Full Year Results 2023

Management discussion and analysis

National Australia Bank Limited ABN 12 004 044 937

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Full Year Results 2023

Full Year Results Summary 2023

national australia bank

National Australia Bank Limited ABN 12 004 044 937 AFSL and Australian Credit Licence 230686. 9 November 2023.

2023 FINANCIAL HIGHLIGHTS

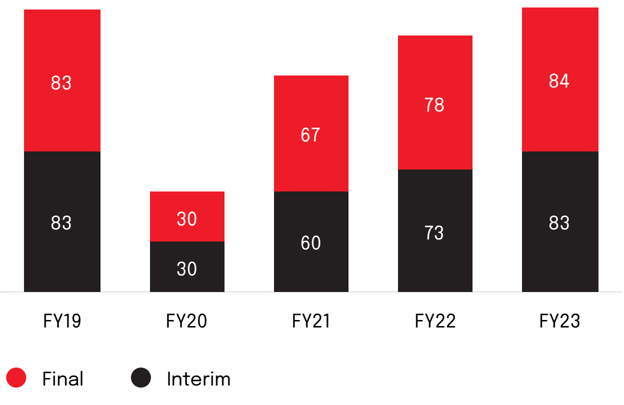
$ 7,414 m Statutory net profit Up 7.6% v FY22	**$ 7,731 m** Cash earnings(i) Up 8.8% v FY22
84 cps Final dividend 100% franked	**12.22%** Group Common Equity Tier 1 (CET1) ratio(ii)

(i) Refer cash earnings note and reconciliation on page 7.

(ii) CET1 capital ratio on a Level 2 basis under the revised capital framework effective from 1 January 2023.

Dividends

Cents per share (fully franked)
In respect of each financial year / period



"We have delivered a strong FY23 performance with cash earnings up 8.8% and underlying profit rising 16.1% compared with FY22. During a period of economic change, these results have benefitted from consistent investment in our strategic priorities. This has supported another year of strong growth in our leading SME franchise with Business & Private Banking increasing lending 9% and deposits 8%, underpinning a 22% rise in underlying profit in FY23. In other sectors such as Australian housing, we took a more measured approach to growth this year with a focus on returns.

Challenges in our operating environment became more evident as FY23 progressed with the impacts of monetary policy tightening and inflationary pressures increasingly weighing on households and the economy. This has seen our financial results soften in 2H23 compared with 1H23. While the economic transition has further to go, we are well placed to navigate this environment. We continue to see attractive growth options and productivity is helping us manage inflationary pressures. We also have prudent balance sheet settings consistent with a focus on keeping the bank and customers safe through the cycle. Collective provision coverage has been maintained well above pre COVID-19 levels. Proforma capital levels are above our target range of 11.0-11.5% after allowing for completion of our current $1.5 billion on-market buy-back, and liquidity is strong.

While the Australian economy is slowing, it is proving resilient. Our focus remains on managing NAB for the long term to drive sustainable growth in earnings and shareholder returns over time."

- Ross McEwan NAB CEO

Supporting our customers & communities

- Strategic Net Promoter Scores (NPS) from September 2022 to September 2023 increased for Business NPS from -5 to 5 (ranked 2nd of major banks) while Consumer NPS declined from 0 to -2 (ranked 1st of major banks)(1)
- Supporting and protecting customers in a period of more difficult economic conditions and rising frauds and scams with proactive contact and alerts and extra staff in hardship and fraud teams
- Helping small businesses plan for a more sustainable future with the launch of Greener for Business, a simple digital platform allowing customers to better understand and reduce carbon emissions
- Transitioning towards a more sustainable future with interim decarbonisation targets set for seven sectors including three additions in FY23

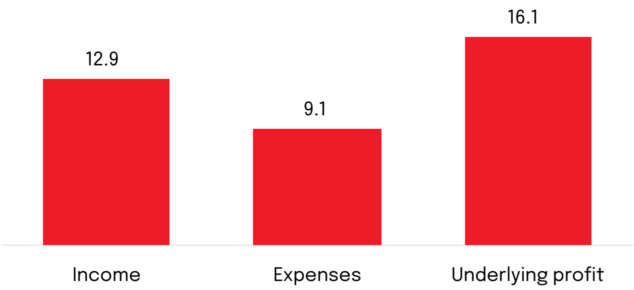
(1) Net Promoter® and NPS® are registered trademarks and Net Promoter Score and Net Promoter Systems are trademarks of Bain & Company, Inc., NICE Systems, Inc., and Fred Reichheld. Sourced from DBM Business and Consumer Atlas (part of RFI Global), measured on 6 month rolling average to September 2023. Business NPS is based on equal (25:25:25:25) combined weighting of NAB turnover segments: Micro (Up to $100k turnover), Small ($100k - $5m turnover), Medium ($5m - $50m turnover), Large ($50m+). Consumer NPS excludes consumers with Personal income of $260k+ and/or investible assets $1m+. Ranking based on absolute scores, not statistically significant differences.

The September 2023 full year results are compared with the September 2022 full year results for continuing operations unless otherwise stated. Operating Performance and Asset Quality are expressed on a cash earnings basis. All figures include the impact of Citigroup's Australian consumer business (the Citi consumer business), acquired by the Group on 1 June 2022 unless otherwise stated.

Operating performance FY23 v FY22

- Revenue increased by 12.9% mainly reflecting higher margins combined with stronger volumes and Markets & Treasury (M&T) income.
- Gross loans and advances (GLAs) increased by 3.0% and deposits increased by 3.7%.
- Net Interest Margin (NIM) increased by 9 basis points (bps) to 1.74%. Excluding a 5 bps reduction from M&T which includes the impact of holding higher liquid assets, NIM rose 14 bps. This primarily reflects higher earnings on deposits and capital as a result of the rising interest rate environment, partially offset by home lending competition, deposit mix and higher wholesale funding costs.
- Expenses increased by 9.1% including costs associated with the Citi consumer business and a provision of $40 million in respect of a one-off levy for the Compensation Scheme of Last Resort (CSLR). Excluding these items, expenses rose 5.6% primarily reflecting higher personnel costs including additional headcount and salary-related expenses, together with continued investment in technology and compliance capabilities including fraud prevention and cyber security. These increases were partially offset by productivity benefits and lower remediation charges.

FY23 v FY22 drivers of cash earnings change (%)

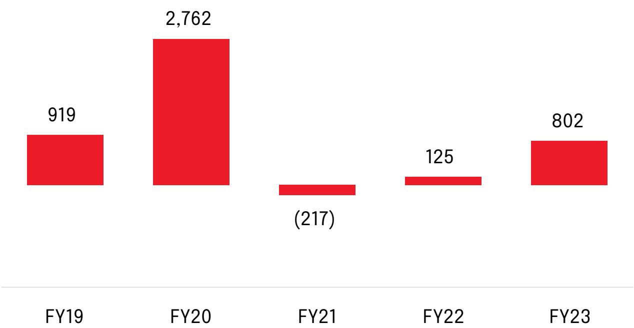


"Strong underlying profit growth has benefitted from the disciplined execution of our long term strategy. This has allowed us to leverage good growth opportunities in Business & Private Banking and adopt a more selective approach to growth in some other sectors where returns are more challenged. The impact of the higher interest rate environment has also supported FY23 results but has been increasingly offset by elevated competition and inflationary pressures in the second half of the year."

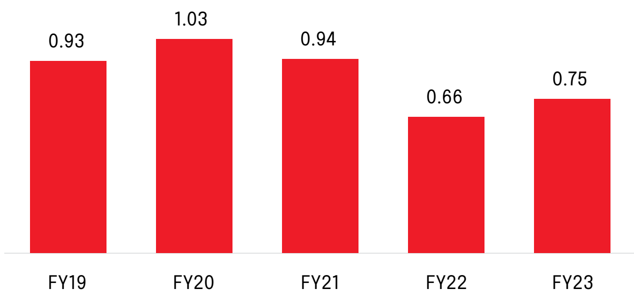
Asset quality FY23 v FY22

- Credit impairment charge (CIC) was $802 million, versus a FY22 charge of $125 million. The FY23 charge includes a $218 million release from forward looking provisions. Underlying charges primarily reflect volume growth, a deterioration in asset quality and higher specific charges off a low base.
- The $218 million release from forward looking provisions primarily reflects asset quality deterioration in underlying outcomes and a modest overall improvement in the economic outlook.
- The ratio of 90+ days past due and gross impaired assets to gross loans and acceptances increased by 9 bps to 0.75%. Key drivers include higher delinquencies across the Group's home loan and business lending portfolios.

Credit impairment charges / (write-backs) ($m)



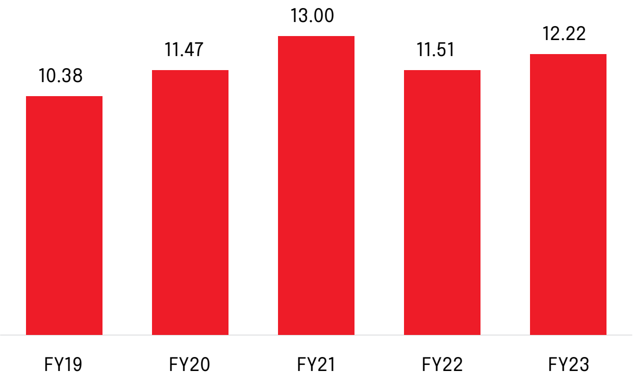
90+ days past due & gross impaired assets / gross loans and acceptances (%)



"Our collective provisions are prudently set at 1.47% of credit risk weighted assets, and remain well above pre COVID-19 levels. As asset quality has started to deteriorate over FY23 consistent with the more challenging environment, we have maintained strong levels of forward looking provisions to reflect ongoing challenges and uncertainty in the outlook. "

Capital funding & liquidity

CET1 ratio(i) (%)



(i) CET1 capital ratio on a Level 2 basis. From 1 January 2023 ratios are reported under APRA's revised capital framework.

Key ratios as at 30 September 2023

- Group Common Equity Tier 1 (CET1) ratio of 12.22%, up 71 bps from September 2022 including strong organic capital generation (62 bps) and the impact of APRA's revised capital framework (47 bps) partially offset by approximately $0.9 billion of on-market share buy-backs (20 bps)(1)
- Proforma Group CET1 ratio of 11.94% reflecting $1.2 billion balance of shares to be acquired under the on-market share buy-back
- Leverage ratio (APRA basis) of 5.2%
- Liquidity coverage ratio (LCR) quarterly average of 140%.
- Net Stable Funding Ratio (NSFR) of 116%.

Key divisional performance - Cash earnings

	FY23 ($m)	% change FY23 v FY22	Key drivers FY23 v FY22
Business and Private Banking	3,318	10.1	Strong underlying profit growth with higher revenue reflecting volume growth and increased margins, partially offset by higher operating expenses. Credit impairment charges increased off a low base as a result of volume growth and some deterioration in asset quality consistent with a more challenging environment.
Personal Banking	1,446	(9.1)	Underlying profit increased modestly but was more than offset by an increase in credit impairment charges from a write-back in the prior period. Revenue growth benefitted from disciplined volume growth and broadly stable margins over the year with the impact of the higher interest rate environment offset by competitive pressures.
Corporate and Institutional Banking	1,870	14.9	Strong underlying earnings growth driven by revenue, with higher margins more than offsetting lower lending volumes and higher operating expenses. Credit impairment charges increased modestly from a write-back in the prior period.
New Zealand Banking (NZ $m)	1,522	8.5	Strong underlying profit growth with higher revenue reflecting volume growth and higher margins (excluding the transfer of the New Zealand liquidity management portfolio from Corporate and Institutional Banking). This was partly offset by higher operating expenses and credit impairment charges.

(1) On 28 February 2023 the Group completed its $2.5 billion on-market share buy-back announced in March 2022. This includes approximately $0.6 billion (19,270,329 ordinary shares) bought back and cancelled in the March 2023 half year. On 15 August 2023 the Group announced its intention to acquire up to $1.5 billion ordinary shares via an on-market buyback. This buy-back is expected to be undertaken over approximately 12 months, with approximately $0.3 billion (10,562,183 ordinary shares) acquired as at 30 September 2023.

Our strategic ambition

nab bnz ubank JBWere

Why we are here

To serve customers well and help our communities prosper

Who we are here for

Colleagues
Trusted professionals that are proud to be a part of NAB

Customers
Choose NAB because we serve them well every day

What we will be known for

Relationship-led
Relationships are our strength
1. Exceptional bankers
2. Unrivalled customer value (expertise, data and analytics)
3. Truly personalised experiences

Easy
Simple to deal with
1. Simple products and experiences
2. Seamless – everything just works
3. Fast and decisive

Safe
Responsible & secure business
1. Strong balance sheet
2. Leading, resilient technology and operations
3. Pre-empting risk and managing it responsibly

Long-term
A sustainable approach
1. Commercial responses to society's biggest challenges
2. Resilient and sustainable business practices
3. Innovating for the future

Where we will grow

Business & Private
Clear market leadership

Corporate & Institutional
Disciplined growth

Personal
Simple & digital

BNZ
Personal & SME

ubank
Customer acquisition

How we work

Excellence for customers
Grow together
Be respectful
Own it

Measures for success

Engagement
NPS growth
Cash EPS growth
Return on Equity

Economic outlook

"In Australia, growth has continued to slow driven by weakness in household consumption as spending adjusts to higher interest rates and cost of living pressures. With inflation now moderating, the cash rate appears to be at or near peak levels and it seems likely that Australia will avoid a pronounced economic downturn. However, real GDP growth is forecast to slow from 2.7% over 2022 to below trend rates of less than 2% p.a. over 2023 and 2024 reflecting strong expected population growth but subdued household spending. The unemployment rate is forecast to drift up to around 4.5% by end 2024 from a low of 3.4%. The extent to which households continue to adjust to cost of living pressures and higher interest rates and the timeframe over which inflation softens remain key to the outlook including the path of monetary policy.

Similarly, in New Zealand, inflation and labour market pressures are easing and growth in activity has slowed materially. If sustained, this suggests that the cash rate is likely at or near its peak for this cycle. However, growth over 2023 and 2024 is expected to remain subdued, including the possibility of negative growth in coming quarters, reflecting lower private consumption, limited business investment and weaker goods exports. While fiscal policy settings are uncertain with the formation of a new government following October's election, cuts to public spending are also likely. Real GDP growth is forecast to be 0.6% over 2023 and 1.8% over 2024 and the unemployment rate is expected to increase above 5% in 2024 from a low of 3.2% in 2022."

Strategic overview

The close of 2023 marks the third full year of our refreshed long-term strategy. This strategy is centred on delivering better outcomes for customers and colleagues while keeping the bank safe. It is supported by disciplined execution and persistent investment. Good progress has been made over the past three years with more to do.

In Business and Private Banking, where we have the leading SME business lending market share, we are continuing to deliver growth across our franchise through a relationship-led approach increasingly enabled by digital, data and analytics. Following strong lending growth in FY22, business lending balances rose a further 8% over FY23 including 24% growth in small business lending. Increasing simplification and digitisation of the account opening process is supporting good growth in SME deposits with new business transaction account openings up 50% over the three years to September 2023, including an 11% lift over FY23. This year has also seen the rollout of nextgen terminals and increased self service functionality via a new payment portal, supporting better payments experiences for SME customers.

In Personal Banking, we are focused on providing simpler, more digital banking experiences to drive quicker, better outcomes for customers and colleagues. Simple everyday banking products opened digitally increased to 74% in FY23 from 71% in FY22 and 62% in FY20. Australian home lending remains a key market, and we are investing to deliver better customer experiences. This includes further progressing our simple and digital home loan initiative with rollout to brokers and Business and Private Banking underway in FY23. Given a number of sector headwinds this year including heightened refinancing activity and competitive pressures, we adopted a disciplined approach to originating new home loans, with our share of system growth[1] reducing from 1.1x in FY22 to 0.7x in FY23.

We remain excited about growth in unsecured lending and ubank where we are leveraging capability from recent acquisitions to deliver better, more targeted customer propositions. Over FY23, credit card balances and market share increased. Over the same period ubank recorded continued strong new customer acquisition weighted towards its target segment of 18 to 35 year-olds.

Corporate and Institutional Banking continued to deliver improved returns and strong customer outcomes despite lower lending balances. In a difficult market, New Zealand Banking achieved good growth in home lending and deposits, while business lending was more subdued reflecting weak system growth and disciplined portfolio management.

Having a strong customer franchise and engaged colleagues are key to our ability to grow sustainably, and is supported by our focus on improving customer and colleague outcomes. Our most recent colleague engagement score of 78 at July 2023 is up two points since August 2022 and one point higher than the top quartile benchmark[2]. Customer outcomes in FY23 in key segments remained first or second ranked versus major bank peers, but there is more to do to achieve our objective of being number one of the major Australian banks with positive NPS scores.

Our investment over recent years to simplify and digitise our business is delivering better outcomes for customers and colleagues and has supported productivity benefits of $398 million in FY23. During a period of elevated inflationary pressures, this allowed us to limit FY23 cost growth to 5.6% (excluding Citi consumer business costs and a provision of $40 million in respect of a one-off levy for the CSLR), while maintaining investment spend at approximately $1.4 billion. We plan to continue our balanced approach of maintaining cost discipline while investing for sustainable growth. For FY24 we are targeting investment spend of approximately $1.4 billion and further productivity savings of approximately $400 million[3].

Safety is a key strategic pillar and requires that we maintain prudent balance sheet settings and manage risk with discipline to grow sustainably. At September 2023 collective provisions as a ratio of credit risk weighted assets were 1.47% and the share of lending funded by deposits was above 80% - both materially stronger than pre COVID-19 levels. Liquidity increased over FY23 and remains well above regulatory minimums and we continued to access term wholesale funding across a range of products, currencies and tenors, issuing $40 billion[4] in FY23. Group CET1 rose 71 bps to 12.22% over FY23 including 47 bps benefit from implementation of APRA's revised capital framework on 1 January 2023, partly offset by 20 bps from share buy-backs during the period[5]. Adjusting for the remaining $1.2 billion share buy-back outstanding at September 2023, proforma Group CET1 is 11.94% versus our target range of 11-11.5%.

While retaining strong balance sheet settings over FY23, we have also delivered improved shareholder returns. These outcomes reflect the ongoing execution of our strategy combined with benefits from the higher interest rate environment most evident in 1H23. Cash EPS rose 26% compared with FY22 and Cash ROE increased to 12.9% compared with 11.7% in FY22. The final 2023 dividend has been set at 84 cents per share, bringing total FY23 dividends to 167 cents per share which is 10.6% higher than FY22. This represents a FY23 cash earnings payout ratio of 67.7%, consistent with the Group's target dividend payout ratio which is guided by a range of 65% – 75% of cash earnings, subject to Board determination based on circumstances at the relevant time.

The implications of rapid monetary policy tightening are becoming more evident in our operating environment. Growth is slowing, competitive and inflationary pressures are elevated and asset quality is deteriorating. This is not unexpected, and our strategy positions us well to manage through this period. We expect further challenges as the economic transition continues but we remain confident in the outlook. The Australian economy is proving resilient, our balance sheet settings are strong and we continue to have attractive growth options across our business. We remain focused on executing our long term strategy to deliver sustainable growth and attractive returns for shareholders.

(1) APRA Monthly Authorised Deposit-taking Institution statistics. Latest data as at September 2023 (adjusted for reclassification of the Citi consumer business). FY22 multiple of system growth excludes impact of Citi consumer business balances acquired by NAB Group on 1 June 2022.
(2) Engagement scores refer to Glint 'Heartbeat' outcomes. Top quartile comparison is based upon Glint's client group (domestic and global, from all industries)
(3) Refer to key risks, qualifications and assumptions in relation to forward looking statements on page 8.
(4) Includes RBNZ's Funding for Lending Program (FLP) of $1.3 billion.
(5) On 28 February 2023 the Group completed its $2.5 billion on-market share buy-back announced in March 2022. This includes approximately $0.6 billion (19,270,329 ordinary shares) bought back and cancelled in the March 2023 half year. On 15 August 2023 the Group announced its intention to acquire up to $1.5 billion ordinary shares via an on-market buyback. This buy-back is expected to be undertaken over approximately 12 months, with approximately $0.3 billion (10,562,183 ordinary shares) acquired as at 30 September 2023.

Group performance results

Cash earnings is a non-IFRS key financial performance measure used by NAB and the investment community. NAB also uses cash earnings for its internal management reporting as it better reflects what NAB considers to be the underlying performance of the Group. Cash earnings is not a statutory financial measure, is not presented in accordance with Australian Accounting Standards, and is not audited or reviewed in accordance with Australian Auditing Standards. The 2023 Full Year Results Management Discussion and Analysis provides details of how cash earnings is defined on page 10 and a discussion of non-cash earnings items and full reconciliation of statutory net profit attributable to owners of the Company on pages 70 to 72.

	Year to			Half Year to		
	Sep 23 $m	Sep 22 $m	Sep 23 v Sep 22 %	Sep 23 $m	Mar 23 $m	Sep 23 v Mar 23 %
Net interest income	**16,807**	14,852	13.2	**8,331**	8,476	(1.7)
Other operating income	**3,847**	3,444	11.7	**1,794**	2,053	(12.6)
Net operating income	**20,654**	18,296	12.9	**10,125**	10,529	(3.8)
Operating expenses	**(9,023)**	(8,274)	9.1	**(4,602)**	(4,421)	4.1
Underlying profit	**11,631**	10,022	16.1	**5,523**	6,108	(9.6)
Credit impairment charge	**(802)**	(125)	large	**(409)**	(393)	4.1
Cash earnings before income tax	**10,829**	9,897	9.4	**5,114**	5,715	(10.5)
Income tax expense	**(3,093)**	(2,793)	10.7	**(1,448)**	(1,645)	(12.0)
Cash earnings before non-controlling interests	**7,736**	7,104	8.9	**3,666**	4,070	(9.9)
Non-controlling interests	**(5)**	-	large	**(5)**	-	large
Cash earnings	**7,731**	7,104	8.8	**3,661**	4,070	(10.0)
Non-cash earnings items (after tax)	**(266)**	(44)	large	**(178)**	(88)	large
Net profit attributable to owners of the Company from continuing operations	**7,465**	7,060	5.7	**3,483**	3,982	(12.5)
Net loss attributable to owners of the Company from discontinued operations	**(51)**	(169)	(69.8)	**(36)**	(15)	large
Net profit attributable to owners of the Company	**7,414**	6,891	7.6	**3,447**	3,967	(13.1)
Represented by:						
Business and Private Banking	**3,318**	3,013	10.1	**1,604**	1,714	(6.4)
Personal Banking	**1,446**	1,591	(9.1)	**661**	785	(15.8)
Corporate and Institutional Banking	**1,870**	1,628	14.9	**930**	940	(1.1)
New Zealand Banking	**1,404**	1,295	8.4	**645**	759	(15.0)
Corporate Functions and Other	**(307)**	(423)	(27.4)	**(179)**	(128)	39.8
Cash earnings	**7,731**	7,104	8.8	**3,661**	4,070	(10.0)

Shareholder summary

	Year to			Half Year to		
	Sep 23	Sep 22	Sep 23 v Sep 22	Sep 23	Mar 23	Sep 23 v Mar 23
Group - Including discontinued operations						
Dividend per share (cents)	**167**	151	16	**84**	83	1
Statutory dividend payout ratio	**70.6%**	70.5%	10 bps	**76.3%**	65.7%	large
Statutory earnings per share (cents) - basic	**236.4**	214.1	22.3	**110.1**	126.3	(16.2)
Statutory earnings per share (cents) - diluted	**228.7**	205.6	23.1	**107.3**	121.2	(13.9)
Statutory return on equity	**12.3%**	11.3%	100 bps	**11.3%**	13.3%	(200 bps)
Net tangible assets per ordinary share ($)	**17.96**	17.24	4.2%	**17.96**	18.04	(0.4%)
Group - Continuing operations						
Cash dividend payout ratio	**67.7%**	68.4%	(70 bps)	**71.8%**	64.1%	770 bps
Statutory dividend payout ratio from continuing operations	**70.2%**	68.9%	130 bps	**75.5%**	65.5%	large
Statutory earnings per share from continuing operations (cents) - basic	**238.0**	219.3	18.7	**111.3**	126.7	(15.4)
Statutory earnings per share from continuing operations (cents) - diluted	**230.2**	210.5	19.7	**108.3**	121.7	(13.4)
Cash earnings per share (cents) - basic	**246.5**	220.7	25.8	**117.0**	129.5	(12.5)
Cash earnings per share (cents) - diluted	**238.0**	211.7	26.3	**113.6**	124.3	(10.7)
Cash return on equity	**12.9%**	11.7%	120 bps	**12.0%**	13.7%	(170 bps)

For further information

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This Results Summary has been authorised for release by the Board.

