

19 October 2011

Mr Hans Hoogervorst
Comment Letters
International Accounting Standards Board
1st Floor 30 Cannon Street
London EC4M 6XH
UNITED KINGDOM

Dear Mr Hoogervorst

Exposure Draft ED/2011/3 Mandatory Effective Date of IFRS 9

We are pleased to have the opportunity to provide our comments on Exposure Draft ED/2011/3 Mandatory Effective Date of IFRS 9.

National Australia Bank is one of the four major banks in Australia. Our operations are predominantly based in Australia, New Zealand, the United Kingdom, the United States and Asia. In our most recent annual results we reported net profit after tax of A\$4.2 billion and total assets of A\$686 billion.

Our comments on the specific questions raised by the IASB are addressed below.

Question 1 – The Board proposes to amend IFRS 9 (2009) and IFRS 9 (2010) so that entities would be required to apply them for annual periods beginning on or after 1 January 2015. Do you agree?

We welcome the Board's proposal to postpone the effective date of IFRS 9 to annual periods beginning on or after 1 January 2015. We agree with the Board's view that an entity should have the opportunity to adopt all phases of IFRS 9 at the same time. We believe this is a necessity to ensure that possible interdependencies between the phases (classification and measurement, hedging and impairment) of the comprehensive standard are adequately assessed.

The mandatory effective date should ensure a working period of ideally three years from the date of issuance of the comprehensive standard by the Board. In the event there are any further delays with the hedging and impairment phases of the standard or the new standard on insurance contracts, the proposed effective date should be revised as the organisation would have less than 2.5 years to implement the Standard which would be well below the ideal working period.

Question 2 – The Board proposes not to change the requirement in IFRS 9 for comparatives to be presented for entities that initially apply IFRS 9 for reporting periods beginning on or after 1 January 2012. Do you agree?

We disagree with the proposals. We note the Board's confirmation in the Basis for Conclusions of the Exposure Draft of the importance of allowing entities to adopt all IFRS 9 phases simultaneously.

Given that the IFRS 9 impairment and hedging phases are not likely to be released until 2012, it will not be possible to early adopt the comprehensive standard with the benefit of comparatives relief. Accordingly we recommend that the exception from providing comparatives be also extended until the mandatory application date.

Should the Board decide not to provide relief from restating comparatives, we recommend that the restatement is limited to the prior comparative period. This is particularly relevant for entities lodging IFRS compliant financial statements in the United States, which requires two years of comparatives to be provided. For an entity with a December year end, the comparative periods to be presented include financial information for the year ending 31 December 2013 (ie. commencing 1 January 2013). As the comprehensive standard is not expected to be finalised until the first half of 2012, it will be extremely disruptive and most likely quite costly and impracticable to have adequately assessed the requirements and implement the system changes to capture the data within approximately six months of the mandatory application date for the restatement of prior years.

Should you have any queries regarding our comments, please do not hesitate to contact Marc Smit, Head of Group Accounting Policy at marc.smit@nab.com.au.

Yours sincerely



Peter Beharis
General Manager, Group Finance

