



# FULL YEAR RESULTS 2021

Management Discussion and Analysis

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# FULL YEAR RESULTS 2021

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# 2021 FULL YEAR RESULTS SUMMARY



## 2021 FINANCIAL HIGHLIGHTS

**\$6,364M**

Statutory net profit

**\$6,558M**

Cash earnings<sup>1</sup>  
Up 76.8% v FY20

Up 38.6% v FY20 excluding FY20 large notable items<sup>2</sup>

**67CPS**

Final dividend  
100% franked

**13.00%**

Group Common Equity  
Tier 1 (CET1) ratio

“ Our results this year demonstrate we have navigated a challenging environment well while delivering better experiences for customers and colleagues, resulting in safe growth across our business. Asset quality outcomes improved, and cost growth was limited to 1.8% reflecting a balance between productivity and investment. FY21 has been a difficult period for Markets & Treasury income but excluding this, revenue was stable over the year and 2% higher in 2H21 compared with 1H21.

Our strategy is achieving results. While there is still much to do, I am encouraged by our progress as we execute with discipline and focus. Over the year, customer and colleague engagement scores increased, and we extended our market leadership in SME business with lending growth of 7%, well ahead of system<sup>3</sup>. Australian housing lending growth improved, up 4% over the year and outpacing system in the second half of FY21<sup>3</sup>, and our New Zealand business delivered strong lending growth in FY21 of 8%.

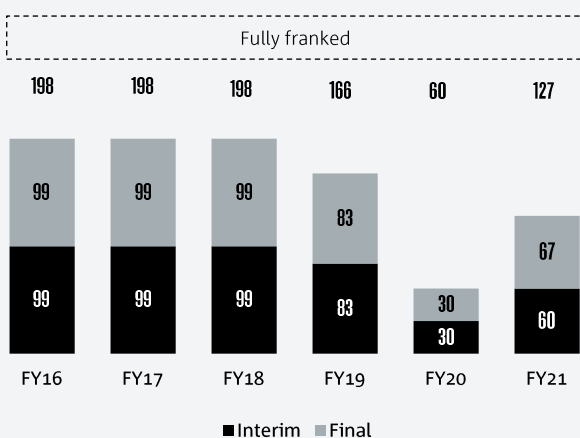
The lift in our final dividend to 67 cents per share brings the increase in total dividends over the year to 112% and reflects our optimism about the future. Our bank has momentum, our strategy is clear and as lockdown restrictions ease, a pick-up in activity is expected. While some uncertainties exist in the outlook including the impact of tapering support, our balance sheet settings are strong and we are well positioned for the expected economic rebound in Australia and New Zealand. ”

**ROSS MCEWAN NAB CEO**

## DIVIDENDS

### CENTS PER SHARE

In respect of each financial year / period



## SUPPORTING OUR CUSTOMERS & COMMUNITIES

- Strategic Net Promoter Score (NPS) increased 4 points from -11 in September 2020 to -7 in September 2021, with NAB ranked equal first of the major banks<sup>4</sup>
- Giving small businesses quicker and easier access to lending via the relaunched Quickbiz digital platform, featuring application through to cash disbursement within 20 minutes<sup>5</sup>
- Supporting colleagues to get vaccinated with flexible paid time off and a pilot workplace vaccination program
- Reaching a milestone in NAB's clean energy journey, having successfully closed 150 renewable energy finance transactions with \$11.5 billion committed globally since 2003 - equivalent to 26GW of renewable energy capacity

<sup>1</sup> Refer cash earnings note and reconciliation on page 6.

<sup>2</sup> Cash earnings large notable items after tax in FY20: customer-related and payroll remediation \$261m; capitalised software policy change \$668m; impairment of property-related assets \$94m.

<sup>3</sup> Based on APRA Monthly Authorised Deposit-Taking Institution statistics as at September 2021 for housing, and RBA Lending to Business – Business Finance Outstanding by Business Size and Industry data as at August 2021 for SME business lending.

<sup>4</sup> 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. Sourced from DBM Consultants Business and Consumer Atlas, measured on 6 month rolling average. Net Promoter Score (NPS) is based on all customers' likelihood to recommend on a scale of 0 (not at all likely) to 10 (extremely likely). Definition has been updated to give all customers in the Business and Consumer segments equal voice. The overall Strategic NPS result combines the Consumer (18+) and Business segments using a 50% weighting for each. History has been restated. Ranking based on absolute scores, not statistically significant differences.

<sup>5</sup> Launching late calendar year 2021 initially for unsecured lending and existing customers only.

# NAB 2021 FULL YEAR RESULTS

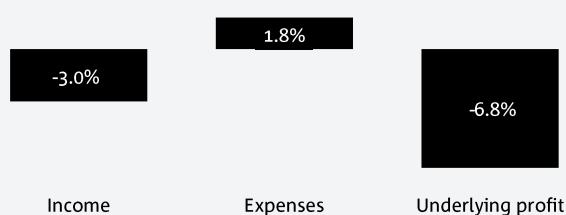
The September 2021 full year results are compared with the September 2020 full year results for continuing operations unless otherwise stated. Operating Performance and Asset Quality are expressed on a cash earnings basis.

## OPERATING PERFORMANCE FY21 V FY20

- Revenue declined 2.2%. Excluding large notable items in FY20<sup>6</sup>, revenue declined 3.0% with higher volumes more than offset by lower Markets & Treasury (M&T) income which was challenged by more limited trading opportunities.
- Gross loans and advances increased 5.9%, with housing lending up 5.3% and non-housing lending up 6.6%.
- Net Interest Margin (NIM) declined 6 basis points (bps) to 1.71%. Excluding a 6 bp reduction from M&T which includes the impact of holding higher liquid assets, NIM was flat reflecting lower funding and deposit costs and home loan repricing, partly offset by the impacts of the low interest rate environment combined with home lending competitive pressures and a mix shift towards more fixed rate lending.
- Expenses fell 13.2%. Excluding large notable items in FY20<sup>6</sup>, expenses rose 1.8% with key drivers including higher performance-based compensation provisions and additional hires to support growth, partly offset by productivity benefits and lower restructuring related costs.

### FY21 V FY20 DRIVERS OF CASH EARNINGS CHANGE

(ex FY20 large notable items<sup>6</sup>)



**“Execution of our strategy is delivering good momentum with lending up 6% in FY21, while FY21 expense growth of 1.8% is consistent with our target of 0-2% (excluding large notable items) and reflects a balance between cost discipline and investing for growth. We continue to target lower absolute costs over 3-5 years relative to the FY20 base of \$7.7bn<sup>7</sup>.”**

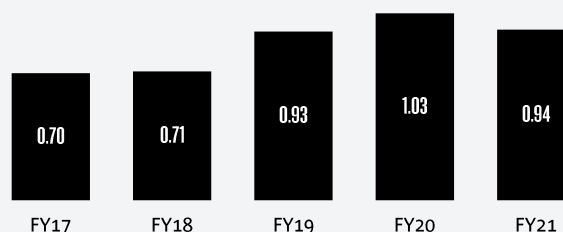
## ASSET QUALITY FY21 V FY20

- Credit impairment charge (CIC) was a write-back of \$217 million, versus a FY20 charge of \$2,762 million. The significant improvement reflects a reduction in charges for forward looking provisions and lower underlying charges.
- The FY21 write-back of \$217 million includes a net increase in charges for forward looking provisions of \$10 million and an underlying write-back of \$227 million which reflects improved asset quality across both housing and business lending combined with the impact of higher house prices and low specific charges.
- The ratio of 90+ days past due and gross impaired assets to gross loans and acceptances reduced 9 bps to 0.94%. Key drivers include lower levels of impaired assets in the business lending portfolio largely due to successful workouts, partly offset by the impact of missed payments from customers exiting deferrals.

### CREDIT IMPAIRMENT CHARGES/(WRITEBACKS) (\$ MILLIONS)



### 90+ DAYS PAST DUE & GROSS IMPAIRED ASSETS/GROSS LOANS AND ACCEPTANCES (%)



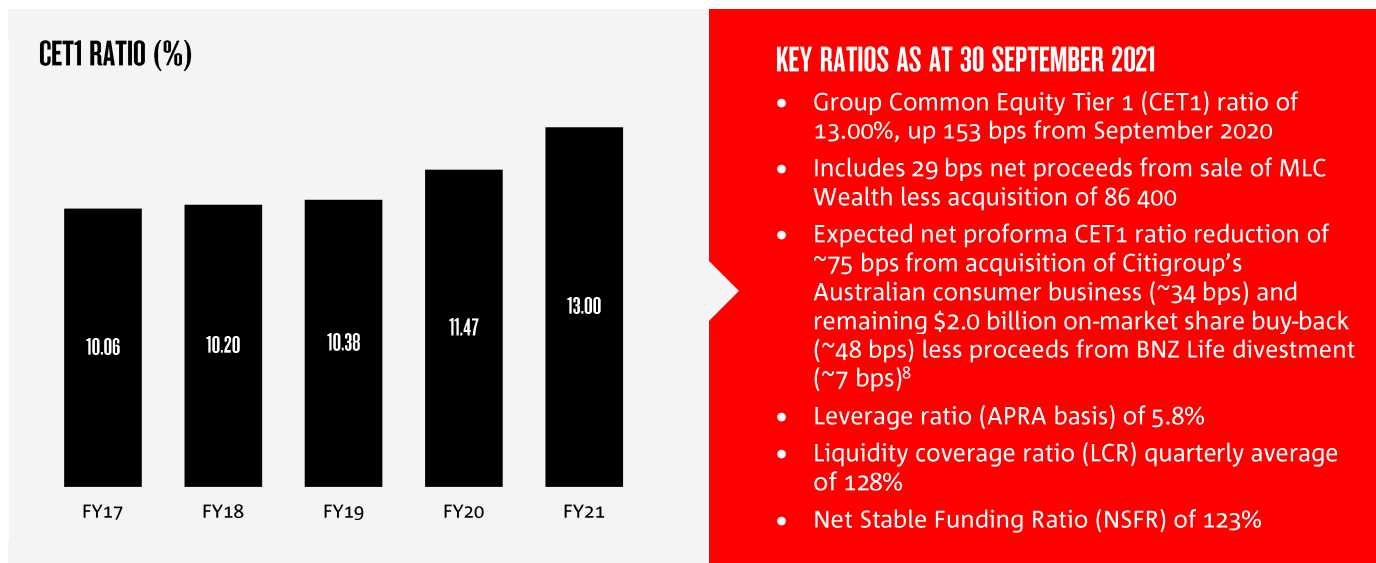
**“The economic outlook is improving with restrictions easing. But uncertainties exist including the impact of tapering support and the extent and breadth of the rebound. To reflect this, collective provisions remain prudent at 1.35% of credit risk weighted assets.”**

<sup>6</sup> FY20 revenue excludes customer-related remediation \$129m. FY20 expenses excludes customer-related and payroll remediation \$244m; capitalised software policy change \$950m and impairment of property-related assets \$134m. Underlying profit represents cash earnings before credit impairment charges, income tax and distributions. Refer note on cash earnings and reconciliation on page 6.

<sup>7</sup> Excluding large notable items, the impact of the proposed acquisition of Citigroup’s Australian consumer business and any potential non-recurring AML/KYC related costs including those incurred in addressing the issues subject to investigation by AUSTRAC, such as file remediation and other associated costs. Refer to key risks, qualifications and assumptions in relation to forward looking statements on page 7.

# NAB 2021 FULL YEAR RESULTS

## CAPITAL, FUNDING & LIQUIDITY



### KEY RATIOS AS AT 30 SEPTEMBER 2021

- Group Common Equity Tier 1 (CET1) ratio of 13.00%, up 153 bps from September 2020
- Includes 29 bps net proceeds from sale of MLC Wealth less acquisition of 86 400
- Expected net proforma CET1 ratio reduction of ~75 bps from acquisition of Citigroup's Australian consumer business (~34 bps) and remaining \$2.0 billion on-market share buy-back (~48 bps) less proceeds from BNZ Life divestment (~7 bps)<sup>8</sup>
- Leverage ratio (APRA basis) of 5.8%
- Liquidity coverage ratio (LCR) quarterly average of 128%
- Net Stable Funding Ratio (NSFR) of 123%

## DIVISIONAL PERFORMANCE – CASH EARNINGS<sup>9</sup>

	FY21 (\$M)	% CHANGE FY21 V FY20	KEY DRIVERS FY21 V FY20
Business & Private Banking	2,480	0.3	Broadly stable earnings reflecting lower credit impairment charges partly offset by higher operating expenses including investment in growth-related roles. Revenue declined 1% with volume growth offset by lower margins primarily reflecting the impact of the low interest rate environment.
Personal Banking	1,650	14.4	Higher earnings benefitting from lower credit impairment charges and volume growth in home lending. These impacts were partly offset by slightly lower margins and higher operating expenses including investment in growth-related roles.
Corporate & Institutional Banking	1,207	(14.8)	Earnings declined reflecting lower Markets income, combined with higher credit impairment charges relating to increased provisions associated with partial sale of an aviation portfolio (which have been offset by the release of provisions in Corporate Functions & Other).
New Zealand Banking (NZ\$m)	1,230	18.7	A strong performance with earnings benefitting from lower credit impairment charges, combined with higher revenue reflecting volume growth and increased margins. This was partly offset by higher operating expenses including investment to support growth and to strengthen compliance and controls.

<sup>8</sup> Proposed acquisition of Citigroup's Australian consumer business and sale of BNZ Life expected to complete in 2022 subject to timing of relevant regulatory approvals. Final capital impact will be determined following completion. Buy-back commenced in August 2021 and is expected to be undertaken over approximately 12 months.

<sup>9</sup> Excludes large notable items in FY20 which form part of Corporate Functions and Other.

## STRATEGIC OVERVIEW

The close of FY21 marks the first full year under our refreshed long term strategy. Despite challenges associated with COVID-19 this year, progress has been made against strategic objectives through disciplined execution, doing the basics well and supporting the needs of customers and colleagues. We know that there is more to do.

Our strategy provides clarity about where and how we will grow. We are focusing investment spend and management effort on key priorities, and executing more effectively. In FY21 we also took action to simplify and reshape our portfolio. The sale of MLC Wealth was completed, and we finalised the acquisition of 86 400 and announced the proposed acquisition of Citigroup's Australian consumer business to accelerate growth in UBank and Personal Banking respectively.

Our investments and actions are delivering improved customer and colleague outcomes. On the customer front, strategic NPS rose 4 points over the year to September 2021 to -7 and is equal highest of the major banks<sup>4</sup>. This is pleasing, but we have more to do to drive a positive NPS score and fully achieve our customer ambition. Our most recent colleague engagement score improved to 77, up from 75 in April and 66 in FY19, and is consistent with our ambition of being top quartile<sup>10</sup>.

We have growth momentum across our business as a result of improved experiences for customers and colleagues.

We are investing in our leading SME franchise, Business & Private Banking, to grow by delivering differentiated and better banking experiences for customers and colleagues. Embedding performance disciplines and adding approximately 550 new customer facing roles have been important initiatives in FY21. Alongside this is an increasing focus on simplifying, automating and digitising to provide faster, more seamless banking experiences. This includes transforming small business lending via Quickbiz with straight-through processing enabling application through to cash disbursement within 20 minutes<sup>5</sup>. Leveraging data and analytics to provide insights, more personalised experiences and faster decisioning is also underway including the launch of new facility renewal and annual review processes which allow bankers to make faster assessments based on customer behavioural drivers. These investments and initiatives are driving growth momentum. In FY21, SME business lending increased 7% versus FY20, market share in both SME and agri lending improved over the year, and business transaction account openings were 18% above FY20 levels.

In Australia, we are improving growth in home lending by increasingly simplifying and digitising the experience. During FY21 we simplified and streamlined our home lending policies, rolled out digital application and decisioning tools and enhanced the ability for customers to self-serve via the NAB App. These initiatives are delivering quicker, better outcomes for customers and colleagues during a period of significant increase in application volumes. Examples over the year include a 50% reduction in the time taken for our bankers to submit home loan applications and approximately 30% faster unconditional approval times. Our Simple Home Loans digital application platform has been a key driver of these outcomes, enabling simple lending to be originated far more seamlessly. Applications eligible to be submitted through the platform have risen to approximately 80% for our proprietary network over FY21, with rollout to Broker and Business & Private Banking channels planned for FY22. While still early days, it is encouraging to see these initiatives are making a difference with our Australian home lending growth improving to 4% over FY21 and tracking ahead of system growth in 2H21.

Digital, data and analytics are critical enablers of our strategic ambitions. By increasingly leveraging these capabilities, we can deliver simpler, faster, safer and more personalised customer and colleague outcomes more efficiently. Progress is underway across all businesses. To ensure we maximise these opportunities, Angela Mentis has been appointed to the newly created Executive Leadership Role of Group Chief Data, Digital & Analytics Officer, elevating the strategic importance and growth potential of our data and digital strategies.

As we increasingly simplify, automate and digitise, not only are we improving outcomes for our customers and colleagues, we are also becoming more efficient. This, in conjunction with clearer accountabilities and performance disciplines, has allowed us to limit FY21 cost growth to 1.8% (excluding large notable items in FY20), consistent with our target of 0-2% for this year. This has been achieved with investment at similar levels to FY20, reflecting a balanced approach to investing for sustainable growth while maintaining cost discipline. For FY22, we are targeting broadly flat levels of costs<sup>7</sup> and investment spend. Investment underpins our ability to execute our strategy and grow while remaining safe and resilient. Key focus areas of spend for FY22 include progressing work on a single mortgage factory, continued cloud migration, uplifting our merchant offering, enhanced use of data and analytics, and ongoing investment in cyber and financial crime prevention. We continue to target lower absolute costs over three to five years compared with FY20<sup>7</sup>.






During FY21 we adjusted our capital and dividend settings to reflect the importance of maintaining a strong balance sheet through the cycle while improving shareholder returns. We plan to manage CET1 over time towards a target range of 10.75-11.25% and for dividends to be guided by a payout ratio range of 65-75% of cash earnings, subject to Board determination based on circumstances at the time. Progress is underway and over FY21 we improved shareholder returns while retaining balance sheet strength. Cash ROE increased to 10.7% compared with 8.3% in FY20 and total dividends for FY21 of 127 cps are 112% higher than FY20 and represent a cash payout ratio of 64%. While September 2021 CET1 of 13.00% is above the top end of our range and higher over the year, actions underway are expected to progressively bring CET1 closer to our target range, including completion of the remaining \$2.0 billion on-market share buy-back. This, along with completion of the proposed acquisition of Citigroup's Australian consumer business (less BNZ Life sale proceeds) is expected to reduce CET1 by approximately 75 bps.

While there is much to do to achieve our ambition, we are on the right track. Our actions and investments are translating into better colleague and customer experiences, growth momentum and improving shareholder returns. This, combined with an expected rebound in economic activity as lockdown restrictions ease, make us optimistic about the future.

<sup>10</sup> 2019 score of 66 represents a restated score of the AON survey into a Glint 'Heartbeat' score methodology. Top quartile comparison is based upon Glint's client group (domestic & global, from all industries).

# NAB 2021 FULL YEAR RESULTS

## OUR ECONOMIC VALUE DISTRIBUTED

	<b>Suppliers</b>	Payments made for the provision of utilities, goods and services.	<b>\$4.5bn</b>
	<b>Community investment</b>	Community partnerships, donations, grants, in-kind support and volunteering. <sup>1</sup>	<b>\$64.6m</b>
	<b>Shareholders</b>	Dividend payments to more than 618,000 shareholders.	<b>\$2.9bn</b>
	<b>Colleagues</b>	Colleague salaries, superannuation contributions and incentives.	<b>\$4.4bn</b>
	<b>Governments</b>	Payments made to governments in the form of the Bank Levy (\$394 million paid) plus \$2.3 billion in income taxes, goods and services taxes, fringe benefit taxes and payroll taxes among others.	<b>\$2.7bn</b>
<b>Total economic value distributed</b>			<b>\$14.6bn</b>

## OUR INDIRECT ECONOMIC CONTRIBUTION

**\$98bn** in new home lending.

**\$102bn** in new business lending.

**\$500bn** in deposits managed for retail and business customers.

Provided **~\$2.2bn** in deferrals during COVID-19.

<sup>1</sup> For a detailed breakdown of the categories included within NAB's community investment, see the 'Community' tab in our [2021 Sustainability Data Pack](#)

## ECONOMIC OUTLOOK

**“After a strong start to 2021, ongoing lockdowns in Sydney and Melbourne, together with periods of disruption elsewhere have postponed Australia’s recovery until 2022. Large hits to economic activity are expected to see September quarter GDP down 3.8% and growth of 1.6% for 2021, before rebounding to 4.0% in 2022 with restrictions easing. Important in underpinning the rebound are healthy household balance sheets, ongoing policy support and a recent improvement in business confidence. Unemployment is forecast to follow a similar path to GDP, peaking at around 4.7% in late 2021, before resuming its downward trend and reaching 4.2% by end 2022. This is expected to drive a gradual strengthening in wage growth and inflation, and a move to higher cash rates from mid 2023.**

**New Zealand’s recovery was well-advanced before recent lockdowns. While these have negatively impacted the economy, activity is expected to rebound as restrictions ease. Due to capacity constraints in the economy and elevated inflation, the central bank has recently commenced raising its overnight cash rate.”**



# NAB 2021 FULL YEAR RESULTS

## 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 2021 Full Year Results Management Discussion & 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 NAB on pages 75 to 77.