Disclaimer – Forward looking statements

This Result Summary and the 2023 Full Year Results Management Discussion and Analysis contain statements that are, or may be deemed to be, forward looking statements. These forward looking statements may be identified by the use of forward looking terminology, including the terms "believe", "estimate", "plan", "project", "anticipate", "expect", "target", "intend", "likely", "may", "will", "could" or "should" or, in each case, their negative or other variations or other similar expressions, or by discussions of strategy, plans, objectives, targets, goals, future events or intentions. Indications of, and guidance on, future earnings and financial position and performance are also forward looking statements. You are cautioned not to place undue reliance on such forward looking statements. Such forward looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of the Group, which may cause actual results to differ materially from those expressed or implied in such statements. There can be no assurance that actual outcomes will not differ materially from these statements.

There are many factors that could cause actual results to differ materially from those projected in such statements, including (without limitation) a significant change in the Group's financial performance or operating environment; a material change to law or regulation or changes to regulatory policy or interpretation; and risks and uncertainties associated with the ongoing impacts of the conflict between Russia and Ukraine, conflict in the Middle East and other geopolitical tensions, the Australian and global economic environment and capital market conditions. Further information is contained in the Group's Annual Report for the 2023 financial year, available at www.nab.com.au.

Full Year Results 2023

Information about cash earnings and other non-IFRS measures

This section provides information about cash earnings, a key performance measure used by the Group, including information on how cash earnings is calculated and a reconciliation of cash earnings to statutory net profit. It also provides information about certain other key non-IFRS measures used by the Group and disclosed in this 2023 Full Year Results Management Discussion and Analysis.

Non-IFRS key financial performance measures used by the Group

Certain financial measures detailed in this 2023 Full Year Results Management Discussion and Analysis are not accounting measures within the scope of International Financial Reporting Standards (IFRS). Management use these financial measures to evaluate the Group's overall financial performance and position and believe the presentation of these financial measures provides useful information to analysts and investors regarding the results of the Group's operations.

The Group regularly reviews the non-IFRS measures included in its reporting documents to ensure that only relevant financial measures are incorporated.

Further details in relation to these financial measures are set out below and in the *Glossary*.

Information about cash earnings

Cash earnings is a non-IFRS key performance measure used by the Group and the investment community.

The Group also uses cash earnings for its internal management reporting as it better reflects what is considered to be the underlying performance of the Group. Cash earnings is calculated by adjusting statutory net profit from continuing operations for certain non-cash earnings items. Non-cash earnings items are those items which are considered separately when assessing performance and analysing the underlying trends in the business. These include items such as hedging and fair value volatility, the amortisation of acquired intangible assets and gains or losses and certain other items associated with acquisitions, disposals and business closures.

Cash earnings does not purport to represent the cash flows, funding or liquidity position of the Group, nor any amount represented on a statement of cash flows. It is not a statutory financial measure and is not presented in accordance with accounting standards and interpretations issued by the Australian Accounting Standards Board (AASB) and is not audited or reviewed in accordance with Australian Auditing Standards.

The Group results are presented on a cash earnings basis unless otherwise stated.

Cash earnings for the September 2023 full year has been adjusted for the following:

- Hedging and fair value volatility
- Amortisation of acquired intangible assets
- Acquisitions, disposals and business closures.

Reconciliation to statutory net profit

The statutory net profit for the period is the sum of both net profit / (loss) from continuing operations and discontinued operations. The Group's audited financial statements, prepared in accordance with the *Corporations Act 2001* (Cth) and accounting standards and interpretations issued by the AASB, can be found in the 2023 Annual Report.

A reconciliation of cash earnings to statutory net profit is set out on page 11, and full reconciliations between statutory net profit and cash earnings are included in Section 4 Supplementary information on pages 71 to 72.

Page 70 contains a description of non-cash earnings items for the September 2023 full year.

Information about net interest margin

Net interest margin is a non-IFRS key performance measure that is calculated as net interest income (derived on a cash earnings basis) expressed as a percentage of average interest earning assets.

Information about average balances

Average balances, including average equity (adjusted), total average assets and average interest earning assets are based on daily statutory average balances.

This methodology produces numbers that more accurately reflect seasonality, timing of accruals and restructures (including discontinued operations), which would otherwise not be reflected in a simple average.

Comparative information

References in this document to the September 2023 full year are references to the twelve months ended 30 September 2023. Other twelve month periods referred to in this document are referred to in a corresponding manner. References in this document to the September 2023 half year are references to the six months ended 30 September 2023. Other six month periods referred to in this document are referred to in a corresponding manner.

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Income tax expense	**(3,093)**	(2,793)	10.7	**(1,448)**	(1,645)	(12.0)
Cash earnings before non-controlling interests	**7,736**	7,104	8.9	**3,666**	4,070	(9.9)
Non-controlling interests	**(5)**	-	large	**(5)**	-	large
Cash earnings	**7,731**	7,104	8.8	**3,661**	4,070	(10.0)
Non-cash earnings items (after tax):						
Hedging and fair value volatility	**(29)**	69	large	**(24)**	(5)	large
Amortisation of acquired intangible assets	**(30)**	(17)	76.5	**(15)**	(15)	-
Acquisitions, disposals and business closures	**(207)**	(96)	large	**(139)**	(68)	large
Net profit attributable to owners of the Company from continuing operations	**7,465**	7,060	5.7	**3,483**	3,982	(12.5)
Net loss attributable to owners of the Company from discontinued operations	**(51)**	(169)	(69.8)	**(36)**	(15)	large
Net profit attributable to owners of the Company	**7,414**	6,891	7.6	**3,447**	3,967	(13.1)
Cash earnings by division:						
Business and Private Banking	**3,318**	3,013	10.1	**1,604**	1,714	(6.4)
Personal Banking	**1,446**	1,591	(9.1)	**661**	785	(15.8)
Corporate and Institutional Banking	**1,870**	1,628	14.9	**930**	940	(1.1)
New Zealand Banking	**1,404**	1,295	8.4	**645**	759	(15.0)
Corporate Functions and Other	**(307)**	(423)	(27.4)	**(179)**	(128)	39.8
Cash earnings	**7,731**	7,104	8.8	**3,661**	4,070	(10.0)

Shareholder summary

	Year to			Half Year to		
	Sep 23	Sep 22	Sep 23 v Sep 22	Sep 23	Mar 23	Sep 23 v Mar 23
Group - Including discontinued operations						
Dividend per share (cents)	**167**	151	16	**84**	83	1
Statutory dividend payout ratio	**70.6%**	70.5%	10 bps	**76.3%**	65.7%	large
Statutory earnings per share (cents) - basic	**236.4**	214.1	22.3	**110.1**	126.3	(16.2)
Statutory earnings per share (cents) - diluted	**228.7**	205.6	23.1	**107.3**	121.2	(13.9)
Statutory return on equity	**12.3%**	11.3%	100 bps	**11.3%**	13.3%	(200 bps)
Net tangible assets per ordinary share ($)	**17.96**	17.24	4.2%	**17.96**	18.04	(0.4%)
Group - Continuing operations						
Cash dividend payout ratio	**67.7%**	68.4%	(70 bps)	**71.8%**	64.1%	770 bps
Statutory dividend payout ratio from continuing operations	**70.2%**	68.9%	130 bps	**75.5%**	65.5%	large
Statutory earnings per share from continuing operations (cents) - basic	**238.0**	219.3	18.7	**111.3**	126.7	(15.4)
Statutory earnings per share from continuing operations (cents) - diluted	**230.2**	210.5	19.7	**108.3**	121.7	(13.4)
Cash earnings per share (cents) - basic	**246.5**	220.7	25.8	**117.0**	129.5	(12.5)
Cash earnings per share (cents) - diluted	**238.0**	211.7	26.3	**113.6**	124.3	(10.7)
Cash return on equity	**12.9%**	11.7%	120 bps	**12.0%**	13.7%	(170 bps)

Review of Group performance results

The Group's performance includes the financial performance of Citigroup's Australian consumer business (Citi consumer business), acquired by the Group effective 1 June 2022, unless otherwise stated.

September 2023 v September 2022

Statutory net profit increased by $523 million or 7.6%. Excluding the impact of discontinued operations, statutory net profit increased by $405 million or 5.7%(1).

Cash earnings increased by $627 million or 8.8%.

Net interest income increased by $1,955 million or 13.2%. Excluding the Citi consumer business, net interest income increased by $1,764 million or 12.0%. This includes a decrease of $318 million due to movements in economic hedges, offset in other operating income. Excluding these movements, the underlying increase of $2,082 million or 14.2% was primarily due to higher earnings on deposits and capital due to the rising interest rate environment and higher average interest earning assets. These movements were partially offset by lower housing lending margins, deposit mix impact due to growth in term deposits and higher wholesale funding costs.

Other operating income increased by $403 million or 11.7%. Excluding the Citi consumer business, other operating income increased by $345 million or 10.0%. This includes an increase of $318 million due to movements in economic hedges, offset in net interest income. Excluding these movements, the underlying increase of $27 million or 0.8% was primarily due to higher NAB risk management income in Markets, combined with a positive derivative valuation adjustment. These were partially offset by lower volumes of realised gains on bond sales in Treasury (high-quality liquids portfolio).

Operating expenses increased by $749 million or 9.1%. Excluding the Citi consumer business, operating expenses increased by $497 million or 6.1%. This includes an increase of $40 million for a provision in respect of the one-off levy for the Compensation Scheme of Last Resort (CSLR). Excluding these movements, the underlying increase of $457 million or 5.6% was primarily driven by higher personnel expenses due to an increase in average full-time equivalent employees (FTE) and salary and related costs, together with continued investment in technology and compliance capabilities including fraud and cyber security. This was partially offset by productivity benefits achieved through continued process improvements and simplification of the Group's operations combined with lower remediation charges.

Credit impairment charge increased by $677 million, driven by a higher level of collective credit impairment charges across the Group's lending portfolio, combined with a higher level of specific credit impairment charges off a low base.

September 2023 v March 2023

Statutory net profit decreased by $520 million or 13.1%. Excluding the impact of discontinued operations, statutory net profit decreased by $499 million or 12.5%(1).

Cash earnings decreased by $409 million or 10.0%.

Net interest income decreased by $145 million or 1.7%. This includes an increase of $69 million due to movements in economic hedges, offset in other operating income. Excluding this movement, the underlying decrease of $214 million or 2.5% was primarily due to lower housing lending margins, higher term deposit costs and deposit mix impacts from growth in term deposits. These movements were partially offset by higher average interest earning assets and higher earnings on deposits and capital due to the rising interest rate environment.

Other operating income decreased by $259 million or 12.6%. This includes a decrease of $69 million due to movements in economic hedges, offset in net interest income. Excluding this movement, the underlying decrease of $190 million or 9.3% was primarily due to lower NAB risk management income in Markets combined with lower volumes of realised gains on bond sales in Treasury (high-quality liquids portfolio).

Operating expenses increased by $181 million or 4.1%. This includes an increase of $40 million for a provision in respect of the one-off levy for the CSLR. Excluding this movement, the underlying increase of $141 million or 3.2% was primarily driven by higher personnel expenses due to an increase in average FTE and salary and related costs, together with continued investment in technology and compliance capabilities including fraud and cyber security. This was partially offset by productivity benefits achieved through process improvements and simplification of the Group's operations combined with lower remediation charges.

Credit impairment charge increased by $16 million driven by a higher level of specific credit impairment charges off a low base, partially offset by a lower level of collective credit impairment charges.

(1) The results of discontinued operations primarily relate to costs associated with managing the run-off of the MLC Wealth retained entities, combined with a re-assessment of the provisions for customer-related remediation.

Key performance indicators

	Year to			Half Year to		
	Sep 23	Sep 22	Sep 23 v Sep 22	Sep 23	Mar 23	Sep 23 v Mar 23
Group performance - cash earnings basis						
Cash earnings on average assets	**0.73%**	0.72%	1 bp	**0.68%**	0.77%	(9 bps)
Cash earnings on average risk-weighted assets	**1.75%**	1.63%	12 bps	**1.68%**	1.82%	(14 bps)
Cash earnings per average FTE ($'000)	**210**	212	(0.9%)	**194**	226	(14.2%)
Cost to income ratio	**43.7%**	45.2%	(150 bps)	**45.5%**	42.0%	350 bps
Net interest margin	**1.74%**	1.65%	9 bps	**1.71%**	1.77%	(6 bps)
Group performance - statutory basis						
Statutory earnings on average assets	**0.70%**	0.70%	-	**0.64%**	0.75%	(11 bps)
Statutory earnings on average risk-weighted assets	**1.68%**	1.58%	10 bps	**1.58%**	1.78%	(20 bps)
Statutory earnings per average FTE ($'000)	**201**	206	(2.4%)	**183**	220	(16.8%)
Cost to income ratio	**45.4%**	46.9%	(150 bps)	**47.7%**	43.3%	440 bps
Net interest margin	**1.74%**	1.65%	9 bps	**1.71%**	1.77%	(6 bps)
Total group capital						
CET1 capital ratio	**12.22%**	11.51%	71 bps	**12.22%**	12.21%	1 bp
Tier 1 capital ratio	**14.19%**	13.14%	105 bps	**14.19%**	13.89%	30 bps
Total capital ratio	**19.88%**	18.17%	171 bps	**19.88%**	19.76%	12 bps
Risk-weighted assets ($bn)	**435.0**	449.9	(3.3%)	**435.0**	436.2	(0.3%)
Volumes ($bn)						
Gross loans and acceptances (GLAs)	**708.5**	687.7	3.0%	**708.5**	700.5	1.1%
Average interest earning assets	**966.7**	900.3	7.4%	**973.6**	959.1	1.5%
Total average assets	**1,065.1**	991.5	7.4%	**1,069.4**	1,060.7	0.8%
Total customer deposits	**587.4**	566.7	3.7%	**587.4**	574.9	2.2%
Asset quality						
90+ days past due (DPD) and gross impaired assets to GLAs	**0.75%**	0.66%	9 bps	**0.75%**	0.66%	9 bps
Collective provision to credit risk-weighted assets	**1.47%**	1.31%	16 bps	**1.47%**	1.42%	5 bps
Total provision to credit risk-weighted assets	**1.62%**	1.46%	16 bps	**1.62%**	1.57%	5 bps
Full-time equivalent employees (FTE)						
Group - Continuing operations (spot)	**38,128**	35,128	8.5%	**38,128**	36,963	3.2%
Group - Continuing operations (average)	**36,895**	33,530	10.0%	**37,659**	36,140	4.2%
Group - Including discontinued operations (spot)	**38,516**	35,558	8.3%	**38,516**	37,346	3.1%
Group - Including discontinued operations (average)	**37,290**	34,022	9.6%	**38,045**	36,542	4.1%

	As at		
	30 Sep 23	31 Mar 23	30 Sep 22
Market share			
Australia[1]			
Business lending[2]	**21.7%**	21.6%	21.6%
Business deposits	**20.4%**	19.9%	20.1%
Housing lending	**14.7%**	14.7%	14.9%
Household deposits	**13.8%**	13.8%	13.8%
New Zealand[3]			
Housing lending	**16.6%**	16.5%	16.3%
Agribusiness	**21.5%**	21.4%	21.4%
Business lending	**22.4%**	22.5%	22.4%
Total deposits	**18.1%**	17.7%	17.8%

(1) Source: Australian Prudential Regulation Authority (APRA) monthly Authorised Deposit-taking Institution (ADI) statistics.
(2) Non-financial business lending.
(3) Source: Reserve Bank of New Zealand (RBNZ).

	As at		
	30 Sep 23	31 Mar 23	30 Sep 22
Distribution			
Number of retail branches and business banking centres			
Australia	**513**	546	578
New Zealand	**130**	134	136

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Full Year Results 2023

Net interest income

	Year to			Half Year to		
	Sep 23	Sep 22	Sep 23 v Sep 22 %	Sep 23	Mar 23	Sep 23 v Mar 23 %
Net interest income ($m)	**16,807**	14,852	13.2	**8,331**	8,476	(1.7)
Average interest earning assets ($bn)	**966.7**	900.3	7.4	**973.6**	959.1	1.5
Net interest margin (%)	**1.74**	1.65	9 bps	**1.71**	1.77	(6 bps)

September 2023 v September 2022

Net interest income increased by $1,955 million or 13.2%. Excluding the Citi consumer business, net interest income increased by $1,764 million or 12.0%. This includes a decrease of $318 million due to movements in economic hedges, offset in other operating income. Excluding these movements, the underlying increase of $2,082 million or 14.2% was due to:

- Higher earnings on deposits and capital due to the rising interest rate environment.
- Higher average interest earning assets.

These increases were partially offset by:

- Lending margin compression primarily driven by competitive pressures impacting the housing lending portfolio.
- Deposit mix impacts due to growth in term deposits.
- Higher wholesale funding costs.

September 2023 v March 2023

Net interest income decreased by $145 million or 1.7%. This includes an increase of $69 million due to movements in economic hedges, offset in other operating income. Excluding this movement, the underlying decrease of $214 million or 2.5% was due to:

- Lending margin compression primarily driven by competitive pressures impacting the housing lending portfolio.
- Higher term deposit costs and deposit mix impacts due to growth in term deposits.

These decreases were partially offset by:

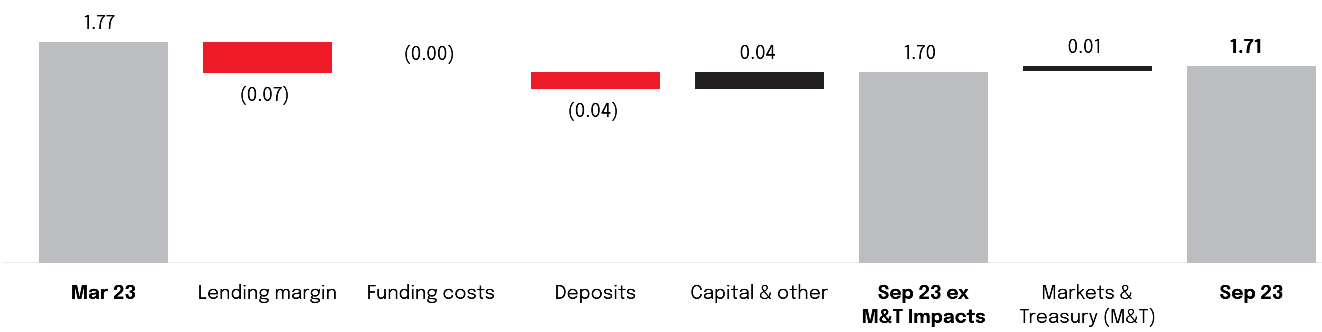
- Higher average interest earning assets.
- Higher earnings on deposits and capital due to the rising interest rate environment.

Net interest margin

	Year to			Half Year to		
	Sep 23 %	Sep 22 %	Sep 23 v Sep 22	Sep 23 %	Mar 23 %	Sep 23 v Mar 23
Group net interest margin	**1.74**	1.65	9 bps	**1.71**	1.77	(6 bps)
Business and Private Banking	**3.18**	2.92	26 bps	**3.09**	3.27	(18 bps)
Personal Banking	**1.98**	1.96	2 bps	**1.87**	2.08	(21 bps)
Corporate and Institutional Banking[1]	**0.91**	0.75	16 bps	**0.97**	0.86	11 bps
New Zealand Banking[1]	**2.32**	2.48	(16 bps)	**2.27**	2.36	(9 bps)

(1) For the year to September 2023, the New Zealand liquidity management portfolio is reported within New Zealand Banking. In the year to September 2022 the assets and liabilities together with the related income was reported as part of Corporate and Institutional Banking. Comparative information has not been restated.

Group net interest margin movement (%)



September 2023 v September 2022

The Group's **net interest margin** increased by 9 basis points. Excluding a decrease of 5 basis points in Markets and Treasury, the underlying margin was up 14 basis points due to:

- An increase of 25 basis points driven by higher earnings on deposits due to the rising interest rate environment, partially offset by deposit mix impacts due to growth in term deposits.
- An increase of 7 basis points driven by higher earnings on capital due to the rising interest rate environment.

These increases were partially offset by:

- A decrease of 15 basis points in lending margin primarily driven by competitive pressures in the housing lending portfolio.
- A decrease of 3 basis points driven by higher wholesale funding costs.

The decrease of 5 basis points in Markets and Treasury was due to:

- A decrease of 3 basis points driven by economic hedges, offset in other operating income.
- A decrease of 2 basis points driven by higher volumes of lower yielding high-quality liquid assets (HQLA).
- A decrease of 1 basis point driven by mix impacts due to higher volumes of lower yielding securities in Markets.
- An increase of 1 basis point driven by higher NAB risk management income in Treasury.

September 2023 v March 2023

The Group's **net interest margin** decreased by 6 basis points. Excluding an increase of 1 basis point in Markets and Treasury, the underlying margin was down 7 basis points due to:

- A decrease of 7 basis points in lending margin primarily driven by competitive pressures in the housing lending portfolio.
- A decrease of 4 basis points driven by higher term deposit costs and deposit mix impacts due to growth in term deposits, partially offset by higher earnings on deposits due to the rising interest rate environment.

These decreases were partially offset by:

- An increase of 4 basis points driven by higher earnings on capital due to the rising interest rate environment.

The increase of 1 basis point in Markets and Treasury was driven by economic hedges, offset in other operating income.

Other operating income

	Year to			Half Year to		
	Sep 23 $m	Sep 22 $m	Sep 23 v Sep 22 %	Sep 23 $m	Mar 23 $m	Sep 23 v Mar 23 %
Net fees and commissions	**2,183**	2,119	3.0	**1,081**	1,102	(1.9)
Trading income	**1,542**	978	57.7	**674**	868	(22.4)
Other	**122**	347	(64.8)	**39**	83	(53.0)
Total other operating income	**3,847**	3,444	11.7	**1,794**	2,053	(12.6)

September 2023 v September 2022

Other operating income increased by $403 million or 11.7%. Excluding the Citi consumer business, other operating income increased by $345 million or 10.0%.

Net fees and commissions increased by $64 million or 3.0%. Included in the September 2023 full year is a charge of $29 million (September 2022 full year: $71 million) for customer-related remediation. Excluding the impact of lower customer-related remediation charges and the $58 million increase associated with the Citi consumer business, the underlying decrease was $36 million. This decrease was primarily due to lower fee income in housing lending, from a shift to lower fee products, combined with lower fee income in merchant acquiring due to higher scheme fees. These were partially offset by an increase in fee income from business lending and higher deposit fee income.

Trading income increased by $564 million or 57.7%. This includes an increase of $318 million due to movements in economic hedges, offset in net interest income. Excluding this movement, the underlying increase of $246 million was primarily due to higher NAB risk management income in Markets, combined with a positive derivative valuation adjustment.

Other income decreased by $225 million or 64.8% primarily due to lower volumes of realised gains on bond sales in Treasury (high-quality liquids portfolio) and a decrease in insurance revenue due to the sale of BNZ Life on 30 September 2022.

September 2023 v March 2023

Other operating income decreased by $259 million or 12.6%.

Net fees and commissions decreased by $21 million or 1.9%. Included in the September 2023 half year is a charge of $6 million (March 2023 half year: $23 million) for customer-related remediation. Excluding the impact of lower customer-related remediation charges, the underlying decrease was $38 million. This decrease was primarily due to lower fee income in cards and merchant acquiring from higher scheme fees and loyalty costs, combined with a seasonal decrease in transaction volumes. These were partially offset by an increase in fee income from business lending.

Trading income decreased by $194 million or 22.4%. This includes a decrease of $69 million due to movements in economic hedges, offset in net interest income. Excluding this movement, the underlying decrease of $125 million was primarily due to lower NAB risk management income in Markets.

Other income decreased by $44 million or 53.0% primarily due to lower volumes of realised gains on bond sales in Treasury (high-quality liquids portfolio).

Markets and Treasury income

	Year to			Half Year to		
	Sep 23 $m	Sep 22 $m	Sep 23 v Sep 22 %	Sep 23 $m	Mar 23 $m	Sep 23 v Mar 23 %
Net interest income	**92**	196	(53.1)	**83**	9	large
Other operating income	**1,581**	1,179	34.1	**679**	902	(24.7)
Total Markets and Treasury income	**1,673**	1,375	21.7	**762**	911	(16.4)
Customer risk management[(1)]						
Foreign exchange	**553**	531	4.1	**268**	285	(6.0)
Rates	**242**	267	(9.4)	**120**	122	(1.6)
Total customer risk management income	**795**	798	(0.4)	**388**	407	(4.7)
NAB risk management[(2)]						
Markets	**359**	323	11.1	**148**	211	(29.9)
Treasury	**464**	308	50.6	**197**	267	(26.2)
Total NAB risk management income	**823**	631	30.4	**345**	478	(27.8)
Derivative valuation adjustment[(3)]	**55**	(54)	large	**29**	26	11.5
Total Markets and Treasury income	**1,673**	1,375	21.7	**762**	911	(16.4)
Average Markets traded market risk Value at Risk (VaR)[(4)]	**8.4**	10.9	(22.9)	**8.0**	8.7	(8.0)

(1) Customer risk management forms part of other operating income and reflects customer risk management in respect of Personal Banking, Business and Private Banking, Corporate and Institutional Banking and New Zealand Banking.
(2) NAB risk management forms part of net interest income and other operating income and is defined as management of interest rate risk in the banking book, wholesale funding and liquidity requirements and trading market risk to support the Group's franchises. Markets forms part of Corporate and Institutional Banking revenue. Treasury forms part of Corporate Functions and Other, and from 1 October 2022 the New Zealand liquidity management portfolio is reflected in New Zealand Baking.
(3) Derivative valuation adjustment is shown net of hedging costs or benefits and includes credit valuation adjustments and funding valuation adjustments.
(4) Excludes the impact of hedging activities related to derivative valuation adjustments.

