Asian and European jurisdictions. Regulations vary from country to country, and to differing degrees are designed to protect

the interests of depositors, policy holders, security holders, and the banking and financial services system as a whole.

The Group's financial performance and position could be affected by changes in the legal, regulatory, monetary, fiscal or other policies required by various regulatory authorities of Australian and foreign governments, and international agencies. For example, the Australian Federal Government is currently consulting on draft proposals to strengthen the Australian Prudential Regulation Authority's ("APRA") crisis management powers. A number of policy changes are currently being influenced by public opinion (including banking sentiment) and changing stakeholder expectations of transparency, social responsibility and environmental impacts. Regulatory changes are also being informed by international harmonisation, matters relating to national interest and/ or systemic stability. For example, APRA has proposed changes to Australian Prudential Standard APS 222: Associations with Related Entities that could reduce the Group's ability to provide capital and funding support to its subsidiaries. The precise nature and impact of future changes in such policies are not predictable and could result in a lack of consistency and coordination between the various regulatory authorities. Changes in regulations or regulatory policy could adversely affect one or more of the Group's businesses and could result in the Group incurring substantial costs to comply.

Regulation to promote financial stability and competition

APRA and the Reserve Bank of Australia ("RBA") are working together to implement the revised capital and liquidity principles ("Basel III") of the Basel Committee on Banking Supervision. The Basel III capital reforms were finalised in September 2012 and take effect from 1 January 2013. The Basel III liquidity reforms have not yet been finalised but are expected to be implemented progressively from 1 January 2015. The regulatory capital changes require an increase in the quality and amount of capital the Group is required to hold and the proposed regulatory liquidity changes require an increase in the amount and quality of liquid assets held by the Group. Regulators of the Group's subsidiaries, including the Reserve Bank of New Zealand and the United Kingdom's Financial Services Authority are also undertaking Basel III reforms in their respective jurisdictions. Implementation of Basel III capital reforms in different ways across the different jurisdictions in which the Group operates could increase the regulatory compliance costs to the Group.

Within Australia, the Federal Government has introduced a revised deposit insurance scheme, which protects deposits held with Australian "authorised deposit-taking institutions" ("ADIs") up to $250,000 per customer. Whilst generally seen as a positive outcome by the banking industry, it could adversely affect customer demand for deposits held within the Group that exceed the guarantee limit. Additionally, the Federal Government is undertaking reforms to the regulations governing the provision of financial advice, with the legislation implementing the majority of reforms having commenced from 1 July 2012. Despite being expected to strengthen the Australian financial planning profession, including the Group's banking and wealth management businesses, the reforms could adversely impact the revenues and profitability of these businesses.

The United States Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the "Dodd-Frank Act") imposes additional supervisory requirements and prudential standards to "systemically important financial institutions", currently defined to include, among other things, all bank holding companies with assets of at least US$50 billion (which would include the Company). The legislation will also subject these institutions to, among other things, heightened risk-based capital, leverage, liquidity and risk management requirements, including periodic stress tests, as well as limitations on credit exposures. Other provisions include, but are not limited to, prohibitions on: proprietary trading; sponsorship of, and investment in, hedge and private equity funds by banking entities; and conducting significant swap-related activities. The specific impact of the Dodd-Frank Act on the Group's businesses and the markets in which it operates will depend on the manner in which the relevant agencies develop and implement the required rules. The Dodd-Frank Act may cause changes that adversely impact the financial performance and position of the Group.

Over The Counter ("OTC") derivative market reforms (which are a broader commitment of the Group of 20 ("G20") Finance Ministers and Central Bank Governors) are being implemented in the United States through the Dodd-Frank Act and in other countries including Australia (where the Australian Government has recently introduced the Corporations Legislation Amendment (Derivative Transactions) Bill 2012 to the House of Representatives). The full extent of these reforms is yet to be determined and could adversely impact the financial performance and position of the Group.

In June 2012, the United Kingdom Government published a "White Paper" setting out proposals for taking forward implementation of the UK Independent Commission on Banking's ("ICB") recommendations on reforming the banking sector in order to promote financial stability and competition. These include proposals to "ring-fence" retail banks from investment (and wholesale) banking operations and capitalising each separately, as well as introducing more onerous minimum capital and capital buffers based on the size of the banking entity. There are also recommendations designed to improve choice and competition in the United Kingdom market. The United Kingdom Government will implement the ICB's advice in stages, with the full package of reforms completed by 2019. These changes could adversely impact the financial performance and position of the Group.