	Year to			Half Year to		
	Sep 21 \$m	Sep 20 \$m	Sep 21 v Sep 20 %	Sep 21 \$m	Mar 21 \$m	Sep 21 v Mar 21 %
Net interest income <sup>11</sup>	13,797	13,920	(0.9)	6,958	6,839	1.7
Other operating income <sup>11</sup>	3,009	3,399	(11.5)	1,409	1,600	(11.9)
Large notable items <sup>12</sup>	-	(129)	large	-	-	-
<b>Net operating income</b>	<b>16,806</b>	<b>17,190</b>	<b>(2.2)</b>	<b>8,367</b>	<b>8,439</b>	<b>(0.9)</b>
Operating expenses <sup>11</sup>	(7,817)	(7,679)	1.8	(3,954)	(3,863)	2.4
Large notable items <sup>12</sup>	-	(1,328)	large	-	-	-
<b>Underlying profit</b>	<b>8,989</b>	<b>8,183</b>	<b>9.8</b>	<b>4,413</b>	<b>4,576</b>	<b>(3.6)</b>
Credit impairment (charge)/writeback	217	(2,762)	large	89	128	(30.5)
<b>Cash earnings before tax and distributions</b>	<b>9,206</b>	<b>5,421</b>	<b>69.8</b>	<b>4,502</b>	<b>4,704</b>	<b>(4.3)</b>
Income tax expense	(2,635)	(1,672)	57.6	(1,287)	(1,348)	(4.5)
<b>Cash earnings before distributions</b>	<b>6,571</b>	<b>3,749</b>	<b>75.3</b>	<b>3,215</b>	<b>3,356</b>	<b>(4.2)</b>
Distributions	(13)	(39)	(66.7)	-	(13)	large
<b>Cash earnings</b>	<b>6,558</b>	<b>3,710</b>	<b>76.8</b>	<b>3,215</b>	<b>3,343</b>	<b>(3.8)</b>
Large notable items <sup>12</sup>	-	(1,023)	large	-	-	-
<b>Cash earnings (excluding large notable items)<sup>12</sup></b>	<b>6,558</b>	<b>4,733</b>	<b>38.6</b>	<b>3,215</b>	<b>3,343</b>	<b>(3.8)</b>
Non-cash earnings items (after tax)	(87)	(212)	(59.0)	26	(113)	large
<b>Net profit from continuing operations</b>	<b>6,471</b>	<b>3,498</b>	<b>85.0</b>	<b>3,241</b>	<b>3,230</b>	<b>0.3</b>
Net loss after tax from discontinued operations <sup>13</sup>	(107)	(939)	(88.6)	(85)	(22)	large
<b>Net profit attributable to owners of NAB</b>	<b>6,364</b>	<b>2,559</b>	<b>large</b>	<b>3,156</b>	<b>3,208</b>	<b>(1.6)</b>
<b>Represented by<sup>14</sup>:</b>						
Business and Private Banking	2,480	2,472	0.3	1,264	1,216	3.9
Personal Banking	1,650	1,442	14.4	791	859	(7.9)
Corporate and Institutional Banking	1,207	1,416	(14.8)	425	782	(45.7)
New Zealand Banking	1,154	977	18.1	578	576	0.3
Corporate Functions and Other	67	(1,574)	large	157	(90)	large
Large notable items <sup>12</sup>	-	(1,023)	large	-	-	-
<b>Cash earnings</b>	<b>6,558</b>	<b>3,710</b>	<b>76.8</b>	<b>3,215</b>	<b>3,343</b>	<b>(3.8)</b>

## SHAREHOLDER SUMMARY

	Year to			Half Year to		
	Sep 21	Sep 20	Sep 21 v Sep 20	Sep 21	Mar 21	Sep 21 v Mar 21
<b>Group – including discontinued operations</b>						
Dividend per share (cents)	127	60	67	67	60	7
Statutory dividend payout ratio	65.8%	73.1%	(730 bps)	69.9%	61.8%	810 bps
Statutory earnings per share (cents) – basic	193.0	82.1	110.9	95.9	97.1	(1.2)
Statutory earnings per share (cents) – diluted	185.2	80.5	104.7	92.1	92.7	(0.6)
Statutory return on equity	10.4%	4.4%	600 bps	10.2%	10.6%	(40 bps)
<b>Group – continuing operations</b>						
Cash dividend payout ratio	63.7%	49.6%	large	68.6%	59.1%	950 bps
Statutory dividend payout ratio from continuing operations	64.7%	53.2%	large	68.0%	61.3%	670 bps
Statutory earnings per share from continuing operations (cents) – basic	196.3	112.7	83.6	98.5	97.8	0.7
Statutory earnings per share from continuing operations (cents) – diluted	188.2	108.6	79.6	94.5	93.4	1.1
Cash earnings per share (cents) – basic	199.3	120.9	78.4	97.7	101.6	(3.9)
Cash earnings per share (cents) – diluted	191.0	116.2	74.8	93.7	96.9	(3.2)
Cash return on equity (ROE)	10.7%	6.5%	420 bps	10.3%	11.1%	(80 bps)
<b>Group – continuing operations (excluding large notable items)<sup>12</sup></b>						
Cash dividend payout ratio	63.7%	38.9%	large	68.6%	59.1%	950 bps
Statutory dividend payout ratio from continuing operations	64.7%	41.1%	large	68.0%	61.3%	670 bps
Statutory earnings per share from continuing operations (cents) – basic	196.3	146.1	50.2	98.5	97.8	0.7
Statutory earnings per share from continuing operations (cents) – diluted	188.2	139.3	48.9	94.5	93.4	1.1
Cash earnings per share (cents) – basic	199.3	154.3	45.0	97.7	101.6	(3.9)
Cash earnings per share (cents) – diluted	191.0	146.9	44.1	93.7	96.9	(3.2)
Cash return on equity (ROE)	10.7%	8.3%	240 bps	10.3%	11.1%	(80 bps)

<sup>11</sup> Excluding large notable items. In the September 2021 full year, the Group did not recognise any amounts as large notable items.

<sup>12</sup> Refer to NAB's 2021 Full Year Results Management Discussion & Analysis Section 4 Large notable items for further information.

<sup>13</sup> Refer to NAB's 2021 Annual Financial Report Note 37 Discontinued Operations for further information.

<sup>14</sup> Comparative information has been restated to reflect a reallocation of operating expenses between business units in the March 2021 half year after the Group's organisational restructure.

# NAB 2021 FULL YEAR RESULTS

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## FOR FURTHER INFORMATION

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This Results Summary has been authorised for release by Gary Lennon, Group Chief Financial Officer.

## DISCLAIMER – FORWARD LOOKING STATEMENTS

This Result Summary and the 2021 Full Year Results Management Discussion & 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) the risks and uncertainties associated with the ongoing impacts of COVID-19, changes to the Australian and global economic environment and capital market conditions, changes to the operating and regulatory environment of the Group and changes to the financial position or performance of the Group. Further information is contained in the Group's Annual Financial Report for the 2021 financial year, available at [www.nab.com.au](http://www.nab.com.au).

# FULL YEAR RESULTS 2021

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## SECTION 1

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# 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 document.

## Non-IFRS key financial performance measures used by the Group

Certain financial measures detailed in this 2021 Full Year Results Management Discussion and Analysis are not accounting measures within the scope of International Financial Reporting Standards (IFRS). Management use these financial metrics to measure the Group's overall financial performance and position and believe the presentation of these financial measures provide 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 information in relation to these financial measures is 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 and gains or losses and certain other items associated with the acquisition, disposal and closure of businesses.

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 Australian Accounting Standards 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 2021 full year has been adjusted for the following:

- distributions
- hedging and fair value volatility
- amortisation of acquired intangible assets
- acquisition, integration and transaction costs.

## 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 applicable Australian Accounting Standards, can be found in the 2021 Annual Financial 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 76-77.

Page 75 contains a description of non-cash earnings items for the September 2021 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.

## GROUP PERFORMANCE RESULTS

	Year to <sup>(1)</sup>			Half Year to <sup>(1)</sup>		
	Sep 21 \$m	Sep 20 \$m	Sep 21 v Sep 20 %	Sep 21 \$m	Mar 21 \$m	Sep 21 v Mar 21 %
Net interest income <sup>(2)</sup>	13,797	13,920	(0.9)	6,958	6,839	1.7
Other operating income <sup>(2)</sup>	3,009	3,399	(11.5)	1,409	1,600	(11.9)
Large notable items <sup>(3)</sup>	-	(129)	large	-	-	-
<b>Net operating income</b>	<b>16,806</b>	<b>17,190</b>	<b>(2.2)</b>	<b>8,367</b>	<b>8,439</b>	<b>(0.9)</b>
Operating expenses <sup>(2)</sup>	(7,817)	(7,679)	1.8	(3,954)	(3,863)	2.4
Large notable items <sup>(3)</sup>	-	(1,328)	large	-	-	-
<b>Underlying profit</b>	<b>8,989</b>	<b>8,183</b>	<b>9.8</b>	<b>4,413</b>	<b>4,576</b>	<b>(3.6)</b>
Credit impairment (charge) / write-back	217	(2,762)	large	89	128	(30.5)
<b>Cash earnings before tax and distributions</b>	<b>9,206</b>	<b>5,421</b>	<b>69.8</b>	<b>4,502</b>	<b>4,704</b>	<b>(4.3)</b>
Income tax expense	(2,635)	(1,672)	57.6	(1,287)	(1,348)	(4.5)
<b>Cash earnings before distributions</b>	<b>6,571</b>	<b>3,749</b>	<b>75.3</b>	<b>3,215</b>	<b>3,356</b>	<b>(4.2)</b>
Distributions	(13)	(39)	(66.7)	-	(13)	large
<b>Cash earnings</b>	<b>6,558</b>	<b>3,710</b>	<b>76.8</b>	<b>3,215</b>	<b>3,343</b>	<b>(3.8)</b>
Large notable items <sup>(3)</sup>	-	(1,023)	large	-	-	-
<b>Cash earnings (excluding large notable items)<sup>(3)</sup></b>	<b>6,558</b>	<b>4,733</b>	<b>38.6</b>	<b>3,215</b>	<b>3,343</b>	<b>(3.8)</b>
<i>Non-cash earnings items (after tax):</i>						
Distributions	13	39	(66.7)	-	13	large
Hedging and fair value volatility	(63)	(34)	85.3	63	(126)	large
Amortisation of acquired intangible assets <sup>(4)</sup>	(4)	(217)	(98.2)	(4)	-	large
Acquisition, integration and transaction costs	(33)	-	large	(33)	-	large
<b>Net profit from continuing operations</b>	<b>6,471</b>	<b>3,498</b>	<b>85.0</b>	<b>3,241</b>	<b>3,230</b>	<b>0.3</b>
Net loss attributable to owners of NAB from discontinued operations	(107)	(939)	(88.6)	(85)	(22)	large
<b>Net profit attributable to owners of NAB</b>	<b>6,364</b>	<b>2,559</b>	<b>large</b>	<b>3,156</b>	<b>3,208</b>	<b>(1.6)</b>
<b>Represented by:<sup>(5)</sup></b>						
Business and Private Banking	2,480	2,472	0.3	1,264	1,216	3.9
Personal Banking	1,650	1,442	14.4	791	859	(7.9)
Corporate and Institutional Banking	1,207	1,416	(14.8)	425	782	(45.7)
New Zealand Banking	1,154	977	18.1	578	576	0.3
Corporate Functions and Other	67	(1,574)	large	157	(90)	large
Large notable items <sup>(3)</sup>	-	(1,023)	large	-	-	-
<b>Cash earnings</b>	<b>6,558</b>	<b>3,710</b>	<b>76.8</b>	<b>3,215</b>	<b>3,343</b>	<b>(3.8)</b>

(1) Information is presented on a continuing operations basis, unless otherwise stated.

(2) Excludes large notable items. In the September 2021 full year, the Group did not recognise any amounts as large notable items.

(3) Refer to Section 4 Large notable items for further information.

(4) The September 2020 full year included an impairment of acquired intangible assets.

(5) Comparative information has been restated to reflect a reallocation of operating expenses between business units in the March 2021 half year after the Group's organisational restructure.

## GROUP PERFORMANCE RESULTS (CONTINUED)

Review of Group performance results<sup>(1)</sup>

## September 2021 v September 2020

**Statutory net profit** increased by \$3,805 million. Excluding the impact of discontinued operations, statutory net profit increased by \$2,973 million or 85.0%.<sup>(2)</sup>

**Cash earnings** increased by \$2,848 million or 76.8%. Excluding large notable items of \$1,023 million in the September 2020 full year, cash earnings increased by \$1,825 million or 38.6%.

**Net interest income** decreased by \$74 million or 0.5%. Excluding large notable items of \$49 million in the September 2020 full year, net interest income decreased by \$123 million or 0.9%. This includes an increase of \$192 million due to movements in economic hedges, offset in other operating income. Excluding these movements, the underlying decrease of \$315 million or 2.3% was driven by lower earnings rates on deposits and capital due to the low interest rate environment, competitive pressures and product mix impacting housing lending margins, lower NAB risk management income in Markets and Treasury and lower average lending volumes. These movements were partially offset by the impact of lower term deposit costs, deposit repricing and favourable deposit mix, combined with repricing in the housing lending portfolio and lower wholesale funding costs.

**Other operating income** decreased by \$310 million or 9.3%. Excluding large notable items of \$80 million in the September 2020 full year, other operating income decreased by \$390 million or 11.5%. This includes a decrease of \$192 million due to movements in economic hedges, offset in net interest income. Excluding these movements, the underlying decrease of \$198 million or 5.8% was primarily driven by lower NAB risk management income in Markets and Treasury, partially offset by a positive derivative valuation adjustment.

**Operating expenses** decreased by \$1,190 million or 13.2%. Excluding large notable items of \$1,328 million in the September 2020 full year, operating expenses increased by \$138 million or 1.8%. The underlying increase was primarily driven by higher personnel expenses including provisions for higher performance-based compensation, additional bankers and resources to support growth and to support customers in response to COVID-19, combined with salary increases and additional costs associated with the investment in technology capabilities. These were partially offset by productivity benefits achieved through simplification of the Group's operations, a reduction in third party spend and lower restructuring-related costs.

**Credit impairment charge** decreased by \$2,979 million driven primarily by a \$1,846 million reduction in charges for forward looking provisions as a result of COVID-19. Excluding forward looking provisions, underlying charges have decreased by \$1,133 million due to lower levels

of individual impaired exposures and collective credit impairment charges across the Group's lending portfolio.

## September 2021 v March 2021

**Statutory net profit** decreased by \$52 million or 1.6%. Excluding the impact of discontinued operations, statutory net profit increased by \$11 million or 0.3%.<sup>(2)</sup>

**Cash earnings** decreased by \$128 million or 3.8%.

**Net interest income** increased by \$119 million or 1.7%. This includes an increase of \$14 million due to movements in economic hedges, offset in other operating income. Excluding this movement, the underlying increase of \$105 million or 1.5% was driven by lower term deposit costs, deposit repricing and favourable deposit mix, combined with higher average lending volumes and lower wholesale funding costs. These movements were partially offset by competitive pressures and product mix impacting housing lending margins, lower earnings rates on deposits and capital due to the low interest rate environment and lower NAB risk management income in Markets and Treasury.

**Other operating income** decreased by \$191 million or 11.9%. This includes a decrease of \$14 million due to movements in economic hedges, offset in net interest income. Excluding this movement, the underlying decrease of \$177 million or 11.1% was primarily driven by lower NAB risk management income in Markets and Treasury and lower cards income from reduced transaction volumes as a result of COVID-19 restrictions.

**Operating expenses** increased by \$91 million or 2.4%. This was primarily due to additional bankers and resources to support growth, salary increases and higher investment spend. These were partially offset by productivity benefits achieved through simplification of the Group's operations and a reduction in third party spend.

**Credit impairment write-back** decreased by \$39 million or 30.5% due to an increase in charges for forward looking provisions.

(1) Information is presented on a continuing operations basis, unless otherwise stated.

(2) The results of discontinued operations primarily relate to the net results of MLC Wealth and MLC Wealth-related items, combined with a reassessment of customer-related remediation.

## GROUP PERFORMANCE RESULTS (CONTINUED)

## Shareholder summary

	Year to			Half Year to		
	Sep 21	Sep 20	Sep 21 v Sep 20	Sep 21	Mar 21	Sep 21 v Mar 21
<b>Group - Including discontinued operations</b>						
Dividend per share (cents)	127	60	67	67	60	7
Statutory dividend payout ratio	65.8%	73.1%	(730 bps)	69.9%	61.8%	810 bps
Statutory earnings per share (cents) - basic	193.0	82.1	110.9	95.9	97.1	(1.2)
Statutory earnings per share (cents) - diluted	185.2	80.5	104.7	92.1	92.7	(0.6)
Statutory return on equity	10.4%	4.4%	600 bps	10.2%	10.6%	(40 bps)
<b>Group - Continuing operations<sup>(1)</sup></b>						
Cash dividend payout ratio	63.7%	49.6%	large	68.6%	59.1%	950 bps
Statutory dividend payout ratio from continuing operations	64.7%	53.2%	large	68.0%	61.3%	670 bps
Statutory earnings per share from continuing operations (cents) - basic	196.3	112.7	83.6	98.5	97.8	0.7
Statutory earnings per share from continuing operations (cents) - diluted	188.2	108.6	79.6	94.5	93.4	1.1
Cash earnings per share (cents) - basic	199.3	120.9	78.4	97.7	101.6	(3.9)
Cash earnings per share (cents) - diluted	191.0	116.2	74.8	93.7	96.9	(3.2)
Cash return on equity	10.7%	6.5%	420 bps	10.3%	11.1%	(80 bps)
<b>Group - Continuing operations (excluding large notable items)<sup>(1)(2)</sup></b>						
Cash dividend payout ratio	63.7%	38.9%	large	68.6%	59.1%	950 bps
Statutory dividend payout ratio from continuing operations	64.7%	41.1%	large	68.0%	61.3%	670 bps
Statutory earnings per share from continuing operations (cents) - basic	196.3	146.1	50.2	98.5	97.8	0.7
Statutory earnings per share from continuing operations (cents) - diluted	188.2	139.3	48.9	94.5	93.4	1.1
Cash earnings per share (cents) - basic	199.3	154.3	45.0	97.7	101.6	(3.9)
Cash earnings per share (cents) - diluted	191.0	146.9	44.1	93.7	96.9	(3.2)
Cash return on equity	10.7%	8.3%	240 bps	10.3%	11.1%	(80 bps)

(1) Information is presented on a continuing operations basis, unless otherwise stated.

(2) Refer to Section 4 Large notable items for further information.

## SECTION 1 GROUP HIGHLIGHTS

# GROUP PERFORMANCE RESULTS (CONTINUED)

### Key performance indicators

	Year to			Half Year to		
	Sep 21	Sep 20	Sep 21 v	Sep 21	Mar 21	Sep 21 v
			Sep 20			Mar 21
<b>Group - Continuing operations<sup>(1)</sup></b>						
Cash earnings on average assets	0.74%	0.42%	32 bps	0.71%	0.77%	(6 bps)
Cash earnings on average risk-weighted assets	1.56%	0.88%	68 bps	1.54%	1.59%	(5 bps)
Cash earnings per average FTE (\$'000)	206	119	73.1%	195	214	(8.9%)
Cost to income (CTI) ratio	46.5%	52.4%	(590 bps)	47.3%	45.8%	150 bps
Net interest margin	1.71%	1.77%	(6 bps)	1.69%	1.74%	(5 bps)
<b>Group - Continuing operations (excluding large notable items)<sup>(1)(2)</sup></b>						
Cash earnings on average assets	0.74%	0.54%	20 bps	0.71%	0.77%	(6 bps)
Cash earnings on average risk-weighted assets	1.56%	1.12%	44 bps	1.54%	1.59%	(5 bps)
Cash earnings per average FTE (\$'000)	206	152	35.5%	195	214	(8.9%)
Cost to income (CTI) ratio	46.5%	44.3%	220 bps	47.3%	45.8%	150 bps
Net interest margin	1.71%	1.78%	(7 bps)	1.69%	1.74%	(5 bps)
<b>Total Group capital</b>						
Common Equity Tier 1 (CET1) capital ratio	13.00%	11.47%	153 bps	13.00%	12.37%	63 bps
Tier 1 capital ratio	14.64%	13.20%	144 bps	14.64%	14.01%	63 bps
Total capital ratio	18.91%	16.62%	229 bps	18.91%	17.90%	101 bps
Risk-weighted assets (\$bn)	417.2	425.1	(1.9%)	417.2	417.6	(0.1%)
<b>Volumes (\$bn)</b>						
Gross loans and acceptances	629.1	594.1	5.9%	629.1	598.7	5.1%
Average interest earning assets	805.0	781.7	3.0%	822.7	787.1	4.5%
Total average assets	889.6	877.0	1.4%	905.0	874.0	3.5%
Total customer deposits	500.3	468.2	6.9%	500.3	475.8	5.1%
<b>Asset quality</b>						
90+ days past due (DPD) and gross impaired assets to gross loans and acceptances	0.94%	1.03%	(9 bps)	0.94%	1.23%	(29 bps)
Collective provision to credit risk-weighted assets	1.35%	1.56%	(21 bps)	1.35%	1.50%	(15 bps)
Specific provision to gross impaired assets	52.8%	45.0%	780 bps	52.8%	47.6%	520 bps
<b>Full-time equivalent employees (FTE)<sup>(3)</sup></b>						
FTE (spot)	33,275	34,944	(4.8%)	33,275	35,078	(5.1%)
FTE (average)	34,217	34,841	(1.8%)	33,853	34,704	(2.5%)

(1) Information is presented on a continuing operations basis, unless otherwise stated.

(2) Refer to Section 4 Large notable items for further information.

(3) Excluding discontinued operations, FTE (spot) is 32,741 (2020: 31,372) and FTE (average) is 31,897 (2020: 31,204).

	As at		
	30 Sep 21	31 Mar 21	30 Sep 20
<b>Market share</b>			
<b>Australia</b>			
Business lending <sup>(1)</sup>	22.0%	21.6%	21.5%
Business lending <sup>(2)</sup>	20.8%	20.6%	20.5%
Business deposits <sup>(1)</sup>	19.2%	19.2%	18.9%
Housing lending <sup>(1)</sup>	14.4%	14.4%	14.6%
Household deposits <sup>(1)</sup>	13.3%	13.3%	13.3%
<b>New Zealand<sup>(3)</sup></b>			
Housing lending	16.5%	16.2%	16.0%
Agribusiness	20.7%	20.8%	21.0%
Business lending	22.5%	22.3%	22.5%
Retail deposits	17.9%	17.7%	17.6%

(1) Source: APRA Monthly Authorised Deposit-taking Institution Statistics.

(2) Source: RBA Financial System.

(3) Source: RBNZ.

	As at		
	30 Sep 21	31 Mar 21	30 Sep 20
<b>Distribution</b>			
<b>Number of retail branches and business banking centres</b>			
Australia	608	646	674
New Zealand	140	168	178



# FULL YEAR RESULTS 2021

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## SECTION 2

### GROUP REVIEW

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## NET INTEREST INCOME

	Year to			Half Year to		
	Sep 21	Sep 20	Sep 21 v Sep 20 %	Sep 21	Mar 21	Sep 21 v Mar 21 %
Net interest income (\$m) <sup>(1)</sup>	13,797	13,920	(0.9)	6,958	6,839	1.7
Large notable items (\$m) <sup>(2)</sup>	-	(49)	large	-	-	-
<b>Net interest income (\$m)</b>	<b>13,797</b>	<b>13,871</b>	<b>(0.5)</b>	<b>6,958</b>	<b>6,839</b>	<b>1.7</b>
Average interest earning assets (\$bn)	805.0	781.7	3.0	822.7	787.1	4.5
Net interest margin (%) <sup>(3)</sup>	1.71	1.77	(6 bps)	1.69	1.74	(5 bps)

(1) Excludes large notable items.

(2) Refer to Section 4 Large notable items for further information.

(3) Includes large notable items.

## September 2021 v September 2020

**Net interest income** decreased by \$74 million or 0.5%. Excluding large notable items of \$49 million in the September 2020 full year, net interest income decreased by \$123 million or 0.9%. This includes an increase of \$192 million due to movements in economic hedges, offset in other operating income. Excluding these movements, the underlying decrease of \$315 million or 2.3% was due to:

- A lower earnings rate on deposits and capital due to the low interest rate environment, partially offset by higher non-interest bearing deposit volumes and an increase in the level of capital held.
- Competitive pressures impacting housing lending margins.
- The impact of changes in customer preferences towards lower margin fixed rate housing loans.
- Lower NAB risk management income in Markets and Treasury.
- Lower average lending volumes, including growth in offset balances in the housing lending portfolio.

The underlying decrease was partially offset by:

- Lower term deposit costs, deposit repricing and favourable deposit mix.
- The impact of repricing in the housing lending portfolio.
- Lower wholesale funding costs.