September 2023 v September 2022

Markets and Treasury income increased by $298 million or 21.7% primarily due to higher NAB risk management income and higher derivative valuation adjustment income.

Customer risk management income decreased by $3 million or 0.4% due to lower interest rate sales income offset by higher foreign exchange sales income.

NAB risk management income increased by $192 million or 30.4% due to higher interest rate risk management income in Markets and Treasury.

Derivative valuation income increased by $109 million primarily due to decreased market volatility in the September 2023 full year.

September 2023 v March 2023

Markets and Treasury income decreased by $149 million or 16.4% primarily due to lower interest rate risk management income in Markets and Treasury.

Customer risk management income decreased by $19 million or 4.7% driven by lower income from both foreign exchange and interest rate sales.

NAB risk management income decreased by $133 million or 27.8% primarily due to lower interest rate risk management income in Markets and Treasury.

Derivative valuation income increased by $3 million, broadly unchanged.

Operating expenses

	Year to			Half Year to		
	Sep 23 $m	Sep 22 $m	Sep 23 v Sep 22 %	Sep 23 $m	Mar 23 $m	Sep 23 v Mar 23 %
Personnel expenses	**5,236**	4,786	9.4	**2,678**	2,558	4.7
Occupancy and depreciation expenses	**745**	719	3.6	**382**	363	5.2
General expenses	**2,640**	2,619	0.8	**1,350**	1,290	4.7
Operating expenses (excluding Citi consumer business)	**8,621**	8,124	6.1	**4,410**	4,211	4.7
Citi consumer business operating expenses	**402**	150	large	**192**	210	(8.6)
Total operating expenses	**9,023**	8,274	9.1	**4,602**	4,421	4.1

September 2023 v September 2022

Operating expenses increased by $749 million or 9.1%. Excluding the Citi consumer business, operating expenses increased by $497 million or 6.1%. This includes an increase of $40 million for a provision in respect of the one-off levy for the CSLR. Excluding these movements, the underlying increase was $457 million or 5.6%.

Personnel expenses increased by $450 million or 9.4%. The increase was primarily driven by an increase in average FTE and salary and related expenses, together with continued investment in technology and compliance capabilities including fraud and cyber security. This was partially offset by productivity benefits achieved through continued process improvements and simplification of the Group's operations.

Occupancy and depreciation expenses increased by $26 million or 3.6%. The increase was driven by higher depreciation on new leases, fitouts and hardware combined with higher energy costs.

General expenses increased by $21 million or 0.8%. Excluding the provision of $40 million in respect of the one-off levy for CSLR, the underlying decrease was $19 million or 0.7% . This was primarily due to productivity benefits achieved through continued process improvements and simplification of the Group's operations combined with lower remediation charges. This was partially offset by continued investment in technology and compliance capabilities including fraud and cyber security.

September 2023 v March 2023

Operating expenses increased by $181 million or 4.1%. This includes an increase of $40 million for a provision in respect of the one-off levy for the CSLR. Excluding this movement, the underlying increase was $141 million or 3.2%.

Personnel expenses increased by $120 million or 4.7%. The increase was primarily driven by an increase in average FTE and salary and related expenses, together with continued investment in technology and compliance capabilities including fraud and cyber security. This was partially offset by productivity benefits achieved through continued process improvements and simplification of the Group's operations.

Occupancy and depreciation expenses increased by $19 million or 5.2%. The increase was driven by higher depreciation on new leases and hardware.

General expenses increased by $60 million or 4.7%. Excluding the provision of $40 million in respect of the one-off levy for the CSLR, the underlying increase was $20 million or 1.6%. This was primarily due to continued investment in technology and compliance capabilities including fraud and cyber security. This was partially offset by productivity benefits achieved through continued process improvements and simplification of the Group's operations combined with lower remediation charges.

Investment spend

	Year to			Half Year to		
	Sep 23 $m	Sep 22 $m	Sep 23 v Sep 22 %	Sep 23 $m	Mar 23 $m	Sep 23 v Mar 23 %
Expensed	**649**	693	(6.3)	**335**	314	6.7
Capitalised software and fixed assets	**764**	700	9.1	**434**	330	31.5
Total investment spend	**1,413**	1,393	1.4	**769**	644	19.4
Represented by:						
Infrastructure	**437**	515	(15.1)	**248**	189	31.2
Compliance and risk	**489**	399	22.6	**261**	228	14.5
Customer experience, efficiency and sustainable revenue	**487**	479	1.7	**260**	227	14.5
Total investment spend	**1,413**	1,393	1.4	**769**	644	19.4

Investment spend is expenditure on initiatives designed to enhance the customer experience, comply with legal and regulatory requirements, and improve capabilities and efficiencies in the Group's business processes. Investment spend excludes expenditure in respect of NAB's new unsecured lending platform and ongoing investment in technology resilience.

September 2023 v September 2022

Investment spend increased by $20 million or 1.4%, driven by increased investment in compliance, risk and customer experience initiatives.

Investment in **infrastructure** initiatives decreased by $78 million or 15.1%. The decrease was primarily driven by declining spend on cloud migration and a shift of New Zealand Banking spend to customer experience programs, partially offset by additional investment to build financial crime capabilities.

Investment in **compliance and risk** initiatives increased by $90 million or 22.6% reflecting continued investment in meeting regulatory commitments, including uplifting financial crime capabilities, cyber security, and managing risk across the Group.

Investment in **customer experience, efficiency and sustainable revenue** initiatives increased by $8 million or 1.7%. There is continued investment in core strategic priorities, such as business and home lending, merchant services capabilities and a simplified customer onboarding experience.

September 2023 v March 2023

Investment spend increased by $125 million or 19.4%, driven by increased investment in infrastructure, customer experience, compliance and risk initiatives.

Investment in **infrastructure** initiatives increased by $59 million or 31.2%. The increase was primarily driven by investment in building data platform and capabilities, the timing of spend on cloud migration, technology simplification and refresh activity, and the Group's branch network including frontline technology.

Investment in **compliance and risk** initiatives increased by $33 million or 14.5%, reflecting continued investment in meeting regulatory commitments, including uplifting financial crime capabilities, cyber security, and managing risk across the Group.

Investment in **customer experience, efficiency and sustainable revenue** initiatives increased by $33 million or 14.5%. The increase was primarily driven by investment in digital channel capabilities and a simplified customer onboarding experience.

Taxation

	Year to			Half Year to		
			Sep 23 v			Sep 23 v
	Sep 23	Sep 22	Sep 22	Sep 23	Mar 23	Mar 23
Income tax expense ($m)	**3,093**	2,793	10.7%	**1,448**	1,645	(12.0%)
Effective tax rate (%)	**28.6**	28.2	40 bps	**28.3**	28.8	(50 bps)

September 2023 v September 2022

Cash earnings income tax expense increased by $300 million or 10.7% primarily due to higher cash earnings before tax.

The **cash earnings effective tax rate** increased by 40 basis points to 28.6% due to:

- An increase in the amount of non-deductible interest on convertible instruments.
- A decrease in the net earnings of the concessionally taxed offshore banking unit.
- A decrease in the amount of non-assessable foreign branch income.

These increases to the effective tax rate were partially offset by an adjustment in the current period to recognise a deferred tax asset for U.S. tax losses from prior periods.

September 2023 v March 2023

Cash earnings income tax expense decreased by $197 million or 12.0% due to lower cash earnings before tax.

The **cash earnings effective tax rate** decreased by 50 basis points to 28.3%, due to an adjustment in the current period to recognise a deferred tax asset for U.S. tax losses from prior periods.

Lending

	As at				
	30 Sep 23 $bn	31 Mar 23 $bn	30 Sep 22 $bn	Sep 23 v Sep 22 %	Sep 23 v Mar 23 %
Housing					
Business and Private Banking	**109.2**	105.6	100.1	9.1	3.4
Personal Banking	**230.6**	229.4	230.5	-	0.5
New Zealand Banking	**53.7**	52.8	48.3	11.2	1.7
Corporate Functions and Other	**12.8**	11.4	10.2	25.5	12.3
Total housing	**406.3**	399.2	389.1	4.4	1.8
Non-housing					
Business and Private Banking	**147.1**	140.7	135.9	8.2	4.5
Personal Banking	**9.4**	9.0	8.5	10.6	4.4
Corporate and Institutional Banking	**104.1**	109.3	114.8	(9.3)	(4.8)
New Zealand Banking	**41.6**	42.3	39.4	5.6	(1.7)
Total non-housing	**302.2**	301.3	298.6	1.2	0.3
Gross loans and advances	**708.5**	700.5	687.7	3.0	1.1

September 2023 v September 2022

Lending increased by $20.8 billion or 3.0% including an increase of $5.8 billion driven by exchange rate movements.

Housing lending increased by $17.2 billion or 4.4% due to:

- An increase of $9.1 billion or 9.1% in Business and Private Banking driven by growth in both owner occupier and investor lending.
- An increase of $5.4 billion or 11.2% in New Zealand Banking, including an increase of $2.7 billion driven by exchange rate movements. The underlying increase of $2.7 billion driven by growth in both owner occupier and investor lending.
- An increase of $2.6 billion or 25.5% in Corporate Functions and Other reflecting growth in ubank.
- An increase of $0.1 billion in Personal Banking, driven by growth of $1.8 billion primarily in owner occupier lending, offset by a decrease of $1.7 billion in the Citi consumer business, reflecting the anticipated run-off since acquisition.

Non-housing lending increased by $3.6 billion or 1.2% due to:

- An increase of $11.2 billion or 8.2% in Business and Private Banking driven by growth in business lending across a broad range of industries.
- An increase of $2.2 billion or 5.6% in New Zealand Banking, including an increase of $2.4 billion driven by exchange rate movements. The underlying decrease of $0.2 billion reflects a decline in business lending.
- An increase of $0.9 billion in Personal Banking primarily driven by growth in unsecured lending due to an increase in accounts and increased spend activity.
- A decrease of $10.7 billion or 9.3% in Corporate and Institutional Banking, including an increase of $0.7 billion driven by exchange rate movements. The underlying decrease of $11.4 billion is primarily due to lower utilisation in funds, reduced securitisation exposures and disciplined portfolio management.

September 2023 v March 2023

Lending increased by $8.0 billion or 1.1% including an increase of $0.1 billion driven by exchange rate movements.

Housing lending increased by $7.1 billion or 1.8% due to:

- An increase of $3.6 billion or 3.4% in Business and Private Banking driven by growth in both owner occupier and investor lending.
- An increase of $1.4 billion or 12.3% in Corporate Functions and Other reflecting growth in ubank.
- An increase of $1.2 billion or 0.5% in Personal Banking, driven by growth of $2.5 billion in owner occupier and investor lending partially offset by a decrease of $1.3 billion in the Citi consumer business, reflecting the anticipated run-off since acquisition.
- An increase of $0.9 billion or 1.7% in New Zealand Banking, including a decrease of $0.3 billion driven by exchange rate movements. The underlying increase of $1.2 billion driven by growth in both owner occupier and investor lending.

Non-housing lending increased by $0.9 billion or 0.3% due to:

- An increase of $6.4 billion or 4.5% in Business and Private Banking driven by growth in business lending across a broad range of industries.
- An increase of $0.4 billion or 4.4% in Personal Banking primarily driven by growth in unsecured lending due to an increase in accounts and increased spend activity.
- A decrease of $0.7 billion or 1.7% in New Zealand Banking, including a decrease of $0.3 billion driven by exchange rate movements. The underlying decrease of $0.4 billion reflects a decline in business lending.
- A decrease of $5.2 billion or 4.8% in Corporate and Institutional Banking, including an increase of $0.7 billion driven by exchange rate movements. The underlying decrease of $5.9 billion is primarily due to lower utilisation in funds, reduced securitisation exposures and disciplined portfolio management.

Goodwill and other intangible assets

Goodwill

Goodwill decreased by $19 million compared to the September 2022 full year and March 2023 half year due to post-completion adjustments arising from the Group's acquisition of the Citi consumer business during the year ended 30 September 2022.

The movement in goodwill is as follows:

	Year ended		Half Year ended	
	Sep 23	Sep 22	Sep 23	Mar 23
	$m	$m	$m	$m
Balance at beginning of period	**2,089**	1,964	**2,089**	2,089
Acquisition of controlled entities and business combinations	**(19)**	125	**(19)**	-
Goodwill	**2,070**	2,089	**2,070**	2,089

Other intangible assets

Other Intangible assets are comprised of capitalised software and other intangible assets.

The movement in capitalised software is as follows:

	Year ended		Half Year ended	
	Sep 23	Sep 22	Sep 23	Mar 23
	$m	$m	$m	$m
Balance at beginning of period	**2,382**	2,133	**2,518**	2,382
Acquisition of controlled entities and business combinations	**-**	40	**-**	-
Additions	**935**	766	**521**	414
Disposals and write-offs	**(13)**	(23)	**(4)**	(9)
Amortisation	**(602)**	(538)	**(311)**	(291)
Foreign currency translation adjustments	**20**	4	**(2)**	22
Capitalised software	**2,722**	2,382	**2,722**	2,518

Further details on material movements in capitalised software are as follows:

- Additions includes *Investment spend* on page 21 and $83 million for the year ended 30 September 2023 (September 2022: $23 million) and $43 million for the half year ended 30 September 2023 (March 2023: $37 million) in respect of the new unsecured lending platform.
- Amortisation is included as part of operating expenses.

The movement in other intangible assets is as follows:

	Year ended		Half Year ended	
	Sep 23	Sep 22	Sep 23	Mar 23
	$m	$m	$m	$m
Balance at beginning of period	**181**	16	**171**	181
Acquisition of controlled entities and business combinations	**(3)**	171	**(3)**	-
Amortisation	**(17)**	(6)	**(7)**	(10)
Foreign currency translation adjustments	**(1)**	-	**(1)**	-
Other intangible assets	**160**	181	**160**	171

Acquisition of controlled entities and business combinations relate to post-completion adjustments to the fair value of customer relationships and core deposit intangibles, arising from the Group's acquisition of the Citi consumer business during the year ended 30 September 2022.

Customer deposits

	As at				
	30 Sep 23 $bn	31 Mar 23 $bn	30 Sep 22 $bn	Sep 23 v Sep 22 %	Sep 23 v Mar 23 %
Business and Private Banking	**206.1**	201.4	191.3	7.7	2.3
Personal Banking	**151.3**	147.4	148.1	2.2	2.6
Corporate and Institutional Banking	**138.1**	137.5	146.2	(5.5)	0.4
New Zealand Banking	**72.3**	69.0	63.6	13.7	4.8
Corporate Functions and Other	**19.6**	19.6	17.5	12.0	-
Total customer deposits	**587.4**	574.9	566.7	3.7	2.2

September 2023 v September 2022

Customer deposits increased by $20.7 billion or 3.7% including an increase of $4.4 billion driven by exchange rate movements. The increase is due to:

- An increase of $14.8 billion or 7.7% in Business and Private Banking driven by an increase in term deposits of $21.5 billion, partially offset by a decrease in non-interest bearing accounts of $4.9 billion and on-demand deposits of $1.8 billion.
- An increase of $8.7 billion or 13.7% in New Zealand Banking, including an increase of $3.9 billion driven by exchange rate movements. The underlying increase of $4.8 billion was due to an increase in term deposits of $6.0 billion and non-interest bearing accounts of $0.8 billion, partially offset by a decrease in on-demand deposits of $2.0 billion.
- An increase of $3.2 billion or 2.2% in Personal Banking, driven by growth in term deposits of $7.0 billion, partially offset by a decrease in on-demand deposits of $3.1 billion, and non-interest bearing accounts of $0.7 billion. This includes a decrease of $1.6 billion in the Citi consumer business, reflecting the anticipated run-off since acquisition.
- An increase of $2.1 billion or 12.0% in Corporate Functions and Other driven by growth in on-demand deposits and non-interest bearing accounts of $4.2 billion in ubank. This was partially offset by a reduction of $1.8 billion primarily relating to balances transferred to other segments of the Group as a result of ubank's product offering simplification, combined with a decrease of $0.3 billion in wholesale deposits reflecting Treasury funding and liquidity management activities.
- A decrease of $8.1 billion or 5.5% in Corporate and Institutional Banking, including an increase of $0.5 billion driven by exchange rate movements. The underlying decrease of $8.6 billion was driven largely by a decline in custody and on-demand deposits.

September 2023 v March 2023

Customer deposits increased by $12.5 billion or 2.2% including a decrease of $0.1 billion driven by exchange rate movements. The increase is due to:

- An increase of $4.7 billion or 2.3% in Business and Private Banking primarily driven by an increase in term deposits of $7.8 billion, partially offset by a reduction in on-demand deposits of $1.6 billion and non-interest bearing accounts of $1.5 billion.
- An increase of $3.9 billion or 2.6% in Personal Banking, driven by growth in on-demand deposits of $1.8 billion, term deposits of $1.7 billion and non-interest bearing accounts of $0.4 billion. This includes a decrease of $1.2 billion in the Citi consumer business, reflecting the anticipated run-off since acquisition.
- An increase of $3.3 billion or 4.8% in New Zealand Banking, including a decrease of $0.4 billion driven by exchange rate movements. The underlying increase of $3.7 billion was due to an increase in term deposits of $4.0 billion and on-demand deposits of $0.9 billion, partially offset by a decrease in non-interest bearing accounts of $1.2 billion.
- An increase of $0.6 billion or 0.4% in Corporate and Institutional Banking including an increase of $0.3 billion driven by exchange rate movements. The underlying increase of $0.3 billion was primarily driven by an increase in term deposits partially offset by a decline in on-demand and custody deposits.
- Corporate Functions remained flat, driven by growth in on-demand deposits and non-interest bearing accounts of $1.6 billion in ubank, offset by a reduction in wholesale deposits of $1.6 billion reflecting Treasury funding and liquidity management activities.

Asset quality

Credit impairment charge

	Year to			Half Year to		
	Sep 23 $m	Sep 22 $m	Sep 23 v Sep 22 %	Sep 23 $m	Mar 23 $m	Sep 23 v Mar 23 %
Specific credit impairment charge - new and increased[1]	**560**	402	39.3	**298**	262	13.7
Specific credit impairment charge - write-backs[1]	**(148)**	(161)	(8.1)	**(58)**	(90)	(35.6)
Specific credit impairment charge - recoveries	**(79)**	(70)	12.9	**(33)**	(46)	(28.3)
Specific credit impairment charge	**333**	171	94.7	**207**	126	64.3
Collective credit impairment charge / (write-back)	**469**	(46)	large	**202**	267	(24.3)
Total credit impairment charge	**802**	125	large	**409**	393	4.1

(1) Comparative information has been restated to align to the presentation in the current period.

	Year to			Half Year to		
	Sep 23 %	Sep 22 %	Sep 23 v Sep 22	Sep 23 %	Mar 23 %	Sep 23 v Mar 23
Credit impairment charge to GLAs - annualised	**0.11**	0.02	9 bps	**0.12**	0.11	1 bp
Net write-offs to GLAs - annualised	**0.05**	0.04	1 bp	**0.05**	0.04	1 bp

September 2023 v September 2022

Credit impairment charge increased by $677 million, driven by a higher level of collective credit impairment charges across the Group's lending portfolio, combined with a higher level of specific credit impairment charges off a low base.

Specific credit impairment charge increased by $162 million or 94.7% driven by an increase in charges in Business and Private Banking off a low base due to a small number of individual impairments and increased charges for the Australian unsecured retail portfolio, including $31 million from the full year impact of the acquisition of the Citi consumer business.

Collective credit impairment charge increased by $515 million.

The charge for the September 2023 full year was $469 million driven by deterioration in asset quality across the Group's lending portfolio combined with volume growth and updated methodology in Business and Private Banking. This was partially offset by a net release of $218 million in forward looking provisions primarily reflecting modest improvement in the overall economic outlook and credit deterioration in underlying outcomes.

The September 2022 full year write-back was $46 million driven by improved asset quality for the Australian lending portfolio, the impact of house price increases and a net release of $6 million in forward looking provisions. This was partially offset by volume growth for the Australian business lending portfolio.

The Group ratio of **net write-offs to GLAs** increased by 1 basis point to 0.05% due to a higher level of write-off activity across the Group's lending portfolio off a low base.

September 2023 v March 2023

Credit impairment charge increased by $16 million driven by a higher level of specific credit impairment charges off a low base, partially offset by a lower level of collective credit impairment charges.

Specific credit impairment charge increased by $81 million or 64.3% driven by an increase in charges in Business and Private Banking due to a small number of individual impairments and the Australian unsecured retail portfolio off a low base, combined with the non-recurrence of write-backs for a small number of larger exposures in New Zealand Banking in the prior period.

Collective credit impairment charge decreased by $65 million or 24.3%.

The charge for the September 2023 half was $202 million driven by deterioration in asset quality across the Group's lending portfolio combined with volume growth in Business and Private Banking. This was partially offset by the impact of house price increases and a net release of $150 million in forward looking provisions primarily reflecting modest improvement in the overall economic outlook and credit deterioration in underlying outcomes.

The charge for the March 2023 half was $267 million driven by the impact of house price declines, volume growth and updated methodology in Business and Private Banking and an increase in retail arrears off a low base. This was partially offset by a net release of $68 million in forward looking provisions.

The Group ratio of **net write-offs to GLAs** increased by 1 basis point to 0.05% due to a higher level of write-off activity across the Group's lending portfolio off a low base.

Provision for credit impairment

	As at				
	30 Sep 23 $m	31 Mar 23 $m	30 Sep 22 $m	Sep 23 v Sep 22 %	Sep 23 v Mar 23 %
Collective provision on loans at amortised cost	**5,046**	4,849	4,541	11.1	4.1
Collective provision on loans at fair value	**33**	32	33	-	3.1
Collective provision on derivatives at fair value	**135**	175	252	(46.4)	(22.9)
Total collective provision for credit impairment	**5,214**	5,056	4,826	8.0	3.1
Total specific provision for credit impairment[1]	**539**	521	531	1.5	3.5
Total provision for credit impairment	**5,753**	5,577	5,357	7.4	3.2

	As at				
	30 Sep 23 %	31 Mar 23 %	30 Sep 22 %	Sep 23 v Sep 22	Sep 23 v Mar 22
Total provision to GLAs	**0.81**	0.80	0.78	3 bps	1 bp
Total provision to credit risk-weighted assets	**1.62**	1.57	1.46	16 bps	5 bps
Specific provision to gross impaired assets	**42.8**	42.9	51.6	(880 bps)	(10 bps)
Collective provision to credit risk-weighted assets	**1.47**	1.42	1.31	16 bps	5 bps
Collective provision to GLAs	**0.74**	0.72	0.70	4 bps	2 bps

(1) Includes $nil (March 2023: $nil, September 2022: $16 million) of specific provision on loans at fair value.

September 2023 v September 2022

Provisions for credit impairment increased by $396 million or 7.4% to $5,753 million.

Specific provisions increased by $8 million or 1.5% mainly due to new and increased specific provisions in the Business and Private Banking business lending portfolio, partially offset by work-outs for a small number of larger exposures in the business lending portfolio in Australia and New Zealand.

Collective provisions increased by $388 million or 8.0%. This was mainly due to:

- An increase in collective provisions held for the Business and Private Banking business lending portfolio due to volume growth, deterioration in asset quality and updated methodology.
- An increase in collective provisions held for the Australian retail portfolio due to an increase in arrears.
- An increase in collective provisions held for New Zealand Banking due to deterioration in asset quality.

This was partially offset by:

- A decrease of $204 million in net forward looking provisions (including the impact of foreign exchange movements) primarily reflecting modest improvement in the overall economic outlook and credit deterioration in underlying outcomes.
- A decrease in collective provisions held for the derivatives portfolio.

The **collective provision to credit risk-weighted assets** ratio increased by 16 basis points to 1.47% due to an increase in collective provisions held and a reduction in credit risk-weighted assets partly due to the implementation of the revised capital framework from 1 January 2023.

September 2023 v March 2023

Provisions for credit impairment increased by $176 million or 3.2% to $5,753 million.

Specific provisions increased by $18 million or 3.5% mainly due to new and increased specific provisions in the Business and Private Banking business lending portfolio, partially offset by work-outs for a small number of larger exposures in the Australian business lending portfolio.

Collective provisions increased by $158 million or 3.1%. This was mainly due to:

- An increase in collective provisions held for the Business and Private Banking business lending portfolio due to volume growth and deterioration in asset quality.
- An increase in collective provisions held for the Australian retail portfolio due to an increase in arrears, partially offset by the impact of house price increases.
- An increase in collective provisions held for New Zealand Banking due to deterioration in asset quality.