Regulators are requiring many banks, including the Group, to develop recovery and/ or resolution plans that show how the institution would propose to recover from a significant loss that threatened its viability as a stand-alone entity. These plans include, but are not limited to, liquidity management, capital management, balance sheet reduction, repricing, cost reduction and asset disposal initiatives. If elements of the plan were implemented in response to a crisis, or preparatory actions relating to the plan were mandated by regulators, it is possible that some or all of these actions could have an adverse impact on the Group's financial performance and position.

The Reserve Bank of New Zealand has put in place a mechanism for how it will manage a New Zealand bank that encounters financial difficulty. Called "Open Bank Resolution" ("OBR"), the mechanism would have an adverse impact on the Group's financial performance and position if ever the Group's New Zealand subsidiary was subject to an OBR action.

Taxation Law

In March 2010, the United States passed legislation that will require foreign financial institutions to provide information regarding United States account holders (referred to as "FATCA"). If this information is not provided in a form satisfactory to the United States tax authorities, a foreign financial institution will be subject to a 30% withholding tax applied on certain amounts derived from United States sources and certain payments attributable to such amounts ("Passthru Payments"). Under recently proposed United States Treasury regulations, no such withholding tax will be imposed on any payments from United States sources made prior to 1 January 2014, and no such withholding tax will be imposed on any Passthru Payments prior to 1 January 2017. At this time, it is not possible to quantify the costs of complying with the new legislation or whether such legislation will have a significant impact on the Group's financial performance and position, as the final regulations are still to be determined and the Australian government is considering entering into an inter-governmental agreement with the government of the United States in respect of FATCA.

Accounting Standards

The International Accounting Standards Board ("IASB") and the Australian Accounting Standards Board ("AASB") are currently reviewing or proposing changes to several of the accounting standards that govern key aspects of the Group's financial statements. While the outcome of these reviews and proposed changes is uncertain and difficult to predict, certain of these changes could have a material impact on the Group's financial performance and position.

2.1.3 Competition and consolidation

There is substantial competition for the provision of financial services in the markets in which the Group operates, from existing and new competitors, across a broad range of product offerings. Competitive market conditions may adversely impact the financial performance and position of the Group. For example, increasing competition for customers can lead to compression in profit margins, increased advertising and related expenses to attract and retain customers, increased customer turnover and decreased customer loyalty. As technology and customer attitudes are rapidly evolving, this increases the risk of competition from new business entrants with lower cost operating models. The trend towards consolidation and rationalisation in the financial services industry is creating competitors with broader ranges of product and service offerings, increased access to capital, and greater efficiency and pricing power. There has also been an increase in the direct role of governments in the international banking sector arising out of certain consolidations that occurred during the heightened period of instability in the Global Financial Crisis.

The financial performance and position of the Group have been, and its future financial performance and position may continue to be, affected by these factors.

2.2 Risks specific to the Group

There are a number of risk factors which arise directly from the operations of the Group as a major participant in the banking and financial services industry and from the specific structure of the Group. The financial performance and position of the Group have been, and its future financial performance and position may continue to be, affected by these factors. The key categories of these risks are set out below.

2.2.1 Credit risk

Credit risk is the potential that a counterparty or customer will fail to meet its obligations to the Group in accordance with agreed terms. Bank lending activities account for most of the Group's credit risk; however other sources of credit risk also exist throughout the activities of the Group. These activities include the banking book, the trading book, and other financial instruments and loans (including, but not limited to, acceptances, placements, inter-bank transactions, trade financing, foreign exchange transactions, swaps, bonds and options), as well as in the extension of commitments and guarantees and the settlement of transactions.