## September 2021 v March 2021

**Net interest income** increased by \$119 million or 1.7%. This includes an increase of \$14 million due to movements in economic hedges, offset in other operating income. Excluding this movement, the underlying increase of \$105 million or 1.5% was due to:

- Lower term deposit costs, deposit repricing and favourable deposit mix.
- An increase in average lending volumes.
- Lower wholesale funding costs.

The underlying increase was partially offset by:

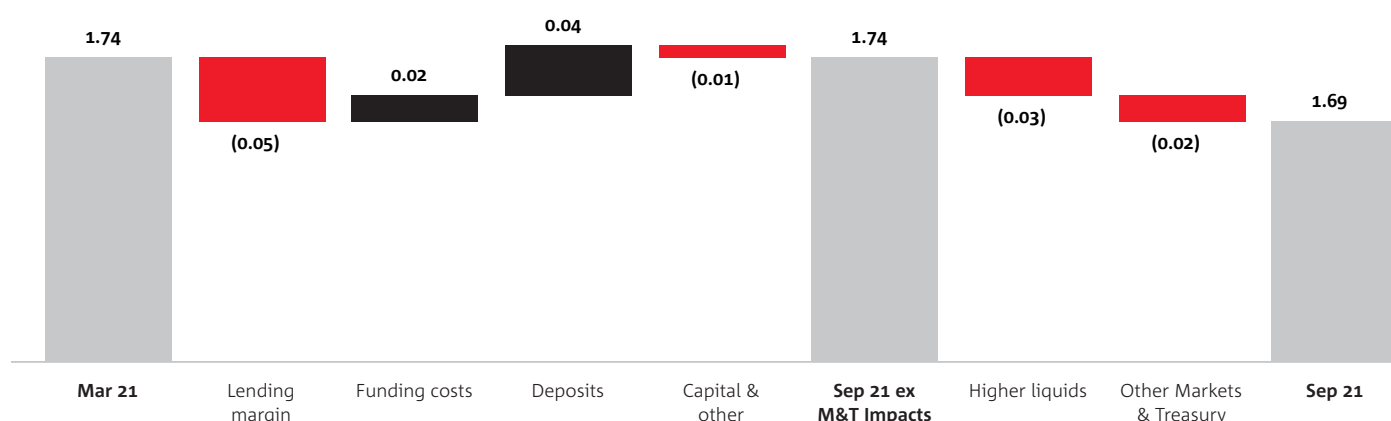
- Competitive pressures impacting housing lending margins.
- The impact of changes in customer preferences towards lower margin fixed rate housing loans.
- A lower earnings rate on deposits and capital due to the low interest rate environment, partially offset by higher non-interest bearing deposit volumes.
- Lower NAB risk management income in Markets and Treasury.

## NET INTEREST MARGIN

	Year to <sup>(1)</sup>			Half Year to <sup>(1)</sup>		
	Sep 21 %	Sep 20 %	Sep 21 v Sep 20	Sep 21 %	Mar 21 %	Sep 21 v Mar 21
Group net interest margin	1.71	1.77	(6 bps)	1.69	1.74	(5 bps)
Business and Private Banking	2.84	2.86	(2 bps)	2.85	2.83	2 bps
Personal Banking	2.03	2.04	(1 bp)	2.01	2.05	(4 bps)
Corporate and Institutional Banking	0.74	0.76	(2 bps)	0.75	0.73	2 bps
New Zealand Banking	2.29	2.19	10 bps	2.29	2.29	-

(1) Includes large notable items.

## Group net interest margin movement



## September 2021 v September 2020

The Group's **net interest margin** decreased by 6 basis points. Excluding a decrease of 6 basis points in Markets and Treasury and an increase of 1 basis point from large notable items in the September 2020 full year, the underlying margin was down 1 basis point due to the following items:

- A decrease of 4 basis points driven by a lower earnings rate on capital due to the low interest rate environment.
- A decrease of 3 basis points in lending margin driven by competitive pressures and the impacts of changes in customer preferences toward lower margin fixed rates in the housing lending portfolio, partially offset by housing lending repricing.
- An increase of 4 basis points driven by lower wholesale funding costs.
- An increase of 2 basis points driven by lower term deposit costs, deposit repricing and favourable deposit mix, partially offset by a lower earnings rate on deposits due to the low interest rate environment.

The decrease of 6 basis points in Markets and Treasury was due to:

- A decrease of 5 basis points driven by higher volumes of lower yielding high-quality liquid assets (HQLA).
- A decrease of 3 basis points due to lower NAB risk management income.
- An increase of 2 basis points due to higher income from Treasury hedging activities offset in other operating income.

## September 2021 v March 2021

The Group's **net interest margin** decreased by 5 basis points. Excluding a decrease of 5 basis points in Markets and Treasury, the underlying movement was flat due to the following items:

- A decrease of 5 basis points in lending margin driven by competitive pressures and the impacts of changes in customer preferences towards lower margin fixed rates in the housing lending portfolio.
- A decrease of 1 basis point driven by a lower earnings rate on capital due to the low interest rate environment.
- An increase of 4 basis points in deposits driven by lower term deposit costs, deposit repricing and favourable deposit mix, partially offset by a lower earnings rate on deposits due to the low interest rate environment.
- An increase of 2 basis points driven by lower wholesale funding costs.

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

- A decrease of 3 basis points driven by higher volumes of lower yielding HQLA.
- A decrease of 2 basis points due to lower NAB risk management income.

## OTHER OPERATING INCOME

	Year to <sup>(1)</sup>			Half Year to <sup>(1)</sup>		
	Sep 21 \$m	Sep 20 \$m	Sep 21 v Sep 20 %	Sep 21 \$m	Mar 21 \$m	Sep 21 v Mar 21 %
Fees and commissions	2,088	2,094	(0.3)	1,012	1,076	(5.9)
Trading income	682	1,144	(40.4)	246	436	(43.6)
Other	239	161	48.4	151	88	71.6
<b>Other operating income (excluding large notable items)</b>	<b>3,009</b>	<b>3,399</b>	<b>(11.5)</b>	<b>1,409</b>	<b>1,600</b>	<b>(11.9)</b>
Large notable items <sup>(2)</sup>	-	(80)	large	-	-	-
<b>Total other operating income</b>	<b>3,009</b>	<b>3,319</b>	<b>(9.3)</b>	<b>1,409</b>	<b>1,600</b>	<b>(11.9)</b>

(1) Information is presented on a continuing operations basis, unless otherwise stated.

(2) Refer to Section 4 Large notable items for further information.

## September 2021 v September 2020

**Other operating income** decreased by \$310 million or 9.3%. Excluding large notable items of \$80 million in the September 2020 full year, other operating income decreased by \$390 million or 11.5%.

**Fees and commissions** decreased by \$6 million or 0.3%. Excluding customer-related remediation of \$60 million<sup>(1)</sup> in the September 2021 full year and \$30 million related to lower fees as a result of the sale of the broker aggregation businesses, the underlying increase was \$84 million. The increase was primarily due to higher fee income in Corporate and Institutional Banking, higher merchant acquiring income due to increased transaction volumes and fees resuming as COVID-19 waivers ended, combined with higher JBWere income as a result of an increase in funds under administration driven by improved market valuations and net inflows.

**Trading income** decreased by \$462 million or 40.4%. This includes a decrease of \$192 million due to movements in economic hedges, offset in net interest income. Excluding this movement, the underlying decrease of \$270 million was mainly due to lower NAB risk management income in Markets and Treasury, partially offset by a positive derivative valuation adjustment.

**Other income** increased by \$78 million or 48.4% primarily due to realised gains on bond sales in Treasury (high-quality liquids portfolio).

## September 2021 v March 2021

**Other operating income** decreased by \$191 million or 11.9%.

**Fees and commissions** decreased by \$64 million or 5.9%. Excluding customer-related remediation of \$22 million in the September 2021 half year and \$14 million related to lower fees as a result of the sale of the broker aggregation businesses, the underlying decrease was \$28 million. The decrease was primarily due to lower cards income from reduced transaction volumes as a result of COVID-19 restrictions and lower merchant acquiring income due to higher scheme charges. This was partially offset by higher home lending fees from volume growth.

**Trading income** decreased by \$190 million or 43.6%. This includes a decrease of \$14 million due to movements in economic hedges, offset in net interest income. Excluding this movement, the underlying decrease of \$176 million was mainly due to lower NAB risk management income in Markets and Treasury together with a lower derivative valuation adjustment.

**Other income** increased by \$63 million or 71.6% primarily due to realised gains on bond sales in Treasury (high-quality liquids portfolio).

(1) In the September 2020 full year customer-related remediation was reported within large notable items.

## MARKETS AND TREASURY INCOME

	Year to			Half Year to		
	Sep 21 \$m	Sep 20 \$m	Sep 21 v Sep 20 %	Sep 21 \$m	Mar 21 \$m	Sep 21 v Mar 21 %
Net interest income	576	644	(10.6)	254	322	(21.1)
Other operating income	812	1,184	(31.4)	326	486	(32.9)
<b>Total Markets and Treasury income</b>	<b>1,388</b>	<b>1,828</b>	<b>(24.1)</b>	<b>580</b>	<b>808</b>	<b>(28.2)</b>
Customer risk management <sup>(1)</sup>						
Foreign exchange	440	495	(11.1)	223	217	2.8
Rates	271	254	6.7	143	128	11.7
Total customer risk management income	711	749	(5.1)	366	345	6.1
NAB risk management <sup>(2)</sup>						
Markets	218	615	(64.6)	47	171	(72.5)
Treasury	380	550	(30.9)	159	221	(28.1)
Total NAB risk management income	598	1,165	(48.7)	206	392	(47.4)
Derivative valuation adjustment <sup>(3)</sup>	79	(86)	large	8	71	(88.7)
<b>Total Markets and Treasury income</b>	<b>1,388</b>	<b>1,828</b>	<b>(24.1)</b>	<b>580</b>	<b>808</b>	<b>(28.2)</b>
Average Markets traded market risk Value at Risk (VaR) <sup>(4)</sup>	17.0	13.8	23.2	17.3	16.8	3.0

- (1) Customer risk management comprises net interest income and 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 comprises 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 revenue.
- (3) Derivative valuation adjustments, which include credit valuation adjustments and funding valuation adjustments, are shown net of hedging costs or benefits.
- (4) Excludes the impact of hedging activities related to derivative valuation adjustments.

## September 2021 v September 2020

**Markets and Treasury income** decreased by \$440 million or 24.1% primarily due to lower NAB risk management income, partially offset by a positive derivative valuation adjustment.

**Customer risk management income** decreased by \$38 million or 5.1%, primarily driven by lower foreign exchange sales, partially offset by higher interest rate sales.

**NAB risk management income** decreased by \$567 million or 48.7% due to lower interest rate and foreign exchange risk management income as a result of challenging trading conditions.

**Derivative valuation adjustment** increased by \$165 million primarily due to credit spreads tightening and a change in the credit valuation adjustment methodology in the September 2020 full year resulting in a one-off negative impact in that period.

## September 2021 v March 2021

**Markets and Treasury income** decreased by \$228 million or 28.2%, primarily due to lower NAB risk management income and derivative valuation adjustment.

**Customer risk management income** increased by \$21 million or 6.1%, primarily driven by higher interest rate sales.

**NAB risk management income** decreased by \$186 million or 47.4% due to lower interest rate and foreign exchange risk management income as a result of challenging trading conditions.

**Derivative valuation adjustment** decreased by \$63 million or 88.7%, reflecting a less significant tightening of credit and funding spreads in the September 2021 half year.

## OPERATING EXPENSES

	Year to <sup>(1)</sup>			Half Year to <sup>(1)</sup>		
	Sep 21 \$m	Sep 20 \$m	Sep 21 v Sep 20 %	Sep 21 \$m	Mar 21 \$m	Sep 21 v Mar 21 %
Personnel expenses	4,566	4,353	4.9	2,306	2,260	2.0
Occupancy and depreciation expenses	762	830	(8.2)	373	389	(4.1)
General expenses	2,489	2,496	(0.3)	1,275	1,214	5.0
<b>Operating expenses (excluding large notable items)</b>	<b>7,817</b>	<b>7,679</b>	<b>1.8</b>	<b>3,954</b>	<b>3,863</b>	<b>2.4</b>
Large notable items <sup>(2)</sup>	-	1,328	large	-	-	-
<b>Total operating expenses</b>	<b>7,817</b>	<b>9,007</b>	<b>(13.2)</b>	<b>3,954</b>	<b>3,863</b>	<b>2.4</b>

(1) Information is presented on a continuing operations basis, unless otherwise stated.

(2) Refer to Section 4 Large notable items for further information.

## September 2021 v September 2020

**Operating expenses** decreased by \$1,190 million or 13.2%. Excluding large notable items of \$1,328 million in the September 2020 full year, operating expenses increased by \$138 million or 1.8%.

**Personnel expenses** increased by \$213 million or 4.9%. The increase was primarily due to provisions for higher performance-based compensation, additional bankers and resources to support growth and to support customers in response to COVID-19, combined with salary increases and additional resources associated with the investment in technology capabilities. This was partially offset by productivity benefits achieved through simplification of the Group's operations and lower restructuring-related costs.

**Occupancy and depreciation expenses** decreased by \$68 million or 8.2%. The decrease was driven by productivity benefits associated with branch closures and lease renegotiations, lower depreciation and savings associated with the exit of commercial and network properties. This was partially offset by lease and facility costs associated with the new commercial buildings in Sydney.

**General expenses** decreased by \$7 million or 0.3%. The decrease was driven by third party productivity savings and lower professional fees.

## September 2021 v March 2021

**Operating expenses** increased by \$91 million or 2.4%.

**Personnel expenses** increased by \$46 million or 2.0%. The increase was driven by additional bankers and resources to support growth as well as salary increases. This was partially offset by productivity benefits achieved through simplification of the Group's operations.

**Occupancy and depreciation expenses** decreased by \$16 million or 4.1%. The decrease was driven by productivity benefits associated with branch closures and lease renegotiations, lower depreciation and savings associated with the exit of commercial and network properties. This was partially offset by lease and facility costs associated with the new commercial building in Sydney.

**General expenses** increased by \$61 million or 5.0%. The increase was driven by higher depreciation and amortisation associated with new software assets and higher investment spend. This was partially offset by third party productivity savings.

## INVESTMENT SPEND

	Year to <sup>(1)</sup>			Half Year to <sup>(1)</sup>		
	Sep 21	Sep 20	Sep 21 v	Sep 21	Mar 21	Sep 21 v
	\$m	\$m	Sep 20 %	\$m	\$m	Mar 21 %
Expensed	692	767	(9.8)	381	311	22.5
Capitalised software and fixed assets	567	584	(2.9)	368	199	84.9
<b>Total investment spend</b>	<b>1,259</b>	<b>1,351</b>	<b>(6.8)</b>	<b>749</b>	<b>510</b>	<b>46.9</b>
Infrastructure	471	589	(20.0)	294	177	66.1
Compliance and risk	403	518	(22.2)	226	177	27.7
Customer experience, efficiency and sustainable revenue	385	244	57.8	229	156	46.8
<b>Total investment spend</b>	<b>1,259</b>	<b>1,351</b>	<b>(6.8)</b>	<b>749</b>	<b>510</b>	<b>46.9</b>

(1) Information is presented on a continuing operations basis, unless otherwise stated.

**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 for the Group was \$1,259 million for the September 2021 full year.

### September 2021 v September 2020

**Investment spend** decreased by \$92 million or 6.8%. There has been a focus on key strategic priorities of the Group, streamlining the investment delivery model and productivity associated with investment activity, including insourcing of resources and negotiation of lower third-party costs. This has contributed to a lower overall investment spend in the September 2021 full year.

Investment in **infrastructure** initiatives decreased by \$118 million or 20.0%. There is continued investment in technology refresh activity, reshaping the Group's distribution network, cyber security and cloud migration.

Investment in **compliance and risk** initiatives decreased by \$115 million or 22.2%. There is ongoing investment in financial crime capabilities, processes and controls, open banking enablement, implementation of reforms in Corporate and Institutional Banking and enhanced fraud detection and prevention. There is continued focus on meeting regulatory commitments, strengthening controls and managing risk across the Group.

Investment in **customer experience, efficiency and sustainable revenue** initiatives increased by \$141 million or 57.8%. The increase was largely driven by investment to enhance the customer experience including spend on business lending capabilities, a simplified home lending process, digitisation and creating efficiencies within core business processes.

### September 2021 v March 2021

**Investment spend** increased by \$239 million or 46.9%. A shift to fewer and more focused programs with clear prioritisation resulted in a ramp up of spend in the September 2021 half year.

Investment in **infrastructure** initiatives increased by \$117 million or 66.1%. The increase is primarily driven by investment in technology refresh activity, the Group's branch network including frontline technology and cloud migration activity.

Investment in **compliance and risk initiatives** increased by \$49 million or 27.7%. The increase is primarily driven by investment in financial crime capabilities and controls, stronger onboarding processes and an improved international payments experience. There is continued focus on meeting regulatory commitments, strengthening controls and managing risk across the Group.

Investment in **customer experience, efficiency and sustainable revenue** initiatives increased by \$73 million or 46.8%. The increase was largely driven by higher investment to enhance and simplify the customer experience including continued spend on improving the home and business lending experience, broker tools, digitisation and enhancing core operational processes.

## TAXATION

	Year to <sup>(1)</sup>			Half Year to <sup>(1)</sup>		
	Sep 21	Sep 20	Sep 21 v	Sep 21	Mar 21	Sep 21 v
			Sep 20			Mar 21
Income tax expense (\$m)	2,635	1,672	57.6%	1,287	1,348	(4.5%)
Effective tax rate (%)	28.6	30.8	(220 bps)	28.6	28.7	(10 bps)

(1) Information is presented on a continuing operations basis, unless otherwise stated.

## September 2021 v September 2020

**Cash earnings income tax expense** increased by \$963 million or 57.6% mainly due to higher cash earnings before tax.

The **cash earnings effective tax rate** decreased by 220 basis points to 28.6% due to various factors including an adjustment to the deferred tax asset for UK tax losses in the prior period which has partially reversed this period, increases in income from offshore jurisdictions taxed at rates lower than Australia's corporate tax rate and the tax benefit attributed to the concessionally taxed offshore banking unit.

## September 2021 v March 2021

**Cash earnings income tax expense** decreased by \$61 million or 4.5%.

The **cash earnings effective tax rate** decreased by 10 basis points to 28.6%, and is largely flat.



## LENDING

	As at			Sep 21 v Sep 20 %	Sep 21 v Mar 21 %
	30 Sep 21 \$m	31 Mar 21 \$m	30 Sep 20 \$m		
<b>Housing</b>					
Business and Private Banking	88,488	84,773	84,189	5.1	4.4
Personal Banking	211,976	206,754	206,721	2.5	2.5
Corporate and Institutional Banking	82	56	74	10.8	46.4
New Zealand Banking	50,306	45,465	42,581	18.1	10.6
Corporate Functions and Other	9,148	8,124	8,164	12.1	12.6
Total housing	360,000	345,172	341,729	5.3	4.3
<b>Non-housing</b>					
Business and Private Banking	119,811	112,982	112,326	6.7	6.0
Personal Banking	4,179	4,571	4,565	(8.5)	(8.6)
Corporate and Institutional Banking	104,396	97,507	95,965	8.8	7.1
New Zealand Banking	40,428	38,165	38,995	3.7	5.9
Corporate Functions and Other	242	313	472	(48.7)	(22.7)
Total non-housing	269,056	253,538	252,323	6.6	6.1
<b>Gross loans and advances</b>	<b>629,056</b>	<b>598,710</b>	<b>594,052</b>	<b>5.9</b>	<b>5.1</b>

## September 2021 v September 2020

**Lending** increased by \$35.0 billion or 5.9% including an increase of \$2.6 billion driven by exchange rate movements.

**Housing** lending increased by \$18.3 billion or 5.3% mainly due to:

- An increase of \$7.7 billion or 18.1% in New Zealand Banking. The underlying increase of \$6.2 billion excluding exchange rate movements reflects growth in both proprietary and broker channels.
- An increase of \$5.3 billion or 2.5% in Personal Banking largely due to growth in owner occupier lending.
- An increase of \$4.3 billion or 5.1% in Business and Private Banking due to growth in both owner occupier and investor lending.
- An increase of \$1.0 billion or 12.1% in Corporate Functions and Other driven by the acquisition of 86 400 combined with growth in UBank.

**Non-housing** lending increased by \$16.7 billion or 6.6% mainly due to:

- An increase of \$8.4 billion or 8.8% in Corporate and Institutional Banking largely due to a continued focus on investor and infrastructure growth segments, partially offset by the sale of approximately \$1.5 billion of loans in the aviation portfolio.
- An increase of \$7.5 billion or 6.7% in Business and Private Banking driven by above system growth in business lending, benefiting from investments to deliver better outcomes for customers and colleagues.
- An increase of \$1.4 billion or 3.7% in New Zealand Banking. The underlying increase of \$0.2 billion excluding exchange rate movements reflects growth in business lending, partially offset by a decrease in credit card lending.
- A decrease of \$0.4 billion or 8.5% in Personal Banking driven by lower cards and personal loans due to a decline in spend and increase in repayments.

## September 2021 v March 2021

**Lending** increased by \$30.3 billion or 5.1% including an increase of \$5.2 billion driven by exchange rate movements.

**Housing** lending increased by \$14.8 billion or 4.3% mainly due to:

- An increase of \$5.2 billion or 2.5% in Personal Banking largely due to growth in owner occupier lending.
- An increase of \$4.8 billion or 10.6% in New Zealand Banking. The underlying increase of \$2.9 billion excluding exchange rate movements reflects growth in both proprietary and broker channels.
- An increase of \$3.7 billion or 4.4% in Business and Private Banking due to growth in both owner occupier and investor lending.
- An increase of \$1.0 billion or 12.6% in Corporate Functions and Other driven by the acquisition of 86 400 combined with growth in UBank.

**Non-housing** lending increased by \$15.5 billion or 6.1% mainly due to:

- An increase of \$6.9 billion or 7.1% in Corporate and Institutional Banking. The underlying increase of \$5.2 billion excluding exchange rate movements was due to the continued focus on investor and infrastructure growth segments, partially offset by the sale of approximately \$1.5 billion of loans in the aviation portfolio.
- An increase of \$6.8 billion or 6.0% in Business and Private Banking driven by above system growth in business lending, benefiting from investments to deliver better outcomes for customers and colleagues.
- An increase of \$2.3 billion or 5.9% in New Zealand Banking. The underlying increase of \$0.7 billion excluding exchange rate movements was driven by business lending, partially offset by a decrease in credit card lending.
- A decrease of \$0.4 billion or 8.6% in Personal Banking driven by lower cards and personal loans due to a decline in spend and increase in repayments.

## GOODWILL AND OTHER INTANGIBLE ASSETS

### Goodwill

Goodwill increased by \$126 million compared to the September 2020 full year due to the Group's acquisition of 86 400 in May 2021. Goodwill relating to MLC Wealth was classified as held for sale as at September 2020 and derecognised in May 2021 when the MLC Wealth sale completed.