This was partially offset by:

- A decrease of $150 million in net forward looking provisions (including the impact of foreign exchange movements) primarily reflecting modest improvement in the overall economic outlook and credit deterioration in underlying outcomes.
- A decrease in collective provisions held for the derivatives portfolio.

The **collective provision to credit risk risk-weighted assets** ratio increased by 5 basis points to 1.47% due to an increase in collective provisions held and a reduction in credit risk-weighted assets.

Non-performing exposures

	As at				
	30 Sep 23 $m	31 Mar 23 $m	30 Sep 22 $m	Sep 23 v Sep 22 %	Sep 23 v Mar 23 %
90+ DPD assets	**4,033**	3,409	3,481	15.9	18.3
Gross impaired assets	**1,260**	1,215	1,029	22.4	3.7
90+ DPD and gross impaired assets	**5,293**	4,624	4,510	17.4	14.5
Default <90 DPD but not impaired assets	**2,699**	2,104	1,993	35.4	28.3
Non-performing exposures(1)(2)	**7,992**	6,728	6,503	22.9	18.8

	As at				
	30 Sep 23 %	31 Mar 23 %	30 Sep 22 %	Sep 23 v Sep 22	Sep 23 v Mar 23
90+ DPD assets to GLAs	**0.57**	0.49	0.51	6 bps	8 bps
Gross impaired assets to GLAs	**0.18**	0.17	0.15	3 bps	1 bp
90+ DPD and gross impaired assets to GLAs	**0.75**	0.66	0.66	9 bps	9 bps
Default <90 DPD but not impaired assets to GLAs	**0.38**	0.30	0.29	9 bps	8 bps
Non-performing exposures to GLAs	**1.13**	0.96	0.95	18 bps	17 bps

(1) Non-performing exposures is aligned to the definitions in *APS 220 Credit Risk Management*.
(2) Includes $nil (March 2023: $nil, September 2022: $32 million) of non-performing loans at fair value.

September 2023 v September 2022

The Group ratio of **90+ DPD assets to GLAs** increased by 6 basis points to 0.57%. This was primarily due to an increase in delinquencies across the business lending portfolio in both Business and Private Banking and New Zealand Banking and the Group's home lending portfolio.

The Group ratio of **gross impaired assets to GLAs** increased by 3 basis points to 0.18%. This was primarily driven by the restructure of a number of customers affected by severe weather events in New Zealand and a small number of individual impairments in Business and Private Banking. This was partially offset by work-outs for a small number of large exposures in Corporate and Institutional Banking and New Zealand Banking.

The Group ratio of **default <90 DPD but not impaired assets to GLAs** increased by 9 basis points to 0.38%. This was primarily driven by an increase across the Business and Private Banking business lending portfolio.

September 2023 v March 2023

The Group ratio of **90+ DPD assets to GLAs** increased by 8 basis points to 0.57%. This was primarily due to an increase in delinquencies across the Australian home lending portfolio and the business lending portfolio in both Business and Private Banking and New Zealand Banking.

The Group ratio of **gross impaired assets to GLAs** increased by 1 basis point to 0.18%. This was primarily driven by a small number of individual impairments in Business and Private Banking and an increase in the number of restructured customers affected by severe weather events in New Zealand, partially offset by work-outs for a small number of larger exposures in Corporate and Institutional Banking and New Zealand Banking.

The Group ratio of **default <90 DPD but not impaired assets to GLAs** increased by 8 basis points to 0.38%. This was primarily due to an increase across the Business and Private Banking business lending portfolio.

Capital management and funding

Balance sheet management overview and regulatory reform

Balance sheet management overview

The Group has a strong capital and liquidity position, consistent with its commitment to balance sheet strength.

Regulatory reform

The Group remains focused on areas of regulatory change. Key reforms that may affect the Group's capital and funding include:

Revisions to the capital framework

- APRA prudential standards for the revised capital framework came into effect on 1 January 2023. From 31 March 2023, capital ratios presented in this report are in accordance with the revised framework. APRA's revisions to the framework include:
  - Improving flexibility via increasing regulatory capital buffers.
  - Implementing more risk-sensitive risk-weights.
  - Introducing a capital floor for internal ratings-based (IRB) ADIs.
  - Improving transparency and comparability through the disclosure of risk-weighted assets (RWA) under the standardised approach.
- The Group has applied APS 115 *Capital Adequacy: Standardised Measurement Approach to Operational Risk* from 1 January 2022.
- APRA's revised leverage ratio exposure measurement methodology came into effect on 1 January 2023, as did the minimum leverage ratio requirement of 3.5% for IRB ADIs. The 30 September 2023 leverage ratio of 5.2% is in accordance with the revised methodology.
- APRA has announced that revisions to APS 117 *Capital Adequacy: Interest Rate Risk in the Banking Book* will be released for consultation in late 2023 with an expected effective date in 2025.
- Following the APS 117 finalisation, APRA plans to consult on revisions to the market risk capital standards over 2024. The process will implement the Basel Committee on Banking Supervision's fundamental review of the trading book, effective from 2026.
- APRA has also deferred the implementation date for Basel III reforms to APS 180 *Capital Adequacy: Counterparty Credit Risk* to 2026.

Increased loss-absorbing capacity for ADIs

In December 2021, APRA released its finalised requirements for the Australian loss-absorbing capacity framework. The final requirements represent a further increase in the amount of Total capital required by domestic systemically important banks (D-SIBs) equal to 1.5% of RWA, with a total increase of 4.5% of RWA required by January 2026. The interim requirement of an increase in the Total capital requirement of 3% of RWA by 1 January 2024 remains in place. Based on the Group's RWA and Total capital position as at 30 September 2023, NAB has met the interim requirement.

RBNZ capital review

In December 2019, the RBNZ finalised its review of the capital adequacy framework. The RBNZ amendments to the amount of regulatory capital required of locally incorporated banks include:

- An increase in credit RWA for banks that use the RBNZ's internal ratings-based approach due to:
  - The use of the standardised approach for bank and sovereign exposures, and the introduction of an overall minimum standardised floor, implemented on 1 January 2022.
  - An increase in the RWA scalar, implemented on 1 October 2022.
- An increase in the Tier 1 capital requirement to 16% of RWA, and an increase in the Total capital requirement to 18% of RWA, to be phased in by 2028.
- As at 30 September 2023, BNZ Tier 1 and Total capital ratios were 14.6% and 15.7%.

Additional Tier 1 capital discussion paper

In September 2023, APRA released a discussion paper outlining potential options for, and seeking feedback from stakeholders on, improving the effectiveness of Additional Tier 1 (AT1) capital in Australia. APRA intends to follow this process with a formal consultation in 2024 on any proposed amendments to prudential standards.

Liquidity requirements

APRA expects to conduct a comprehensive review of APS 210 *Liquidity* in 2024, with an expected effective date in 2026.

Capital management

The Group's capital management strategy is focused on adequacy, efficiency and flexibility. The capital adequacy objective seeks to ensure sufficient capital is held in excess of regulatory requirements and is within the Group's balance sheet risk appetite. This approach is consistent across the Group's subsidiaries.

The Group's capital ratio operating targets are regularly reviewed in the context of the external economic and regulatory outlook with the objective of maintaining balance sheet strength. From 1 January 2023, the Group's Common Equity Tier 1 (CET1) capital target range moved to 11.00-11.50% to align with the new calculation methodology under APRA's revised capital framework.

On 28 February 2023, the Group completed the $2.5 billion on-market buy-back announced on 24 March 2022.

On 15 August 2023, the Group announced its intention to buy back up to $1.5 billion of NAB ordinary shares on-market to progressively manage its CET1 capital ratio towards its target range. NAB commenced the further buy-back on 29 August 2023. Including the previous buy-back, NAB has bought back and cancelled 29,832,512 ordinary shares ($0.9 billion) in the full year ended 30 September 2023 including $0.3 billion (0.07% of CET1 capital) in the half year ended 30 September 2023.

Pillar 3 disclosures

Further disclosures with respect to capital adequacy and risk management are included in the September 2023 Pillar 3 Report as required by APS 330 *Public Disclosure*.

Capital ratios

	As at				
	30 Sep 23 %	31 Mar 23 %	30 Sep 22 %	Sep 23 v Sep 22	Sep 23 v Mar 23
Capital ratios					
CET1	**12.22**	12.21	11.51	71 bps	1 bp
Tier 1	**14.19**	13.89	13.14	105 bps	30 bps
Total capital	**19.88**	19.76	18.17	171 bps	12 bps

	As at				
	30 Sep 23 $m	31 Mar 23 $m	30 Sep 22 $m	Sep 23 v Sep 22 %	Sep 23 v Mar 23 %
Risk-weighted assets					
Credit risk	**355,554**	356,307	367,261	(3.2)	(0.2)
Market risk	**8,811**	8,496	7,907	11.4	3.7
Operational risk	**41,178**	41,178	41,124	0.1	-
Interest rate risk in the banking book	**29,463**	30,192	33,626	(12.4)	(2.4)
Total risk-weighted assets	**435,006**	436,173	449,918	(3.3)	(0.3)

Movements in CET1 capital ratio (%)

(1) Excludes foreign exchange (FX) translation.

Capital movements during the September 2023 half year

The Group's CET1 capital ratio was 12.22% as at 30 September 2023. The key movements in CET1 capital over the September 2023 half year included:

- Cash earnings less the 2023 interim dividend resulting in an increase of 24 basis points.
- A decrease in credit RWA increasing the CET1 capital ratio by 4 basis points, driven by:
  - Volume growth contributing to a decrease of 15 basis points.
  - Derivatives (excluding FX translation) contributing to an increase of 2 basis points.
  - Asset quality deterioration contributing to a decrease of 8 basis points.
  - Model and methodology changes contributing to an increase of 24 basis points.
  - Other credit RWA contributing to an increase of 1 basis point.
- A decrease in Other (non-credit) RWA increasing the CET1 capital ratio by 1 basis point, driven by:
  - Interest rate risk in the banking book contributing to an increase of 2 basis points.
  - Traded market risk contributing to a decrease of 1 basis point.
- The impact of $307 million of the on-market buy-back completed in the half resulting in a decrease of 7 basis points.
- Other items decreasing the CET1 capital ratio by 21 basis points, including capitalised software, deferred tax assets, non-cash earnings and other miscellaneous items.

Dividend and Dividend Reinvestment Plan (DRP)

The final dividend in respect of the year ended 30 September 2023 has been increased to 84 cents, 100% franked, payable on 15 December 2023.

The extent to which future dividends on ordinary shares and distributions on frankable hybrids will be franked is not guaranteed and will depend on a number of factors, including capital management activities and the level of profits generated by the Group that will be subject to tax in Australia.

The Group periodically adjusts its DRP to reflect its capital position and outlook. The DRP discount for the 2023 final dividend is nil. Eligible shareholders have the ability to participate in the DRP for the 2023 final dividend for up to 5 million NAB ordinary shares per participant. The Group expects to satisfy the DRP in full by an on-market purchase of shares.

Additional Tier 1 capital initiatives

On 14 September 2023, the Group issued $1,250 million of NAB Capital Notes 7, which will mandatorily convert into NAB ordinary shares on 17 June 2033, provided certain conditions are met.

With APRA's prior written approval, NAB may elect to convert, redeem or resell these NAB Capital Notes 7 on 17 September 2030, 17 December 2030, 17 March 2031, 17 June 2031, or on the occurrence of particular events, provided certain conditions are met.

Tier 2 capital initiatives

The Group's Tier 2 capital initiatives during the September 2023 full year included the following:

- On 12 January 2023, NAB issued US$1.25 billion of Subordinated Notes.
- On 9 March 2023, NAB issued $1.25 billion of Subordinated Notes.
- On 19 May 2023, NAB redeemed SGD450 million of Subordinated Notes.
- On 6 June 2023, NAB issued HKD640 million of Subordinated Notes.
- On 20 September 2023, NAB redeemed $943,210,100 of NAB Subordinated Notes 2 issued on 20 March 2017, in accordance with the redemption notice issued on 11 July 2023.

BNZ capital initiatives

On 14 June 2023, BNZ issued NZD375 million of Perpetual Preference Shares (PPS), which qualify as AT1 capital under RBNZ rules. With RBNZ's prior approval, BNZ may elect to redeem the PPS on the first optional redemption date (14 June 2029) and each subsequent distribution payment date, provided certain conditions are met.

Funding and liquidity

The Group monitors the composition and stability of funding and liquidity through the Board approved risk appetite which includes compliance with the regulatory requirements of APRA's Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR).

Funding

The Group employs a range of metrics to set its risk appetite and measure balance sheet strength. The NSFR measures the extent to which assets are funded with stable sources of funding to mitigate the risk of future funding stress.

As at 30 September 2023, the Group's NSFR was 116% down 3% compared to 30 September 2022, with the movement primarily driven by impacts associated with the maturity of the Initial Allowance of the Term Funding Facility (TFF) and the 2024 maturities of the Additional and Supplementary Allowances of the TFF.

Another key structural measure for balance sheet strength is the Stable Funding Index (SFI), which is comprised of the Customer Funding Index (CFI) and the Term Funding Index (TFI). The CFI represents the proportion of the Group's core assets that is funded by customer deposits. Similarly, the TFI represents the proportion of the Group's core assets that is funded by term wholesale funding with a remaining term to maturity of greater than 12 months, including TFF, Term Lending Facility (TLF) and Funding for Lending Programme (FLP) drawdowns.

For the 30 September 2023 full year, the SFI remained at 102% as term wholesale funding and remaining TFF moving within 12 months to maturity was met with a similar increase in new term wholesale funding. The increase in lending growth was largely funded by deposit inflows.

Group funding metrics

	As at		
	30 Sep 23	31 Mar 23	30 Sep 22
	%	%	%
CFI	**82**	81	81
TFI	**20**	21	20
SFI	**102**	102	101
NSFR	**116**	117	119

The Group's deposit strategy is to grow a stable and reliable deposit base informed by market conditions, funding requirements and customer relationships. Further information on deposits is provided in the Customer Deposits section of this document.

Term wholesale funding

The Group maintains a well-diversified term wholesale funding profile across issuance type, currency, investor location and tenor.

In March 2023 global term wholesale funding markets were impacted by the events surrounding Credit Suisse and the US regional bank failures. More recently term wholesale funding markets have been driven by global monetary policy and increased interest rate volatility.

The Group raised $40.2 billion(1) of term wholesale funding during the September 2023 full year. NAB raised $35.1 billion of term wholesale funding, including $3.2 billion of Tier 2 subordinated debt and BNZ raised $3.9 billion of term wholesale funding.

The weighted average maturity of term wholesale funding issued by the Group in the September 2023 full year was 4.3(2) years. The weighted average remaining maturity of the Group's term wholesale funding portfolio is 3.5(2) years.

Term wholesale funding markets continue to be influenced by the economic environment, investor sentiment and impacts of monetary and fiscal policy settings.

(1) Includes FLP.
(2) Excludes AT1 capital, Residential Mortgage Backed Securities (RMBS), TFF and FLP.

Term wholesale funding issuance by deal type

	As at		
	30 Sep 23	31 Mar 23	30 Sep 22
	%	%	%
Senior unsecured	**68**	61	67
Subordinated debt	**8**	14	10
Covered bonds	**24**	25	19
RMBS	**-**	-	4
Total	**100**	100	100

Term wholesale funding issuance by currency

	As at		
	30 Sep 23	31 Mar 23	30 Sep 22
	%	%	%
USD	**41**	53	39
AUD	**33**	28	27
EUR	**9**	11	16
GBP	**6**	-	8
NZD	**4**	3	3
Other	**7**	5	7
Total	**100**	100	100

Short-term wholesale funding

For the September 2023 full year, the Group accessed international and domestic short-term funding through wholesale markets. In addition, the Group has accessed secured short-term funding in the form of repurchase agreements primarily to support markets and trading activities. Repurchase agreements entered into, excluding those associated with the TFF, TLF and FLP, are materially offset by reverse repurchase agreements with similar tenors.

Liquidity Coverage Ratio

The LCR measures the adequacy of High-quality liquid assets (HQLA) available to meet net cash outflows over a 30-day period during a severe liquidity stress scenario. HQLA consists of cash, central bank reserves and highly rated government securities. In addition to HQLA, Alternative liquid assets (ALA) can also contribute to regulatory liquidity. ALA has previously included the Committed Liquidity Facility (CLF) which was in effect pre 1 January 2023, and currently includes certain RBNZ repo-eligible securities.

The Group maintains a well-diversified liquid asset portfolio to support regulatory and internal requirements in the regions in which it operates. The average value of regulatory liquid assets held through the September 2023 quarter was $210 billion which was comprised of $209 billion of HQLA and $1 billion of RBNZ repo-eligible securities.

The Group's LCR averaged 140% during the September quarter, an increase of 9% compared to September 2022.

A detailed breakdown of quarterly average net cash outflows is provided in the September 2023 Pillar 3 Report.

Quarterly average net cash outflows

	Quarterly average		
	30 Sep 23	31 Mar 23	30 Sep 22
	$bn	$bn	$bn
Liquidity Coverage Ratio[1]			
High-quality liquid assets	**209**	200	200
Alternative liquid assets	**1**	2	14
Total LCR liquid assets	**210**	202	214
Net cash outflows	**150**	155	163
Quarterly average LCR (%)	**140**	130	131

(1) Liquidity Coverage Ratio Quarterly average has been restated for 30 Sep 2022. Refer to the 31 Dec 2022 Pillar 3 Report for details.

Credit ratings

Entities in the Group are rated by S&P Global Ratings, Moody's Investors Service and Fitch Ratings.

NAB credit ratings

	Long Term	Short Term	Outlook
S&P Global Ratings	**AA-**	**A-1+**	**(Stable)**
Moody's Investors Service	**Aa3**	**P-1**	**(Stable)**
Fitch Ratings	**A+**	**F1**	**(Stable)**

Full Year Results 2023

Business and Private Banking

Business and Private Banking focuses on NAB's priority small and medium (SME) customer segments. This includes diversified businesses, as well as specialised Agriculture, Health, Professional Services, Franchisees, Government, Education and Community service segments along with Private Banking and JBWere.

	Year to			Half Year to		
	Sep 23 $m	Sep 22 $m	Sep 23 v Sep 22 %	Sep 23 $m	Mar 23 $m	Sep 23 v Mar 23 %
Net interest income	**7,270**	6,074	19.7	**3,617**	3,653	(1.0)
Other operating income	**976**	962	1.5	**477**	499	(4.4)
Net operating income	**8,246**	7,036	17.2	**4,094**	4,152	(1.4)
Operating expenses	**(2,931)**	(2,664)	10.0	**(1,479)**	(1,452)	1.9
Underlying profit	**5,315**	4,372	21.6	**2,615**	2,700	(3.1)
Credit impairment charge	**(568)**	(60)	large	**(316)**	(252)	25.4
Cash earnings before income tax	**4,747**	4,312	10.1	**2,299**	2,448	(6.1)
Income tax expense	**(1,429)**	(1,299)	10.0	**(695)**	(734)	(5.3)
Cash earnings	**3,318**	3,013	10.1	**1,604**	1,714	(6.4)
Volumes ($bn)						
Housing lending	**109.2**	100.1	9.1	**109.2**	105.6	3.4
Business lending	**143.3**	132.2	8.4	**143.3**	137.1	4.5
Other lending	**3.8**	3.7	2.7	**3.8**	3.6	5.6
Gross loans and acceptances	**256.3**	236.0	8.6	**256.3**	246.3	4.1
Average interest earning assets	**228.8**	208.3	9.8	**233.7**	223.9	4.4
Total assets	**255.5**	235.3	8.6	**255.5**	245.9	3.9
Customer deposits	**206.1**	191.3	7.7	**206.1**	201.4	2.3
Total risk-weighted assets	**150.7**	142.2	6.0	**150.7**	149.1	1.1

	Year to			Half Year to		
	Sep 23	Sep 22	Sep 23 v Sep 22	Sep 23	Mar 23	Sep 23 v Mar 23
Performance Measures						
Cash earnings on average assets (%)	**1.35**	1.36	(1 bp)	**1.28**	1.43	(15 bps)
Cash earnings on average risk-weighted assets (%)	**2.25**	2.23	2 bps	**2.15**	2.35	(20 bps)
Net interest margin (%)	**3.18**	2.92	26 bps	**3.09**	3.27	(18 bps)
Cost to income ratio (%)	**35.5**	37.9	(240 bps)	**36.1**	35.0	110 bps
Funds under administration (spot) ($m)	**47,430**	41,601	14.0%	**47,430**	45,600	4.0%
Asset Quality (%)						
90+ DPD and gross impaired assets to GLAs	**0.96**	0.91	5 bps	**0.96**	0.87	9 bps
Credit impairment charge to GLAs - annualised	**0.22**	0.03	19 bps	**0.25**	0.21	4 bps

September 2023 v September 2022

Cash earnings increased by $305 million or 10.1%, driven by higher revenue as a result of volume growth and higher net interest margin. This was partially offset by increased operating expenses and credit impairment charges.

Key movements	Key drivers
Net interest income up $1,196m, 19.7%	• Net interest margin increased by 26 basis points due to higher earnings on deposits and capital driven by the rising interest rate environment, partially offset by competitive pressures in the housing lending portfolio, deposit mix impacts due to growth in term deposits and higher wholesale funding costs. • Average interest earning assets increased by $20.5 billion or 9.8% reflecting volume growth in both business lending, across a broad range of industries, and housing lending. • Customer deposits increased by $14.8 billion or 7.7% driven by growth in term deposits, partially offset by decline in non-interest bearing accounts and on-demand deposits.
Other operating income up $14m, 1.5%	• Higher fee income from business lending reflecting higher volumes and increased fee collection, combined with higher deposit fee income and HICAPS revenue. • Partially offset by lower home lending fee income as a result of a shift to lower fee products and lower merchant acquiring fee income due to higher scheme fees.
Operating expenses up $267m, 10.0%	• The increase was primarily driven by an increase in average FTE and salary and related costs, together with continued investment in technology and compliance capabilities including fraud and cyber security. • This was partially offset by productivity benefits achieved through continued process improvements and simplification of the Group's operations.
Credit impairment charge up $508m	• Higher collective provision charges driven by updated methodology for the business lending portfolio, combined with deterioration in asset quality. • Specific provision charges increased $125 million off a low base due to a small number of individual impairments. • 90+ DPD and gross impaired assets to GLAs increased by 5 basis points to 0.96%, primarily driven by an increase in 90+ DPD assets in the business lending portfolio.
Risk-weighted assets up $8.5bn, 6.0%	• Primarily driven by growth in business lending and housing lending volumes, combined with deterioration in asset quality. Partially offset by model methodology changes.

September 2023 v March 2023

Cash earnings decreased by $110 million or 6.4%, driven by lower revenue due to lower net interest margin, partially offset by volume growth, combined with increased operating expenses and credit impairment charges.

Key movements	Key drivers
Net interest income down $36m, 1.0%	• Net interest margin decreased by 18 basis points, due to competitive pressures primarily impacting the housing lending portfolio, combined with deposit mix impacts due to growth in term deposits. This was partially offset by higher earnings on deposits and capital driven by the rising interest rate environment. • Average interest earning assets increased by $9.8 billion or 4.4% driven by volume growth in both business lending, across a broad range of industries, and housing lending. • Customer deposits increased by $4.7 billion or 2.3% driven by growth in term deposits, partially offset by a decline in non-interest bearing accounts and on-demand deposits.
Other operating income down $22m, 4.4%	• Primarily due to lower merchant acquiring income from higher scheme fees and a seasonal decrease in transaction volumes, combined with lower commercial cards fee income driven by higher loyalty costs.
Operating expenses up $27m, 1.9%	• The increase was primarily driven by an increase in average FTE and salary and related costs, together with continued investment in technology and compliance capabilities including fraud and cyber security. • This was partially offset by productivity benefits achieved through continued process improvements and simplification of the Group's operations.
Credit impairment charge up $64m, 25.4%	• Specific provision charges increased $44 million off a low base due to a small number of individual impairments. • Higher collective provision charges due to deterioration in asset quality in the business lending portfolio, partially offset by the impact of house price increases. • 90+ DPD and gross impaired assets to GLAs increased by 9 basis points to 0.96%, primarily driven by an increase in 90+ DPD assets in the business lending portfolio and the housing lending portfolio.
Risk-weighted assets up $1.6bn, 1.1%	• Primarily driven by growth in business lending and deterioration in asset quality. Partially offset by model methodology changes.

Personal Banking

Personal Banking provides banking products and services to customers including securing a home loan and managing personal finances through deposits, credit card or personal loan facilities. Customers are supported through a network of branches and ATMs, call centres, digital capabilities as well as through proprietary lenders and mortgage brokers. Personal Banking results include the financial performance of the Citi consumer business, acquired effective 1 June 2022.