The portfolio of credit risk is large and diverse. Less favourable business or economic conditions, whether generally or in a specific industry sector or geographic region, could cause, and have caused, counterparties and customers (especially those concentrated in areas experiencing the less favourable business or economic conditions) to experience an adverse financial situation. This could thereby expose the Group to the increased risk that those customers will fail to meet their obligations in accordance with agreed terms. Major sub-segments within the Group's portfolio include residential loan borrowers and commercial real estate borrowers. A significant downturn in the housing markets and/ or the commercial real estate markets in any of the economies in which the major businesses of the Group operate (or a continuation of, or further deterioration in, the significant downturn currently being experienced in the United Kingdom, particularly in the commercial real estate market) could have an adverse impact on the Group's financial performance and position. Other factors that could have an adverse impact include, but are not limited to, declines in the Australian, New Zealand, United Kingdom, United States and other economies (impacting the Group's retail, small and medium sized businesses, and large corporate business customer base) or further financial market dislocation which could lead to falling confidence, increased re-financing risk and further contagion risk among market participants, counterparties and customers.

The Group provides for losses incurred in relation to loans, advances and other assets. Estimating losses incurred in the loan portfolio is, by its very nature, uncertain and the accuracy of those estimates depends on many factors, including general economic conditions, assumptions of probability of default, loss given default and exposure at default, rating changes, structural changes within industries that alter competitive positions, and other external factors such as legal and regulatory requirements and a number of assumptions based on available experience and management judgements. If the information (or the assumptions upon which the assessment is made) proves to be inaccurate, the provisions for credit impairment may need to be revised, which could have an adverse impact on the Group's financial performance and position.

2.2.2 Valuation of conduit portfolio

There are a range of circumstances which would require the Group to recognise further impairment charges on its assets, including its conduit assets held within the Specialised Group Assets business. Particular portfolio sensitivities include, but are not limited to:

- Credit wrapped asset backed securities: sensitive to default and loss given default trends in United States residential mortgage loans, which are closely tied to house price trends, and some sensitivity to United States consumer loans, and to the default and/ or potential default of the credit wrap providers;
- United States and United Kingdom residential mortgage backed securities: sensitive to default and loss given default trends in United States and United Kingdom residential mortgage loans, which are closely tied to house price trends;
- United Kingdom commercial mortgage backed securities: sensitive to United Kingdom commercial property valuation trends and commercial real estate finance market liquidity (i.e. refinance availability in 2012 and beyond); and
- Collateralised loan obligations: sensitive to default and loss given default trends in United States and European leveraged loans (i.e. high yield secured loans primarily to large corporate borrowers).

The ongoing performance of the Specialised Group Assets is significantly dependent on the United Kingdom and United States economies and therefore the financial results remain sensitive to market conditions.

Any further significant impairment of the conduit or other assets could adversely impact the Group's financial performance and position.

2.2.3 Operational and technology risks

Operational risks arise from the day-to-day operational activities of the Group, which may result in direct or indirect losses and could adversely impact the Group's financial performance and position. These losses may result from both internal and external events, and risks, including but not limited to, process error or failure, inadequate process design, modelling error or failure, poor product development and maintenance, poor change management, aging infrastructure and systems, system failure, security and physical protection, fraud, deficiencies in employees' skills and performance, operational failures by third parties (including off shored and outsourced providers) or other major participants in the financial services industry, natural disasters, extreme weather events, terrorism, political, security and social events.

The financial services industry has recently been subjected to intentional cyber incidents from external sources, including denial of service attacks, malicious software attacks on client systems and unauthorised access to customer data. While the Group continues to invest in capabilities to prevent, detect and appropriately respond to attacks of this nature, there can be no assurance that such incidents, or other cyber incidents, will not impact the Group.

The Group is dependent on its information systems and technology from a system stability, data quality and information security perspective. The Group is also dependent on payments systems and technology that interface with wider industry infrastructure. Internal or external failure of these systems and technology (including if such systems cannot be restored or recovered in acceptable timeframes, or adequately protected) could adversely impact the Group's ability to conduct its daily operations and the Group's financial performance and position.

The Group is also dependent on selected external technology providers to continue to develop and provide technology solutions. The failure of these providers could adversely impact the Group's financial performance and position.

2.2.4 Loss of key personnel

The Group is also dependent on its ability to retain and attract key management and operating personnel. The Group has qualified and experienced management teams that it relies on in order to operate effectively and efficiently and maximise returns to investors. The unplanned loss of any key member of these teams, or the Group's inability to attract the requisite personnel with suitable experience, could have an adverse impact on the Group's financial performance and position.