The movement in goodwill is as follows:

	Year ended		Half Year ended	
	Sep 21	Sep 20	Sep 21	Mar 21
	\$m	\$m	\$m	\$m
Balance at beginning of period	<b>1,838</b>	2,864	<b>1,838</b>	1,838
Additions from business combinations	<b>126</b>	-	<b>126</b>	-
Impairment and write-offs	-	(199)	-	-
Reclassified to held for sale	-	(827)	-	-
<b>Goodwill</b>	<b>1,964</b>	1,838	<b>1,964</b>	1,838

### Other intangible assets

Intangible assets are comprised of capitalised software and other intangible assets. Further details on material movements in capitalised software are as follows:

- Additions from business combinations – the fair value of software owned by 86 400 and acquired as part of the 86 400 acquisition
- Additions - refer to Investment spend on page 21
- Amortisation - refer to Operating expenses on page 20
- Change in application of software capitalisation policy - refer to *Section 4 Large notable items* on page 78.

The movement in capitalised software is as follows:

	Year ended		Half Year ended	
	Sep 21	Sep 20	Sep 21	Mar 21
	\$m	\$m	\$m	\$m
Balance at beginning of period	<b>1,955</b>	2,688	<b>1,922</b>	1,955
Additions from business combinations	<b>116</b>	-	<b>116</b>	-
Additions	<b>530</b>	677	<b>333</b>	197
Disposals and write-offs	<b>(13)</b>	(14)	<b>(5)</b>	(8)
Amortisation	<b>(460)</b>	(342)	<b>(237)</b>	(223)
Change in application of software capitalisation policy - continuing operations	-	(950)	-	-
Change in application of software capitalisation policy - discontinued operations	-	(106)	-	-
Foreign currency translation adjustments	<b>5</b>	2	<b>4</b>	1
<b>Capitalised software</b>	<b>2,133</b>	1,955	<b>2,133</b>	1,922

## CUSTOMER DEPOSITS

	As at			Sep 21 v Sep 20 %	Sep 21 v Mar 21 %
	30 Sep 21 \$m	31 Mar 21 \$m	30 Sep 20 \$m		
Business and Private Banking	167,975	161,520	151,110	11.2	4.0
Personal Banking	127,666	120,841	118,906	7.4	5.6
Corporate and Institutional Banking	119,154	110,720	114,844	3.8	7.6
New Zealand Banking	65,488	61,911	60,557	8.1	5.8
Corporate Functions and Other	19,975	20,822	22,807	(12.4)	(4.1)
<b>Total customer deposits</b>	<b>500,258</b>	<b>475,814</b>	<b>468,224</b>	<b>6.8</b>	<b>5.1</b>

### September 2021 v September 2020

**Customer deposits** increased by \$32.0 billion or 6.8% mainly due to the impact of government and central bank stimulus measures in response to COVID-19. The growth was primarily in on-demand deposits, reflecting a change in customer preferences from term deposits to on-demand and non-interest bearing accounts. This also includes an increase of \$2.0 billion driven by exchange rate movements.

- An increase of \$16.9 billion or 11.2% in Business and Private Banking driven by an increase in on-demand deposits of \$17.1 billion and non-interest bearing accounts of \$10.0 billion, partially offset by a reduction in term deposits of \$10.2 billion.
- An increase of \$8.8 billion or 7.4% in Personal Banking driven by growth in on-demand deposits of \$12.2 billion and non-interest bearing accounts of \$2.2 billion, partially offset by a reduction in term deposits of \$5.6 billion.
- An increase of \$4.9 billion or 8.1% in New Zealand Banking. The underlying increase of \$2.9 billion excluding exchange rate movements was driven by an increase in on-demand deposits of \$4.3 billion and non-interest bearing accounts of \$3.1 billion, partially offset by a decrease in term deposits of \$4.5 billion.
- An increase of \$4.3 billion or 3.8% in Corporate and Institutional Banking. This was driven by an increase in on-demand deposits of \$8.1 billion and non-interest bearing accounts of \$1.4 billion, partially offset by a decrease in term deposits of \$5.2 billion.
- A decrease of \$2.8 billion or 12.4% in Corporate Functions and Other driven by a decrease in on-demand deposits of \$1.5 billion and \$1.4 billion in term deposits, partially offset by an increase in non-interest bearing accounts of \$0.1 billion.

### September 2021 v March 2021

**Customer deposits** increased by \$24.4 billion or 5.1% mainly due to the impact of government and central bank stimulus measures in response to COVID-19. The growth was primarily in on-demand deposits, reflecting a change in customer preferences from term deposits to on-demand and non-interest bearing accounts. This also includes an increase of \$3.0 billion driven by exchange rate movements.

- An increase of \$8.4 billion or 7.6% in Corporate and Institutional Banking. The underlying increase of \$8.0 billion excluding exchange rate movements was primarily driven by an increase in on-demand deposits of \$7.0 billion, non-interest bearing accounts of \$0.7 billion and term deposits of \$0.3 billion.
- An increase of \$6.8 billion or 5.6% in Personal Banking driven by growth in on-demand deposits of \$7.5 billion and non-interest bearing accounts of \$1.7 billion, partially offset by a reduction in term deposits of \$2.4 billion.
- An increase of \$6.5 billion or 4.0% in Business and Private Banking primarily driven by an increase in on-demand deposits of \$5.8 billion and non-interest bearing accounts of \$5.6 billion, partially offset by a reduction in term deposits of \$4.9 billion.
- An increase of \$3.6 billion or 5.8% in New Zealand Banking. The underlying increase of \$1.1 billion excluding exchange rate movements was mainly due to an increase in on-demand deposits of \$0.9 billion and non-interest bearing accounts of \$1.0 billion, partially offset by a reduction in term deposits of \$0.8 billion.
- A decrease of \$0.8 billion or 4.1% in Corporate Functions and Other. The underlying decrease of \$0.9 billion excluding exchange rate movements was primarily driven by lower term deposits of \$0.7 billion and on-demand deposits of \$0.3 billion, partially offset by an increase in non-interest bearing accounts of \$0.1 billion.

## ASSET QUALITY

## Credit impairment charge

	Year to			Half Year to		
	Sep 21	Sep 20	Sep 21 v	Sep 21	Mar 21	Sep 21 v
	\$m	\$m	Sep 20 %	\$m	\$m	Mar 21 %
Specific credit impairment charge - new and increased	505	930	(45.7)	287	218	31.7
Specific credit impairment charge - write-backs	(270)	(169)	59.8	(172)	(98)	75.5
Specific credit impairment charge - recoveries	(54)	(69)	(21.7)	(18)	(36)	(50.0)
Specific credit impairment charge	181	692	(73.8)	97	84	15.5
Collective credit impairment charge / (write-back)	(398)	2,070	large	(186)	(212)	(12.3)
<b>Total credit impairment charge / (write-back)</b>	<b>(217)</b>	<b>2,762</b>	<b>large</b>	<b>(89)</b>	<b>(128)</b>	<b>(30.5)</b>

	Year to			Half Year to		
	Sep 21	Sep 20	Sep 21 v	Sep 21	Mar 21	Sep 21 v
			Sep 20			Mar 21
Credit impairment charge to gross loans and acceptances (annualised)	(0.03%)	0.46%	(49 bps)	(0.03%)	(0.04%)	1 bp
Net write-offs to gross loans and acceptances (annualised) <sup>(1)</sup>	0.06%	0.11%	(5 bps)	0.07%	0.04%	3 bps

(1) Net write-offs include net write-offs of loans at fair value.

## September 2021 v September 2020

**Credit impairment charge** decreased by \$2,979 million driven primarily by a \$1,846 million reduction in charges for forward looking provisions as a result of COVID-19. Excluding forward looking provisions, underlying charges have decreased by \$1,133 million due to lower levels of individual impaired exposures and collective credit impairment charges across the Group's lending portfolio.

**Specific credit impairment charge** decreased by \$511 million or 73.8% driven by:

- Lower charges in Business and Private Banking due to a lower level of individual impaired exposures.
- Lower charges in New Zealand Banking reflecting write-backs for a small number of larger exposures, combined with a lower level of impairment activity in the current period.
- Lower charges in Personal Banking mainly due to improved delinquencies in the unsecured retail portfolio.

**Collective credit impairment charge** decreased by \$2,468 million driven by:

- Partial release and non-repeat of charges for forward looking economic adjustments raised as a result of COVID-19 in the prior period.
- Lower level of net forward looking adjustments (FLAs) raised for targeted sectors.
- Lower level of charges for the Australian unsecured retail portfolio due to improved delinquencies.
- Lower level of charges for the Australian mortgage portfolio due to the impact of house price increases.
- Lower level of charges for rating downgrades within the business lending portfolio.

The Group ratio of **net write-offs to gross loans and acceptances** decreased by 5 basis points to 0.06% due to a decrease in the level of write-off activity across the Group's lending portfolio.

## September 2021 v March 2021

**Credit impairment write-back** decreased by \$39 million or 30.5% due to an increase in charges for forward looking provisions.

**Specific credit impairment charge** increased by \$13 million or 15.5% driven by the impairment of a small number of larger exposures in the Australian business lending portfolio, partially offset by write-backs for a small number of larger exposures in Business and Private Banking and New Zealand Banking.

**Collective credit impairment write-back** decreased by \$26 million or 12.3% driven by a higher level of charges for forward looking economic adjustments raised for uncertainty in the economic outlook.

This was partially offset by:

- Lower level of net FLAs raised for targeted sectors.
- Lower level of net charges for the Group's lending portfolio.

The Group ratio of **net write-offs to gross loans and acceptances** increased by 3 basis points to 0.07% due to a small number of larger name write-offs in the Group's business lending portfolio.

## ASSET QUALITY (CONTINUED)

## Provision for credit impairment

	As at				
	Sep 21	Mar 21	Sep 20	Sep 21 v	Sep 21 v
	\$m	\$m	\$m	Sep 20 %	Mar 21 %
Collective provision on loans at amortised cost	4,521	4,975	5,191	(12.9)	(9.1)
Collective provision on loans at fair value	39	43	46	(15.2)	(9.3)
Collective provision on derivatives at fair value	155	191	299	(48.2)	(18.8)
Total collective provision for credit impairment	4,715	5,209	5,536	(14.8)	(9.5)
Total specific provision for credit impairment <sup>(1)</sup>	664	794	840	(21.0)	(16.4)
<b>Total provision for credit impairment</b>	<b>5,379</b>	<b>6,003</b>	<b>6,376</b>	<b>(15.6)</b>	<b>(10.4)</b>

	As at				
	Sep 21	Mar 21	Sep 20	Sep 21 v	Sep 21 v
				Sep 20	Mar 21
Total provision to gross loans and acceptances	0.86%	1.00%	1.07%	(21 bps)	(14 bps)
Total provision to credit risk-weighted assets	1.55%	1.72%	1.80%	(25 bps)	(17 bps)
Total provision to net write-offs (annualised) <sup>(2)</sup>	1,494%	2,357%	1,014%	large	large
Specific provision to gross impaired assets	52.8%	47.6%	45.0%	780 bps	520 bps
Collective provision to credit risk-weighted assets	1.35%	1.50%	1.56%	(21 bps)	(15 bps)
Collective provision to gross loans and acceptances	0.75%	0.87%	0.93%	(18 bps)	(12 bps)

(1) Includes \$14 million (March 2021: \$24 million, September 2020: \$20 million) of specific provision on loans at fair value.

(2) Net write-offs include net write-offs of loans at fair value. September 2021 and September 2020 metrics refer to the full year ratio; March 2021 metrics refers to the half year ratio annualised.

## September 2021 v September 2020

**Provisions for credit impairment** decreased by \$997 million or 15.6% to \$5,379 million.

**Specific provisions** decreased by \$176 million or 21.0% mainly due to work-outs for a small number of larger exposures in the business lending portfolio in Australia and New Zealand.

**Collective provisions** decreased by \$821 million or 14.8%. This was mainly due to:

- Decrease of \$184 million in net collective provision FLAs raised for targeted sectors, including \$248 million of FLAs derecognised in relation to the sale of part of the aviation portfolio.
- Collective provision releases for the Australian unsecured retail portfolio due to improved delinquencies.
- Collective provision releases for the Australian mortgage portfolio due to the impact of house price increases.
- Partial release of \$54 million of collective provision forward looking economic adjustments raised as a result of COVID-19 in the prior period.
- Decrease in collective provisions held for the derivatives portfolio due to market movements.

The **collective provision to credit risk-weighted assets** ratio decreased 21 basis points to 1.35% predominantly due to a decrease in collective provisions.

## September 2021 v March 2021

**Provisions for credit impairment** decreased by \$624 million or 10.4% to \$5,379 million.

**Specific provisions** decreased by \$130 million or 16.4% mainly due to work-outs for a small number of larger exposures in the business lending portfolio in Australia and New Zealand.

**Collective provisions** decreased by \$494 million or 9.5%. This was mainly due to:

- Decrease of \$405 million in net collective provision FLAs raised for targeted sectors, including \$248 million of FLAs derecognised in relation to the sale of part of the aviation portfolio and \$95 million for the agriculture portfolio reflecting improved economic conditions.
- Collective provision releases for the Group's lending portfolio due to improvements in credit quality.
- Decrease in collective provisions held for the derivative portfolio due to market movements.

This was partially offset by:

- Increase of \$181 million in collective provision forward looking economic adjustments raised for uncertainty in the economic outlook.

The **collective provision to credit risk risk-weighted assets** ratio decreased 15 basis points to 1.35% predominantly due to a decrease in collective provisions.

## ASSET QUALITY (CONTINUED)

## 90+ days past due and gross impaired assets

	As at				
	Sep 21	Mar 21	Sep 20	Sep 21 v	Sep 21 v
	\$m	\$m	\$m	Sep 20 %	Mar 21 %
90+ DPD loans	4,643	5,664	4,255	9.1	(18.0)
Gross impaired assets	1,258	1,669	1,866	(32.6)	(24.6)
<b>90+ DPD and gross impaired assets</b>	<b>5,901</b>	<b>7,333</b>	<b>6,121</b>	<b>(3.6)</b>	<b>(19.5)</b>

	As at			Sep 21 v	Sep 21 v
	Sep 21	Mar 21	Sep 20	Sep 20	Mar 21
90+ DPD loans to gross loans and acceptances	0.74%	0.95%	0.72%	2 bps	(21 bps)
Gross impaired assets to gross loans and acceptances	0.20%	0.28%	0.31%	(11 bps)	(8 bps)
<b>90+ DPD and gross impaired assets to gross loans and acceptances</b>	<b>0.94%</b>	<b>1.23%</b>	<b>1.03%</b>	<b>(9 bps)</b>	<b>(29 bps)</b>

## September 2021 v September 2020

The Group ratio of **90+ DPD loans to gross loans and acceptances** increased by 2 basis points to 0.74%. This was primarily driven by payment difficulties encountered by customers who had COVID-19 deferrals expire across the Australian mortgage portfolio and the Business and Private Banking business lending portfolio.

The Group ratio of **gross impaired assets to gross loans and acceptances** decreased by 11 basis points to 0.20%. This was predominantly driven by work-outs for a small number of larger exposures within the Australian and New Zealand business lending portfolios.

## September 2021 v March 2021

The Group ratio of **90+ DPD loans to gross loans and acceptances** decreased by 21 basis points to 0.74%. This was due to improved delinquencies across the Australian mortgage portfolio.

The Group ratio of **gross impaired assets to gross loans and acceptances** decreased by 8 basis points to 0.20%. This was predominantly driven by work-outs for a small number of larger exposures in both the New Zealand dairy and Business and Private Banking business lending portfolios.

## 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 and its proactive response to the significant economic challenges associated with the impacts of COVID-19.

#### 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 is in the final stages of its consultations on the revised Authorised Deposit-taking Institution (ADI) capital framework with final prudential standards expected in November 2021. Implementation of the prudential standards relating to the risk-weighting framework and other capital requirements is proposed for 1 January 2023, consistent with the internationally agreed timelines for Basel III reforms by the Basel Committee on Banking Supervision. APRA is seeking to make improvements to the capital adequacy framework through:
  - Improving flexibility via increasing regulatory capital buffers.
  - Implementing more risk-sensitive risk-weights.
  - Enhancing competition via a capital floor for internal ratings-based (IRB) ADIs.
  - Improving transparency and comparability through the disclosure of capital ratios under the standardised approach.

APRA has reiterated its view that it is not seeking to further increase the overall level of capital in the banking system.

- In August 2021, APRA released its revised Prudential Standard APS 111 *Capital Adequacy: Measurement of Capital*, including changes to the treatment of equity investments in subsidiaries for the purpose of calculating Level 1 regulatory capital. The revised standard will be implemented from 1 January 2022. In line with APRA's announcement in November 2020, the changes apply to any new or additional equity investments in subsidiaries in the interim period prior to 1 January 2022. The revisions to the standard are expected to increase the Group's Level 1 CET1 capital ratio by approximately 20-25 basis points.
- APRA has also proposed a minimum leverage ratio requirement of 3.5% for IRB ADIs and a revised leverage ratio exposure measurement methodology to be implemented from 1 January 2023. The Level 2 Group's leverage ratio as at 30 September 2021 is 5.83% (under the current methodology).

##### Increased loss-absorbing capacity for ADIs

- In July 2019, APRA released its framework for the implementation of an Australian loss-absorbing capacity regime, requiring an increase in Total capital of 3% of risk-weighted assets for domestic systemically important

banks (D-SIBs) by 1 January 2024. APRA has maintained its overall target calibration of 4% to 5% of risk-weighted assets and will consult on alternative methods for raising the additional loss-absorbing capacity equal to 1% to 2% of risk-weighted assets over the next two years, including consideration of how Reserve Bank of New Zealand (RBNZ) capital instruments could be used in supporting overall loss-absorbing capacity.

##### RBNZ capital review

- In December 2019, the RBNZ finalised its review of the capital adequacy framework applied to registered banks incorporated in New Zealand. The RBNZ amendments to the amount of regulatory capital required of locally incorporated banks include:
  - An increase in credit risk-weighted assets for banks that use the RBNZ's internal ratings-based approach due to an increase in the scalar, prescribed use of the standardised approach for bank and sovereign exposures, and the introduction of an overall minimum standardised floor.
  - An increase in the Tier 1 capital requirement to 16% of risk-weighted assets, and an increase in the Total capital requirement to 18% of risk-weighted assets.
- Due to uncertainties arising from the impacts of COVID-19, the RBNZ delayed the start of the new capital requirements. The increases to risk-weighted assets will commence from 1 January 2022, while the required level of capital increases will commence from 1 July 2022 and be phased in through to July 2028.

##### Dividends

- In its updated December 2020 guidance, APRA removed specific restrictions on capital distributions that were introduced in response to COVID-19, but advised banks to moderate dividend payout ratios and consider the use of capital management initiatives to offset the impact on capital from distributions. APRA has reiterated that Boards need to carefully consider the sustainable rate for dividends, taking into account the outlook for profitability, capital and the economic environment.
- The RBNZ has eased restrictions on dividend payments, allowing banks to pay up to 50% of their earnings as dividends to shareholders, and has noted its expectation that banks exercise prudence when determining dividend payments. The 50% restriction will remain in place until 1 July 2022, at which point the RBNZ intends to remove the restriction, subject to economic conditions.

##### Term Funding Facility (TFF)

- On 19 March 2020, the RBA announced the establishment of the TFF, a collateralised funding facility for the Australian banking system to support ADIs in providing credit into the economy at a low funding cost. The TFF was available to be drawn down until 30 June 2021. As at 30 September 2021, NAB's total TFF allowance was \$31.9 billion, comprising \$14.3 billion of Initial Allowance, \$9.6 billion of Supplementary Allowance and \$8.0 billion of Additional Allowance. NAB drew down the full Initial Allowance of the TFF during the year ended

# CAPITAL MANAGEMENT AND FUNDING (CONTINUED)

30 September 2020, and the full Additional Allowance and Supplementary Allowance of the TFF during the year ended 30 September 2021. The TFF is an efficient source of three-year term funding, providing flexibility to manage refinancing and execution risk, while also reducing funding costs.

### **Contingent liquidity consultation**

- On 14 July 2021, APRA released a consultation letter on contingent liquidity to locally incorporated ADIs subject to Liquidity Coverage Ratio (LCR) requirements. APRA considers that it would be prudent for an ADI subject to LCR requirements to maintain surplus self-securitised assets as contingent liquidity equal to at least 30% of its LCR net cash outflows.

### **Committed Liquidity Facility (CLF) reduction**

- On 10 September 2021, APRA announced that the CLF will be reduced to zero by the end of 2022 subject to financial market conditions. The CLF reduction is expected to be offset by ADIs increasing holdings of high-quality liquid assets (HQLA).

Further detail on the regulatory changes impacting the Group is outlined in the September 2021 Pillar 3 Report.

## **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 IRB capital assessments and 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.

On 30 July 2021, the Group announced its intention to buy back up to \$2.5 billion of NAB ordinary shares on-market to progressively manage its CET1 capital ratio towards its target range of 10.75–11.25%. NAB commenced the buy-back in mid-August 2021 and has bought back and cancelled \$486 million of ordinary shares in the full year ended 30 September 2021.

### **Pillar 3 disclosures**

Further disclosures with respect to capital adequacy and risk management are included in the September 2021 Pillar 3 Report as required by APRA Prudential Standard APS 330 *Public Disclosure*.