	Year to			Half Year to		
	Sep 23 $m	Sep 22 $m	Sep 23 v Sep 22 %	Sep 23 $m	Mar 23 $m	Sep 23 v Mar 23 %
Net interest income	**4,329**	4,055	6.8	**2,047**	2,282	(10.3)
Other operating income	**567**	524	8.2	**276**	291	(5.2)
Net operating income	**4,896**	4,579	6.9	**2,323**	2,573	(9.7)
Operating expenses	**(2,561)**	(2,311)	10.8	**(1,274)**	(1,287)	(1.0)
Underlying profit	**2,335**	2,268	3.0	**1,049**	1,286	(18.4)
Credit impairment (charge) / write-back	**(287)**	5	large	**(122)**	(165)	(26.1)
Cash earnings before income tax	**2,048**	2,273	(9.9)	**927**	1,121	(17.3)
Income tax expense	**(602)**	(682)	(11.7)	**(266)**	(336)	(20.8)
Cash earnings	**1,446**	1,591	(9.1)	**661**	785	(15.8)

Volumes ($bn)						
Housing lending	**230.6**	230.5	-	**230.6**	229.4	0.5
Other lending	**9.4**	8.5	10.6	**9.4**	9.0	4.4
Gross loans and acceptances	**240.0**	239.0	0.4	**240.0**	238.4	0.7
Average interest earning assets	**218.8**	206.6	5.9	**217.9**	219.7	(0.8)
Total assets	**247.9**	244.8	1.3	**247.9**	248.0	-
Customer deposits	**151.3**	148.1	2.2	**151.3**	147.4	2.6
Total risk-weighted assets	**78.2**	84.2	(7.1)	**78.2**	76.7	2.0

	Year to			Half Year to		
	Sep 23 %	Sep 22 %	Sep 23 v Sep 22	Sep 23 %	Mar 23 %	Sep 23 v Mar 23
Performance Measures						
Cash earnings on average assets	**0.59**	0.69	(10 bps)	**0.54**	0.64	(10 bps)
Cash earnings on average risk-weighted assets	**1.80**	1.97	(17 bps)	**1.70**	1.92	(22 bps)
Net interest margin	**1.98**	1.96	2 bps	**1.87**	2.08	(21 bps)
Cost to income ratio	**52.3**	50.5	180 bps	**54.8**	50.0	480 bps

Asset Quality						
90+ DPD and gross impaired assets to GLAs	**0.81**	0.73	8 bps	**0.81**	0.71	10 bps
Credit impairment charge to GLAs - annualised	**0.12**	-	12 bps	**0.10**	0.14	(4 bps)

September 2023 v September 2022

Cash earnings decreased by $145 million or 9.1%, driven by higher credit impairment charges and operating expenses, partially offset by an increase in revenue.

Key movements	Key drivers
Net interest income up $274m, 6.8% (ex Citi[1], up $87m, 2.2%)	• Net interest margin increased by 2 basis points, driven by higher earnings on deposits and capital due to the rising interest rate environment, partially offset by competitive pressures impacting the housing lending portfolio, higher wholesale funding costs and deposit mix impacts due to growth in term deposits. • Average interest earning assets increased by $12.2 billion or 5.9%, driven by growth from increased housing lending volumes. This includes the impact of the acquisition of the Citi consumer business of $8.1 billion. • Customer deposits increased by $3.2 billion or 2.2%, driven by growth in term deposits, partially offset by a decrease in on-demand deposits and non-interest bearing accounts.
Other operating income up $43m, 8.2% (ex Citi[1], down $14m, 3.0%)	• Lower home lending fee income as a result of a shift to lower fee products. This was partially offset by higher deposit and cards fee income as a result of increased volumes.
Operating expenses up $250m, 10.8% (ex Citi[1], up $25m, 1.2%)	• The increase was primarily driven by an increase in average FTE and salary and related costs, together with continued investment in technology and compliance capabilities including fraud and cyber security. • This was partially offset by productivity benefits achieved through continued process improvements and simplification of the Group's operations.
Credit impairment charge up $292m	• Higher level of collective provision charges for the housing lending and unsecured retail portfolio due to deterioration in arrears. • 90+ DPD and gross impaired assets to GLAs increased 8 basis points to 0.81% primarily driven by an increase in 90+ DPD assets for the housing lending portfolio.
Risk-weighted assets down $6.0bn, 7.1% (ex Citi[1], down $6.7bn, 8.9%)	• Decrease in risk-weighted assets due to the implementation of the revised capital framework, partially offset by deterioration of asset quality and volume growth.

(1) Citi consumer business.

September 2023 v March 2023

Cash earnings decreased by $124 million or 15.8%, primarily driven by lower revenue.

Key movements	Key drivers
Net interest income down $235m, 10.3%	• Net interest margin decreased by 21 basis points, driven by competitive pressures impacting both the housing lending and deposit portfolios, partially offset by higher earnings on deposits and capital due to the rising interest rate environment. • Average interest earning assets decreased by $1.8 billion or 0.8%, driven by a decrease in housing volumes reflecting a disciplined approach to growth in the current environment, together with a decline in the Citi consumer business mortgage portfolio of $0.8 billion, reflecting the anticipated run-off since acquisition. • Customer deposits increased by $3.9 billion or 2.6%, driven by growth in on-demand deposits, term deposits and non-interest bearing accounts.
Other operating income down $15m, 5.2%	• A decrease in debit and credit card fee income driven by higher loyalty costs combined with a seasonal decrease in transaction volumes, partially offset by new accounts acquired.
Operating expenses down $13m, 1.0%	• The decrease was driven by productivity benefits achieved through continued process improvements and simplification of the Group's operations. • Partially offset by an increase in average FTE and salary and related costs, together with continued investment in technology and compliance capabilities including fraud and cyber security.
Credit impairment charge down $43m, 26.1%	• Lower level of charges for the mortgage portfolio due to the impact of house price increases, partially offset by deterioration in arrears. • 90+ DPD and gross impaired assets to GLAs increased 10 basis points to 0.81% primarily driven by an increase in 90+ DPD assets for the mortgage portfolio.
Risk-weighted assets up $1.5bn, 2.0%	• Increase in risk weighted assets due to deterioration in asset quality and volume growth.

Corporate and Institutional Banking

Corporate and Institutional Banking provides a range of products and services including client coverage, corporate finance, markets, asset servicing, transactional banking and enterprise payments. The division serves its customers across Australia, US, Europe and Asia, with specialised industry relationships and product teams. It includes Bank of New Zealand's Markets Trading operations.

	Year to			Half Year to		
	Sep 23[1] $m	Sep 22 $m	Sep 23 v Sep 22 %	Sep 23 $m	Mar 23 $m	Sep 23 v Mar 23 %
Net interest income	**2,361**	2,058	14.7	**1,242**	1,119	11.0
Other operating income	**1,593**	1,413	12.7	**718**	875	(17.9)
Net operating income	**3,954**	3,471	13.9	**1,960**	1,994	(1.7)
Operating expenses	**(1,452)**	(1,377)	5.4	**(730)**	(722)	1.1
Underlying profit	**2,502**	2,094	19.5	**1,230**	1,272	(3.3)
Credit impairment (charge) / write-back	**(32)**	26	large	**(7)**	(25)	(72.0)
Cash earnings before income tax	**2,470**	2,120	16.5	**1,223**	1,247	(1.9)
Income tax expense	**(600)**	(492)	22.0	**(293)**	(307)	(4.6)
Cash earnings	**1,870**	1,628	14.9	**930**	940	(1.1)

Net operating income[1]						
Lending and deposits income	**2,904**	2,547	14.0	**1,478**	1,426	3.6
Markets income (ex derivative valuation adjustment)	**670**	661	1.4	**294**	376	(21.8)
Derivative valuation adjustment[2]	**55**	(54)	large	**29**	26	11.5
Other income	**325**	317	2.5	**159**	166	(4.2)
Total net operating income	**3,954**	3,471	13.9	**1,960**	1,994	(1.7)

Volumes ($bn)[1]						
Business lending	**103.7**	114.4	(9.4)	**103.7**	108.9	(4.8)
Other lending	**0.4**	0.4	-	**0.4**	0.4	-
Gross loans and acceptances	**104.1**	114.8	(9.3)	**104.1**	109.3	(4.8)
Average interest earning assets	**259.5**	275.7	(5.9)	**256.6**	262.4	(2.2)
Total assets	**282.8**	348.0	(18.7)	**282.8**	284.8	(0.7)
Customer deposits	**138.1**	146.2	(5.5)	**138.1**	137.5	0.4
Total risk-weighted assets	**98.2**	117.8	(16.6)	**98.2**	102.9	(4.6)

	Year to			Half Year to		
	Sep 23 %	Sep 22 %	Sep 23 v Sep 22	Sep 23 %	Mar 23 %	Sep 23 v Mar 23
Performance Measures[1]						
Cash earnings on average assets	**0.62**	0.52	10 bps	**0.63**	0.61	2 bps
Cash earnings on average risk-weighted assets	**1.75**	1.36	39 bps	**1.85**	1.69	16 bps
Net interest margin	**0.91**	0.75	16 bps	**0.97**	0.86	11 bps
Net interest margin (ex Markets)	**2.06**	1.71	35 bps	**2.14**	1.98	16 bps
Cost to income ratio	**36.7**	39.7	(300 bps)	**37.2**	36.2	100 bps

Asset Quality[1]						
90+ DPD and gross impaired assets to GLAs	**0.13**	0.17	(4 bps)	**0.13**	0.15	(2 bps)
Credit impairment charge / (write-back) to GLAs - annualised	**0.03**	(0.02)	5 bps	**0.01**	0.05	(4 bps)

(1) For the year to September 2023, the New Zealand liquidity management portfolio is reported within New Zealand Banking. In the year to September 2022 the assets and liabilities together with the related income was reported as part of Corporate and Institutional Banking. Comparative information has not been restated.
(2) Derivative valuation adjustment is shown net of hedging costs or benefits and includes credit valuation adjustments and funding valuation adjustments.

September 2023 v September 2022

Cash earnings increased by $242 million or 14.9%, driven by higher revenue partially offset by higher operating expenses and credit impairment charges.

Key movements	Key drivers
Net interest income up $303m, 14.7%	• Includes a decrease of $45 million due to movements in economic hedges offset in other operating income. • Underlying increase of $348 million primarily due to higher net interest margins, partially offset by a decrease in Markets risk management income. • Net interest margin (ex Markets) increased by 35 basis points to 2.06% primarily driven by higher earnings on deposits and capital due to the rising interest rate environment partially offset by higher wholesale funding costs. • Gross loans and acceptances decreased by $10.7 billion or 9.3%. Underlying decrease of $11.4 billion excluding exchange rate movements with key drivers including lower utilisation in funds, reduced securitisation exposures and disciplined portfolio management. • Customer deposits decreased by $8.1 billion or 5.5%. The underlying decrease of $8.6 billion excluding exchange rate movements was driven largely by a decline in custody and on-demand deposits.
Other operating income up $180m, 12.7%	• Includes an increase of $45 million due to movements in economic hedges offset in net interest income. • Underlying increase of $135 million primarily due to higher derivative valuation adjustments and Markets risk management income.
Operating expenses up $75m, 5.4%	• The increase was primarily driven by an increase in average FTE and salary and related costs, together with continued investment in technology and compliance capabilities including fraud and cyber security. • This was partially offset by productivity benefits achieved through continued process improvements and simplification of the Group's operations.
Credit impairment charge up $58m	• The underlying increase is primarily due to lower collective provision write-backs partially offset by lower specific provision charge for the impairment of a small number of larger exposures. • 90+ DPD and gross impaired assets to GLAs decreased 4 basis points to 0.13% driven by a decrease in gross impaired assets for the business lending portfolio.
Risk-weighted assets down $19.6bn, 16.6%	• Decrease in risk-weighted assets is primarily due to the implementation of the revised capital framework and a reduction in lending volumes and market movements.

September 2023 v March 2023

Cash earnings decreased by $10 million or 1.1%, driven by lower revenue partially offset by lower credit impairment charge.

Key movements	Key drivers
Net interest income up $123m, 11.0%	• Includes an increase of $42 million due to movements in economic hedges offset in other operating income. • Underlying increase of $81 million primarily due to higher net interest margins, and an increase in Markets risk management income partially offset by lower lending volumes. • Net interest margin (ex Markets) increased by 16 basis points to 2.14% driven by higher earnings on capital and deposits due to the rising interest rate environment. • Gross loans and acceptances decreased by $5.2 billion or 4.8%. Underlying decrease of $5.9 billion excluding exchange rate movements with key drivers including lower utilisation in funds, reduced securitisation exposures and disciplined portfolio management. • Customer deposits increased by $0.6 billion or 0.4%. The underlying increase of $0.3 billion excluding exchange rate movements was driven largely by an increase in term deposits partially offset by a decline in on-demand and custody deposits.
Other operating income down $157m, 17.9%	• Includes a decrease of $42 million due to movements in economic hedges offset in net interest income. • Underlying decrease of $115 million due to lower Markets risk management income.
Operating expenses up $8m, 1.1%	• The increase was primarily driven by an increase in average FTE and salary and related costs, together with continued investment in technology and compliance capabilities including fraud and cyber security. • This was partially offset by productivity benefits achieved through continued process improvements and simplification of the Group's operations.
Credit impairment charge down $18m, 72.0%	• The underlying decrease is primarily due to a lower specific provision charge. • 90+ DPD and gross impaired assets to GLAs decreased 2 basis points to 0.13% driven by a decrease in gross impaired assets for the business lending portfolio.
Risk-weighted assets down $4.7bn, 4.6%	• Decrease in risk-weighted assets is primarily due to model and methodology changes and a reduction in lending volumes.

New Zealand Banking

New Zealand Banking provides banking and financial services across customer segments in New Zealand. It consists of Partnership Banking, servicing retail, business and private customers; Corporate and Institutional Banking, servicing corporate and institutional customers, and includes Markets Sales operations in New Zealand. New Zealand Banking also includes the Wealth franchise operating under the 'Bank of New Zealand' brand. It excludes the Bank of New Zealand's Markets Trading operations. New Zealand Banking results include the financial performance of the New Zealand liquidity management portfolio, effective 1 October 2022.

Results presented in New Zealand dollars. Refer to page 42 for results in Australian dollars and page 73 for foreign exchange rates.

	Year to			Half Year to		
	Sep 23[1] $m	Sep 22 $m	Sep 23 v Sep 22 %	Sep 23 $m	Mar 23 $m	Sep 23 v Mar 23 %
Net interest income	**2,837**	2,494	13.8	**1,401**	1,436	(2.4)
Other operating income	**581**	561	3.6	**284**	297	(4.4)
Net operating income	**3,418**	3,055	11.9	**1,685**	1,733	(2.8)
Operating expenses	**(1,198)**	(1,053)	13.8	**(632)**	(566)	11.7
Underlying profit	**2,220**	2,002	10.9	**1,053**	1,167	(9.8)
Credit impairment charge	**(92)**	(50)	84.0	**(71)**	(21)	large
Cash earnings before income tax	**2,128**	1,952	9.0	**982**	1,146	(14.3)
Income tax expense	**(601)**	(549)	9.5	**(280)**	(321)	(12.8)
Cash earnings before non-controlling interests	**1,527**	1,403	8.8	**702**	825	(14.9)
Non-controlling interests	**(5)**	-	large	**(5)**	-	large
Cash earnings	**1,522**	1,403	8.5	**697**	825	(15.5)

Volumes ($bn)[1]						
Housing lending	**57.7**	54.8	5.3	**57.7**	56.4	2.3
Business lending	**43.9**	44.0	(0.2)	**43.9**	44.3	(0.9)
Other lending	**0.8**	0.9	(11.1)	**0.8**	0.9	(11.1)
Gross loans and acceptances	**102.4**	99.7	2.7	**102.4**	101.6	0.8
Average interest earning assets	**122.4**	100.7	21.5	**122.9**	121.9	0.8
Total assets	**125.8**	105.9	18.8	**125.8**	123.2	2.1
Customer deposits	**77.7**	72.3	7.5	**77.7**	73.7	5.4
Total risk-weighted assets	**67.7**	63.4	6.8	**67.7**	65.0	4.2

	Year to			Half Year to		
	Sep 23 %	Sep 22 %	Sep 23 v Sep 22	Sep 23 %	Mar 23 %	Sep 23 v Mar 23
Performance Measures[1]						
Cash earnings on average assets	**1.20**	1.35	(15 bps)	**1.10**	1.32	(22 bps)
Cash earnings on average risk-weighted assets	**2.33**	2.21	12 bps	**2.09**	2.59	(50 bps)
Net interest margin	**2.32**	2.48	(16 bps)	**2.27**	2.36	(9 bps)
Cost to income ratio	**35.0**	34.5	50 bps	**37.5**	32.7	480 bps
Asset Quality[1]						
90+ DPD and gross impaired assets to GLAs	**0.78**	0.43	35 bps	**0.78**	0.64	14 bps
Credit impairment charge to GLAs - annualised	**0.09**	0.05	4 bps	**0.14**	0.04	10 bps

(1) For the year to September 2023, the New Zealand liquidity management portfolio is reported within New Zealand Banking. In the year to September 2022 the assets and liabilities together with the related income was reported as part of Corporate and Institutional Banking. Comparative information has not been restated.

September 2023 v September 2022

Cash earnings increased by $119 million or 8.5%, driven by higher revenue, partially offset by higher operating expenses and credit impairment charges.

Key movements	Key drivers
Net interest income up $343m, 13.8%	• Net interest margin decreased by 16 basis points. Excluding the impact of the transfer of the New Zealand liquidity management portfolio from Corporate and Institutional Banking and its performance over the year, net interest margin increased by 29 basis points. This increase was driven by higher earnings on deposits and capital due to the rising interest rate environment, partially offset by housing lending competitive pressures. • Average interest earning assets increased by $21.7 billion or 21.5%. Excluding the impact of the transfer of the New Zealand liquidity management portfolio from Corporate and Institutional Banking, average interest earning assets increased by $2.7 billion or 2.7%, driven by growth in housing lending. • Customer deposits increased by $5.4 billion or 7.5% driven by growth in term deposits of $6.9 billion and non-interest bearing accounts of $0.9 billion. This was partially offset by a decrease in on-demand deposits of $2.3 billion.
Other operating income up $20m, 3.6%	• Higher risk management income due to the transfer of the New Zealand liquidity management portfolio and sales of customer risk management products combined with increased business lending fees. • This was partially offset by lower insurance revenue from the sale of BNZ Life on 30 September 2022, together with lower card revenue driven by regulatory change impacting interchange income.
Operating expenses up $145m, 13.8%	• The increase was primarily driven by an increase in salary and related costs, higher software amortisation and technology infrastructure spend. This was combined with continued investment in strategic priorities and compliance obligations including BS11. • Partially offset by productivity benefits from continued process improvements and simplifying operations combined with the sale of BNZ Life on 30 September 2022.
Credit impairment charge up $42m, 84.0%	• Higher collective provision charges primarily due to deterioration in asset quality. • 90+ DPD and gross impaired assets to GLAs increased by 35 basis points reflecting customers affected by severe weather events whose loans have been reclassified in accordance with APS 220 *Credit Risk Management*, together with higher 90+ DPD assets across home lending and non-retail portfolios.
Total risk-weighted assets up $4.3bn, 6.8%	• The increase was driven by the revised capital framework, growth in housing lending and corporate exposures.

September 2023 v March 2023

Cash earnings decreased by $128 million or 15.5%, driven by lower revenue, higher operating expenses and credit impairment charges.

Key movements	Key drivers
Net interest income down $35m, 2.4%	• Net interest margin decreased by 9 basis points. Excluding the performance of the New Zealand liquidity management portfolio, net interest margin decreased by 2 basis points. This decrease was driven by housing lending competitive pressures, partially offset by higher earnings on capital due to the rising interest rate environment. • Average interest earning assets increased by $1.0 billion or 0.8% due to growth in housing lending. • Customer deposits increased by $4.0 billion or 5.4% driven by an increase in term deposits of $4.3 billion and on-demand deposits of $1.0 billion, partially offset by a reduction in non-interest bearing accounts of $1.3 billion.
Other operating income down $13m, 4.4%	• Includes lower card and merchant acquiring income due to higher loyalty costs combined with a seasonal decrease in transaction volumes and lower money transfer fees. • Partially offset by higher risk management income on the New Zealand liquidity management portfolio.
Operating expenses up $66m, 11.7%	• The increase was primarily driven by an increase in salary and related costs, higher software amortisation and technology infrastructure spend. This was combined with continued investment in strategic priorities and compliance obligations including BS11.
Credit impairment charge up $50m	• Higher level of collective provision charges primarily related to deterioration in asset quality combined with the non-recurrence of write-backs for a small number of larger exposures in the prior period. • 90+ DPD and gross impaired assets to GLAs increased by 14 basis points primarily due to additional customers being classified as restructured loans as a result of weather events in the March 2023 half year, combined with higher 90+DPD assets across home lending and non-retail portfolios.
Total risk-weighted assets up $2.7bn, 4.2%	• The increase was driven by growth in housing lending, corporate exposures and an increase in market risk weighted assets due to interest rate risk in the banking book.

Results presented in Australian dollars. Refer to page 40 for results in New Zealand dollars.

	Year to			Half Year to		
	Sep 23[(1)] $m	Sep 22 $m	Sep 23 v Sep 22 %	Sep 23 $m	Mar 23 $m	Sep 23 v Mar 23 %
Net interest income	**2,616**	2,302	13.6	**1,295**	1,321	(2.0)
Other operating income	**536**	518	3.5	**263**	273	(3.7)
Net operating income	**3,152**	2,820	11.8	**1,558**	1,594	(2.3)
Operating expenses	**(1,105)**	(971)	13.8	**(584)**	(521)	12.1
Underlying profit	**2,047**	1,849	10.7	**974**	1,073	(9.2)
Credit impairment charge	**(85)**	(47)	80.9	**(66)**	(19)	large
Cash earnings before income tax	**1,962**	1,802	8.9	**908**	1,054	(13.9)
Income tax expense	**(553)**	(507)	9.1	**(258)**	(295)	(12.5)
Cash earnings before non-controlling interests	**1,409**	1,295	8.8	**650**	759	(14.4)
Non-controlling interests	**(5)**	-	large	**(5)**	-	large
Cash earnings	**1,404**	1,295	8.4	**645**	759	(15.0)

(1) For the year to September 2023, the New Zealand liquidity management portfolio is reported within New Zealand Banking. In the year to September 2022 the assets and liabilities together with the related income was reported as part of Corporate and Institutional Banking. Comparative information has not been restated.

Impact of foreign exchange rate movements

Favourable / (unfavourable) 30 September 2023	Year since Sep 22 $m	Sep 23 v Sep 22 ex FX %	Half Year since Mar 23 $m	Sep 23 v Mar 23 ex FX %
Net interest income	**(3)**	13.8	**8**	(2.6)
Other operating income	**(1)**	3.7	**1**	(4.0)
Operating expenses	**2**	14.0	**(3)**	11.5
Credit impairment charge	**-**	80.9	**(1)**	large
Income tax expense	**1**	9.3	**(1)**	(12.9)
Non-controlling interests	**-**	large	**-**	large
Cash earnings	**(1)**	8.5	**4**	(15.5)

Corporate Functions and Other

Corporate Functions and Other includes ubank and enabling units that support all businesses including Treasury, Technology and Enterprise Operations, Digital, Data and Analytics, Support Units and eliminations.

	Year to			Half Year to		
	Sep 23 $m	Sep 22 $m	Sep 23 v Sep 22 %	Sep 23 $m	Mar 23 $m	Sep 23 v Mar 23 %
Net operating income	**406**	390	4.1	**190**	216	(12.0)
Operating expenses	**(974)**	(951)	2.4	**(535)**	(439)	21.9
Underlying loss	**(568)**	(561)	1.2	**(345)**	(223)	54.7
Total credit impairment (charge) / write-back	**170**	(49)	large	**102**	68	50.0
Cash loss before income tax	**(398)**	(610)	(34.8)	**(243)**	(155)	56.8
Income tax benefit	**91**	187	(51.3)	**64**	27	large
Cash loss	**(307)**	(423)	(27.4)	**(179)**	(128)	39.8

September 2023 v September 2022

Cash loss decreased by $116 million or 27.4% mainly due to lower credit impairment charges and higher net operating income, partially offset by higher operating expenses.

Key movements	Key drivers
Net operating income up $16m, 4.1%	• Includes a charge of $21 million for customer-related remediation (September 2022 full year: $68 million). • Excluding customer-related remediation and non-recurring items in the prior period, the underlying increase was primarily driven by higher NAB risk management income in Treasury.
Operating expenses up $23m, 2.4%	• Includes $105 million in the September 2023 full year (September 2022 full year: $103 million) relating to costs of compliance activities under the terms of the EU with AUSTRAC. • Includes a provision of $40 million in the September 2023 full year in respect of the one-off levy for the CSLR. • Includes customer-related remediation costs of $20 million in the September 2023 full year (September 2022 full year: customer-related remediation costs of $45 million and payroll remediation costs of $55 million). • Excluding these items, the underlying increase was driven by an increase in average FTE and salary and related expenses primarily in Technology and Enterprise Operations, combined with continued investment in technology and compliance capabilities.
Credit impairment charge down $219m	• Lower credit impairment charges primarily due to a net release in the forward looking economic adjustment, partially offset by a lower level of net releases of forward looking adjustments (FLAs) held for targeted sectors.