2.2.5 Compliance risk

The Group is subject to compliance risk across, but not limited to, its banking, wealth management and third party distribution channels. Compliance risk refers to the risk of legal or regulatory sanctions and/ or material financial loss and/ or a loss of reputation as a result of failure to comply with laws, regulations, taxation requirements, licence conditions, supervisory requirements, self regulatory industry codes of conduct and related internal policies, procedures and organisational frameworks and standards.

To the extent that these compliance risks limit the Group's operations or flexibility, or result in fines, settlements, or restitution to customers, regulators or other stakeholders, they could adversely impact the Group's financial performance and position.

2.2.6 Legal proceedings and contingent liabilities

Entities within the Group may be involved from time to time in legal proceedings arising from the conduct of their business. The aggregate potential liability in respect thereof cannot be accurately assessed. Any material legal proceedings could have an adverse impact on the Group's financial performance and position.

Refer to the "Notes to the Consolidated Financial Statements", Note 40 ("Contingent Liabilities and Commitments") in the Annual Financial Report 2012 for details in relation to the Group's material legal proceedings and contingent liabilities.

2.2.7 Capital risk

Capital risk is the risk that the Group does not hold sufficient capital and reserves to achieve its strategic plans and objectives or cover the risks to which it is exposed and protect against unexpected losses. The Group is required, in all jurisdictions in which it undertakes regulated activities, to maintain minimum levels of capital reserves relative to the risk profile of its operations. Any change that limits the Group's ability to manage its capital or to deploy it across entities within the Group or requires it to hold more capital (including at a higher quality standard), could have an adverse impact on the Group's financial performance and position.

As mentioned in 2.1.2, changes have been made to minimum required levels of capital that the Company, and other members of the Group, are required to hold which may adversely impact the Group's financial performance and position.

2.2.8 Funding and liquidity risk

Funding risk is the risk that the Group is unable to raise short and long term funding to support its strategic plans and objectives. In particular, the Australian banking sector accesses global capital markets to help fund its businesses. Any dislocation in global capital markets could adversely affect the Group's ability to access funds (including at a reasonable cost) to meet its strategic plans and objectives, reduce investor appetite for holding Group securities and impact the Group's financial performance and position.

Liquidity risk is the risk that the Group is unable to meet its financial obligations as they fall due. These obligations include the repayment of deposits on demand or at their contractual maturity, the repayment of borrowings and loan capital as they mature the payment of interest on borrowings, and the payment of operating expenses and taxes. Any significant deterioration in the Group's liquidity position could adversely impact the Group's financial performance and position.

As mentioned in 2.1.2, changes are proposed to minimum required levels of liquidity that the Company, and other members of the Group, are required to hold which may adversely impact the Group's financial performance and position

2.2.9 Credit rating risk

Ratings agencies regularly conduct review activity. There is the potential for this ongoing review activity to continue, particularly in periods of increased market volatility

Standard and Poor's is changing its methodology for determining insurer ratings and published its initial proposals in September 2012, seeking feedback from interested parties. These proposals may impact National Wealth Management Holdings Limited, the holding company for the Group's Wealth business. The impact of any methodology change is not known at this time. Standard and Poor's currently expect that an updated methodology will be published in early 2013 and that any rating changes will take place after publication.

A reduction in the credit ratings of the Company (or any other member of the Group), or the sovereign rating of the countries in which the Group operates, or raises capital, may increase the Group's borrowing costs, limit its access to the capital markets and trigger additional collateral requirements in derivative contracts and other secured funding arrangements, which may adversely impact the Group's financial performance and position.

2.2.10 Interest rate risk

This is the risk to the Group's financial performance and position caused by changes in market interest rates. As interest rates and yield curves change over time, the Group may be exposed to a loss in earnings and economic value due to the interest rate profile of its balance sheet. This includes the risk arising out of customers' demands for interest rate-related products with various repricing profiles.