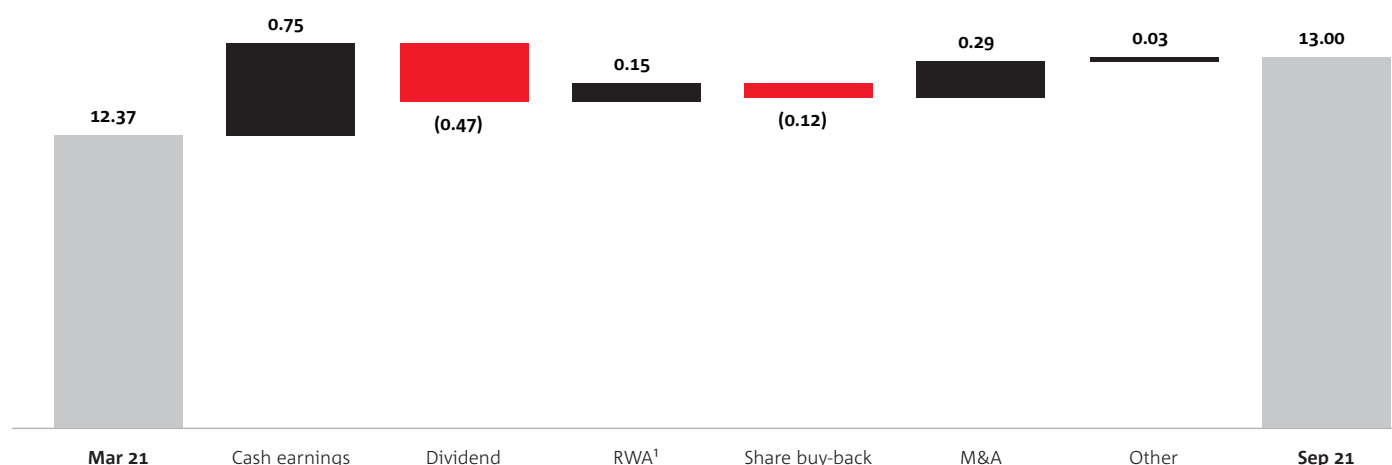
## CAPITAL MANAGEMENT AND FUNDING (CONTINUED)

### Capital ratios

	As at			Sep 21 v Sep 20	Sep 21 v Mar 21
	30 Sep 21 %	31 Mar 21 %	30 Sep 20 %		
<b>Capital ratios</b>					
CET1	<b>13.00</b>	12.37	11.47	153 bps	63 bps
Tier 1	<b>14.64</b>	14.01	13.20	144 bps	63 bps
Total capital	<b>18.91</b>	17.90	16.62	229 bps	101 bps

	As at			Sep 21 v Sep 20 %	Sep 21 v Mar 21 %
	30 Sep 21 \$m	31 Mar 21 \$m	30 Sep 20 \$m		
<b>Risk-weighted assets</b>					
Credit risk	<b>348,041</b>	348,192	353,991	(1.7)	-
Market risk	<b>9,644</b>	12,626	12,678	(23.9)	(23.6)
Operational risk	<b>47,866</b>	48,627	49,993	(4.3)	(1.6)
Interest rate risk in the banking book	<b>11,612</b>	8,165	8,485	36.9	42.2
<b>Total risk-weighted assets</b>	<b>417,163</b>	417,610	425,147	(1.9)	(0.1)

### Movements in CET1 capital ratio



(1) Excludes foreign exchange (FX) translation

### Capital movements during the September 2021 half year

The Group's CET1 capital ratio was 13.00% as at 30 September 2021. The key movements in capital over the September 2021 half year included:

- Cash earnings less the 2021 interim dividend resulting in an increase of 28 basis points.
- A decrease in risk-weighted assets increasing the CET1 capital ratio by 15 basis points, driven mainly by:
  - Asset quality improvement contributing to an increase of 36 basis points.
  - Credit models contributing to an increase of 10 basis points.
  - Traded market risk contributing to an increase of 9 basis points.
  - Operational risk contributing to an increase of 2 basis points.
- Favourable movements in derivatives (excluding FX translation) contributing to an increase of 6 basis points.
- These increases were partially offset by volume growth of 37 basis points, and movement in interest rate risk in the banking book of 11 basis points.
- The impact of \$486 million on-market buy-back completed in the half resulting in a decrease of 12 basis points.
- The impact of mergers and acquisition (M&A) activity including the sale of MLC Wealth and the acquisition of 86 400 resulting in a net increase of 29 basis points.
- Other items increased the CET1 capital ratio by 3 basis points, including deferred tax assets, net foreign exchange translation, and other miscellaneous items.

## CAPITAL MANAGEMENT AND FUNDING (CONTINUED)

### Dividend and Dividend Reinvestment Plan (DRP)

The final dividend in respect of the year ended 30 September 2021 has been increased to 67 cents, 100% franked, payable on 15 December 2021.

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. In respect of the final dividend for the year ending 30 September 2021, the DRP discount is nil, with no participation limit. The Group expects to satisfy the DRP in full by an on-market purchase of shares.

### Additional Tier 1 capital initiatives

On 17 December 2020, the Group redeemed the \$1,717 million of Convertible Preference Shares II issued on 17 December 2013, in accordance with the redemption notice issued on 5 November 2020.

On 17 December 2020, the Group issued \$2,386 million of NAB Capital Notes 5, which will mandatorily convert into NAB ordinary shares on 17 December 2029, provided certain conditions are met. With prior written approval from APRA, NAB may elect to convert, redeem or resell these NAB Capital Notes 5 on 17 December 2027, or on the occurrence of particular events, provided certain conditions are met.

On 15 February 2021, the Group redeemed the \$2,000 million of National Income Securities (NIS) issued on 29 June 1999. The NIS were redeemed for cash at their par value (\$100) plus the final interest payment. The unpaid preference shares forming part of the NIS were bought back for no consideration and cancelled.

### Tier 2 capital initiatives

The Group's Tier 2 capital initiatives during the September 2021 full year included the following:

- On 18 November 2020, NAB issued \$1.25 billion of Subordinated Notes.
- On 14 January 2021, NAB issued US\$1.25 billion of Subordinated Notes.
- On 17 May 2021, NAB redeemed HK\$1,137 million of Subordinated Notes.
- On 21 May 2021, NAB issued US\$1.25 billion of Subordinated Notes.
- On 17 June 2021, BNZ redeemed NZ\$550 million of BNZ Subordinated Notes.
- On 15 September 2021, NAB issued £600 million of Subordinated Notes.
- On 16 September 2021, NAB redeemed JPY10 billion of Subordinated Notes.
- On 21 September 2021, NAB redeemed \$800 million of Subordinated Notes.
- The Group repurchased and cancelled US\$11 million of the perpetual floating rate notes issued on 9 October 1986.

### 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 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. At 30 September 2021, the Group's NSFR was 123%, compared to 127% at 30 September 2020, largely driven by the reduction in the CLF from \$55.1 billion to \$31.0 billion. The NSFR remains well above regulatory minimums.

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.

The Group's deposit strategy is to grow a stable and reliable deposit base informed by market conditions, funding requirements and customer relationships.

Over the year ended 30 September 2021, the SFI remained at 101% as the increase in CFI was largely offset by a reduction in the TFI, mainly due to deposits inflows outpacing lending growth.

#### Group funding metrics

	As at		
	30 Sep 21	31 Mar 21	30 Sep 20
	%	%	%
CFI	79	78	78
TFI	22	20	23
<b>SFI</b>	<b>101</b>	98	101
<b>NSFR</b>	<b>123</b>	122	127

#### Term wholesale funding

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

Through the financial year, global term funding conditions were generally supportive for issuance with the limited periods of volatility in the March 2021 half year largely absent in the September 2021 half year. This reflects continued central bank and government stimulus which has underpinned investor sentiment, resulting in credit spreads in most major markets being at or near post-Global Financial Crisis lows.

## CAPITAL MANAGEMENT AND FUNDING (CONTINUED)

The Group raised \$12.5 billion of term wholesale funding during the year ended 30 September 2021. NAB raised \$9.7 billion of term wholesale funding, including \$5.6 billion of Tier 2 subordinated debt, and BNZ raised \$2.8 billion of senior unsecured debt.

The weighted average maturity of term wholesale funding issued by the Group in the September 2021 full year was approximately 8.1<sup>(1)</sup> years to the maturity date, supported by the issuance of long-dated Tier 2 subordinated debt. The weighted average remaining maturity of the Group's term wholesale funding portfolio is 3.5<sup>(1)</sup> years.

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

### Term wholesale funding issuance by deal type

	As at		
	30 Sep 21	31 Mar 21	30 Sep 20
	%	%	%
Senior Public Offshore	7	25	31
Senior Public Domestic	26	-	18
Secured Public Offshore	11	-	13
Secured Public Domestic	11	-	-
Subordinated Public debt	45	75	31
Private Placements	-	-	2
Subordinated			
Private Placement	-	-	5
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>

### Term wholesale funding issuance by currency

	As at		
	30 Sep 21	31 Mar 21	30 Sep 20
	%	%	%
USD	33	67	40
AUD	32	33	31
EUR	21	-	-
GBP	9	-	13
NZD	5	-	16
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>

### Short-term wholesale funding

During the year ended 30 September 2021, the Group accessed international and domestic short-term funding through wholesale markets when required. In addition, secured short-term funding in the form of repurchase agreements has been accessed 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 HQLA available to meet net cash outflows over a 30-day period during a severe

liquidity stress scenario. HQLA consist of cash, central bank reserves along with highly rated government and central bank issuance. In addition to HQLA, other regulatory liquid assets include the CLF.

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 2021 quarter was \$191 billion and included \$163 billion of HQLA. The increase in HQLA during 2021 was a result of deposit inflows and TFF drawdowns which were partially offset by a reduction in the Group Alternative Liquid Assets (ALA). ALA comprise pools of internally securitised mortgages, and other non-HQLA securities used to collateralise the reduced CLF or are securities that are repo-eligible with the RBNZ. Quarterly average ALA for September 2021 were \$28 billion and comprise unencumbered assets available to the CLF of \$27 billion, and RBNZ securities of \$1 billion.

A detailed breakdown of quarterly average net cash outflows is provided in the September 2021 Pillar 3 Report.

### Quarterly average net cash outflows

	Quarterly average		
	30 Sep 21	31 Mar 21	30 Sep 20
	\$bn	\$bn	\$bn
<b>Liquidity Coverage Ratio</b>			
High-quality liquid assets	163	137	126
Alternative liquid assets	28	47	73
Total LCR liquid assets	191	184	199
Net cash outflows	149	135	143
Quarterly average LCR (%)	128	136	139

### Credit ratings

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

On 12 April 2021, Fitch Ratings revised its rating outlook for NAB and BNZ from negative to stable. Further, on 7 June 2021, S&P Global Ratings revised its rating outlook of NAB and BNZ from negative to stable.

### National Australia Bank 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

(1) Weighted average maturity excludes Additional Tier 1, Residential Mortgage Backed Securities, RBA Term Funding Facility and RBNZ funding facilities.

## **CAPITAL MANAGEMENT AND FUNDING (CONTINUED)**

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# FULL YEAR RESULTS 2021

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## SECTION 3 DIVISIONAL REVIEW

### BUSINESS AND PRIVATE BANKING

Business and Private Banking focuses on NAB's priority small and medium (SME) customer segments. This includes the leading NAB Business franchise, specialised Agriculture, Health, Government, Education and Community services along with Private Banking and JBWere, as well as the micro and small business segments.

	Year to			Half Year to		
	Sep 21 \$m	Sep 20 \$m	Sep 21 v Sep 20 %	Sep 21 \$m	Mar 21 \$m	Sep 21 v Mar 21 %
Net interest income	5,339	5,400	(1.1)	2,734	2,605	5.0
Other operating income	877	878	(0.1)	428	449	(4.7)
<b>Net operating income</b>	<b>6,216</b>	<b>6,278</b>	<b>(1.0)</b>	<b>3,162</b>	<b>3,054</b>	<b>3.5</b>
Operating expenses <sup>(1)</sup>	(2,547)	(2,429)	4.9	(1,308)	(1,239)	5.6
<b>Underlying profit</b>	<b>3,669</b>	<b>3,849</b>	<b>(4.7)</b>	<b>1,854</b>	<b>1,815</b>	<b>2.1</b>
Credit impairment charge <sup>(2)</sup>	(109)	(322)	(66.1)	(39)	(70)	(44.3)
<b>Cash earnings before tax</b>	<b>3,560</b>	<b>3,527</b>	<b>0.9</b>	<b>1,815</b>	<b>1,745</b>	<b>4.0</b>
Income tax expense	(1,080)	(1,055)	2.4	(551)	(529)	4.2
<b>Cash earnings</b>	<b>2,480</b>	<b>2,472</b>	<b>0.3</b>	<b>1,264</b>	<b>1,216</b>	<b>3.9</b>

<b>Volumes (\$bn)</b>						
Housing lending	88.5	84.2	5.1	88.5	84.8	4.4
Business lending	116.6	109.4	6.6	116.6	109.9	6.1
Other lending	3.2	2.9	10.3	3.2	3.1	3.2
Gross loans and acceptances	208.3	196.5	6.0	208.3	197.8	5.3
Average interest earning assets	188.3	189.0	(0.4)	191.7	184.9	3.7
Total assets	208.2	196.8	5.8	208.2	197.8	5.3
Customer deposits	168.0	151.1	11.2	168.0	161.5	4.0
Total risk-weighted assets	125.0	124.6	0.3	125.0	122.6	2.0

<b>Performance Measures</b>						
Cash earnings on average assets <sup>(1)</sup>	1.25%	1.25%	-	1.24%	1.25%	(1 bp)
Cash earnings on average risk-weighted assets <sup>(1)</sup>	2.00%	2.04%	(4 bps)	2.04%	1.97%	7 bps
Net interest margin	2.84%	2.86%	(2 bps)	2.85%	2.83%	2 bps
Cost to income ratio <sup>(1)</sup>	41.0%	38.7%	230 bps	41.4%	40.6%	80 bps
Funds under administration (spot) (\$m)	40,721	31,720	28.4	40,721	36,432	11.8

	Year to			Half Year to		
	Sep 21	Sep 20	Sep 21 v Sep 20	Sep 21	Mar 21	Sep 21 v Mar 21
<b>Asset Quality</b>						
90+ DPD and gross impaired assets to gross loans and acceptances	1.25%	1.32%	(7 bps)	1.25%	1.53%	(28 bps)
Credit impairment charge to gross loans and acceptances (annualised)	0.05%	0.16%	(11 bps)	0.04%	0.07%	(3 bps)

(1) Comparative information has been restated to reflect a reallocation of operating expenses between business units in the March 2021 half year after the Group's organisational restructure.

(2) Excludes collective provision charges for forward looking provisions as a result of COVID-19, included in Corporate Functions and Other.

## BUSINESS AND PRIVATE BANKING (CONTINUED)

### September 2021 v September 2020

Cash earnings increased by \$8 million or 0.3%, driven by a reduction in credit impairment charges, partially offset by higher operating expenses and lower revenue.

Key movements	Key drivers
<b>Net interest income down \$61m, 1.1%</b>	<ul style="list-style-type: none"> <li>Net interest margin decreased by 2 basis points. Primarily driven by a lower earnings rate on deposits and capital due to the low interest rate environment, partially offset by lower funding costs and the impact of repricing in the housing lending portfolio.</li> <li>Average interest earning assets decreased by \$0.7 billion or 0.4% driven by lower housing growth in the March 2021 half year.</li> <li>Customer deposits increased by \$16.9 billion or 11.2% driven by growth in on-demand deposits and non-interest bearing accounts, partially offset by a reduction in term deposits.</li> </ul>
<b>Other operating income down \$1m, 0.1%</b>	<ul style="list-style-type: none"> <li>Lower foreign exchange revenue driven by a decline in margins due to competitive pressure.</li> <li>Partially offset by higher merchant acquiring income due to increased transaction volumes, combined with fees resuming as COVID-19 waivers ended.</li> <li>Higher JBWere income as a result of an increase in funds under administration driven by improved market valuations and net inflows.</li> </ul>
<b>Operating expenses up \$118m, 4.9%</b>	<ul style="list-style-type: none"> <li>Higher personnel costs driven primarily by additional bankers and resources to support growth, combined with provisions for higher performance-based compensation.</li> <li>Partially offset by productivity benefits and lower restructuring-related costs.</li> </ul>
<b>Credit impairment charge down \$213m, 66.1%</b>	<ul style="list-style-type: none"> <li>Lower specific provision charges due to a lower level of individual impaired exposures.</li> <li>90+ DPD and gross impaired assets to gross loans and acceptances decreased by 7 basis points to 1.25%, primarily driven by growth in business lending.</li> </ul>
<b>Risk-weighted assets up \$0.4bn, 0.3%</b>	<ul style="list-style-type: none"> <li>Growth in business lending and housing lending volumes, partially offset by improved asset quality and a reversal of the overlay for SME customers raised in the September 2020 half year.</li> </ul>

### September 2021 v March 2021

Cash earnings increased by \$48 million or 3.9%, driven by higher revenue mainly due to higher average interest earning assets and higher net interest margin, combined with a reduction in credit impairment charges, partially offset by higher operating expenses.

Key movements	Key drivers
<b>Net interest income up \$129m, 5.0%</b>	<ul style="list-style-type: none"> <li>Net interest margin increased by 2 basis points. Primarily driven by lower funding costs, partially offset by a lower earnings rate on deposits and capital due to the low interest rate environment, combined with home lending competitive pressures and a change in customer preferences towards lower margin fixed rate loans.</li> <li>Average interest earning assets increased by \$6.8 billion or 3.7% driven by above system growth in business lending combined with growth in housing lending, benefiting from investments to deliver better outcomes for customers and colleagues.</li> <li>Customer deposits increased by \$6.5 billion or 4.0% driven by growth in on-demand deposits and non-interest bearing accounts, partially offset by a reduction in term deposits.</li> </ul>
<b>Other operating income down \$21m, 4.7%</b>	<ul style="list-style-type: none"> <li>Primarily due to lower merchant acquiring income due to higher scheme charges combined with reduced transaction volumes as a result of COVID-19 restrictions.</li> </ul>
<b>Operating expenses up \$69m, 5.6%</b>	<ul style="list-style-type: none"> <li>Higher personnel costs driven by additional bankers and resources to support growth, combined with increased technology investment.</li> <li>Partially offset by productivity benefits.</li> </ul>
<b>Credit impairment charge down \$31m, 44.3%</b>	<ul style="list-style-type: none"> <li>Lower collective provision charges due to improved credit quality.</li> <li>90+ DPD and gross impaired assets to gross loans and acceptances decreased by 28 basis points to 1.25%, driven by improved delinquencies across the business lending and housing lending portfolios.</li> </ul>
<b>Risk-weighted assets up \$2.4bn, 2.0%</b>	<ul style="list-style-type: none"> <li>Growth in business lending and housing lending volumes, partially offset by improved asset quality and a reversal of the overlay for SME customers raised in the September 2020 half year.</li> </ul>

## SECTION 3 DIVISIONAL REVIEW

### PERSONAL BANKING

Personal Banking provides customers with products and services through proprietary networks in NAB as well as third party and mortgage brokers. Customers are served through the Personal Banking network to secure home loans or manage personal finances through deposit, credit or personal loan facilities. The network also provides servicing support to individuals and business customers.

	Year to			Half Year to		
	Sep 21 \$m	Sep 20 \$m	Sep 21 v Sep 20 %	Sep 21 \$m	Mar 21 \$m	Sep 21 v Mar 21 %
Net interest income	3,962	4,017	(1.4)	1,986	1,976	0.5
Other operating income	483	514	(6.0)	230	253	(9.1)
<b>Net operating income</b>	<b>4,445</b>	<b>4,531</b>	<b>(1.9)</b>	<b>2,216</b>	<b>2,229</b>	<b>(0.6)</b>
Operating expenses <sup>(1)</sup>	(2,197)	(2,204)	(0.3)	(1,101)	(1,096)	0.5
<b>Underlying profit</b>	<b>2,248</b>	<b>2,327</b>	<b>(3.4)</b>	<b>1,115</b>	<b>1,133</b>	<b>(1.6)</b>
Credit impairment (charge) / write-back <sup>(2)</sup>	95	(256)	large	2	93	(97.8)
<b>Cash earnings before tax</b>	<b>2,343</b>	<b>2,071</b>	<b>13.1</b>	<b>1,117</b>	<b>1,226</b>	<b>(8.9)</b>
Income tax expense	(693)	(629)	10.2	(326)	(367)	(11.2)
<b>Cash earnings</b>	<b>1,650</b>	<b>1,442</b>	<b>14.4</b>	<b>791</b>	<b>859</b>	<b>(7.9)</b>

<b>Volumes (\$bn)</b>						
Housing lending	212.0	206.7	2.6	212.0	206.8	2.5
Other lending	4.2	4.6	(8.7)	4.2	4.5	(6.7)
Gross loans and acceptances	216.2	211.3	2.3	216.2	211.3	2.3
Average interest earning assets	195.3	196.9	(0.8)	196.7	193.8	1.5
Total assets	222.5	217.7	2.2	222.5	218.8	1.7
Customer deposits	127.7	118.9	7.4	127.7	120.8	5.7
Total risk-weighted assets	78.6	77.5	1.4	78.6	80.9	(2.8)

<b>Performance Measures</b>						
Cash earnings on average assets <sup>(1)</sup>	0.76%	0.66%	10 bps	0.72%	0.80%	(8 bps)
Cash earnings on average risk-weighted assets <sup>(1)</sup>	2.09%	1.86%	23 bps	1.98%	2.18%	(20 bps)
Net interest margin	2.03%	2.04%	(1 bp)	2.01%	2.05%	(4 bps)
Cost to income ratio <sup>(1)</sup>	49.4%	48.6%	80 bps	49.7%	49.2%	50 bps

	Year to			Half Year to		
	Sep 21	Sep 20	Sep 21 v Sep 20	Sep 21	Mar 21	Sep 21 v Mar 21
<b>Asset Quality</b>						
90+ DPD and gross impaired assets to gross loans and acceptances	1.28%	1.23%	5 bps	1.28%	1.67%	(39 bps)
Credit impairment charge to gross loans and acceptances (annualised)	(0.04%)	0.12%	(16 bps)	-	(0.09%)	9 bps

(1) Comparative information has been restated to reflect a reallocation of operating expenses between business units in the March 2021 half year after the Group's organisational restructure.

(2) Excludes collective provision charges for forward looking provisions as a result of COVID-19, included in Corporate Functions and Other.



## PERSONAL BANKING (CONTINUED)

### September 2021 v September 2020

Cash earnings increased by \$208 million or 14.4%, largely driven by a reduction in credit impairment charges.

Key movements	Key drivers
<b>Net interest income down \$55m, 1.4%</b>	<ul style="list-style-type: none"> <li>Net interest margin decreased by 1 basis point driven by home lending competitive pressures and a change in customer preferences towards lower margin fixed rate loans, combined with lower earnings rate on deposits and capital due to the low interest rate environment. This was partially offset by favourable deposit mix, lower funding costs and repricing in the housing lending portfolio.</li> <li>Average interest earning assets decreased by \$1.6 billion or 0.8%, driven by lower housing growth in the March 2021 half year and declining unsecured lending volumes.</li> <li>Customer deposits increased by \$8.8 billion or 7.4% driven by growth in on-demand deposits and non-interest bearing accounts, partially offset by a reduction in term deposits.</li> </ul>
<b>Other operating income down \$31m, 6.0%</b>	<ul style="list-style-type: none"> <li>Lower fees due to the sale of the broker aggregation businesses.</li> <li>Lower foreign exchange revenue due to international travel restrictions as a result of COVID-19.</li> <li>Partially offset by higher home lending fees due to volume growth.</li> </ul>
<b>Operating expenses down \$7m, 0.3%</b>	<ul style="list-style-type: none"> <li>Productivity benefits, lower restructuring-related costs and sale of the broker aggregation businesses.</li> <li>Largely offset by higher personnel costs driven primarily by additional bankers to support growth and resources to support customers in response to COVID-19 combined with provisions for higher performance-based compensation.</li> </ul>
<b>Credit impairment charge down \$351m</b>	<ul style="list-style-type: none"> <li>Lower charges in the unsecured retail portfolio driven by improved delinquencies combined with lower charges in the mortgage portfolio due to the impact of house price increases.</li> <li>90+ DPD and gross impaired assets to gross loans and acceptances increased 5 basis points to 1.28% primarily driven by an increase in 90+ DPD assets for the housing lending portfolio, including from customers who had COVID-19 deferrals expire.</li> </ul>
<b>Risk-weighted assets up \$1.1bn, 1.4%</b>	<ul style="list-style-type: none"> <li>Increase in risk-weighted assets due to increased mortgage volumes.</li> </ul>

### September 2021 v March 2021

Cash earnings decreased by \$68 million or 7.9%, driven by lower credit impairment write-backs.

