



National Australia Bank Limited
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Docklands Victoria 3008
AUSTRALIA

23 December 2011

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

Dear Hans

Exposure Draft ED/2011/4 Investment Entities

We are pleased to have the opportunity to provide our comments on Exposure Draft ED/2011/4 Investment Entities. Our response is limited to question 9 in the exposure draft.

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\$5.2 billion and total assets of A\$754 billion.

Through our wealth management division, MLC, we provide investment, superannuation and insurance solutions to corporate and institutional customers. MLC holds the number one position for personal insurance annual inforce premiums with 18.9% market share¹ and is the largest provider of superannuation in Australia with 20.8% market share².

Fair value option for investments in associates and joint ventures

We strongly oppose the proposed amendment to IAS 28 *Investments in Associates and Joint Ventures* (as amended in 2011) that would only allow investment entities to measure investments in associates and joint ventures at fair value through profit or loss. In our opinion the measurement exception should remain voluntary for other venture capital organisations, mutual funds, unit trusts and similar entities, including investment-linked insurance funds.

Our wealth management division includes a life insurance entity which would not satisfy the criteria to be an investment entity as it provides both investment and insurance services. The entity consists of statutory funds, which provide a legal separation of policyholder funds from that of shareholders and also between different types of policyholders. Some of the statutory funds provide insurance products whilst others provide investment products. The statutory funds which provide investment-linked products would also not satisfy the criteria to be investment entities as ownership is not represented by units of investments to which proportionate shares of net assets are attributed.

For both insurance and investment statutory funds that comprise a life insurance entity, we believe that there should also be an option to fair value investments in associates and joint ventures. The reasoning for this suggested approach is:

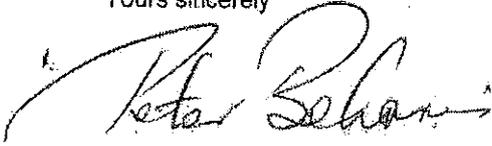
- For investment-linked statutory funds, we designate policyholder liabilities at fair value through profit or loss, so retaining the voluntary measurement exemption avoids a measurement mismatch.
- For insurance statutory funds, being able to account for investments in associates and joint ventures at fair value through profit or loss provides relevant information for users, and allows the insurer to account for investments where they have significant influence or joint control, in the same manner as other investments where they have less than significant influence (i.e. designated at fair value through profit or loss under IAS 39).

1 Source: DEXX&R Life Analysis as at December 2010.

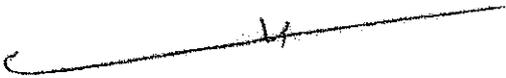
2 Source: Plan for Life Quarterly Data System as at December 2010.

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

A handwritten signature in black ink, appearing to read "Peter Beharis". The signature is fluid and cursive, with a large initial "P" and "B".

Peter Beharis
General Manager, Group Finance

A handwritten signature in black ink, consisting of a long horizontal line with a small mark in the middle, possibly representing a name or a stylized signature.