2.2.11 Defined benefit pension fund risk

This is the risk that, at any point in time, the assets available to meet pension liabilities are at a value below current and future pension scheme obligations. Asset values and liabilities are affected by a number of factors including, but not limited to, the discount rate used to calculate the liability net present value, the long-term inflation assumption, actuarial assumptions (including mortality rates) and the value of the investment portfolio (which in turn is affected by a number of factors, for example, equity market conditions and bond yields). Many of these factors are outside the control of the Group.

The Group's principal exposure to defined benefit pension fund risk is in the United Kingdom, where its defined benefit scheme was closed to new members with effect from 1 January 2004.

Such defined benefit pension fund risk can adversely impact the Group's financial performance and position as it can increase the amount participating members of the Group are obliged to contribute to the scheme and any deficit is a direct deduction from Core Tier 1 capital.

2.2.12 Foreign exchange and translation risk

This risk arises from the impact of changes in foreign currency exchange rates on the value of the Group's cash flows and assets and liabilities as a result of participation in the global financial markets and international operations. It includes structural foreign exchange risk resulting from the Group's ownership structure, including investment in overseas subsidiaries or associates, and exposures from known foreign currency transactions (such as repatriation of capital and dividends from offshore subsidiaries). It also includes any currency positions in the banking book emanating from transactions with customers, banks and other counterparties. If the Group was to suffer substantial losses due to any adverse movement in foreign

exchange rates, such losses could adversely impact its financial performance and position.

The Group has operations outside of Australia and conducts business in different currencies, mainly Australian, New Zealand and United States dollars, British pounds sterling and euros. The Group's businesses may be affected by a change in currency exchange rates or a full or partial break-up or a change in the reserve status of any of these currencies. The Group's financial statements are prepared and presented in Australian dollars, and any further appreciation in the Australian dollar against other currencies in which the Group earns revenues and profits may adversely impact its financial performance and position.

2.2.13 Non-traded equity risk

The Group carries equity investments in its banking book at fair value. Fair value reflects valuations derived from either market prices or an approved internal model. The fair value of an equity investment is impacted by various risk factors, including, but not limited to, economic risk, political risk, business and operational risk, legal and regulatory risk, currency risk, price risk and market risk. A material reduction in the fair value of an equity investment in the Group's banking book could have an adverse impact on the financial performance and position of the Group.

2.2.14 Traded market risk

This is the potential for losses to arise from trading activities, including proprietary trading, undertaken by the Group as a result of adverse movement in market prices. Losses can arise from a change in the value of positions in traded financial instruments due to adverse movements in market prices (for example, interest rates, foreign exchange, commodities, equities and credit spreads). Any significant losses from such trading activities could adversely affect the Group's financial performance and position.

2.2.15 Life insurance business risks

Provision for mortality and morbidity claims in the Group's life insurance businesses do not represent an exact calculation of liability, but rather are an estimate of the expected ultimate cost based on actuarial and statistical projections. Factors affecting these estimates include, but are not limited to, the trend of future claims and incidence of actual claims, unforeseen diseases or epidemics, longer than assumed recovery periods for morbidity claims and future investment returns. A change in any of these factors would necessitate a change in estimates of projected ultimate cost, and therefore could adversely impact the financial performance and position of the Group's life insurance business. In addition, insufficient provisions for such liabilities, where for example the mortality and morbidity experience is higher than estimates, could adversely impact the financial performance and position of the Group's life insurance businesses.

Life insurance risk may also arise due to inadequate or inappropriate underwriting, claims management, product design or pricing processes, all of which could adversely impact the financial performance and position of the Group.

2.2.16 Reputation risk

Reputation risk is the possible impact of negative stakeholder opinion of the Group's actions, behaviour, performance and position. This risk may expose the Group to litigation, financial loss, a decline in customer satisfaction and customer base and overall loss of competitiveness or loss of key personnel.

Reputation risk may arise through the actions of the Group or other financial services companies, and adversely affect perceptions of the Group held by the public, shareholders, investors, customers, regulators and/ or rating agencies. The impact of a risk event (for example, operational, compliance or credit events) on the Group's reputation and brand may adversely impact the Group's financial performance and position.

2.2.17 Underwriting risk

As financial intermediaries, members of the Group underwrite listed and unlisted debt, equity-linked and equity securities. They may guarantee the pricing and placement of these securities and could therefore suffer losses if they fail to sell down some or all of this risk to other market participants.