Key movements	Key drivers
<b>Net interest income up \$10m, 0.5%</b>	<ul style="list-style-type: none"> <li>Net interest margin decreased by 4 basis points as a result of home lending competitive pressures and a change in customer preferences towards fixed rate loans, combined with lower earnings rate on deposits and capital due to the low interest rate environment. This was partially offset by favourable deposit mix and lower funding costs in the housing lending portfolio.</li> <li>Average interest earning assets increased by \$2.9 billion or 1.5% due to growth in housing volumes.</li> <li>Customer deposits increased by \$6.9 billion or 5.7% driven by growth in on-demand deposits and non-interest bearing accounts, partially offset by a reduction in term deposits.</li> </ul>
<b>Other operating income down \$23m, 9.1%</b>	<ul style="list-style-type: none"> <li>Lower fees due to the sale of the broker aggregation businesses.</li> <li>Lower cards income driven by lower transaction volumes as a result of COVID-19 restrictions.</li> <li>Partially offset by higher home lending fees due to volume growth.</li> </ul>
<b>Operating expenses up \$5m, 0.5%</b>	<ul style="list-style-type: none"> <li>Higher personnel costs driven primarily by additional bankers to support growth.</li> <li>Partially offset by productivity benefits.</li> </ul>
<b>Credit impairment write-back down \$91m, 97.8%</b>	<ul style="list-style-type: none"> <li>Lower level of write-backs for the unsecured retail portfolio and higher charges in the mortgage portfolio due to methodology refinements offsetting the impact of house price increases and improved delinquencies.</li> <li>90+ DPD and gross impaired assets to gross loans and acceptances decreased 39 basis points to 1.28% primarily driven by a decrease in 90+ DPD assets for the mortgage portfolio due to improved delinquencies.</li> </ul>
<b>Risk-weighted assets down \$2.3bn, 2.8%</b>	<ul style="list-style-type: none"> <li>Decrease in risk-weighted assets due to asset quality improvement and model methodology changes, partially offset by increased mortgage volumes.</li> </ul>

## SECTION 3 DIVISIONAL REVIEW

# 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 services its customers in Australia and globally, including branches in the US, UK 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 21 \$m	Sep 20 \$m	Sep 21 v Sep 20 %	Sep 21 \$m	Mar 21 \$m	Sep 21 v Mar 21 %
Net interest income	1,918	2,075	(7.6)	951	967	(1.7)
Other operating income	1,304	1,382	(5.6)	598	706	(15.3)
<b>Net operating income</b>	<b>3,222</b>	<b>3,457</b>	<b>(6.8)</b>	<b>1,549</b>	<b>1,673</b>	<b>(7.4)</b>
Operating expenses <sup>(1)</sup>	(1,369)	(1,388)	(1.4)	(693)	(676)	2.5
<b>Underlying profit</b>	<b>1,853</b>	<b>2,069</b>	<b>(10.4)</b>	<b>856</b>	<b>997</b>	<b>(14.1)</b>
Credit impairment (charge) / write-back <sup>(2)</sup>	(186)	(170)	9.4	(231)	45	large
<b>Cash earnings before tax</b>	<b>1,667</b>	<b>1,899</b>	<b>(12.2)</b>	<b>625</b>	<b>1,042</b>	<b>(40.0)</b>
Income tax expense	(460)	(483)	(4.8)	(200)	(260)	(23.1)
<b>Cash earnings</b>	<b>1,207</b>	<b>1,416</b>	<b>(14.8)</b>	<b>425</b>	<b>782</b>	<b>(45.7)</b>

<b>Net operating income</b>						
Lending and deposits income	2,243	2,252	(0.4)	1,141	1,102	3.5
Markets income (ex derivative valuation adjustments)	550	948	(42.0)	220	330	(33.3)
Derivative valuation adjustments <sup>(3)</sup>	79	(86)	large	8	71	(88.7)
Other income	350	343	2.0	180	170	5.9
<b>Total net operating income</b>	<b>3,222</b>	<b>3,457</b>	<b>(6.8)</b>	<b>1,549</b>	<b>1,673</b>	<b>(7.4)</b>

<b>Volumes (\$bn)</b>						
Business lending	104.2	95.6	9.0	104.2	97.1	7.3
Other lending	0.3	0.4	(25.0)	0.3	0.5	(40.0)
Gross loans and acceptances	104.5	96.0	8.9	104.5	97.6	7.1
Average interest earning assets	259.2	274.2	(5.5)	252.6	265.9	(5.0)
Total assets	276.4	317.3	(12.9)	276.4	281.4	(1.8)
Customer deposits	119.2	114.8	3.8	119.2	110.7	7.7
Total risk-weighted assets	121.5	129.9	(6.5)	121.5	125.7	(3.3)

<b>Performance Measures</b>						
Cash earnings on average assets <sup>(1)</sup>	0.41%	0.45%	(4 bps)	0.30%	0.52%	(22 bps)
Cash earnings on average risk-weighted assets <sup>(1)</sup>	0.96%	1.09%	(13 bps)	0.68%	1.22%	(54 bps)
Net interest margin	0.74%	0.76%	(2 bps)	0.75%	0.73%	2 bps
Net interest margin (ex Markets)	1.68%	1.65%	3 bps	1.68%	1.68%	-
Cost to income ratio <sup>(1)</sup>	42.5%	40.2%	230 bps	44.7%	40.4%	430 bps

	Year to			Half Year to		
	Sep 21	Sep 20	Sep 21 v Sep 20	Sep 21	Mar 21	Sep 21 v Mar 21
<b>Asset Quality</b>						
90+ DPD and gross impaired assets to gross loans and acceptances	0.13%	0.19%	(6 bps)	0.13%	0.14%	(1 bp)
Credit impairment charge to gross loans and acceptances (annualised)	0.18%	0.18%	-	0.44%	(0.09%)	53 bps

(1) Comparative information has been restated to reflect a reallocation of operating expenses between business units in the March 2021 half year after the Group's organisational restructure.

(2) Excludes collective provision charges for forward looking provisions as a result of COVID-19, included in Corporate Functions and Other.

(3) Derivative valuation adjustments, which include credit valuation adjustments and funding valuation adjustments, are shown net of hedging costs or benefits.

## CORPORATE AND INSTITUTIONAL BANKING (CONTINUED)

## September 2021 v September 2020

Cash earnings decreased by \$209 million or 14.8%, driven by lower Markets income and an increase in credit impairment charges, partially offset by lower operating expenses.

Key movements	Key drivers
<b>Net interest income down \$157m, 7.6%</b>	<ul style="list-style-type: none"> <li>Includes an increase of \$106 million due to movements in economic hedges offset in other operating income. Underlying decrease of \$263 million mainly from lower Markets risk management income due to excess liquidity associated with central banks' quantitative easing programs and the low interest rate environment.</li> <li>Net interest margin (ex Markets) increased by 3 basis points to 1.68% reflecting continued risk and pricing discipline on lending and lower funding costs, partially offset by the impacts of the low interest rate environment including a lower earnings rate on capital.</li> <li>Gross loans and acceptances increased by \$8.5 billion or 8.9% largely due to a continued focus on investor and infrastructure growth segments, partially offset by the sale of approximately \$1.5 billion of loans in the aviation portfolio.</li> <li>Customer deposits increased by \$4.4 billion or 3.8%. This was driven by an increase in on-demand deposits and non-interest bearing accounts, partially offset by a decrease in term deposits.</li> </ul>
<b>Other operating income down \$78m, 5.6%</b>	<ul style="list-style-type: none"> <li>Includes a decrease of \$106 million due to movements in economic hedges, offset in net interest income.</li> <li>Underlying increase of \$28 million due to higher derivative valuation adjustment including the impact of credit spreads tightening and the non-repeat of a negative change in credit valuation adjustment methodology in the September 2020 full year, combined with higher fee income, partially offset by lower Markets risk management income.</li> </ul>
<b>Operating expenses down \$19m, 1.4%</b>	<ul style="list-style-type: none"> <li>Productivity benefits and lower restructuring-related costs, partially offset by provisions for higher performance-based compensation.</li> </ul>
<b>Credit impairment charge up \$16m, 9.4%</b>	<ul style="list-style-type: none"> <li>Includes \$248 million of charges relating to higher provisions associated with the sale of approximately \$1.5 billion of loans in the aviation portfolio, offset by release of FLAs in Corporate Functions and Other.</li> <li>Underlying charges have declined by \$232 million due to lower levels of individual impaired exposures and lower collective provision charges across the business lending portfolio.</li> </ul>
<b>Risk-weighted assets down \$8.4bn, 6.5%</b>	<ul style="list-style-type: none"> <li>Decrease due to model methodology changes, improved asset quality including continued returns focused portfolio management, partially offset by growth in lending volumes.</li> </ul>

## CORPORATE AND INSTITUTIONAL BANKING (CONTINUED)

## September 2021 v March 2021

Cash earnings decreased by \$357 million or 45.7%, driven by higher credit impairment charges, lower Markets income with flat margins (ex Markets) and higher operating expenses.

Key movements	Key drivers
<b>Net interest income down \$16m, 1.7%</b>	<ul style="list-style-type: none"> <li>Includes an increase of \$14 million due to movements in economic hedges offset in other operating income. Underlying decrease of \$30 million from lower Markets risk management income due to excess liquidity associated with central banks' quantitative easing programs and the low interest rate environment.</li> <li>Net interest margin (ex Markets) remained flat at 1.68% reflecting lower funding costs, offset by the impacts of the low interest rate environment including a lower earnings rate on capital.</li> <li>Gross loans and acceptances increased by \$6.9 billion or 7.1%. Underlying increase of \$5.2 billion excluding exchange rate movements was due to the continued focus on investor and infrastructure growth segments, partially offset by the sale of approximately \$1.5 billion of loans in the aviation portfolio.</li> <li>Customer deposits increased by \$8.5 billion or 7.7%. Underlying increase of \$8.1 billion excluding exchange rate movements was primarily driven by an increase in on-demand deposits, non-interest bearing accounts and term deposits.</li> </ul>
<b>Other operating income down \$108m, 15.3%</b>	<ul style="list-style-type: none"> <li>Includes a decrease of \$14 million due to movements in economic hedges, offset in net interest income.</li> <li>Underlying decrease of \$94 million due to lower Markets risk management income and derivative valuation adjustment, partially offset by higher fee income and increased sales of interest rate products.</li> </ul>
<b>Operating expenses up \$17m, 2.5%</b>	<ul style="list-style-type: none"> <li>Increased investment in technology capabilities, largely offset by productivity benefits.</li> </ul>
<b>Credit impairment charge up \$276m</b>	<ul style="list-style-type: none"> <li>Includes \$248 million of charges relating to higher provisions associated with the sale of approximately \$1.5 billion of loans in the aviation portfolio, offset by release of FLAs in Corporate Functions and Other. The underlying charges reflect higher specific charges for the impairment of a small number of larger exposures.</li> </ul>
<b>Risk-weighted assets down \$4.2bn, 3.3%</b>	<ul style="list-style-type: none"> <li>Decrease due to model methodology changes, improved asset quality including continued returns focused portfolio management, partially offset by growth in lending volumes.</li> </ul>

## 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 and Insurance franchises operating under the 'Bank of New Zealand' brand. It excludes the Bank of New Zealand's Markets Trading operations.

Results presented in New Zealand dollars. See page 45 for results in Australian dollars and page 80 for foreign exchange rates.

	Year to			Half Year to		
	Sep 21 \$m	Sep 20 \$m	Sep 21 v Sep 20 %	Sep 21 \$m	Mar 21 \$m	Sep 21 v Mar 21 %
Net interest income	2,150	1,985	8.3	1,103	1,047	5.3
Other operating income	539	552	(2.4)	263	276	(4.7)
<b>Net operating income</b>	<b>2,689</b>	<b>2,537</b>	<b>6.0</b>	<b>1,366</b>	<b>1,323</b>	<b>3.3</b>
Operating expenses	(995)	(948)	5.0	(507)	(488)	3.9
<b>Underlying profit</b>	<b>1,694</b>	<b>1,589</b>	<b>6.6</b>	<b>859</b>	<b>835</b>	<b>2.9</b>
Credit impairment (charge) / write-back <sup>(1)</sup>	13	(148)	large	(6)	19	large
<b>Cash earnings before tax</b>	<b>1,707</b>	<b>1,441</b>	<b>18.5</b>	<b>853</b>	<b>854</b>	<b>(0.1)</b>
Income tax expense	(477)	(405)	17.8	(239)	(238)	0.4
<b>Cash earnings</b>	<b>1,230</b>	<b>1,036</b>	<b>18.7</b>	<b>614</b>	<b>616</b>	<b>(0.3)</b>

<b>Volumes (\$bn)</b>						
Housing lending	52.7	46.0	14.6	52.7	49.5	6.5
Business lending	41.5	41.1	1.0	41.5	40.6	2.2
Other lending	0.9	1.0	(10.0)	0.9	1.0	(10.0)
Gross loans and acceptances	95.1	88.1	7.9	95.1	91.1	4.4
Average interest earning assets	94.0	90.7	3.6	96.3	91.8	4.9
Total assets	101.3	93.3	8.6	101.3	96.7	4.8
Customer deposits	68.6	65.4	4.9	68.6	67.5	1.6
Total risk-weighted assets	63.1	62.8	0.5	63.1	62.2	1.4

<b>Performance Measures</b>						
Cash earnings on average assets	1.27%	1.11%	16 bps	1.23%	1.30%	(7 bps)
Cash earnings on average risk-weighted assets	1.95%	1.63%	32 bps	1.95%	1.96%	(1 bp)
Net interest margin	2.29%	2.19%	10 bps	2.29%	2.29%	-
Cost to income ratio	37.0%	37.4%	(40 bps)	37.1%	36.9%	20 bps

	Year to			Half Year to		
	Sep 21	Sep 20	Sep 21 v Sep 20	Sep 21	Mar 21	Sep 21 v Mar 21
<b>Asset Quality</b>						
90+ DPD and gross impaired assets to gross loans and acceptances	0.40%	0.89%	(49 bps)	0.40%	0.72%	(32 bps)
Credit impairment charge to gross loans and acceptances (annualised)	(0.01%)	0.17%	(18 bps)	0.01%	(0.04%)	5 bps

(1) Excludes collective provision charges for forward looking provisions as a result of COVID-19, included in Corporate Functions and Other.

## NEW ZEALAND BANKING (CONTINUED)

## September 2021 v September 2020

Cash earnings increased by \$194 million or 18.7%, driven by higher revenue and lower credit impairment charges, partially offset by higher operating expenses.

Key movements	Key drivers
<b>Net interest income up \$165m, 8.3%</b>	<ul style="list-style-type: none"> <li>Net interest margin increased by 10 basis points primarily driven by favourable deposit mix and lower funding costs combined with increased lending margins, partially offset by a lower earnings rate on deposits and capital due to the low interest rate environment.</li> <li>Average interest earning assets increased by \$3.3 billion or 3.6% driven by growth in housing and business lending.</li> <li>Customer deposits increased by \$3.2 billion or 4.9% driven by growth in on-demand and non-interest bearing accounts, partially offset by a decrease in term deposits.</li> </ul>
<b>Other operating income down \$13m, 2.4%</b>	<ul style="list-style-type: none"> <li>Lower over the counter transactions and lower sales of customer risk management products.</li> <li>Partially offset by higher merchant acquiring income due to increased transaction volumes.</li> </ul>
<b>Operating expenses up \$47m, 5.0%</b>	<ul style="list-style-type: none"> <li>Increased spend on additional colleagues to support growth and to strengthen the compliance and control environment, combined with provisions for higher performance-based compensation.</li> <li>Partially offset by productivity benefits achieved through simplification of the business.</li> </ul>
<b>Credit impairment charge down \$161m</b>	<ul style="list-style-type: none"> <li>Lower credit impairment charge due to a lower number of individual impaired exposures, combined with write-backs for a small number of larger exposures.</li> <li>90+ DPD and gross impaired assets to gross loans and acceptances decreased by 49 basis points mainly due to lower impaired loans in the corporate and dairy portfolio.</li> </ul>
<b>Total risk-weighted assets up \$0.3bn, 0.5%</b>	<ul style="list-style-type: none"> <li>Increase due to growth in housing lending, partially offset by improved asset quality.</li> </ul>

## September 2021 v March 2021

Cash earnings decreased by \$2 million or 0.3%, driven by higher credit impairment charges and higher expenses, partially offset by higher revenue.

Key movements	Key drivers
<b>Net interest income up \$56m, 5.3%</b>	<ul style="list-style-type: none"> <li>The flat net interest margin result is driven by decreased lending margins from competitive pressures and lending mix due to faster growth in lower margin housing loans offset by favourable deposit mix and lower funding costs.</li> <li>Average interest earning assets increased by \$4.5 billion or 4.9% due to growth in housing and business lending, partially offset by a decrease in credit card lending.</li> <li>Customer deposits increased by \$1.1 billion or 1.6% driven by growth in on-demand and non-interest bearing accounts, partially offset by a reduction in term deposits.</li> </ul>
<b>Other operating income down \$13m, 4.7%</b>	<ul style="list-style-type: none"> <li>Lower over the counter transactions and lower merchant acquiring income due to decreased transaction volumes.</li> <li>Partially offset by higher sales of customer risk management products and increased wealth management fees.</li> </ul>
<b>Operating expenses up \$19m, 3.9%</b>	<ul style="list-style-type: none"> <li>Increased spend on additional colleagues to support growth and to strengthen the compliance and control environment, combined with provisions for higher performance-based compensation.</li> <li>Partially offset by productivity benefits achieved through simplification of the business.</li> </ul>
<b>Credit impairment charge up \$25m</b>	<ul style="list-style-type: none"> <li>Higher credit impairment charge due to a higher level of collective provision charges, partially offset by write-backs for a small number of larger exposures, combined with a lower number of individual impaired exposures.</li> <li>90+ DPD and gross impaired assets to gross loans and acceptances decreased by 32 basis points mainly due to lower impaired loans in the dairy portfolio.</li> </ul>
<b>Total risk-weighted assets up \$0.9bn, 1.4%</b>	<ul style="list-style-type: none"> <li>Increase due to growth in housing lending, partially offset by improved asset quality.</li> </ul>

## NEW ZEALAND BANKING (CONTINUED)

Results presented in Australian dollars. See page 43 for results in New Zealand dollars.

	Year to			Half Year to		
	Sep 21 \$m	Sep 20 \$m	Sep 21 v Sep 20 %	Sep 21 \$m	Mar 21 \$m	Sep 21 v Mar 21 %
Net interest income	2,017	1,872	7.7	1,038	979	6.0
Other operating income	505	520	(2.9)	247	258	(4.3)
<b>Net operating income</b>	<b>2,522</b>	<b>2,392</b>	<b>5.4</b>	<b>1,285</b>	<b>1,237</b>	<b>3.9</b>
Operating expenses	(933)	(894)	4.4	(477)	(456)	4.6
<b>Underlying profit</b>	<b>1,589</b>	<b>1,498</b>	<b>6.1</b>	<b>808</b>	<b>781</b>	<b>3.5</b>
Credit impairment (charge) / write-back <sup>(1)</sup>	12	(140)	large	(5)	17	large
<b>Cash earnings before tax</b>	<b>1,601</b>	<b>1,358</b>	<b>17.9</b>	<b>803</b>	<b>798</b>	<b>0.6</b>
Income tax expense	(447)	(381)	17.3	(225)	(222)	1.4
<b>Cash earnings</b>	<b>1,154</b>	<b>977</b>	<b>18.1</b>	<b>578</b>	<b>576</b>	<b>0.3</b>

(1) Excludes collective provision charges for forward looking provisions as a result of COVID-19, included in Corporate Functions and Other.

## Impact of foreign exchange rate movements

Favourable / (unfavourable)	Year since Sep 20 \$m	Sep 21 v Sep 20 ex FX %	Half Year	
			since Mar 21 \$m	Sep 21 v Mar 21 ex FX %
<b>30 September 2021</b>				
Net interest income	(10)	8.3	7	5.3
Other operating income	(4)	(2.1)	1	(4.7)
Operating expenses	6	5.0	(3)	3.9
Credit impairment charge	-	large	1	large
Income tax expense	2	17.8	(2)	0.5
<b>Cash earnings</b>	<b>(6)</b>	<b>18.7</b>	<b>4</b>	<b>(0.3)</b>

## CORPORATE FUNCTIONS AND OTHER

Corporate Functions and Other includes UBank, 86 400 and enabling units that support all businesses including Treasury, Technology and Enterprise Operations, Strategy and Innovation, Support Units and eliminations.

	Year to <sup>(1)</sup>			Half Year to <sup>(1)</sup>		
	Sep 21 \$m	Sep 20 \$m	Sep 21 v Sep 20 %	Sep 21 \$m	Mar 21 \$m	Sep 21 v Mar 21 %
Net operating income <sup>(2)</sup>	401	661	(39.3)	155	246	(37.0)
Large notable items <sup>(3)</sup>	-	(129)	large	-	-	-
<b>Net operating income</b>	<b>401</b>	<b>532</b>	<b>(24.6)</b>	<b>155</b>	<b>246</b>	<b>(37.0)</b>
Operating expenses <sup>(2)(4)</sup>	(771)	(764)	0.9	(375)	(396)	(5.3)
Large notable items <sup>(3)</sup>	-	(1,328)	large	-	-	-
<b>Underlying loss</b>	<b>(370)</b>	<b>(1,560)</b>	<b>(76.3)</b>	<b>(220)</b>	<b>(150)</b>	<b>46.7</b>
Credit impairment (charge) / write-back	405	(1,874)	large	362	43	large
<b>Cash earnings / (loss) before tax and distributions</b>	<b>35</b>	<b>(3,434)</b>	<b>large</b>	<b>142</b>	<b>(107)</b>	<b>large</b>
Income tax benefit	45	876	(94.9)	15	30	(50.0)
<b>Cash earnings / (loss) before distributions</b>	<b>80</b>	<b>(2,558)</b>	<b>large</b>	<b>157</b>	<b>(77)</b>	<b>large</b>
Distributions	(13)	(39)	(66.7)	-	(13)	large
<b>Cash earnings / (loss)</b>	<b>67</b>	<b>(2,597)</b>	<b>large</b>	<b>157</b>	<b>(90)</b>	<b>large</b>
<b>Cash earnings / (loss) (excluding large notable items)<sup>(3)</sup></b>	<b>67</b>	<b>(1,574)</b>	<b>large</b>	<b>157</b>	<b>(90)</b>	<b>large</b>

(1) Information is presented on a continuing operations basis, unless otherwise stated.

(2) Excludes large notable items.

(3) Refer to Section 4 Large notable items for further information.

(4) Comparative information has been restated to reflect a reallocation of operating expenses between business units in the March 2021 half year after the Group's organisational restructure.

## September 2021 v September 2020

Cash earnings increased by \$2,664 million including a decrease of \$1,023 million in large notable items in the September 2020 full year. Cash earnings (excluding large notable items) increased by \$1,641 million mainly due to a reduction in credit impairment charges and distributions, partially offset by lower net operating income and higher operating expenses.

