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30 September 2010

Sir David Tweedie  
International Accounting Standards Board  
30 Cannon Street  
London EC4M 6XH  
UNITED KINGDOM

Dear Sir David

**Exposure Draft ED/2010/5 Presentation of Items of Other Comprehensive Income – Proposed amendments to IAS 1**

Thank you for the opportunity to comment on Exposure Draft ED/2010/5 Presentation of Items of Other Comprehensive Income – Proposed amendments to IAS 1 (the ED). Our comments on the specific questions included in the ED are addressed in the Appendix.

National Australia Bank (NAB) 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\$2.6 billion and total assets of A\$654 billion.

While we are generally supportive of the IASB's efforts to improve the ability of users to understand financial statements and improve transparency in financial reporting, we are not supportive of the proposal to present all non-owner changes in equity in a single statement of comprehensive income and to eliminate the option of presenting two statements. We do not believe that the adoption of a single statement of comprehensive income will have any significant impact on the consistency and comparability of financial statements. The current option in IAS 1 Presentation of Financial Statements to present performance in two statements already requires the statement of other comprehensive income (OCI) to be presented immediately after the income statement. Therefore, all non-owner changes in equity are already presented together with equal prominence and items of profit or loss are already distinguished from items of OCI. Although the proposed change in presentation will not incur significant compliance cost, these changes may result in undue focus on the bottom line of a single statement which requires re-education of users of financial statements. We do not believe this would be an efficient use of resources, particularly given the extent of time that will be better devoted to implementing the many new standards with significant accounting changes on the horizon (e.g., IFRS 9, proposed changes to insurance accounting, leases, consolidations etc.).

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](mailto:marc.smit@nab.com.au).

Yours sincerely



Peter Beharis

General Manager, Group Finance

## **Appendix**

### **Detailed Answers to Questions**

#### **Statement of profit or loss and other comprehensive income**

##### **Question 1**

The Board proposes to change the title of the statement of comprehensive income to "Statement of profit or loss and other comprehensive income" when referred to in IFRS and its other publications.

Paragraphs 10 and BC21 of the Basis for Conclusions explain the reasons for this. Do you agree? Why or why not? What alternative do you propose?

We do not agree with the requirement to present a single statement of profit or loss and other comprehensive income. Hence, we do not agree with the proposal to change the title of the statement.

##### **Question 2**

The proposals would require entities to present a statement of profit or loss and other comprehensive income with two sections – profit or loss and items of other comprehensive income. The Board believes this will provide more consistency in presentation and make financial statements more comparable.

Paragraphs 12, 81 and BC17-BC19 of the Basis for Conclusions explain the reasons for this. Do you agree? Why or why not?

We do not agree. IAS 1 was only recently amended so that an entity has the choice of presenting all income and expenses recognised in a period in either a single statement of comprehensive income or in two statements displaying components of profit or loss (separate income statement) and a second statement beginning with profit or loss and displaying components of other comprehensive income (statement of comprehensive income). As users and investors have a more robust understanding of net profit, the inclusion of comprehensive income within a single statement could be confusing and detract attention from the importance of net profit as a key measure of performance. Furthermore, there does not appear to be wide spread use of any component of comprehensive income as a performance measure. Net profit is a measure that is easily understood and used with great frequency. The use of sub-totals and inclusion of other comprehensive income items after the profit or loss section may obscure a measure that is well known and understood and further confuse users of our financial statements.

#### **Presentation of items of other comprehensive income**

##### **Question 3**

The exposure draft proposes to require entities to present items of other comprehensive income (OCI) that will be reclassified to profit or loss (recycled) in subsequent periods upon derecognition separately from items of OCI that will not be reclassified to profit or loss.

Paragraphs 82A, BC25 and BC26 of the Basis for Conclusions explain the reasons for this. Do you support this proposal? Why or why not? What alternative do you propose and why?

We agree that the requirement to present items that will be reclassified to profit or loss (recycled) separately from those that will not be reclassified will improve the

understandability of OCI as the disclosure highlight when such recycling occurs. This will allow users to understand the potential future profit or loss impact.

#### **Question 4**

The exposure draft also proposes to require that income tax on items presented in OCI should be allocated between items that might be subsequently reclassified to profit or loss and those that will not be reclassified subsequently to profit or loss, if the items in OCI are presented before tax.

Paragraphs 91 and BC27–BC29 of the Basis for Conclusions explain the reasons for this. Do you support this proposal? Why or why not? What alternative do you propose and why?

We agree. To the extent that users are interested in OCI, it is important to provide the tax implications of the OCI items.

#### **Benefits and costs**

#### **Question 5**

In the Board's assessment:

(a) the main benefits of the proposals are:

- (i) presenting all non-owner changes in equity in the same statement.
- (ii) improving comparability by eliminating options in IAS 1.
- (iii) maintaining a clear distinction between profit or loss and items of other comprehensive income.
- (iv) Improving clarity of items in OCI by requiring them to be classified into items that might be reclassified subsequently to profit or loss and items that will not be reclassified subsequently to profit or loss.

(b) the costs of the proposals should be minimal because in applying the existing version of IAS 1, entities must have all the information required to apply the proposed amendments.

Paragraphs BC32-BC36 of the Basis for Conclusions explain the reasons for this. Do you agree with the Board's assessment? Why or why not?

As discussed in the body of our letter, we believe the current reporting requirements adequately meet the objective of (iv) but we do not believe the benefits of items (i), (ii) and (iii) are met.

We are not sure there are benefits from item (i). The issue of comparability is driven by other pronouncements that govern which items are reported in profit or loss or other comprehensive income. Since this ED merely requires presentation of all items in one single statement, it does not change these differences and hence comparability is not addressed in this ED. The adoption of a single statement would result in undue focus on the bottom line and de-emphasize the importance of net profit to financial statement users.

We do not foresee significant costs in complying with the ED as the information is already currently reported by companies.