2.2.18 Strategic risk

There is a risk that the assumptions on which the Group's strategic direction is based are incorrect, that market conditions may change, that the risks generated exceed expected and approved appetite for risk, or that execution of the Group's strategic initiatives proves ineffective. It is also possible that certain strategic initiatives are unable to be easily undone once the Group has committed to them. These risks could adversely impact the Group's financial performance and position.

2.2.19 General acquisition and divestment risk

The Group regularly examines a range of corporate opportunities (including acquisitions, divestments and joint ventures) with a view to determining whether these opportunities are in line with its strategic priorities and are able to enhance its financial performance and position.

Any corporate opportunity that is pursued could change the Group's risk profile. There are also risks associated with the external approval process and integration of any new acquisition into the broader Group, including but not limited to the risk that expected synergies will not be realised, that the Company may lose customers, or that it may face disruption to its operations. Acquisitions may need to be funded by the issuance of additional equity, which may be dilutive to existing shareholders. Additionally, there is a risk that the Group's credit ratings may be placed on negative watch or downgraded as a result of corporate activity. These factors, combined with a possible negative sentiment in relation to acquisitions, joint ventures or asset and business disposals, could have an adverse impact on the Group's financial performance and position.

2.2.20 Other commercial risks

There are a number of general commercial risks that could adversely impact the Group's financial performance and position or future prospects, which are common to investments in most listed companies, including, but not limited to, the following risks associated with:

- New projects, including cost overruns and delays in (or inability to achieve) revenues or cost benefits intended to flow from such new projects. For example the Group is currently undertaking a significant restructure of its United Kingdom Banking business and a significant transformation of its technology and communications network and infrastructure, as well as investment in its Next Generation Banking Information Technology Platform;
- Development of new services or technology in competition with the Group's operations;
- The level of market acceptance for the services provided by the Group;
- Technological change relating to the Group's information systems;
- Loss of accreditation or regulatory or other licensing for the Group's operations, causing the loss of contracts or market share; and
- Terrorist attacks and/ or other malicious activities (including, but not limited to, bomb and cyber-attacks) by employees, customers, the general public or certain terrorist groups which directly or indirectly target or adversely impact any of the Group's assets, operations, staff, facilities, customers, off shored or outsourced providers, suppliers, or the communities or economies in which the Group operates or on which it relies, or which are considered material to global commerce.

If any of these risks are realised, they may have an adverse impact on the financial performance and position of the Group.

2.2.21 Failure of risk management frameworks and processes

The Group's approach to identifying, assessing, measuring, managing and reporting its risks is subject to the successful application of a number of risk and control frameworks. Should these frameworks (including the assumptions on which they are based), or the judgement of the people involved in their application fail, this could have an adverse impact on the Group's financial performance and position.

3 Other risks

The risks outlined above do not represent an exhaustive list of the risks associated with the Group. Other risks not specifically referenced in this Report (including a failure to identify and convert business opportunities) may adversely impact the future financial performance and position of the Group. Accordingly, no assurances or guarantees of future performance, profitability, distributions, or returns of capital are given by the Group.

Luxembourg Transparency Law – Annual Financial Report

4 Responsibility statement of the persons responsible for the Company in relation to the Group financial statements made in accordance with Article 3(2)(c) of the Luxembourg Law of 11 January 2008 relating to transparency requirements, as amended

The Group Chief Executive Officer and the Executive Director Finance of the Company confirm that, to the best of their knowledge:

(a) The Company's audited financial statements and the notes thereto for the full year ended 30 September 2012 contained in the Annual Financial Report, which have been prepared in accordance with the requirements of the *Corporations Act* 2001 (Cth), Australian Accounting Standards and Australian Accounting Interpretations of the Australian Accounting Standards Board give a true and fair view of the assets, liabilities, financial position and profit and loss of the Group; and

(b) The Annual Financial Report and this Report include:

> (i) a fair review of the development and performance of the business and position of the Group; and
> (ii) a description of the principal risks and uncertainties faced by the Group.

Dated this 19th day of November 2012:

Cameron Clyne
Group Chief Executive Officer

Mark Joiner
Executive Director Finance