September 2023 v March 2023

Cash loss increased by $51 million or 39.8% mainly due to higher operating expenses and lower net operating income, partially offset by higher credit impairment write-backs.

Key movements	Key drivers
Net operating income down $26m, 12.0%	• Includes a charge of $1 million for customer-related remediation (March 2023 half year: $20 million). • Excluding customer-related remediation, the underlying decrease was primarily due to lower NAB risk management income in Treasury.
Operating expenses up $96m, 21.9%	• Includes $49 million in the September 2023 half year (March 2023 half year: $56 million) relating to costs of compliance activities under the terms of the EU with AUSTRAC. • Includes a provision of $40 million in the September 2023 half year in respect of the one-off levy for the CSLR. • Includes no additional customer-related remediation costs in the September 2023 half year (March 2023 half year: $20 million). • Excluding these items, the underlying increase was driven by an increase in average FTE and salary and related expenses primarily in Technology and Enterprise Operations, combined with continued investment in technology and compliance capabilities.
Credit impairment write-back up $34m, 50.0%	• Higher credit impairment write-backs primarily due to a net release in the forward looking economic adjustment, partially offset by a net charge for FLAs held for targeted sectors.

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This document should be read in conjunction with the 2023 Annual Report and any announcements to the market made by the Group during the period in accordance with the continuous disclosure requirements of the *Corporations Act 2001* (Cth) and the ASX Listing Rules.

The Group's consolidated financial statements, prepared in accordance with the *Corporations Act 2001* (Cth) and accounting standards and interpretations issued by the AASB can be found in the 2023 Annual Report.

Ernst & Young has audited the financial report contained within the 2023 Annual Report and has issued an unmodified audit report. This document has not been subject to audit by Ernst & Young.

Information in Section 4 is presented on a statutory basis unless otherwise stated.

1 Other income

	Year to		Half Year to	
	Sep 23 $m	Sep 22 $m	Sep 23 $m	Mar 23 $m
Net fees and commissions				
Lending fees	**1,141**	1,125	**584**	557
Other fees and commissions	**893**	838	**423**	470
Net investment management income				
Investment management income	**304**	296	**155**	149
Investment management expense	**(155)**	(140)	**(81)**	(74)
Total net fees and commissions	**2,183**	2,119	**1,081**	1,102
Gains less losses on financial instruments at fair value				
Trading instruments	**1,141**	(196)	**102**	1,039
Hedge ineffectiveness	**(21)**	58	**24**	(45)
Financial instruments designated at fair value	**390**	1,205	**502**	(112)
Total gains less losses on financial instruments at fair value	**1,510**	1,067	**628**	882
Other operating income				
Dividend revenue	**2**	28	**(1)**	3
Net other income[1]	**146**	516	**40**	106
Total net other operating income	**148**	544	**39**	109
Total other income	**3,841**	3,730	**1,748**	2,093

(1) On 30 September 2022, the Group completed the disposal of BNZ Life, resulting in an overall gain on disposal of $197 million in other income.

2 Operating expenses

	Year to		Half Year to	
	Sep 23 $m	Sep 22 $m	Sep 23 $m	Mar 23 $m
Personnel expenses				
Salaries and related on-costs	**4,353**	3,964	**2,208**	2,145
Superannuation costs-defined contribution plans	**366**	319	**186**	180
Performance-based compensation	**557**	517	**275**	282
Other expenses	**215**	177	**139**	76
Total personnel expenses	**5,491**	4,977	**2,808**	2,683
Occupancy and depreciation expenses				
Rental expense	**100**	103	**51**	49
Depreciation and impairment	**594**	577	**304**	290
Other expenses	**57**	42	**30**	27
Total occupancy and depreciation expenses	**751**	722	**385**	366
General expenses				
Fees and commissions expense	**18**	44	**10**	8
Amortisation of intangible assets	**620**	535	**320**	300
Advertising and marketing	**220**	187	**109**	111
Charge to provide for operational risk event losses	**103**	107	**42**	61
Communications, postage and stationery	**150**	137	**75**	75
Computer equipment and software	**888**	789	**454**	434
Data communication and processing charges	**127**	90	**63**	64
Professional fees	**711**	729	**364**	347
Impairment losses recognised	**13**	10	**11**	2
Other expenses	**290**	375	**166**	124
Total general expenses	**3,140**	3,003	**1,614**	1,526
Total operating expenses	**9,382**	8,702	**4,807**	4,575

3 Loans and advances

	As at		
	30 Sep 23	31 Mar 23	30 Sep 22
	$m	$m	$m
Loans and advances			
Housing loans	**406,298**	399,177	389,124
Other term lending	**262,766**	262,835	262,380
Asset and lease financing	**17,214**	15,866	14,988
Overdrafts	**5,459**	5,253	4,689
Credit card outstandings	**9,528**	9,123	8,684
Other lending	**7,209**	8,184	7,867
Fair value adjustment	**(3)**	19	(17)
Gross loans and advances	**708,471**	700,457	687,715
Represented by:			
Loans and advances at fair value[1]	**1,243**	1,284	1,876
Loans and advances at amortised cost	**707,228**	699,173	685,839
Gross loans and advances	**708,471**	700,457	687,715
Unearned income and deferred net fee income[2]	**(1,453)**	(1,265)	(1,020)
Capitalised brokerage costs[2][3]	**2,512**	2,515	671
Provision for credit impairment	**(5,585)**	(5,370)	(5,056)
Net loans and advances	**703,945**	696,337	682,310
Securitised loans and loans supporting covered bonds[4]	**43,053**	39,860	38,820

	As at 30 September 2023			
	Australia	New Zealand	Other International	Total Group
	$m	$m	$m	$m
By product and geographic location				
Housing loans	**352,559**	**53,730**	**9**	**406,298**
Other term lending	**204,898**	**38,425**	**19,443**	**262,766**
Asset and lease financing	**17,158**	**-**	**56**	**17,214**
Overdrafts	**3,414**	**2,039**	**6**	**5,459**
Credit card outstandings	**8,771**	**757**	**-**	**9,528**
Other lending	**6,591**	**444**	**174**	**7,209**
Fair value adjustment	**-**	**(5)**	**2**	**(3)**
Gross loans and advances	**593,391**	**95,390**	**19,690**	**708,471**
Represented by:				
Loans and advances at fair value[1]	**682**	**561**	**-**	**1,243**
Loans and advances at amortised cost	**592,709**	**94,829**	**19,690**	**707,228**
Gross loans and advances	**593,391**	**95,390**	**19,690**	**708,471**

(1) On the balance sheet, this amount is included within other financial assets. Refer to *Note 7 Balance Sheet.*
(2) During the half year ended 31 March 2023, upfront brokerage costs previously presented as a net number within Unearned income and deferred net fee income were separately classified as capitalised brokerage costs to better align with the nature of the balances. Comparatives have been restated accordingly.
(3) The balance as at 30 September 2023 includes $1,795 million (March 2023: $1,789 million, September 2022: $nil) of capitalised brokerage costs reflecting the revised accounting treatment of trail commissions payable to mortgage brokers. Comparatives have not been restated. Refer to NAB's 2023 Annual Report *Note 1 Basis of preparation* for further information.
(4) Loans supporting securitisation and covered bonds are included within the balance of net loans and advances.

Loans and advances (cont.)

	As at 31 March 2023			
	Australia	New Zealand	Other International	Total Group
	$m	$m	$m	$m
By product and geographic location				
Housing loans	346,363	52,801	13	399,177
Other term lending	202,254	39,147	21,434	262,835
Asset and lease financing	15,811	-	55	15,866
Overdrafts	3,197	2,049	7	5,253
Credit card outstandings	8,332	791	-	9,123
Other lending	7,434	412	338	8,184
Fair value adjustment	21	(2)	-	19
Gross loans and advances	583,412	95,198	21,847	700,457
Represented by:				
Loans and advances at fair value(1)	848	436	-	1,284
Loans and advances at amortised cost	582,564	94,762	21,847	699,173
Gross loans and advances	583,412	95,198	21,847	700,457

	As at 30 September 2022			
	Australia	New Zealand	Other International	Total Group
	$m	$m	$m	$m
By product and geographic location				
Housing loans	340,840	48,261	23	389,124
Other term lending	204,054	36,948	21,378	262,380
Asset and lease financing	14,937	-	51	14,988
Overdrafts	2,811	1,870	8	4,689
Credit card outstandings	7,958	726	-	8,684
Other lending	6,992	399	476	7,867
Fair value adjustment	3	(20)	-	(17)
Gross loans and advances	577,595	88,184	21,936	687,715
Represented by:				
Loans and advances at fair value(1)	1,170	570	136	1,876
Loans and advances at amortised cost	576,425	87,614	21,800	685,839
Gross loans and advances	577,595	88,184	21,936	687,715

(1) On the balance sheet, this amount is included within other financial assets. Refer to *Note 7 Balance Sheet*.

4 Provision for credit impairment on loans at amortised cost

Expected Credit Losses (ECL) are derived from probability weighted estimates of loss. The measurement of ECL and assessment of significant increase in credit risk, considers information about current conditions, past events, as well as reasonable and supportable forecasts of future economic conditions. For further details please refer to the accounting policy section of *Note 17 Provision for credit impairment on loans at amortised cost* in the 2023 Annual Report.

	Year to		Half Year to	
	Sep 23	Sep 22	Sep 23	Mar 23
	$m	$m	$m	$m
Credit impairment charge on loans at amortised cost				
New and increased provisions (net of collective provision releases)[1]	**1,043**	355	**498**	545
Write-backs of specific provisions[1]	**(148)**	(161)	**(58)**	(90)
Recoveries of specific provisions	**(79)**	(70)	**(33)**	(46)
Total charge to the income statement	**816**	124	**407**	409

(1) Comparative information has been restated to align to the presentation in the current period.

	Stage 1	Stage 2	Stage 3		
	Performing 12-mth ECL	Performing Lifetime ECL	Non-performing Lifetime ECL		
	Collective provision	Collective provision	Collective provision	Specific provision	Total
Group - Yearly	$m	$m	$m	$m	$m
Balance at 1 October 2021	256	3,376	889	650	5,171
Changes due to financial assets recognised in the opening balance that have:					
Transferred to Performing - 12-mth ECL - collective provision	238	(221)	(17)	-	-
Transferred to Performing - Lifetime ECL - collective provision	(39)	155	(116)	-	-
Transferred to Non-performing - Lifetime ECL - collective provision	(1)	(47)	48	-	-
Transferred to Non-performing - Lifetime ECL - specific provision	-	(25)	(45)	70	-
New and increased provisions (net of collective provision releases)	(42)	22	47	328	355
Write-backs of specific provisions	-	-	-	(161)	(161)
Write-offs from specific provisions	-	-	-	(362)	(362)
Foreign currency translation and other adjustments[1]	36	16	11	(10)	53
Balance at 30 September 2022	**448**	**3,276**	**817**	**515**	**5,056**
Changes due to financial assets recognised in the opening balance that have:					
Transferred to Performing - 12-mth ECL - collective provision	**247**	**(234)**	**(13)**	**-**	**-**
Transferred to Performing - Lifetime ECL - collective provision	**(26)**	**104**	**(78)**	**-**	**-**
Transferred to Non-performing - Lifetime ECL - collective provision	**(1)**	**(49)**	**50**	**-**	**-**
Transferred to Non-performing - Lifetime ECL - specific provision	**-**	**(14)**	**(46)**	**60**	**-**
New and increased provisions (net of collective provision releases)	**(143)**	**428**	**242**	**516**	**1,043**
Write-backs of specific provisions	**-**	**-**	**-**	**(148)**	**(148)**
Write-offs from specific provisions	**-**	**-**	**-**	**(409)**	**(409)**
Foreign currency translation and other adjustments	**4**	**29**	**5**	**5**	**43**
Balance at 30 September 2023	**529**	**3,540**	**977**	**539**	**5,585**

(1) Includes the impact on provisions from the acquisition of the Citi consumer business.

Provision for credit impairment on loans at amortised cost (cont.)

Group - Half Yearly	Stage 1 Performing 12-mth ECL Collective provision $m	Stage 2 Performing Lifetime ECL Collective provision $m	Stage 3 Non-performing Lifetime ECL Collective provision $m	 Specific provision $m	Total $m
Balance at 1 October 2022	448	3,276	817	515	5,056
Changes due to financial assets recognised in the opening balance that have:					
Transferred to Performing - 12-mth ECL - collective provision	171	(164)	(7)	-	-
Transferred to Performing - Lifetime ECL - collective provision	(24)	78	(54)	-	-
Transferred to Non-performing - Lifetime ECL - collective provision	(1)	(30)	31	-	-
Transferred to Non-performing - Lifetime ECL - specific provision	-	(10)	(25)	35	-
New and increased provisions (net of collective provision releases)[1]	(100)	321	80	244	545
Write-backs of specific provisions[1]	-	-	-	(90)	(90)
Write-offs from specific provisions	-	-	-	(186)	(186)
Foreign currency translation and other adjustments	5	32	5	3	45
Balance at 31 March 2023	**499**	**3,503**	**847**	**521**	**5,370**
Changes due to financial assets recognised in the opening balance that have:					
Transferred to Performing - 12-mth ECL - collective provision	**180**	**(173)**	**(7)**	**-**	**-**
Transferred to Performing - Lifetime ECL - collective provision	**(25)**	**86**	**(61)**	**-**	**-**
Transferred to Non-performing - Lifetime ECL - collective provision	**(1)**	**(54)**	**55**	**-**	**-**
Transferred to Non-performing - Lifetime ECL - specific provision	**-**	**(12)**	**(43)**	**55**	**-**
New and increased provisions (net of collective provision releases)	**(123)**	**193**	**186**	**242**	**498**
Write-backs of specific provisions	**-**	**-**	**-**	**(58)**	**(58)**
Write-offs from specific provisions	**-**	**-**	**-**	**(223)**	**(223)**
Foreign currency translation and other adjustments	**(1)**	**(3)**	**-**	**2**	**(2)**
Balance at 30 September 2023	**529**	**3,540**	**977**	**539**	**5,585**

(1) Comparative information has been restated to align to the presentation in the current period.

ECL scenario analysis

The Group's ECL measurement is derived from a probability weighted average of three distinct scenarios (base case, upside and downside) applied across each of the Group's major loan portfolios, in addition to FLAs for emerging risk at an industry, geography or segment level. The probability of each scenario is determined by considering relevant macro-economic outlooks and their likely impact on the Group's credit portfolio.

The following table shows the key macro-economic variables for the Australian economy used in the base case and downside scenarios as at 30 September 2023.

	Base case			Downside		
	Financial year			Financial year		
	2024	2025	2026	2024	2025	2026
	%	%	%	%	%	%
GDP change (year ended September)	0.8	2.0	2.6	(1.2)	(2.6)	2.8
Unemployment (as at 30 September)	4.7	4.7	4.5	4.7	7.9	9.1
House price change (year ended September)	4.1	3.3	3.0	(24.5)	(20.3)	5.5

The following table shows the reported total provisions for ECL based on the probability weighting of scenarios, with the sensitivity range reflecting the ECL impacts assuming a 100% weighting is applied to the base case scenario or the downside scenario (with all other assumptions held constant).

	As at		
	30 Sep 23	31 Mar 23	30 Sep 22
	$m	$m	$m
Total provisions for ECL			
Probability weighted	5,585	5,370	5,056
100% Base case	4,000	4,493	4,292
100% Downside	7,546	6,454	6,008

The table below shows weightings applied to the Australian portfolio to derive the probability weighted ECL.

	As at		
	30 Sep 23	31 Mar 23	30 Sep 22
	%	%	%
Macro-economics scenario weightings			
Upside	2.5	2.5	2.5
Base case	52.5	52.5	52.5
Downside	45.0	45.0	45.0

- The September 2023 total provisions for ECL in the 100% base case have decreased since March 2023 primarily due to an improved economic outlook. This was partially offset by deterioration in asset quality across the Group's lending portfolio and volume growth in Business and Private Banking.
- The September 2023 total provisions for ECL in the 100% downside scenario have increased since March 2023 primarily due to an increase in the severity of the stress applied in the downside scenario; combined with deterioration in asset quality across the Group's lending portfolio and volume growth in Business and Private Banking.
- The upside, downside and base case scenario weightings for the Australian portfolio have remained constant compared with March 2023.

The table below provides a breakdown of the probability weighted ECL by key portfolios:

	As at		
	30 Sep 23	31 Mar 23	30 Sep 22
	$m	$m	$m
Total provision for ECL for key portfolios			
Housing	1,424	1,449	1,296
Business	3,744	3,558	3,429
Others	417	363	331
Total	**5,585**	5,370	5,056

5 Asset quality

Non-performing exposures are exposures in default aligned to the definitions in APS 220 *Credit Risk Management*. Default occurs when a loan obligation is contractually 90 days or more past due, or when it is considered unlikely that the credit obligation to the Group will be paid in full without remedial action, such as realisation of security.

The following tables provide details on non-performing exposures.

	As at		
	30 Sep 23 $m	31 Mar 23 $m	30 Sep 22 $m
Summary of non-performing exposures			
Impaired assets	**976**	987	985
Restructured loans[1]	**284**	228	44
Gross impaired assets	**1,260**	1,215	1,029
Default but not impaired assets	**6,732**	5,513	5,474
Non-performing exposures[2]	**7,992**	6,728	6,503

(1) Increase in restructured loans during the half year to September 2023 and March 2023 is due to customers affected by severe weather events in New Zealand. Collective provisions are held against these loans.
(2) Includes $nil (March 2023: $nil, September 2022: $32 million) of non-performing loans at fair value.

	Australia $m	New Zealand $m	Other International $m	Total Group $m
Movement in gross impaired assets				
Balance at 31 March 2022	939	177	18	**1,134**
New	193	27	3	**223**
Written-off	(91)	(31)	-	**(122)**
Returned to performing, repaid or no longer impaired	(181)	(16)	-	**(197)**
Foreign currency translation adjustments	-	(9)	-	**(9)**
Balance at 30 September 2022	860	148	21	**1,029**
New	155	302	27	**484**
Written-off	(71)	(12)	(3)	**(86)**
Returned to performing, repaid or no longer impaired	(146)	(78)	(2)	**(226)**
Foreign currency translation adjustments	-	13	1	**14**
Balance at 31 March 2023	798	373	44	**1,215**
New	256	155	-	**411**
Written-off	(67)	(14)	(28)	**(109)**
Returned to performing, repaid or no longer impaired	(149)	(106)	(1)	**(256)**
Foreign currency translation adjustments	-	(2)	1	**(1)**
Balance at 30 September 2023[1]	838	406	16	**1,260**

(1) Includes $nil (March 2023: $nil, September 2022: $29 million) of gross impaired fair value assets.

	As at		
	30 Sep 23 $m	31 Mar 23 $m	30 Sep 22 $m
Default but not impaired assets - by geographic location			
Australia	**6,051**	4,946	4,923
New Zealand	**681**	553	534
Other International	**-**	14	17
Default but not impaired assets[1]	**6,732**	5,513	5,474

(1) Includes $nil (March 2023: $nil, September 2022: $3 million) of default but not impaired loans at fair value.

6 Deposits and other borrowings

	As at		
	30 Sep 23	31 Mar 23	30 Sep 22
	$m	$m	$m
Deposits and other borrowings			
Term deposits	**191,924**	176,649	156,049
On-demand and short-term deposits	**299,969**	300,699	310,347
Certificates of deposit	**56,779**	56,691	50,028
Deposits not bearing interest(1)	**95,491**	97,536	100,289
Commercial paper and other borrowings	**36,109**	32,282	46,357
Repurchase agreements	**46,732**	29,189	23,940
Fair value adjustment	**(9)**	(12)	(6)
Total deposits and other borrowings	**726,995**	693,034	687,004
Represented by:			
Total deposits and other borrowings at fair value(2)	**44,875**	4,014	3,478
Total deposits and other borrowings at amortised cost(2)	**682,120**	689,020	683,526
Total deposits and other borrowings	**726,995**	693,034	687,004

	As at 30 September 2023			
	Australia	New Zealand	Other International	Total Group
	$m	$m	$m	$m
By product and geographic location				
Term deposits	150,538	32,389	8,997	191,924
On-demand and short-term deposits	269,740	27,934	2,295	299,969
Certificates of deposit	32,443	1,489	22,847	56,779
Deposits not bearing interest(1)	82,747	12,737	7	95,491
Commercial paper and other borrowings	34,835	854	420	36,109
Repurchase agreements	13,712	196	32,824	46,732
Fair value adjustment	3	(12)	-	(9)
Total deposits and other borrowings	584,018	75,587	67,390	726,995
Represented by:				
Total deposits and other borrowings at fair value(2)	13,151	2,526	29,198	44,875
Total deposits and other borrowings at amortised cost(2)	570,867	73,061	38,192	682,120
Total deposits and other borrowings	584,018	75,587	67,390	726,995

(1) Deposits not bearing interest include mortgage offset accounts.
(2) During the September 2023 half year the Group commenced the measurement of certain repurchase agreements at fair value through profit or loss.

Deposits and other borrowings (cont.)

	As at 31 March 2023			
	Australia $m	New Zealand $m	Other International $m	Total Group $m
By product and geographic location				
Term deposits	138,491	28,640	9,518	176,649
On-demand and short-term deposits	268,327	27,138	5,234	300,699
Certificates of deposit	35,190	2,156	19,345	56,691
Deposits not bearing interest[1]	83,481	14,048	7	97,536
Commercial paper and other borrowings	30,231	1,867	184	32,282
Repurchase agreements	6,142	78	22,969	29,189
Fair value adjustment	-	(12)	-	(12)
Total deposits and other borrowings	561,862	73,915	57,257	693,034
Represented by:				
Total deposits and other borrowings at fair value	-	4,014	-	4,014
Total deposits and other borrowings at amortised cost	561,862	69,901	57,257	689,020
Total deposits and other borrowings	561,862	73,915	57,257	693,034

	As at 30 September 2022			
	Australia $m	New Zealand $m	Other International $m	Total Group $m
By product and geographic location				
Term deposits	123,115	24,773	8,161	156,049
On-demand and short-term deposits	276,249	29,326	4,772	310,347
Certificates of deposit	27,663	1,473	20,892	50,028
Deposits not bearing interest[1]	89,022	11,260	7	100,289
Commercial paper and other borrowings	43,150	2,011	1,196	46,357
Repurchase agreements	4,751	9	19,180	23,940
Fair value adjustment	-	(6)	-	(6)
Total deposits and other borrowings	563,950	68,846	54,208	687,004
Represented by:				
Total deposits and other borrowings at fair value	-	3,478	-	3,478
Total deposits and other borrowings at amortised cost	563,950	65,368	54,208	683,526
Total deposits and other borrowings	563,950	68,846	54,208	687,004

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

7 Balance sheet

	As at		
	30 Sep 23	31 Mar 23	30 Sep 22
	$m	$m	$m
Assets			
Cash and liquid assets	**24,699**	57,279	56,451
Due from other banks	**117,306**	138,679	141,861
Collateral placed	**11,286**	10,752	13,115
Trading assets	**101,168**	47,019	40,573
Debt instruments	**46,357**	45,555	42,080
Other financial assets	**1,430**	1,473	2,061
Derivative assets	**34,269**	32,133	61,016
Loans and advances	**702,702**	695,053	680,434
Current tax assets	**20**	6	16
Deferred tax assets	**3,499**	2,940	3,385
Property, plant and equipment	**3,016**	2,930	3,009
Goodwill and other intangible assets	**4,952**	4,778	4,652
Other assets	**8,379**	9,691	6,473
Total assets	**1,059,083**	1,048,288	1,055,126
Liabilities			
Due to other banks	**39,516**	75,265	74,679
Collateral received	**10,672**	9,015	17,245
Other financial liabilities	**66,352**	26,430	23,286
Derivative liabilities	**35,633**	32,033	57,486
Deposits and other borrowings	**682,120**	689,020	683,526
Current tax liabilities	**1,012**	557	1,011
Provisions	**1,852**	1,595	2,096
Bonds, notes and subordinated debt	**135,645**	131,469	119,283
Debt issues	**8,561**	7,322	7,318
Other liabilities	**16,217**	14,167	10,164
Total liabilities	**997,580**	986,873	996,094
Net assets	**61,503**	61,415	59,032
Equity			
Contributed equity	**38,546**	38,845	39,399
Reserves	**(1,192)**	(388)	(1,839)
Retained profits	**23,800**	22,958	21,472
Total equity (attributable to owners of the Company)	**61,154**	61,415	59,032
Non-controlling interest in controlled entities	**349**	-	-
Total equity	**61,503**	61,415	59,032

8 Average balance sheet and related interest

Average assets and interest income

	Year ended Sep 23			Year ended Sep 22		
	Average balance $m	Interest $m	Average rate %	Average balance $m	Interest $m	Average rate %
Average interest earning assets						
Due from other banks						
Australia	**107,924**	**3,725**	**3.5**	94,705	566	0.6
New Zealand	**11,137**	**533**	**4.8**	10,868	162	1.5
Other International	**25,718**	**995**	**3.9**	29,080	202	0.7
Total due from other banks	**144,779**	**5,253**	**3.6**	134,653	930	0.7
Marketable debt securities						
Australia	**73,398**	**2,627**	**3.6**	70,737	1,050	1.5
New Zealand	**7,067**	**266**	**3.8**	6,868	91	1.3
Other International	**13,563**	**467**	**3.4**	10,562	66	0.6
Total marketable debt securities	**94,028**	**3,360**	**3.6**	88,167	1,207	1.4
Loans and advances - housing						
Australia(1)(2)	**305,519**	**14,403**	**4.7**	287,046	8,107	2.8
New Zealand(1)(2)	**49,778**	**2,348**	**4.7**	47,826	1,570	3.3
Total loans and advances - housing	**355,297**	**16,751**	**4.7**	334,872	9,677	2.9
Loans and advances - non-housing						
Australia	**236,729**	**14,591**	**6.2**	222,573	7,632	3.4
New Zealand	**41,660**	**3,283**	**7.9**	40,715	1,776	4.4
Other International	**20,929**	**1,288**	**6.2**	21,543	567	2.6
Total loans and advances - non-housing	**299,318**	**19,162**	**6.4**	284,831	9,975	3.5
Other interest earning assets						
Australia	**29,090**	**1,335**	**n/a**	16,300	179	n/a
New Zealand	**1,165**	**97**	**n/a**	1,247	23	n/a
Other International	**43,028**	**2,114**	**n/a**	40,227	387	n/a
Total other interest earning assets	**73,283**	**3,546**	**n/a**	57,774	589	n/a
Total average interest earning assets and interest income by:						
Australia	**752,660**	**36,681**	**4.9**	691,361	17,534	2.5
New Zealand	**110,807**	**6,527**	**5.9**	107,524	3,622	3.4
Other International	**103,238**	**4,864**	**4.7**	101,412	1,222	1.2
Total average interest earning assets and interest income	**966,705**	**48,072**	**5.0**	900,297	22,378	2.5

(1) Net of mortgage offset accounts of $42,477 million (September 2022: $38,219 million) in Australia and $2,251 million (September 2022: $2,172 million) in New Zealand which are included in non-interest earning assets.
(2) The balance as at 30 September 2023 includes capitalised brokerage costs reflecting the revised accounting treatment of trail commissions payable to mortgage brokers. Comparatives have not been restated. Refer to NAB's 2023 Annual Report *Note 1 Basis of preparation* for further information.