Key movements	Key drivers
<b>Net operating income down \$260m, 39.3%</b>	<ul style="list-style-type: none"> <li>Excluding customer-related remediation of \$71 million in the September 2021 full year (\$129 million in September 2020 full year recognised as large notable items), net operating income is down \$189 million or 28.6%.</li> <li>Lower NAB risk management income in Treasury resulting from a lower market volatility and interest rate environment and the redemption of the National Income Securities.</li> <li>Partially offset by higher income in UBank and 86 400 driven by housing lending and deposit margins.</li> </ul>
<b>Operating expenses up \$7m, 0.9%</b>	<ul style="list-style-type: none"> <li>Excludes large notable items of \$1,328 million in the September 2020 full year.</li> <li>Additional operating costs from the acquisition of 86 400 and \$26 million payroll remediation costs included in the September 2021 full year (\$108 million in September 2020 full year recognised as large notable items), largely offset by lower professional fees.</li> </ul>
<b>Credit impairment charge down \$2,279m</b>	<ul style="list-style-type: none"> <li>Partial release and non-repeat of charges for forward looking economic adjustments raised as a result of COVID-19 in the prior period.</li> <li>Lower level of net FLAs raised for targeted sectors, including \$248 million of FLA release as the result of a sale of part of the aviation portfolio, offset by higher provisions reflected in Corporate and Institutional Banking.</li> </ul>
<b>Distributions down \$26m, 66.7%</b>	<ul style="list-style-type: none"> <li>Distributions reduced due to the redemption of the National Income Securities in February 2021, combined with a decrease in distribution rate.</li> </ul>



## CORPORATE FUNCTIONS AND OTHER (CONTINUED)

### September 2021 v March 2021

Cash earnings increased by \$247 million mainly due to higher credit impairment write-back, lower operating expenses and distributions, partially offset by lower NAB risk management income in Treasury.

Key movements	Key drivers
<b>Net operating income down \$91m, 37.0%</b>	<ul style="list-style-type: none"> <li>Lower NAB risk management income in Treasury resulting from a lower market volatility and interest rate environment and the redemption of the National Income Securities.</li> </ul>
<b>Operating expenses down \$21m, 5.3%</b>	<ul style="list-style-type: none"> <li>Lower professional fees combined with a non-repeat of \$26 million payroll remediation costs in the March 2021 half year, partially offset by additional operating costs from the acquisition of 86 400.</li> </ul>
<b>Credit impairment write-back up \$319m</b>	<ul style="list-style-type: none"> <li>Lower level of net FLAs raised for targeted sectors, including \$248 million of FLA release as the result of a sale of part of the aviation portfolio, offset by higher provisions reflected in Corporate and Institutional Banking.</li> <li>Partially offset by a higher level of charges for forward looking economic adjustments raised for uncertainty in the economic outlook.</li> </ul>
<b>Distributions down \$13m</b>	<ul style="list-style-type: none"> <li>Distributions reduced due to the redemption of the National Income Securities in February 2021.</li> </ul>

**CORPORATE FUNCTIONS AND OTHER (CONTINUED)**

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# FULL YEAR RESULTS 2021

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## SECTION 4

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## SECTION 4 SUPPLEMENTARY INFORMATION

This document should be read in conjunction with the 2021 Annual Financial 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 Australian Accounting Standards Board (AASB) can be found in the 2021 Annual Financial Report.

Ernst & Young has audited the financial statements contained within the 2021 Annual Financial 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 <sup>(1)</sup>		Half Year to <sup>(1)</sup>	
	Sep 21 \$m	Sep 20 \$m	Sep 21 \$m	Mar 21 \$m
<b>Gains less losses on financial instruments at fair value</b>				
Trading instruments	472	1,279	175	297
Hedge ineffectiveness <sup>(2)</sup>	(233)	26	16	(249)
Financial instruments designated at fair value	372	(217)	169	203
<b>Total gains less losses on financial instruments at fair value</b>	<b>611</b>	<b>1,088</b>	<b>360</b>	<b>251</b>
<b>Other operating income</b>				
Dividend revenue	12	36	8	4
Banking fees	1,054	1,020	535	519
Money transfer fees	473	440	217	256
Fees and commissions <sup>(3)(4)</sup>	434	452	193	241
Other income <sup>(5)</sup>	226	122	142	84
<b>Total other operating income</b>	<b>2,199</b>	<b>2,070</b>	<b>1,095</b>	<b>1,104</b>
<b>Net investment management income<sup>(4)</sup></b>				
Investment management income	278	238	150	128
Investment management expense	(152)	(137)	(84)	(68)
<b>Total net investment management income</b>	<b>126</b>	<b>101</b>	<b>66</b>	<b>60</b>
<b>Total other income</b>	<b>2,936</b>	<b>3,259</b>	<b>1,521</b>	<b>1,415</b>

(1) Information is presented on a continuing operations basis, unless otherwise stated.

(2) Represents hedge ineffectiveness of designated hedging relationships. In the March 2021 half year, operational enhancements were implemented to reduce future volatility in statutory earnings related to hedge accounting. This resulted in a one-off \$245 million charge to statutory earnings in the March 2021 half year.

(3) Includes large notable items in the September 2020 full year. Refer to Section 4 Large notable items for further information.

(4) Comparative information has been restated to align to the presentation in the current period. Refer to *Note 1 Basis of preparation* in the 2021 Annual Financial Report.

(5) Comparative information has been updated to reflect product reclassification in the Group's BNZ Life business.

## 2 OPERATING EXPENSES

	Year to <sup>(1)</sup>		Half Year to <sup>(1)</sup>	
	Sep 21 \$m	Sep 20 \$m	Sep 21 \$m	Mar 21 \$m
<b>Personnel expenses</b>				
Salaries and related on-costs <sup>(2)</sup>	3,483	3,402	1,744	1,739
Superannuation costs-defined contribution plans	302	285	154	148
Performance-based compensation <sup>(2)</sup>	590	214	299	291
Other expenses <sup>(3)</sup>	202	452	120	82
<b>Total personnel expenses</b>	<b>4,577</b>	<b>4,353</b>	<b>2,317</b>	<b>2,260</b>
<b>Occupancy and depreciation expenses</b>				
Rental expense	64	92	29	35
Depreciation and impairment <sup>(4)</sup>	628	776	310	318
Other expenses	70	95	35	35
<b>Total occupancy and depreciation expenses</b>	<b>762</b>	<b>963</b>	<b>374</b>	<b>388</b>
<b>General expenses</b>				
Fees and commissions expense <sup>(2)</sup>	47	43	25	22
Amortisation of intangible assets <sup>(4)</sup>	417	1,263	229	188
Advertising and marketing	160	162	88	72
Charge to provide for operational risk event losses <sup>(4)</sup>	85	257	25	60
Communications, postage and stationery	152	171	76	76
Computer equipment and software	740	741	389	351
Data communication and processing charges	77	84	32	45
Professional fees <sup>(2)</sup>	558	663	313	245
Impairment losses recognised	16	225	16	-
Other expenses <sup>(2)(3)</sup>	272	296	116	156
<b>Total general expenses</b>	<b>2,524</b>	<b>3,905</b>	<b>1,309</b>	<b>1,215</b>
<b>Total operating expenses</b>	<b>7,863</b>	<b>9,221</b>	<b>4,000</b>	<b>3,863</b>

(1) Information is presented on a continuing operations basis, unless otherwise stated.

(2) Comparative information has been restated to align to the presentation in the current period. Refer to *Note 1 Basis of preparation* in the 2021 Annual Financial Report.

(3) Comparative information has been updated to reflect product reclassification in the Group's BNZ Life business.

(4) Includes large notable items in the September 2020 full year. Refer to Section 4 Large notable items for further information.

## 3 LOANS AND ADVANCES

	As at		
	30 Sep 21 \$m	31 Mar 21 \$m	30 Sep 20 \$m
Housing loans	360,000	345,172	341,729
Other term lending	238,581	223,594	223,206
Asset and lease financing	13,879	12,988	13,009
Overdrafts	4,588	4,511	4,347
Credit card outstandings	4,871	5,395	5,259
Other lending <sup>(1)</sup>	7,006	6,890	6,257
Fair value adjustment	131	160	245
<b>Gross loans and advances<sup>(1)</sup></b>	<b>629,056</b>	<b>598,710</b>	<b>594,052</b>
<i>Represented by:</i>			
Loans and advances at fair value <sup>(2)</sup>	2,556	2,958	3,860
Loans and advances at amortised cost	626,500	595,752	590,192
<b>Gross loans and advances</b>	<b>629,056</b>	<b>598,710</b>	<b>594,052</b>
Unearned income and deferred net fee income	(173)	(159)	(219)
Provision for credit impairment	(5,171)	(5,745)	(6,011)
<b>Net loans and advances</b>	<b>623,712</b>	<b>592,806</b>	<b>587,822</b>
<b>Securitised loans and loans supporting covered bonds<sup>(3)</sup></b>	<b>35,920</b>	<b>34,177</b>	<b>36,505</b>

	Australia \$m	New Zealand \$m	Other International \$m	Total Group \$m
<b>By product and geographic location</b>				
<b>As at 30 September 2021</b>				
Housing loans	309,661	50,306	33	360,000
Other term lending	179,763	37,942	20,876	238,581
Asset and lease financing	13,474	-	405	13,879
Overdrafts	2,786	1,786	16	4,588
Credit card outstandings	4,158	713	-	4,871
Other lending	6,064	359	583	7,006
Fair value adjustment	145	(14)	-	131
<b>Gross loans and advances</b>	<b>516,051</b>	<b>91,092</b>	<b>21,913</b>	<b>629,056</b>
<i>Represented by:</i>				
Loans and advances at fair value <sup>(2)</sup>	1,678	878	-	2,556
Loans and advances at amortised cost	514,373	90,214	21,913	626,500
<b>Gross loans and advances</b>	<b>516,051</b>	<b>91,092</b>	<b>21,913</b>	<b>629,056</b>

(1) Comparative information has been restated to align to the presentation in the current period. Refer to *Note 1 Basis of preparation* in the 2021 Annual Financial Report.

(2) On the balance sheet, this amount is included within other financial assets. Refer to *Balance Sheets* in the 2021 Annual Financial Report.

(3) Loans supporting securitisation and covered bonds are included within the balance of net loans and advances.

## 3 LOANS AND ADVANCES (CONTINUED)

	Australia \$m	New Zealand \$m	Other International \$m	Total Group \$m
<b>By product and geographic location</b>				
<b>As at 31 March 2021</b>				
Housing loans	299,668	45,465	39	345,172
Other term lending	171,158	35,566	16,870	223,594
Asset and lease financing	12,603	-	385	12,988
Overdrafts	2,728	1,772	11	4,511
Credit card outstandings	4,591	804	-	5,395
Other lending <sup>(1)</sup>	6,055	319	516	6,890
Fair value adjustment	182	(22)	-	160
<b>Gross loans and advances<sup>(1)</sup></b>	<b>496,985</b>	<b>83,904</b>	<b>17,821</b>	<b>598,710</b>
<i>Represented by:</i>				
Loans and advances at fair value <sup>(2)</sup>	2,095	863	-	2,958
Loans and advances at amortised cost <sup>(1)</sup>	494,890	83,041	17,821	595,752
<b>Gross loans and advances</b>	<b>496,985</b>	<b>83,904</b>	<b>17,821</b>	<b>598,710</b>

	Australia \$m	New Zealand \$m	Other International \$m	Total Group \$m
<b>By product and geographic location</b>				
<b>As at 30 September 2020</b>				
Housing loans	299,102	42,581	46	341,729
Other term lending	170,633	36,241	16,332	223,206
Asset and lease financing	12,611	-	398	13,009
Overdrafts	2,472	1,863	12	4,347
Credit card outstandings	4,426	833	-	5,259
Other lending <sup>(1)</sup>	5,551	317	389	6,257
Fair value adjustment	256	(11)	-	245
<b>Gross loans and advances<sup>(1)</sup></b>	<b>495,051</b>	<b>81,824</b>	<b>17,177</b>	<b>594,052</b>
<i>Represented by:</i>				
Loans and advances at fair value <sup>(2)</sup>	2,552	1,308	-	3,860
Loans and advances at amortised cost <sup>(1)</sup>	492,499	80,516	17,177	590,192
<b>Gross loans and advances</b>	<b>495,051</b>	<b>81,824</b>	<b>17,177</b>	<b>594,052</b>

(1) Comparative information has been restated to align to the presentation in the current period. Refer to *Note 1 Basis of preparation* in the 2021 Annual Financial Report.

(2) On the balance sheet, this amount is included within other financial assets. Refer to *Balance Sheets* in the 2021 Annual Financial Report.

## 4 PROVISION FOR CREDIT IMPAIRMENT ON LOANS AT AMORTISED COST

Expected Credit Losses (ECL) are derived from unbiased 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.

The Group's ECL measurement is derived from a probability weighted average of three distinct scenarios (base case, upside and downside) 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. For further details please refer the accounting policy section of *Note 17 Provision for credit impairment on loans at amortised cost* in the 2021 Annual Financial Report.

	Year to		Half Year to	
	Sep 21 \$m	Sep 20 \$m	Sep 21 \$m	Mar 21 \$m
<b>Credit impairment charge on loans at amortised cost</b>				
New and increased provisions (net of collective provision releases)	122	2,990	116	6
Write-backs of specific provisions	(270)	(169)	(172)	(98)
Recoveries of specific provisions	(54)	(69)	(18)	(36)
<b>Total charge / (write-back) to the income statement</b>	<b>(202)</b>	<b>2,752</b>	<b>(74)</b>	<b>(128)</b>

	Stage 1	Stage 2	Stage 3		Total
	12-mth expected credit losses (ECL) Collective provision	Lifetime ECL not credit impaired Collective provision	Lifetime ECL credit impaired Collective provision	Lifetime ECL credit impaired Specific provision	
	\$m	\$m	\$m	\$m	\$m
<b>Group - Yearly</b>					
<b>Balance at 1 October 2019</b>	368	2,227	523	782	3,900
Changes due to financial assets recognised in the opening balance that have:					
Transferred to 12-months ECL - collective provision	335	(319)	(16)	-	-
Transferred to Lifetime ECL not credit impaired - collective provision	(83)	142	(59)	-	-
Transfer to Lifetime ECL credit impaired - collective provision	(2)	(83)	85	-	-
Transfer to Lifetime ECL credit impaired - specific provision	(1)	(46)	(107)	154	-
New and increased provisions (net of collective provision releases)	(146)	1,981	399	756	2,990
Write-backs of specific provisions	-	-	-	(169)	(169)
Write-offs from specific provisions	-	-	-	(700)	(700)
Foreign currency translation and other adjustments	(1)	(5)	(1)	(3)	(10)
<b>Balance at 30 September 2020</b>	<b>470</b>	<b>3,897</b>	<b>824</b>	<b>820</b>	<b>6,011</b>
Changes due to financial assets recognised in the opening balance that have:					
Transferred to 12-months ECL - collective provision	213	(197)	(16)	-	-
Transferred to Lifetime ECL not credit impaired - collective provision	(69)	240	(171)	-	-
Transfer to Lifetime ECL credit impaired - collective provision	(2)	(59)	61	-	-
Transfer to Lifetime ECL credit impaired - specific provision	(1)	(31)	(93)	125	-
New and increased provisions (net of collective provision releases)	(358)	(188)	281	387	122
Write-backs of specific provisions	-	-	-	(270)	(270)
Write-offs from specific provisions	-	-	-	(413)	(413)
Derecognised in respect of a sale of loans	-	(299)	-	-	(299)
Foreign currency translation and other adjustments	3	13	3	1	20
<b>Balance at 30 September 2021</b>	<b>256</b>	<b>3,376</b>	<b>889</b>	<b>650</b>	<b>5,171</b>



## 4 PROVISION FOR CREDIT IMPAIRMENT ON LOANS AT AMORTISED COST (CONTINUED)

	Stage 1	Stage 2	Stage 3		Total
	12-mth ECL Collective provision	Lifetime ECL not credit impaired Collective provision	Lifetime ECL credit impaired Collective provision	Lifetime ECL credit impaired Specific provision	
Group - Half Yearly	\$m	\$m	\$m	\$m	\$m
<b>Balance at 1 October 2020</b>	470	3,897	824	820	6,011
Changes due to financial assets recognised in the opening balance that have:					
Transferred to 12-months ECL - collective provision	102	(95)	(7)	-	-
Transferred to Lifetime ECL not credit impaired - collective provision	(29)	177	(148)	-	-
Transfer to Lifetime ECL credit impaired - collective provision	(1)	(55)	56	-	-
Transfer to Lifetime ECL credit impaired - specific provision	-	(10)	(67)	77	-
New and increased provisions (net of collective provision releases)	(270)	(28)	166	138	6
Write-backs of specific provisions	-	-	-	(98)	(98)
Write-offs from specific provisions	-	-	-	(163)	(163)
Foreign currency translation and other adjustments	-	(7)	-	(4)	(11)
<b>Balance at 31 March 2021</b>	<b>272</b>	<b>3,879</b>	<b>824</b>	<b>770</b>	<b>5,745</b>
Changes due to financial assets recognised in the opening balance that have:					
Transferred to 12-months ECL - collective provision	141	(129)	(12)	-	-
Transferred to Lifetime ECL not credit impaired - collective provision	(95)	180	(85)	-	-
Transfer to Lifetime ECL credit impaired - collective provision	(1)	(38)	39	-	-
Transfer to Lifetime ECL credit impaired - specific provision	(1)	(34)	(48)	83	-
New and increased provisions (net of collective provision releases)	(63)	(203)	168	214	116
Write-backs of specific provisions	-	-	-	(172)	(172)
Write-offs from specific provisions	-	-	-	(250)	(250)
Derecognised in respect of a sale of loans	-	(299)	-	-	(299)
Foreign currency translation and other adjustments	3	20	3	5	31
<b>Balance at 30 September 2021</b>	<b>256</b>	<b>3,376</b>	<b>889</b>	<b>650</b>	<b>5,171</b>

## 4 PROVISION FOR CREDIT IMPAIRMENT ON LOANS AT AMORTISED COST (CONTINUED)

## ECL scenario analysis

The following table shows the key macro-economic variables used in the base case and downside scenario as at 30 September 2021.

	Base case			Downside		
	Financial year			Financial year		
	2022	2023	2024	2022	2023	2024
	%	%	%	%	%	%
GDP change (year ended September)	5.9	2.2	2.5	(0.5)	(3.0)	2.0
Unemployment (as at 30 September)	4.5	4.0	3.8	8.4	10.6	10.9
House price change (year ended September)	5.5	3.0	2.0	(18.0)	(14.1)	4.3

The probability weighted ECL is a blended outcome taking into consideration the respective scenarios applied across each of the Group's major loan portfolios. 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 21	31 Mar 21	30 Sep 20
	\$m	\$m	\$m
<b>Total provisions for ECL</b>			
Probability weighted	5,171	5,745	6,011
100% Base case	4,291	4,904	5,611
100% Downside	6,984	7,330	7,774

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

	As at		
	30 Sep 21	31 Mar 21	30 Sep 20
	%	%	%
<b>Macro-economics scenario weightings</b>			
Upside	5.0	5.0	15.0
Base case	62.5	65.0	60.0
Downside	32.5	30.0	25.0

- The September 2021 total provisions for ECL in the 100% base case and 100% downside scenarios have reduced since March 2021, including the reduction in provisions from the sale of part of the aviation portfolio and a lower specific provision balance.
- The downside scenario weighting has increased from 30% as at March 2021 to 32.5% as at September 2021, to reflect increased uncertainty and potential headwinds in the outlook.

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

	As at		
	30 Sep 21	31 Mar 21	30 Sep 20
	\$m	\$m	\$m
<b>Total provision for ECL for key portfolios</b>			
Housing	1,248	1,305	1,245
Business	3,770	4,126	4,252
Others	153	314	514
<b>Total</b>	<b>5,171</b>	<b>5,745</b>	<b>6,011</b>

## 5 ASSET QUALITY

Impaired assets consist of retail loans (excluding unsecured portfolio managed facilities) which are contractually 90 days past due with security insufficient to cover principal and interest revenue, non-retail loans which are contractually 90 days past due and / or where there is sufficient doubt about the ultimate collectability of principal and interest, and impaired off-balance sheet credit exposures where current circumstances indicate that losses may be incurred. Unsecured portfolio managed facilities are classified as impaired loans when they become 180 days past due (if not written-off).

Customers receiving COVID-19 payment deferrals have been treated in accordance with APRA guidance in the tables below.

	As at		
	30 Sep 21	31 Mar 21	30 Sep 20
	\$m	\$m	\$m
<b>Summary of total impaired assets</b>			
Impaired assets	1,254	1,668	1,844
Restructured loans	4	1	22
Gross impaired assets <sup>(1)</sup>	1,258	1,669	1,866
Specific provisions for credit impairment <sup>(2)</sup>	(664)	(794)	(840)
<b>Net impaired assets<sup>(3)</sup></b>	<b>594</b>	<b>875</b>	<b>1,026</b>

(1) Gross impaired assets include \$30 million (March 2021: \$48 million, September 2020: \$38 million) of gross impaired other financial assets at fair value and \$9 million (March 2021: \$22 million, September 2020: \$26 million) of impaired off-balance sheet credit exposures.

(2) Includes \$14 million (March 2021: \$24 million, September 2020: \$20 million) of specific provision on loans at fair value.

(3) The fair value of security in respect of impaired assets is \$638 million (March 2021: \$907 million, September 2020: \$1,065 million). Fair value amounts of security held in excess of the outstanding balance of individual impaired assets are not included in these amounts.

	Australia	New Zealand	Other International	Total Group
	\$m	\$m	\$m	\$m
<b>Movement in gross impaired assets</b>				
<b>Balance at 01 April 2020</b>	1,299	699	39	2,037
New	425	114	-	539
Written-off	(237)	(28)	-	(265)
Returned to performing, repaid or no longer impaired	(211)	(191)	(7)	(409)
Foreign currency translation adjustments	1	(33)	(4)	(36)
<b>Balance at 30 September 2020</b>	1,277	561	28	1,866
New	200	71	-	271
Written-off	(56)	(33)	(1)	(90)
Returned to performing, repaid or no longer impaired	(223)	(144)	(7)	(374)
Foreign currency translation adjustments	-	(2)	(2)	(4)
<b>Balance at 31 March 2021</b>	1,198	453	18	1,669
New	256	27	3	286
Written-off	(136)	(39)	-	(175)
Returned to performing, repaid or no longer impaired	(303)	(232)	(2)	(537)
Foreign currency translation adjustments	-	13	2	15
<b>Gross impaired assets as at 30 September 2021</b>	<b>1,015</b>	<b>222</b>	<b>21</b>	<b>1,258</b>

The 90+ days past due loans below are not classified as impaired assets and therefore are not included in the above summary.