Average assets

	Year ended	
	Sep 23 $m	Sep 22 $m
Average non-interest earning assets		
Other assets(1)	**103,702**	96,278
Average provision for credit impairment		
Australia	**(4,499)**	(4,319)
New Zealand	**(784)**	(694)
Other International	**(58)**	(55)
Total average provision for credit impairment	**(5,341)**	(5,068)
Total average assets	**1,065,066**	991,507

(1) Includes mortgage offset accounts of $42,477 million (September 2022: $38,219 million) in Australia and $2,251 million (September 2022: $2,172 million) in New Zealand.

Average liabilities and interest expense

	Year ended Sep 23			Year ended Sep 22		
	Average balance $m	Interest $m	Average rate %	Average balance $m	Interest $m	Average rate %
Average interest bearing liabilities						
Due to other banks						
Australia	**47,523**	**738**	**1.6**	47,415	162	0.3
New Zealand	**6,599**	**180**	**2.7**	5,102	36	0.7
Other International	**20,232**	**903**	**4.5**	17,163	177	1.0
Total due to other banks	**74,354**	**1,821**	**2.4**	69,680	375	0.5
On-demand and short-term deposits						
Australia	**270,723**	**7,028**	**2.6**	275,577	1,199	0.4
New Zealand	**28,817**	**951**	**3.3**	32,670	203	0.6
Other International	**4,377**	**148**	**3.4**	6,159	51	0.8
Total on-demand and short-term deposits	**303,917**	**8,127**	**2.7**	314,406	1,453	0.5
Certificates of deposit						
Australia	**33,502**	**1,204**	**3.6**	30,932	177	0.6
New Zealand	**1,822**	**88**	**4.8**	2,292	37	1.6
Other International	**20,483**	**779**	**3.8**	24,670	178	0.7
Total certificates of deposit	**55,807**	**2,071**	**3.7**	57,894	392	0.7
Term deposits						
Australia	**137,542**	**5,051**	**3.7**	96,091	817	0.9
New Zealand	**28,581**	**1,244**	**4.4**	23,733	422	1.8
Other International	**9,265**	**375**	**4.0**	5,333	67	1.3
Total term deposits	**175,388**	**6,670**	**3.8**	125,157	1,306	1.0
Other borrowings						
Australia	**39,100**	**1,849**	**4.7**	38,817	451	1.2
New Zealand	**1,802**	**80**	**4.4**	3,511	42	1.2
Other International	**23,661**	**1,412**	**6.0**	28,987	267	0.9
Total other borrowings	**64,563**	**3,341**	**5.2**	71,315	760	1.1
Bonds, notes and subordinated debt						
Australia	**112,976**	**6,246**	**5.5**	98,425	1,571	1.6
New Zealand	**19,993**	**1,050**	**5.3**	19,043	445	2.3
Other International	**12,342**	**513**	**4.2**	9,099	267	2.9
Total bonds, notes and subordinated debt	**145,311**	**7,809**	**5.4**	126,567	2,283	1.8
Other interest bearing liabilities						
Australia	**21,437**	**1,311**	**n/a**	15,565	937	n/a
New Zealand	**1,894**	**87**	**n/a**	1,381	21	n/a
Other International	**734**	**28**	**n/a**	562	11	n/a
Total other interest bearing liabilities	**24,065**	**1,426**	**n/a**	17,508	969	n/a
Total average interest bearing liabilities and interest expense by:						
Australia	**662,803**	**23,427**	**3.5**	602,822	5,314	0.9
New Zealand	**89,508**	**3,680**	**4.1**	87,732	1,206	1.4
Other International	**91,094**	**4,158**	**4.6**	91,973	1,018	1.1
Total average interest bearing liabilities and interest expense	**843,405**	**31,265**	**3.7**	782,527	7,538	1.0

Average liabilities and equity

	Year ended	
	Sep 23	Sep 22
	$m	$m
Average non-interest bearing liabilities		
Deposits not bearing interest		
Australia[1]	**84,541**	84,989
New Zealand[1]	**13,599**	11,965
Other International	**7**	8
Total deposits not bearing interest	**98,147**	96,962
Other liabilities[2]	**63,313**	51,202
Total average non-interest bearing liabilities	**161,460**	148,164
Total average liabilities	**1,004,865**	930,691
Average equity		
Total equity (parent entity interest)	**60,094**	60,816
Non-controlling interest in controlled entities	**107**	-
Total average equity	**60,201**	60,816
Total average liabilities and equity	**1,065,066**	991,507

(1) Includes mortgage offset accounts of $42,477 million (September 2022: $38,219 million) in Australia and $2,251 million (September 2022: $2,172 million) in New Zealand.
(2) The balance as at 30 September 2023 includes capitalised brokerage costs reflecting the revised accounting treatment of trail commissions payable to mortgage brokers. Comparatives have not been restated. Refer to NAB's 2023 Annual Report *Note 1 Basis of preparation* for further information.

Average assets and interest income

	Half Year ended Sep 23			Half Year ended Mar 23		
	Average balance	Interest	Average rate	Average balance	Interest	Average rate
	$m	$m	%	$m	$m	%
Average interest earning assets						
Due from other banks						
Australia	106,725	2,106	3.9	109,130	1,619	3.00
New Zealand	11,562	312	5.4	10,709	221	4.1
Other International	26,393	594	4.5	25,039	401	3.2
Total due from other banks	144,680	3,012	4.2	144,878	2,241	3.1
Marketable debt securities						
Australia	75,208	1,513	4.0	71,578	1,114	3.1
New Zealand	6,724	137	4.1	7,411	129	3.5
Other International	16,349	336	4.1	10,762	131	2.4
Total marketable debt securities	98,281	1,986	4.0	89,751	1,374	3.1
Loans and advances - housing						
Australia[(1)(2)]	307,653	7,862	5.1	304,052	6,541	4.3
New Zealand[(1)(2)]	50,668	1,289	5.1	48,922	1,059	4.3
Total loans and advances - housing	358,321	9,151	5.1	352,974	7,600	4.3
Loans and advances - non-housing						
Australia	237,060	7,885	6.6	235,716	6,706	5.7
New Zealand	41,697	1,772	8.5	41,584	1,511	7.3
Other International	20,131	686	6.8	21,732	602	5.6
Total loans and advances - non-housing	298,888	10,343	6.9	299,032	8,819	5.9
Other interest earning assets						
Australia	27,847	752	n/a	29,688	583	n/a
New Zealand	967	54	n/a	1,365	43	n/a
Other International	44,627	1,262	n/a	41,421	852	n/a
Total other interest earning assets	73,441	2,068	n/a	72,474	1,478	n/a
Total average interest earning assets and interest income by:						
Australia	754,493	20,118	5.3	750,164	16,563	4.4
New Zealand	111,618	3,564	6.4	109,991	2,963	5.4
Other International	107,500	2,878	5.3	98,954	1,986	4.0
Total average interest earning assets and interest income	973,611	26,560	5.4	959,109	21,512	4.5

(1) Net of mortgage offset accounts of $43,021 million (March 2023: $41,930 million) in Australia and $2,250 million (March 2023: $2,253 million) in New Zealand.
(2) Includes capitalised brokerage costs reflecting the revised accounting treatment of trail commissions payable to mortgage brokers. Refer to NAB's 2023 Annual Report *Note 1 Basis of preparation for further information.*

Average assets

	Half Year ended	
	Sep 23	Mar 23
	$m	$m
Average non-interest earning assets		
Other assets	101,256	106,812
Total average non-interest earning assets	101,256	106,812
Average provision for credit impairment		
Australia	(4,612)	(4,385)
New Zealand	(828)	(739)
Other International	(65)	(51)
Total average provision for credit impairment	(5,505)	(5,175)
Total average assets	1,069,362	1,060,746

Average liabilities and interest expense

	Half Year ended Sep 23			Half Year ended Mar 23		
	Average balance	Interest	Average rate	Average balance	Interest	Average rate
	$m	$m	%	$m	$m	%
Average interest bearing liabilities						
Due to other banks						
Australia	44,840	413	1.8	50,221	325	1.3
New Zealand	6,535	105	3.2	6,664	75	2.3
Other International	23,308	566	4.8	17,139	337	3.9
Total due to other banks	74,683	1,084	2.9	74,024	737	2.0
On-demand and short-term deposits						
Australia	269,416	4,147	3.1	272,038	2,881	2.1
New Zealand	28,559	551	3.8	29,076	400	2.8
Other International	2,991	57	3.8	5,771	91	3.2
Total on-demand and short-term deposits	300,966	4,755	3.2	306,885	3,372	2.2
Certificates of deposit						
Australia	35,323	700	4.0	31,671	504	3.2
New Zealand	2,008	54	5.4	1,635	34	4.2
Other International	22,745	524	4.6	18,208	255	2.8
Total certificates of deposit	60,076	1,278	4.2	51,514	793	3.1
Term deposits						
Australia	142,723	2,999	4.2	132,332	2,052	3.1
New Zealand	30,225	763	5.0	26,929	481	3.6
Other International	9,632	221	4.6	8,895	154	3.5
Total term deposits	182,580	3,983	4.4	168,156	2,687	3.2
Other borrowings						
Australia	36,612	978	5.3	41,603	871	4.2
New Zealand	1,534	39	5.1	2,071	41	4.0
Other International	22,678	807	7.1	24,647	605	4.9
Total other borrowings	60,824	1,824	6.0	68,321	1,517	4.5
Bonds, notes and subordinated debt						
Australia	116,757	3,668	6.3	109,174	2,578	4.7
New Zealand	19,951	587	5.9	20,036	463	4.6
Other International	13,253	292	4.4	11,424	221	3.9
Total bonds, notes and subordinated debt	149,961	4,547	6.0	140,634	3,262	4.7
Other interest bearing liabilities						
Australia	20,927	699	n/a	21,949	612	n/a
New Zealand	1,766	48	n/a	2,024	39	n/a
Other International	448	10	n/a	1,021	18	n/a
Total other interest bearing liabilities	23,141	757	n/a	24,994	669	n/a
Total average interest bearing liabilities and interest expense by:						
Australia	666,598	13,604	4.1	658,988	9,823	3.0
New Zealand	90,578	2,147	4.7	88,435	1,533	3.5
Other International	95,055	2,477	5.2	87,105	1,681	3.9
Total average interest bearing liabilities and interest expense	852,231	18,228	4.3	834,528	13,037	3.1

Average liabilities and equity

	Half Year ended	
	Sep 23	Mar 23
	$m	$m
Average non-interest bearing liabilities		
Deposits not bearing interest		
Australia[1]	**82,517**	86,577
New Zealand[1]	**13,061**	14,139
Other International	**8**	7
Total deposits not bearing interest	**95,586**	100,723
Other liabilities[2]	**60,642**	65,820
Total average non-interest bearing liabilities	**156,228**	166,543
Total average liabilities	**1,008,459**	1,001,071
Average equity		
Total equity (parent entity interest)	**60,705**	59,675
Non-controlling interest in controlled entities	**198**	-
Total average equity	**60,903**	59,675
Total average liabilities and equity	**1,069,362**	1,060,746

(1) Includes mortgage offset accounts of $43,021 million (March 2023: $41,930 million) in Australia and $2,250 million (March 2023: $2,253 million) in New Zealand.
(2) Includes capitalised brokerage costs reflecting the revised accounting treatment of trail commissions payable to mortgage brokers. Refer to NAB's 2023 Annual Report *Note 1 Basis of preparation for further information.*

9 Net interest margins and spreads

	Year to			Half Year to		
	Sep 23	Sep 22	Sep 23 v	Sep 23	Mar 23	Sep 23 v
	%	%	Sep 22	%	%	Mar 23
Net interest spread	**1.27**	1.52	(25 bps)	**1.18**	1.37	(19 bps)
Benefit of net free liabilities, provisions and equity	**0.47**	0.13	34 bps	**0.53**	0.40	13 bps
Net interest margin - statutory basis	**1.74**	1.65	9 bps	**1.71**	1.77	(6 bps)

10 Capital adequacy

Regulatory capital is calculated in accordance with APS 111 *Capital Adequacy: Measurement of Capital*. The first table below is a reconciliation from total equity per the Group's balance sheet to capital for regulatory purposes, including CET1 capital, Tier 1 capital and Total capital. Capital for regulatory purposes is based on the Level 2 regulatory group which comprises the Company and its controlled entities, excluding securitisation special purpose vehicles to which assets have been transferred in accordance with the requirements for regulatory capital relief and funds management entities. The second and third tables in this note provide risk-weighted assets for each risk type and key capital ratios respectively for the Level 2 regulatory group.

	As at		
	30 Sep 23	**31 Mar 23**	**30 Sep 22**
	$m	**$m**	**$m**
Contributed equity	**38,546**	38,845	39,399
Reserves	**(1,192)**	(388)	(1,839)
Retained profits	**23,800**	22,958	21,472
Non-controlling interests	**349**	-	-
Total equity per consolidated balance sheet	**61,503**	61,415	59,032
Adjustments between the Group and Level 2 regulatory group balance sheets	**4**	1	(13)
Perpetual preference shares issued by subsidiaries not eligible as regulatory capital	**(349)**	-	-
Fee income eligible as regulatory capital[1]	**309**	328	314
Goodwill and other intangible assets, net of tax	**(2,264)**	(2,305)	(2,324)
Investment in non-consolidated controlled entities	**(10)**	(10)	(10)
Deferred tax assets in excess of deferred tax liabilities	**(2,510)**	(2,262)	(2,286)
Capitalised expenses, net of deferred fee income[1]	**(1,456)**	(1,341)	(1,262)
Software, net of tax	**(2,906)**	(2,658)	(2,535)
Defined benefit superannuation plan asset, net of tax	**(28)**	(27)	(26)
Change in own creditworthiness, net of tax	**58**	42	9
Cash flow hedge reserve	**1,611**	827	1,667
Equity exposures	**(772)**	(723)	(685)
Expected loss in excess of eligible provisions	**-**	-	(34)
Other	**(54)**	(32)	(71)
CET1 capital	**53,136**	53,255	51,776
Additional Tier 1 capital instruments	**8,610**	7,360	7,360
Regulatory adjustments to Additional Tier 1 capital	**(20)**	(20)	(24)
Additional Tier 1 capital	**8,590**	7,340	7,336
Tier 1 capital	**61,726**	60,595	59,112
Tier 2 capital instruments	**22,684**	23,508	20,654
Eligible provisions held against non-defaulted exposures under the IRB approach	**1,920**	1,922	1,912
Eligible provisions held against exposures under the standardised approach	**248**	244	153
Regulatory adjustments to Tier 2 capital	**(110)**	(101)	(96)
Tier 2 capital	**24,742**	25,573	22,623
Total capital	**86,468**	86,168	81,735

(1) Where fee income eligible as regulatory capital relates to products giving rise to capitalised expenses, fee income is netted of against expenses in accordance with APS 111. This represents a change in presentation as prior to 30 September 2023 fee income eligible as regulatory capital was fully netted off against capitalised expenses. Comparative information has been restated accordingly.

	As at		
	30 Sep 23	31 Mar 23	30 Sep 22(1)
	$m	$m	$m
Risk-weighted assets			
Credit risk			
Subject to advanced IRB approach			
Corporate (including SME)	**103,466**	105,725	113,543
Sovereign	**n/a**	n/a	1,761
Bank	**n/a**	n/a	5,854
Retail SME	**10,200**	10,641	6,391
Residential mortgage	**103,898**	97,178	96,542
Qualifying revolving retail	**2,664**	2,553	2,248
Other retail	**1,819**	1,729	1,370
Subject to foundation IRB approach			
Corporate	**22,694**	26,390	n/a
Sovereign	**1,496**	1,806	n/a
Financial institution	**20,839**	23,145	n/a
Total internal ratings-based approach	**267,076**	269,167	227,709
Specialised lending	**2,332**	2,043	55,570
Subject to standardised approach			
Corporate	**5,461**	4,929	5,136
Residential mortgage	**6,589**	6,656	5,305
Other retail	**5,988**	6,359	4,402
Other(2)	**4,671**	5,058	5,647
Total standardised approach	**22,709**	23,002	20,490
RBNZ regulated banking subsidiary	**53,026**	52,104	47,682
Other			
Securitisation exposures	**5,332**	5,490	5,788
Credit valuation adjustment	**5,079**	4,501	6,720
Other(3)	**-**	-	3,302
Total other	**10,411**	9,991	15,810
Total credit risk	**355,554**	356,307	367,261
Market risk	**8,811**	8,496	7,907
Operational risk	**41,178**	41,178	41,124
Interest rate risk in the banking book	**29,463**	30,192	33,626
Total risk-weighted assets	**435,006**	436,173	449,918

(1) Credit risk-weighted assets under rules that applied as at 30 September 2022 have been restated to assist with comparability to amounts under the revised capital framework which came into effect on 1 January 2023. Details of the restatement are outlined in Appendix 1 of the March 2023 Pillar 3 Report.
(2) Consists of cash items in the process of collection, premises and other fixed assets, and all other exposures.
(3) Consists of overlay adjustments for regulatory prescribed methodology requirements. Overlay adjustments as at 30 September 2023 and 31 March 2023 have been presented together with risk-weighted assets for the relevant asset classes.

	As at		
	30 Sep 23	31 Mar 23	30 Sep 22
	%	%	%
Capital ratios			
CET1	**12.22**	12.21	11.51
Tier 1	**14.19**	13.89	13.14
Total capital	**19.88**	19.76	18.17

11 Earnings per share

	Year to			
	Basic		Diluted	
	Sep 23	Sep 22	Sep 23	Sep 22
Statutory earnings per share				
Earnings ($m)				
Net profit attributable to owners of the Company	**7,414**	6,891	**7,414**	6,891
Potential dilutive adjustments				
Interest expense on convertible notes	**–**	–	**371**	232
Adjusted earnings	**7,414**	6,891	**7,785**	7,123
Net loss from discontinued operations attributable to the owners of the Company	**51**	169	**51**	169
Adjusted earnings from continuing operations	**7,465**	7,060	**7,836**	7,292
Weighted average number of ordinary shares (millions)				
Weighted average number of ordinary shares (net of treasury shares)	**3,136**	3,219	**3,136**	3,219
Weighted average number of dilutive potential ordinary shares				
Convertible notes	**–**	–	**258**	240
Share-based payments	**–**	–	**10**	6
Total weighted average number of ordinary shares	**3,136**	3,219	**3,404**	3,465
Earnings per share attributable to owners of the Company (cents)	**236.4**	214.1	**228.7**	205.6
Earnings per share from continuing operations (cents)	**238.0**	219.3	**230.2**	210.5

	Half Year to			
	Basic		Diluted	
	Sep 23	Mar 23	Sep 23	Mar 23
Statutory earnings per share				
Earnings ($m)				
Net profit attributable to owners of the Company	**3,447**	3,967	**3,447**	3,967
Potential dilutive adjustments				
Interest expense on convertible notes	**–**	–	**199**	172
Adjusted earnings	**3,447**	3,967	**3,646**	4,139
Net loss from discontinued operations attributable to the owners of the Company	**36**	15	**36**	15
Adjusted earnings from continuing operations	**3,483**	3,982	**3,682**	4,154
Weighted average number of ordinary shares (millions)				
Weighted average number of ordinary shares (net of treasury shares)	**3,130**	3,142	**3,130**	3,142
Potential dilutive weighted average number of ordinary shares				
Convertible notes	**–**	–	**260**	262
Share-based payments	**–**	–	**9**	10
Total weighted average number of ordinary shares	**3,130**	3,142	**3,399**	3,414
Earnings per share attributable to owners of the Company (cents)	**110.1**	126.3	**107.3**	121.2
Earnings per share from continuing operations (cents)	**111.3**	126.7	**108.3**	121.7

Earnings per share (cont.)

	Year to			
	Basic		Diluted	
	Sep 23	Sep 22	Sep 23	Sep 22
Cash earnings per share				
Earnings ($m)				
Cash earnings[1]	**7,731**	7,104	**7,731**	7,104
Potential dilutive adjustments				
Interest expense on convertible notes	**-**	-	**371**	232
Adjusted cash earnings	**7,731**	7,104	**8,102**	7,336
Weighted average number of ordinary shares (millions)				
Weighted average number of ordinary shares (net of treasury shares)	**3,136**	3,219	**3,136**	3,219
Potential dilutive weighted average number of ordinary shares				
Convertible notes	**-**	-	**258**	240
Share-based payments	**-**	-	**10**	6
Total weighted average number of ordinary shares	**3,136**	3,219	**3,404**	3,465
Cash earnings per share (cents)	**246.5**	220.7	**238.0**	211.7

	Half Year to			
	Basic		Diluted	
	Sep 23	Mar 23	Sep 23	Mar 23
Cash earnings per share				
Earnings ($m)				
Cash earnings[1]	**3,661**	4,070	**3,661**	4,070
Potential dilutive adjustments				
Interest expense on convertible notes	**-**	-	**199**	172
Adjusted cash earnings	**3,661**	4,070	**3,860**	4,242
Weighted average number of ordinary shares (millions)				
Weighted average number of ordinary shares (net of treasury shares)	**3,130**	3,142	**3,130**	3,142
Potential dilutive weighted average number of ordinary shares				
Convertible notes			**260**	262
Share-based payments	**-**	-	**9**	10
Total weighted average number of ordinary shares	**3,130**	3,142	**3,399**	3,414
Cash earnings per share (cents)	**117.0**	129.5	**113.6**	124.3

(1) Refer to Note *16 Reconciliation between statutory net profit (after tax) from continuing operations and cash earnings* for further details.

12 Return on equity

	Year to		Half Year to	
	Sep 23	Sep 22	Sep 23	Mar 23
Statutory return on equity				
Earnings ($m)				
Net profit attributable to owners of the Company	**7,414**	6,891	**3,447**	3,967
Adjusted earnings	**7,414**	6,891	**3,447**	3,967
Average equity ($m)				
Average equity	**60,201**	60,816	**60,903**	59,675
Less: Average non-controlling interest in controlled entities	**(107)**	-	**(198)**	-
Average equity (adjusted) ($m)	**60,094**	60,816	**60,705**	59,675
Statutory return on equity	**12.3%**	11.3%	**11.3%**	13.3%

	Year to		Half Year to	
	Sep 23	Sep 22	Sep 23	Mar 23
Cash return on equity				
Earnings ($m)				
Cash earnings	**7,731**	7,104	**3,661**	4,070
Average equity (adjusted) ($m)	**60,094**	60,816	**60,705**	59,675
Cash return on equity	**12.9%**	11.7%	**12.0%**	13.7%

13 Funding sources

The Group maintains a well-diversified funding profile across issuance type, currency, investor location and tenor.

The following table provides the funding sources for the Group including customer deposits, and short-term and long-term wholesale funding.

	As at		
	30 Sep 23	31 Mar 23	30 Sep 22
	$m	$m	$m
Funding sources[1]			
Customer deposits	**587,384**	574,884	566,685
Term wholesale funding with greater than 12 months to maturity	**138,416**	127,401	117,882
Central bank funding facilities with greater than 12 months to maturity[2]	**3,342**	21,047	20,613
Term wholesale funding with less than 12 months to maturity	**16,032**	22,022	20,201
Central bank funding facilities with less than 12 months to maturity[2]	**18,526**	15,641	14,703
Short-term wholesale funding[3]	**106,673**	104,837	111,973
Short-term collateral and settlements	**13,530**	12,451	19,855
Total funding sources	**883,903**	878,283	871,912
Equity	**61,503**	61,415	59,032
Total funding sources and equity	**945,406**	939,698	930,944

(1) Comparative information has been restated to align to the presentation in the current period.
(2) Includes TFF provided by the RBA, and the TLF and Funding for Lending Programme provided by the RBNZ.
(3) Includes certificate of deposits, commercial papers, due to other banks, 12 months medium-term notes and other financial liabilities.

14 Number of ordinary shares

	Year to	
	Sep 23 No. '000	Sep 22 No. '000
Ordinary shares, fully paid		
Balance at beginning of period	**3,153,813**	3,281,991
Shares issued:		
Dividend reinvestment plan	**24,676**	16,890
Bonus share plan	**1,338**	1,227
Share-based payments	**3,628**	5,547
Paying up of partly paid shares	**3**	-
On-market purchase of shares for dividend reinvestment plan neutralisation	**(24,676)**	(16,890)
Shares bought back	**(29,833)**	(134,952)
Total ordinary shares, fully paid	**3,128,949**	3,153,813
Ordinary shares, partly paid to 25 cents		
Balance at beginning of period	**12**	12
Paying up of partly paid shares	**(3)**	-
Total ordinary shares, partly paid to 25 cents	**9**	12
Total ordinary shares (including treasury shares)	**3,128,958**	3,153,825
Less: Treasury shares	**(8,137)**	(6,331)
Total ordinary shares (excluding treasury shares)	**3,120,821**	3,147,494

	Half Year to	
	Sep 23 No. '000	Mar 23 No. '000
Ordinary shares, fully paid		
Balance at beginning of period	**3,138,665**	3,153,813
Shares issued:		
Dividend reinvestment plan	**16,215**	8,461
Bonus share plan	**749**	589
Share-based payments	**96**	3,532
Paying up of partly paid shares	**2**	1
On-market purchase of shares for dividend reinvestment plan neutralisation	**(16,215)**	(8,461)
Shares bought back	**(10,563)**	(19,270)
Total ordinary shares, fully paid	**3,128,949**	3,138,665
Ordinary shares, partly paid to 25 cents		
Balance at beginning of period	**11**	12
Paying up of partly paid shares	**(2)**	(1)
Total ordinary shares, partly paid to 25 cents	**9**	11
Total ordinary shares (including treasury shares)	**3,128,958**	3,138,676
Less: Treasury shares	**(8,137)**	(8,354)
Total ordinary shares (excluding treasury shares)	**3,120,821**	3,130,322

15 Non-cash earnings items

Hedging and fair value volatility

Hedging and fair value remeasurements cause volatility in statutory profit and are excluded from cash earnings. This volatility represents timing differences between the unrealised gains or losses recognised over the term of the transactions and the ultimate economic outcome which will only be realised in future. This volatility arises primarily from fair value movements relating to trading derivatives held for risk management purposes; fair value movements relating to assets, liabilities and derivatives designated in hedge relationships; and fair value movements relating to assets and liabilities designated at fair value.

In the September 2023 full year, there was a decrease in statutory profit of $46 million ($29 million after tax) from hedging and fair value volatility.

Amortisation of acquired intangible assets

The amortisation of acquired intangible assets represents the amortisation of intangible assets arising from the acquisition of controlled entities and associates such as software, customer relationships and contracts in force.

In the September 2023 full year, there was a decrease in statutory profit of $43 million ($30 million after tax) due to the amortisation of acquired intangible assets.

Acquisitions, disposals and business closures

The net impact of acquisitions, disposals and business closures is excluded from cash earnings as they do not reflect the underlying earnings of the Group or the expected earnings from acquired businesses. In the September 2023 full year, this includes the following items:

- Gains or losses (including the impact of recycling foreign currency reserves) recognised on the disposal or closure of businesses.
- Transaction and other costs directly associated with the acquisition and integration of Group businesses, primarily related to the acquisitions of 86 400, the Citi consumer business and LanternPay.
- Transaction and other costs directly associated with the disposal or closure of Group businesses.

In the September 2023 full year, there was a decrease in statutory profit of $290 million ($207 million after tax) related to acquisitions, disposals and business closures.

16 Reconciliation between statutory net profit (after tax) from continuing operations and cash earnings

	Full Year to September 2023				
	Statutory net profit from continuing operations	Hedging and fair value volatility	Amortisation of acquired intangible assets	Acquisitions, disposals and business closures	Cash earnings
	$m	$m	$m	$m	$m
Statutory net profit reconciliation					
Net interest income	16,807	-	-	-	16,807
Other operating income	3,841	32	-	(26)	3,847
Net operating income	20,648	32	-	(26)	20,654
Operating expenses	(9,382)	-	43	316	(9,023)
Profit before credit impairment charge	11,266	32	43	290	11,631
Credit impairment (charge) / write-back	(816)	14	-	-	(802)
Profit before income tax	10,450	46	43	290	10,829
Income tax expense	(2,980)	(17)	(13)	(83)	(3,093)
Net profit on continuing operations before non-controlling interests	7,470	29	30	207	7,736
Non-controlling interests	(5)	-	-	-	(5)
Net profit attributable to owners of the Company from continuing operations	7,465	29	30	207	7,731

	Full Year to September 2022				
	Statutory net profit from continuing operations	Hedging and fair value volatility	Amortisation of acquired intangible assets	Acquisitions, disposals and business closures	Cash earnings
	$m	$m	$m	$m	$m
Statutory net profit reconciliation					
Net interest income	14,840	12	-	-	14,852
Other operating income	3,730	(89)	-	(197)	3,444
Net operating income	18,570	(77)	-	(197)	18,296
Operating expenses	(8,702)	-	25	403	(8,274)
Profit / (loss) before credit impairment charge	9,868	(77)	25	206	10,022
Credit impairment charge	(124)	(1)	-	-	(125)
Profit / (loss) before income tax	9,744	(78)	25	206	9,897
Income tax (expense) / benefit	(2,684)	9	(8)	(110)	(2,793)
Net profit / (loss) attributable to owners of the Company from continuing operations	7,060	(69)	17	96	7,104

Reconciliation between statutory net profit (after tax) from continuing operations and cash earnings (cont.)

	Half Year to September 2023				
	Statutory net profit from continuing operations	Hedging and fair value volatility	Amortisation of acquired intangible assets	Acquisitions, disposals and business closures	Cash earnings
	$m	$m	$m	$m	$m
Statutory net profit reconciliation					
Net interest income	8,332	(1)	-	-	8,331
Other operating income	1,748	46	-	-	1,794
Net operating income	10,080	45	-	-	10,125
Operating expenses	(4,807)	-	22	183	(4,602)
Profit before credit impairment charge	5,273	45	22	183	5,523
Credit impairment charge	(407)	(2)	-	-	(409)
Profit before income tax	4,866	43	22	183	5,114
Income tax expense	(1,378)	(19)	(7)	(44)	(1,448)
Net profit on continuing operations before non-controlling interests	3,488	24	15	139	3,666
Non-controlling interests	(5)	-	-	-	(5)
Net profit attributable to owners of the Company from continuing operations	3,483	24	15	139	3,661

	Half Year to March 2023				
	Statutory net profit from continuing operations	Hedging and fair value volatility	Amortisation of acquired intangible assets	Acquisitions, disposals and business closures	Cash earnings
	$m	$m	$m	$m	$m
Statutory net profit reconciliation					
Net interest income	8,475	1	-	-	8,476
Other operating income	2,093	(14)	-	(26)	2,053
Net operating income	10,568	(13)	-	(26)	10,529
Operating expenses	(4,575)	-	21	133	(4,421)
Profit / (loss) before credit impairment charge	5,993	(13)	21	107	6,108
Credit impairment (charge) / write-back	(409)	16	-	-	(393)
Profit before income tax	5,584	3	21	107	5,715
Income tax (expense) / benefit	(1,602)	2	(6)	(39)	(1,645)
Net profit attributable to owners of the Company from continuing operations	3,982	5	15	68	4,070

17 Impact of exchange rate movements on Group results

The table below represents the foreign exchange rate differences arising on translation of the Group's foreign operations. The foreign exchange rate differences are calculated by translating into Australian dollars the cash earnings of Group entities that have a functional currency other than Australian dollars. The September 2023 full year is translated at average foreign exchange rates for the September 2022 full year and the September 2023 half year is translated at average foreign exchange rates for the March 2023 half year.

	Year to			Half Year to		
	Sep 23 v Sep 22 %	FX $m	Sep 23 v Sep 22 ex FX %	Sep 23 v Mar 23 %	FX $m	Sep 23 v Mar 23 ex FX %
Impact of exchange rate movements on Group results						
Net interest income	13.2	6	**13.1**	(1.7)	8	**(1.8)**
Other operating income	11.7	34	**10.7**	(12.6)	19	**(13.5)**
Net operating income	12.9	40	**12.7**	(3.8)	27	**(4.1)**
Operating expenses	9.1	(14)	**8.9**	4.1	(11)	**3.8**
Underlying profit	16.1	26	**15.8**	(9.6)	16	**(9.8)**
Credit impairment charge	large	(1)	**large**	4.1	-	**4.1**
Cash earnings before income tax	9.4	25	**9.2**	(10.5)	16	**(10.8)**
Income tax expense	10.7	3	**10.8**	(12.0)	(4)	**(12.2)**
Cash earnings before non-controlling interests	8.9	28	**8.5**	(9.9)	12	**(10.2)**
Non-controlling interests	-	-	**-**	-	-	**-**
Cash earnings	8.8	28	**8.4**	(10.0)	12	**(10.3)**

18 Exchange rates

	Income statement - average				Balance sheet - spot		
	Year to		Half Year to		As at		
	Sep 23	Sep 22	Sep 23	Mar 23	30 Sep 23	31 Mar 23	30 Sep 22
One Australian dollar equals							
British pounds	**0.5434**	0.5576	**0.5254**	0.5614	**0.5292**	0.5418	0.5839
Euros	**0.6241**	0.6581	**0.6076**	0.6407	**0.6111**	0.6158	0.6614
United States dollars	**0.6661**	0.7126	**0.6615**	0.6707	**0.6477**	0.6714	0.6493
New Zealand dollars	**1.0845**	1.0833	**1.0815**	1.0875	**1.0745**	1.0680	1.1353

Glossary

12-month expected credit losses (ECL)
The portion of lifetime expected credit losses that represent the expected losses arising from default events that could occur within 12 months of the reporting date.

86 400
86 400 refers to 86 400 Holdings Limited, 86 400 Pty Ltd and 86 400 Technology Pty Ltd, the entities acquired by the Group in May 2021.

90+ days past due (DPD) and gross impaired assets to GLAs
Calculated as the sum of '90+ DPD assets' and 'Gross impaired assets', divided by gross loans and acceptances.

90+ DPD assets
90+ DPD assets consist of assets that are contractually 90 days or more past due, but not impaired.

AASB
Australian Accounting Standards Board.

Additional Tier 1 (AT1) capital
AT1 capital comprises high quality components of capital that satisfy the criteria for inclusion as Additional Tier 1 capital as defined in APS 111 Capital Adequacy: Measurement of Capital.

ADI
Authorised Deposit-taking Institution.

AML
Anti-Money Laundering.

APRA
Australian Prudential Regulation Authority.

APS
Prudential Standards issued by APRA applicable to ADIs.

ASX
Australian Securities Exchange Limited (or the market operated by it).

AUSTRAC
Australian Transaction Reports and Analysis Centre.

Available stable funding (ASF)
The portion of an ADI's capital and liabilities expected to be reliably provided over a one-year time horizon.

Average equity (adjusted)
Average equity adjusted to exclude non-controlling interests and other equity instruments.

Average interest earning assets
The average balance of assets held by the Group over the period that generate interest income.

Basel III
Basel III is a global regulatory framework designed to increase the resilience of banks and banking systems and was effective for ADIs from 1 January 2013.

BNZ
Bank of New Zealand.

BNZ Life
BNZ Life was the Group's New Zealand life insurance business operating as BNZ Life. The sale of BNZ Life to New Zealand life insurance provider Partners Life completed on 30 September 2022.

BS11
RBNZ outsourcing policy for large New Zealand incorporated registered banks.

Business lending
Lending to non-retail customers including overdrafts, asset and lease financing, term lending, bill acceptances, foreign currency loans, international and trade finance, securitisation and specialised finance.

Cash earnings
Cash earnings is a non-IFRS key performance measure used by the Group and the investment community. Cash earnings is defined as net profit attributable to owners of the Company from continuing operations adjusted for non-cash items, including items such as hedging and fair value volatility, the amortisation of acquired intangible assets and gains or losses on certain other items associated with acquisitions, disposals and business closures.

Cash earnings on average risk-weighted assets
Calculated as cash earnings (annualised after tax) divided by average risk-weighted assets. Average risk-weighted assets are calculated as the average of the current and previous two quarter-end spot risk-weighted assets.

Cash return on equity (cash ROE)
Cash earnings after tax expressed as a percentage of average equity (adjusted).

Citi consumer business
Citi consumer business refers to Citigroup's Australian consumer business, acquired by the Group in June 2022.

Citigroup
Citigroup Pty Limited and Citigroup Overseas Investment Corporation.

Committed liquidity facility (CLF)
A facility provided by the RBA to certain ADIs to assist them in meeting the Basel III liquidity requirements. The CLF was reduced to zero on 1 January 2023.

Common Equity Tier 1 (CET1) capital
CET1 capital ranks behind the claims of depositors and other creditors in the event of winding-up of the issuer, absorbs losses as and when they occur, has full flexibility of dividend payments and has no maturity date. CET1 capital consists of the sum of paid-up ordinary share capital, retained profits plus certain other items as defined in APS 111 Capital Adequacy: Measurement of Capital.

Common Equity Tier 1 capital ratio
CET1 capital divided by risk-weighted assets.

Company
National Australia Bank Limited (NAB) ABN 12 004 044 937.

Compensation Scheme of Last Resort (CSLR)
The CSLR is a scheme designed to make payments on a last-resort basis to eligible consumers where determinations by the Australian Financial Complaints Authority (AFCA) for compensation remain unpaid, as approved by the Australian Parliament in June 2023.

Continuing operations
Continuing operations are the components of the Group which are not discontinued operations.

Core assets
Represents gross loans and advances including acceptances, financial assets at fair value, and other debt instruments at amortised cost.

Cost to income ratio (CTI)
Represents operating expenses as a percentage of operating revenue.

CTF
Counter-Terrorism Financing.

Customer deposits
The sum of interest bearing, non-interest bearing and term deposits (including retail and corporate deposits).

Customer Funding Index (CFI)
Customer deposits (excluding certain short dated institutional deposits used to fund liquid assets) divided by core assets.

Customer risk management
Activities to support customers to manage their financial risks (predominantly foreign exchange and interest rate risks).

Default
Default occurs when a loan obligation is contractually 90 days or more past due, or when it is considered unlikely that the credit obligation to the Group will be paid in full without remedial action, such as realisation of security.

Default <90DPD but not impaired assets
Default <90DPD but not impaired assets consists of assets which are in default that are contractually less than 90 days past due but not impaired.

Default but not impaired assets
Calculated as the sum of '90+ DPD assets' and 'Default <90DPD but not impaired assets'.

Dilutive potential ordinary share
A financial instrument or other contract that may entitle its holder to ordinary shares and which would have the effect of decreasing earnings per share. For the Group in the September 2023 full year, these include convertible notes and notes issued under employee incentive schemes.

Discontinued operations
Discontinued operations are a component of the Group that either has been disposed of, or is classified as held for sale, and represents a separate major line of business or geographical area of operations, which is part of a single coordinated plan for disposal.

Distributions
Payments to holders of equity instruments other than ordinary shares, including National Income Securities.

Dividend payout ratio
Dividends paid on ordinary shares divided by cash earnings per share.

Earnings per share - basic
Calculated as net profit attributable to ordinary equity holders of the parent (statutory basis) or cash earnings (cash earnings basis), divided by the weighted average number of ordinary shares.

Earnings per share - diluted
Calculated as net profit attributable to ordinary equity holders of the parent (statutory basis) or cash earnings (cash earnings basis), divided by the weighted average number of ordinary shares, after adjusting both earnings and the weighted average number of ordinary shares for the impact of dilutive potential ordinary shares.

Economic adjustments
The economic adjustment forms part of the provision for credit impairment derived from reasonable and supportable forecasts of potential future conditions (forward looking information) that is not captured within the underlying credit provision. It incorporates general macro-economic forward looking information (for example, GDP, unemployment and interest rates).

Effective tax rate
Income tax expense divided by profit before income tax expense.

Enforceable Undertaking (EU)
An enforceable undertaking under subsection 197(1) of the Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (Cth) entered into between NAB and the CEO of AUSTRAC on 29 April 2022, in relation to concerns identified by AUSTRAC with the Group's compliance with certain AML and CTF requirements which were the subject of a formal investigation by AUSTRAC.

Fair value
The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at measurement date.

Forward looking adjustment (FLA)
Forward looking adjustments reflect part of the provision for credit impairment derived from reasonable and supportable forecasts of potential future conditions (forward looking information) that are not otherwise captured within the underlying credit provision or the economic adjustments. They incorporate more targeted sector-specific forward looking information.

Foundation internal ratings-based (Foundation IRB)
An approach to calculate the capital requirement for credit risk, which utilises the outputs of internally developed models for probability of default, and supervisory estimates for loss given default and exposure at default.

Full-time equivalent employees (FTEs)
Includes all full-time, part-time, temporary, fixed term and casual employee equivalents, as well as agency temporary employees and external contractors either self-employed or employed by a third party agency. Note: this excludes consultants, IT professional services, outsourced service providers and non-executive directors.

Gross domestic product (GDP)
GDP is the market value of finished goods and services produced within a country in a given period of time.

Gross impaired assets
Calculated as the sum of 'Impaired assets' and 'Restructured loans'.

Gross loans and acceptances (GLAs)
Total loans, advances and acceptances, including unearned and deferred fee income, excluding associated provisions for expected credit losses. Calculated as the sum of 'Acceptances', 'Loans and advances at fair value' and 'Loans and advances at amortised cost'.

Group
NAB and its controlled entities.

Hedging and fair value volatility
This volatility represents timing differences between the unrealised gains or losses recognised over the term of the transactions and the ultimate economic outcome which will only be realised in future. This volatility arises primarily from fair value movements relating to trading derivatives held for risk management purposes; fair value movements relating to assets, liabilities and derivatives designated in hedge relationships; and fair value movements relating to assets and liabilities designated at fair value.

High-quality liquid assets (HQLA)
Consists primarily of cash, deposits with central banks, Australian government and semi-government securities and securities issued by foreign sovereigns as defined in APS 210 Liquidity.

Housing lending
Mortgages secured by residential properties as collateral.

IFRS
International Financial Reporting Standards as issued by the International Accounting Standards Board (IASB).

Impaired assets
Consists of: Retail loans (excluding unsecured portfolio managed facilities) which are contractually 90 days or more past due with security insufficient to cover principal and interest or where sufficient doubt exists about the ability to collect principal and interest in a timely manner. Non-retail loans which are contractually past due and / or where there is sufficient doubt the ability to collect principal and interest. Off-balance sheet credit exposures where current circumstances indicate that losses may be incurred. Unsecured portfolio managed facilities that are 180 days or more past due (if not written off).

Internal ratings-based (IRB)
An approach to calculate capital requirements for credit risk exposures, which utilises the outputs of internally developed credit risk measurement models.

LanternPay
LanternPay is a digital health claiming technology business operated by Lantern Claims Pty Ltd (Lantern Claims), acquired by the Group on 1 April 2022.

Leverage ratio
Tier 1 capital divided by exposures as defined by APS 110 Capital Adequacy. It is a simple, non-risk based measure to supplement the risk-weighted assets based capital requirements. Exposures include on-balance sheet exposures, derivative exposures, securities financing transaction exposures and non-market related off-balance sheet exposures.

Lifetime expected credit losses (ECL)
The ECL that result from all possible default events over the expected life of a financial instrument.

Liquidity coverage ratio (LCR)
A metric that measures the adequacy of HQLA available to meet net cash outflows over a 30-day period during a severe liquidity stress scenario.

Marketable debt securities
Comprises trading securities and debt instruments.

MLC Life
MLC Limited.

MLC Wealth
MLC Wealth was the Group's Wealth division which provided superannuation, investments, asset management and financial advice to retail, corporate and institutional customers, supported by several brands including MLC, Plum and investment brands under MLC Asset Management. The sale of MLC Wealth to Insignia Financial Ltd completed on 31 May 2021.

NAB
National Australia Bank Limited ABN 12 004 044 937.

NAB risk management
Management of interest rate risk in the banking book, wholesale funding and liquidity requirements and trading market risk to support the Group's franchises.

Net interest margin (NIM)
Net interest income derived on a cash earnings basis expressed as a percentage of average interest earning assets.

Net Promoter Score (NPS)
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. Net Promoter Score measures the likelihood of a customer's recommendation to others.

Net stable funding ratio (NSFR)
A ratio of the amount of available stable funding (ASF) to the amount of required stable funding (RSF).

Non-performing exposures
Exposures which are in default aligned to the definition in APS 220 Credit Risk Management.

PPS
Perpetual preference shares.

RBA
Reserve Bank of Australia.

RBNZ
Reserve Bank of New Zealand.

Required stable funding (RSF)
The amount of stable funding an ADI is required to hold measured as a function of the liquidity characteristics and residual maturities of the various assets held by an ADI, including off-balance sheet exposures.

Risk-weighted assets (RWA)
A quantitative measure of risk required by the APRA risk-based capital adequacy framework, covering credit risk for on and off-balance sheet exposures, market risk, operational risk and interest rate risk in the banking book.

RMBS
Residential Mortgage Backed Securities.

Securitisation
Structured finance technique which involves pooling, packaging cash flows and converting financial assets into securities that can be sold to investors.

SME
Small and medium-sized enterprises.

Stable funding index (SFI)
Term funding index (TFI) plus Customer funding index (CFI).

Standardised approach
An alternative approach used to calculate the capital requirement for credit risk, which utilises regulatory prescribed risk-weights based on external ratings and/or the application of specific regulator defined metrics to determine risk-weighted assets.

Standardised Measurement Approach (SMA)
An approach used to calculate the capital requirement for operational risk based on a business indicator, a financial statement proxy of operational risk exposure. This approach was applied by the Group from 1 January 2022.

Statutory net profit
Net profit attributable to owners of the Company.

Statutory return on equity
Statutory earnings after tax expressed as a percentage of average equity (adjusted), calculated on a statutory basis.

Term funding index (TFI)
Term wholesale funding with remaining maturity to first call date greater than 12 months, including Term Funding Facility (TFF) drawdowns divided by core assets.

Tier 1 capital
Tier 1 capital comprises CET1 capital and instruments that meet the criteria for inclusion as Additional Tier 1 capital set out in APS 111 Capital Adequacy: Measurement of Capital.

Tier 1 capital ratio
Tier 1 capital divided by risk-weighted assets.

Tier 2 capital
Tier 2 capital comprises other components of capital that, to varying degrees, do not meet the requirements as Tier 1 capital but nonetheless contribute to the overall strength of an ADI and its capacity to absorb losses.

Total average assets
The average balance of assets held by the Group over the period, adjusted for discontinued operations.

Total capital
Tier 1 capital plus Tier 2 capital.

Total capital ratio
Total capital divided by risk-weighted assets.

Treasury shares
Shares issued to meet the requirements of employee incentive schemes which have not yet been distributed.

Underlying profit / loss
Underlying profit / loss is a non-IFRS performance measure used by the Group. It represents cash earnings before credit impairment charges and income tax expense.

Value at Risk (VaR)
A mathematical technique that uses statistical analysis of historical data to estimate the likelihood that a given portfolio's losses will exceed a certain amount.

Weighted average number of ordinary shares

The number of ordinary shares outstanding at the beginning of the period, adjusted by the number of ordinary shares bought back or issued during the period multiplied by a time-weighting factor. The time-weighting factor is the number of days that the shares are outstanding as a proportion of the total number of days in the period.