	As at		
	30 Sep 21	31 Mar 21	30 Sep 20
	\$m	\$m	\$m
<b>90+ DPD loans - by geographic location</b>			
Australia	4,498	5,509	4,082
New Zealand	140	148	163
Other International	5	7	10
<b>90+ DPD loans</b>	<b>4,643</b>	<b>5,664</b>	<b>4,255</b>

## 6 DEPOSITS AND OTHER BORROWINGS

	As at		
	30 Sep 21 \$m	31 Mar 21 \$m	30 Sep 20 \$m
Term deposits	108,494	115,961	134,743
On-demand and short-term deposits	302,414	280,057	261,260
Certificates of deposit	47,519	40,439	35,564
Deposits not bearing interest <sup>(1)</sup>	89,350	79,796	72,221
Borrowings	33,473	26,594	21,767
Repurchase agreements	30,348	34,172	25,127
Fair value adjustment	(3)	3	1
<b>Total deposits and other borrowings</b>	<b>611,595</b>	<b>577,022</b>	<b>550,683</b>
<i>Represented by:</i>			
Total deposits and other borrowings at fair value	6,552	4,296	4,507
Total deposits and other borrowings at amortised cost	605,043	572,726	546,176
<b>Total deposits and other borrowings</b>	<b>611,595</b>	<b>577,022</b>	<b>550,683</b>

	Australia \$m	New Zealand \$m	Other International \$m	Total Group \$m
<b>By product and geographic location</b>				
<b>As at 30 September 2021</b>				
Term deposits	82,037	23,279	3,178	108,494
On-demand and short-term deposits	263,890	33,094	5,430	302,414
Certificates of deposit	30,384	2,326	14,809	47,519
Deposits not bearing interest <sup>(1)</sup>	77,812	11,528	10	89,350
Borrowings	28,357	4,229	887	33,473
Repurchase agreements	2,898	117	27,333	30,348
Fair value adjustment	-	(3)	-	(3)
<b>Total deposits and other borrowings</b>	<b>485,378</b>	<b>74,570</b>	<b>51,647</b>	<b>611,595</b>
<i>Represented by:</i>				
Total deposits and other borrowings at fair value	-	6,552	-	6,552
Total deposits and other borrowings at amortised cost	485,378	68,018	51,647	605,043
<b>Total deposits and other borrowings</b>	<b>485,378</b>	<b>74,570</b>	<b>51,647</b>	<b>611,595</b>

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

## 6 DEPOSITS AND OTHER BORROWINGS (CONTINUED)

	Australia \$m	New Zealand \$m	Other International \$m	Total Group \$m
<b>By product and geographic location</b>				
<b>As at 31 March 2021</b>				
Term deposits	88,364	23,080	4,517	115,961
On-demand and short-term deposits	244,716	30,105	5,236	280,057
Certificates of deposit	27,254	605	12,580	40,439
Deposits not bearing interest <sup>(1)</sup>	69,657	10,139	-	79,796
Borrowings	21,625	3,688	1,281	26,594
Repurchase agreements	1,279	-	32,893	34,172
Fair value adjustment	-	3	-	3
<b>Total deposits and other borrowings</b>	<b>452,895</b>	<b>67,620</b>	<b>56,507</b>	<b>577,022</b>
<i>Represented by:</i>				
Total deposits and other borrowings at fair value	-	4,296	-	4,296
Total deposits and other borrowings at amortised cost	452,895	63,324	56,507	572,726
<b>Total deposits and other borrowings</b>	<b>452,895</b>	<b>67,620</b>	<b>56,507</b>	<b>577,022</b>
	Australia \$m	New Zealand \$m	Other International \$m	Total Group \$m
<b>By product and geographic location</b>				
<b>As at 30 September 2020</b>				
Term deposits	101,512	27,699	5,532	134,743
On-demand and short-term deposits	226,978	26,810	7,472	261,260
Certificates of deposit	26,613	856	8,095	35,564
Deposits not bearing interest <sup>(1)</sup>	64,163	8,058	-	72,221
Borrowings	18,362	3,088	317	21,767
Repurchase agreements	1,402	-	23,725	25,127
Fair value adjustment	-	1	-	1
<b>Total deposits and other borrowings</b>	<b>439,030</b>	<b>66,512</b>	<b>45,141</b>	<b>550,683</b>
<i>Represented by:</i>				
Total deposits and other borrowings at fair value	-	4,507	-	4,507
Total deposits and other borrowings at amortised cost	439,030	62,005	45,141	546,176
<b>Total deposits and other borrowings</b>	<b>439,030</b>	<b>66,512</b>	<b>45,141</b>	<b>550,683</b>

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

## 7 AVERAGE BALANCE SHEET AND RELATED INTEREST

## Average assets and interest income

	Year ended Sep 21 <sup>(1)</sup>			Year ended Sep 20 <sup>(1)</sup>		
	Average	Interest	Average	Average	Interest	Average
	balance		rate	balance		rate
	\$m	\$m	%	\$m	\$m	%
<b>Average interest earning assets</b>						
Due from other banks <sup>(2)</sup>						
Australia	47,431	19	-	15,863	81	0.5
New Zealand	8,455	22	0.3	4,987	36	0.7
Other International	22,117	19	0.1	22,021	159	0.7
Total due from other banks	78,003	60	0.1	42,871	276	0.6
Marketable debt securities						
Australia	79,437	854	1.1	83,472	1,446	1.7
New Zealand	8,066	43	0.5	8,669	92	1.1
Other International	9,865	27	0.3	9,768	60	0.6
Total marketable debt securities	97,368	924	0.9	101,909	1,598	1.6
Loans and advances - housing						
Australia <sup>(3)</sup>	267,773	7,700	2.9	271,451	9,358	3.4
New Zealand	44,378	1,394	3.1	40,178	1,602	4.0
Total loans and advances - housing	312,151	9,094	2.9	311,629	10,960	3.5
Loans and advances - non-housing						
Australia	197,443	6,150	3.1	198,611	7,431	3.7
New Zealand	39,607	1,286	3.2	41,731	1,636	3.9
Other International	18,082	377	2.1	17,672	477	2.7
Total loans and advances - non-housing	255,132	7,813	3.1	258,014	9,544	3.7
Other interest earning assets <sup>(2)</sup>						
Australia	16,863	38	n/a	15,769	96	n/a
New Zealand	965	45	n/a	2,006	47	n/a
Other International	44,499	60	n/a	49,481	590	n/a
Total other interest earning assets	62,327	143	n/a	67,256	733	n/a
<b>Total average interest earning assets and interest income by:</b>						
Australia <sup>(3)</sup>	608,947	14,761	2.4	585,166	18,412	3.1
New Zealand	101,471	2,790	2.7	97,571	3,413	3.5
Other International	94,563	483	0.5	98,942	1,286	1.3
<b>Total average interest earning assets and interest income</b>	<b>804,981</b>	<b>18,034</b>	<b>2.2</b>	<b>781,679</b>	<b>23,111</b>	<b>3.0</b>

(1) Information is presented on a continuing operations basis, unless otherwise stated.

(2) Comparative information has been restated to align to the presentation in the current period. Refer to *Note 1 Basis of preparation* in the 2021 Annual Financial Report.

(3) Includes \$38 million of average balance (September 2020: \$57 million) and \$1 million of interest (September 2020: \$1 million) relating to the run-down of housing loans in Asia from the sale of NAB's Asian private wealth business in November 2017.

## 7 AVERAGE BALANCE SHEET AND RELATED INTEREST (CONTINUED)

### Average assets

	Year ended	
	Sep 21 \$m	Sep 20 \$m
<b>Average non-interest earning assets</b>		
Investments relating to life insurance business		
New Zealand	95	98
Total investments relating to life insurance business	95	98
Other assets	90,161	99,687
<b>Total average non-interest earning assets</b>	<b>90,256</b>	<b>99,785</b>
<b>Average provision for credit impairment</b>		
Australia	(4,853)	(3,730)
New Zealand	(764)	(704)
Other International	(69)	(46)
<b>Total average provision for credit impairment</b>	<b>(5,686)</b>	<b>(4,480)</b>
<b>Total average assets</b>	<b>889,551</b>	<b>876,984</b>

## 7 AVERAGE BALANCE SHEET AND RELATED INTEREST (CONTINUED)

## Average liabilities and interest expense

	Year ended Sep 21 <sup>(1)</sup>			Year ended Sep 20 <sup>(1)</sup>		
	Average balance \$m	Interest \$m	Average rate %	Average balance \$m	Interest \$m	Average rate %
<b>Average interest bearing liabilities</b>						
Due to other banks <sup>(2)</sup>						
Australia	35,071	49	0.1	18,972	110	0.6
New Zealand	3,968	5	0.1	2,241	7	0.3
Other International	14,490	37	0.3	17,914	151	0.8
Total due to other banks	53,529	91	0.2	39,127	268	0.7
On-demand and short-term deposits						
Australia	245,506	540	0.2	202,991	1,105	0.5
New Zealand	31,289	47	0.2	24,283	96	0.4
Other International	4,738	1	-	5,830	32	0.5
Total on-demand and short-term deposits	281,533	588	0.2	233,104	1,233	0.5
Certificates of deposit						
Australia	27,259	20	0.1	30,633	239	0.8
New Zealand	1,274	1	0.1	1,623	17	1.0
Other International	12,872	23	0.2	10,816	150	1.4
Total certificates of deposit	41,405	44	0.1	43,072	406	0.9
Term deposits						
Australia	89,770	519	0.6	110,280	1,666	1.5
New Zealand	24,499	343	1.4	31,462	838	2.7
Other International	4,140	17	0.4	5,890	81	1.4
Total term deposits	118,409	879	0.7	147,632	2,585	1.8
Other borrowings						
Australia	21,858	117	0.5	25,786	445	1.7
New Zealand	3,956	10	0.3	3,564	54	1.5
Other International	31,514	36	0.1	27,866	455	1.6
Total other borrowings	57,328	163	0.3	57,216	954	1.7
Bonds, notes and subordinated debt						
Australia	101,025	954	0.9	122,124	1,782	1.5
New Zealand	18,660	255	1.4	21,201	357	1.7
Other International	13,065	363	2.8	18,755	523	2.8
Total bonds, notes and subordinated debt	132,750	1,572	1.2	162,080	2,662	1.6
Other interest bearing liabilities <sup>(2)</sup>						
Australia	12,152	891	n/a	12,985	1,112	n/a
New Zealand	968	6	n/a	870	6	n/a
Other International	199	7	n/a	291	8	n/a
Total other interest bearing liabilities	13,319	904	n/a	14,146	1,126	n/a
<b>Total average interest bearing liabilities and interest expense by:</b>						
Australia	532,641	3,090	0.6	523,771	6,459	1.2
New Zealand	84,614	667	0.8	85,244	1,375	1.6
Other International	81,018	484	0.6	87,362	1,400	1.6
<b>Total average interest bearing liabilities and interest expense</b>	<b>698,273</b>	<b>4,241</b>	<b>0.6</b>	<b>696,377</b>	<b>9,234</b>	<b>1.3</b>

(1) Information is presented on a continuing operations basis, unless otherwise stated.

(2) Comparative information has been restated to align to the presentation in the current period. Refer to *Note 1 Basis of preparation* in the 2021 Annual Financial Report.



## 7 AVERAGE BALANCE SHEET AND RELATED INTEREST (CONTINUED)

### Average liabilities and equity

	Year ended	
	Sep 21 \$m	Sep 20 \$m
<b>Average non-interest bearing liabilities</b>		
Deposits not bearing interest		
Australia <sup>(1)</sup>	70,440	53,583
New Zealand <sup>(1)</sup>	9,947	6,885
Other International	4	4
Total deposits not bearing interest	80,391	60,472
Other liabilities	48,998	61,478
Total average non-interest bearing liabilities	129,389	121,950
<b>Total average liabilities</b>	<b>827,662</b>	<b>818,327</b>
<b>Average equity</b>		
Total equity (parent entity interest)	61,888	58,655
Non-controlling interest in controlled entities	1	2
Total average equity	61,889	58,657
<b>Total average liabilities and equity</b>	<b>889,551</b>	<b>876,984</b>

(1) Includes mortgage offset accounts of \$33,529 million (September 2020: \$30,505 million) in Australia and \$1,994 million (September 2020: \$1,810 million) in New Zealand.

## 7 AVERAGE BALANCE SHEET AND RELATED INTEREST (CONTINUED)

## Average assets and interest income

	Half Year ended Sep 21 <sup>(1)</sup>			Half Year ended Mar 21 <sup>(1)</sup>		
	Average	Interest	Average	Average	Interest	Average
	balance		rate	balance		rate
	\$m	\$m	%	\$m	\$m	%
<b>Average interest earning assets</b>						
Due from other banks <sup>(2)</sup>						
Australia	66,800	7	-	27,956	12	0.1
New Zealand	10,197	13	0.3	6,704	9	0.3
Other International	20,581	6	0.1	23,660	13	0.1
Total due from other banks	97,578	26	0.1	58,320	34	0.1
Marketable debt securities						
Australia	75,796	391	1.0	83,099	463	1.1
New Zealand	7,329	19	0.5	8,807	24	0.5
Other International	9,706	13	0.3	10,023	14	0.3
Total marketable debt securities	92,831	423	0.9	101,929	501	1.0
Loans and advances - housing						
Australia <sup>(3)</sup>	270,482	3,744	2.8	265,050	3,956	3.0
New Zealand	46,190	682	2.9	42,555	712	3.4
Total loans and advances - housing	316,672	4,426	2.8	307,605	4,668	3.0
Loans and advances - non-housing						
Australia	200,020	3,068	3.1	194,852	3,082	3.2
New Zealand	39,968	647	3.2	39,244	639	3.3
Other International	18,879	201	2.1	17,280	176	2.0
Total loans and advances - non-housing	258,867	3,916	3.0	251,376	3,897	3.1
Other interest earning assets <sup>(2)</sup>						
Australia	10,750	12	n/a	23,012	26	n/a
New Zealand	801	19	n/a	1,131	26	n/a
Other International	45,238	18	n/a	43,752	42	n/a
Total other interest earning assets	56,789	49	n/a	67,895	94	n/a
<b>Total average interest earning assets and interest income by:</b>						
Australia <sup>(3)</sup>	623,848	7,222	2.3	593,969	7,539	2.5
New Zealand	104,485	1,380	2.6	98,441	1,410	2.9
Other International	94,404	238	0.5	94,715	245	0.5
<b>Total average interest earning assets and interest income</b>	<b>822,737</b>	<b>8,840</b>	<b>2.1</b>	<b>787,125</b>	<b>9,194</b>	<b>2.3</b>

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(2) Comparative information has been restated to align to the presentation in the current period. Refer to *Note 1 Basis of preparation* in the 2021 Annual Financial Report.

(3) Includes \$35 million of average balance (March 2021: \$42 million) and \$1 million of interest (March 2021: \$nil) relating to the run-down of housing loans in Asia from the sale of NAB's Asian private wealth business in November 2017.

## 7 AVERAGE BALANCE SHEET AND RELATED INTEREST (CONTINUED)

### Average assets

	Half Year ended	
	Sep 21	Mar 21
	\$m	\$m
<b>Average non-interest earning assets</b>		
Investments relating to life insurance business		
New Zealand	96	93
Total investments relating to life insurance business	96	93
Other assets	87,557	92,782
<b>Total average non-interest earning assets</b>	<b>87,653</b>	<b>92,875</b>
<b>Average provision for credit impairment</b>		
Australia	(4,596)	(5,112)
New Zealand	(741)	(786)
Other International	(71)	(69)
<b>Total average provision for credit impairment</b>	<b>(5,408)</b>	<b>(5,967)</b>
<b>Total average assets</b>	<b>904,982</b>	<b>874,033</b>

## 7 AVERAGE BALANCE SHEET AND RELATED INTEREST (CONTINUED)

## Average liabilities and interest expense

	Half Year ended Sep 21 <sup>(1)</sup>			Half Year ended Mar 21 <sup>(1)</sup>		
	Average	Interest	Average	Average	Interest	Average
	balance		rate	balance		rate
	\$m	\$m	%	\$m	\$m	%
<b>Average interest bearing liabilities</b>						
Due to other banks <sup>(2)</sup>						
Australia	41,295	28	0.1	28,813	21	0.1
New Zealand	4,965	3	0.1	3,219	2	0.1
Other International	16,881	19	0.2	12,088	18	0.3
Total due to other banks	63,141	50	0.2	44,120	41	0.2
On-demand and short-term deposits						
Australia	254,728	236	0.2	236,234	304	0.3
New Zealand	32,769	21	0.1	29,802	26	0.2
Other International	4,770	1	-	4,705	-	-
Total on-demand and short-term deposits	292,267	258	0.2	270,741	330	0.2
Certificates of deposit						
Australia	29,195	8	0.1	25,312	12	0.1
New Zealand	1,755	-	-	789	1	0.3
Other International	14,384	10	0.1	11,353	13	0.2
Total certificates of deposit	45,334	18	0.1	37,454	26	0.1
Term deposits						
Australia	84,216	173	0.4	95,354	346	0.7
New Zealand	23,351	136	1.2	25,654	207	1.6
Other International	3,269	6	0.4	5,014	11	0.4
Total term deposits	110,836	315	0.6	126,022	564	0.9
Other borrowings						
Australia	24,772	53	0.4	18,927	64	0.7
New Zealand	4,112	7	0.3	3,546	3	0.2
Other International	32,999	8	-	30,020	28	0.2
Total other borrowings	61,883	68	0.2	52,493	95	0.4
Bonds, notes and subordinated debt						
Australia	95,960	452	0.9	106,117	502	0.9
New Zealand	18,574	125	1.3	18,748	130	1.4
Other International	11,952	167	2.8	14,183	196	2.8
Total bonds, notes and subordinated debt	126,486	744	1.2	139,048	828	1.2
Other interest bearing liabilities <sup>(2)</sup>						
Australia	12,303	428	n/a	11,996	463	n/a
New Zealand	848	3	n/a	1,089	3	n/a
Other International	147	3	n/a	254	4	n/a
Total other interest bearing liabilities	13,298	434	n/a	13,339	470	n/a
<b>Total average interest bearing liabilities and interest expense by:</b>						
Australia	542,469	1,378	0.5	522,753	1,712	0.7
New Zealand	86,374	295	0.7	82,847	372	0.9
Other International	84,402	214	0.5	77,617	270	0.7
<b>Total average interest bearing liabilities and interest expense</b>	<b>713,245</b>	<b>1,887</b>	<b>0.5</b>	<b>683,217</b>	<b>2,354</b>	<b>0.7</b>

(1) Information is presented on a continuing operations basis, unless otherwise stated.

(2) Comparative information has been restated to align to the presentation in the current period. Refer to *Note 1 Basis of preparation* in the 2021 Annual Financial Report.

## 7 AVERAGE BALANCE SHEET AND RELATED INTEREST (CONTINUED)

### Average liabilities and equity

	Half Year ended	
	Sep 21 \$m	Mar 21 \$m
<b>Average non-interest bearing liabilities</b>		
Deposits not bearing interest		
Australia <sup>(1)</sup>	73,267	67,597
New Zealand <sup>(1)</sup>	10,827	9,063
Other International	7	-
Total deposits not bearing interest	84,101	76,660
Other liabilities	45,652	52,304
<b>Total average non-interest bearing liabilities</b>	<b>129,753</b>	<b>128,964</b>
<b>Total average liabilities</b>	<b>842,998</b>	<b>812,181</b>
<b>Average equity</b>		
Total equity (parent entity interest)	61,984	61,851
Non-controlling interest in controlled entities	-	1
<b>Total average equity</b>	<b>61,984</b>	<b>61,852</b>
<b>Total average liabilities and equity</b>	<b>904,982</b>	<b>874,033</b>

(1) Includes mortgage offset accounts of \$33,745 million (March 2021: \$33,312 million) in Australia and \$2,067 million (March 2021: \$1,920 million) in New Zealand.

## 8 NET INTEREST MARGINS AND SPREADS

	Year to <sup>(1)</sup>			Half Year to <sup>(1)</sup>		
	Sep 21 %	Sep 20 %	Sep 21 v Sep 20	Sep 21 %	Mar 21 %	Sep 21 v Mar 21
<b>Group</b>						
Net interest spread	1.63	1.63	-	1.62	1.65	(3 bps)
Benefit of net free liabilities, provisions and equity	0.08	0.15	(7 bps)	0.07	0.09	(2 bps)
<b>Net interest margin - statutory basis</b>	<b>1.71</b>	<b>1.78</b>	<b>(7 bps)</b>	<b>1.69</b>	<b>1.74</b>	<b>(5 bps)</b>

(1) Information is presented on a statutory basis, compared to Section 2 Net interest margin which is prepared on a cash earnings basis.

## SECTION 4 SUPPLEMENTARY INFORMATION

### 9 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 NAB and its controlled entities, excluding securitisation special purpose vehicles to which assets have been transferred in accordance with the requirements for regulatory capital relief, insurance subsidiaries and superannuation and funds management entities.

	As at		
	30 Sep 21 \$m	31 Mar 21 \$m	30 Sep 20 \$m
Contributed equity	43,247	43,713	45,476
Reserves	550	91	99
Retained profits	18,982	17,772	15,717
Non-controlling interest in controlled entities	-	1	1
<b>Total equity per consolidated balance sheet</b>	<b>62,779</b>	<b>61,577</b>	<b>61,293</b>
Additional Tier 1 capital classified as equity before application of transitional arrangements	-	-	(1,945)
Adjustments between the Group and Level 2 regulatory group balance sheets	(70)	(185)	(200)
<b>CET1 capital before regulatory adjustments</b>	<b>62,709</b>	<b>61,392</b>	<b>59,148</b>
Goodwill and other intangible assets, net of tax	(2,045)	(2,676)	(2,676)
Investment in non-consolidated controlled entities	(20)	(432)	(417)
Deferred tax assets in excess of deferred tax liabilities	(2,555)	(2,792)	(3,164)
Capitalised expenses and deferred fee income	(801)	(785)	(776)
Software, net of tax	(2,339)	(2,301)	(2,372)
Defined benefit superannuation plan asset, net of tax	(27)	(31)	(31)
Change in own creditworthiness, net of tax	121	134	64
Cash flow hedge reserve	(86)	(69)	(307)
Equity exposures	(670)	(689)	(575)
Expected loss in excess of eligible provisions	(19)	(58)	(94)
Other	(34)	(45)	(50)
<b>CET1 capital</b>	<b>54,234</b>	<b>51,648</b>	<b>48,750</b>
Basel III eligible Additional Tier 1 capital instruments	6,859	6,859	6,190
Transitional Additional Tier 1 capital instruments	-	-	1,211
Regulatory adjustments to Additional Tier 1 capital	(20)	(20)	(20)
<b>Additional Tier 1 capital</b>	<b>6,839</b>	<b>6,839</b>	<b>7,381</b>
<b>Tier 1 capital</b>	<b>61,073</b>	<b>58,487</b>	<b>56,131</b>
Basel III eligible Tier 2 capital instruments	16,051	13,937	11,388
Transitional Tier 2 capital instruments	44	44	788
Basel III eligible Tier 2 capital instruments issued by subsidiaries and held by third parties	-	363	393
IRB approach surplus provisions on non-defaulted exposures	1,766	1,943	1,983
Standardised approach general reserve for credit losses	61	69	75
Regulatory adjustments to Tier 2 capital	(96)	(98)	(93)
<b>Tier 2 capital</b>	<b>17,826</b>	<b>16,258</b>	<b>14,534</b>
<b>Total capital</b>	<b>78,899</b>	<b>74,745</b>	<b>70,665</b>
<b>Risk-weighted assets</b>			
Credit risk	348,041	348,192	353,991
Market risk	9,644	12,626	12,678
Operational risk	47,866	48,627	49,993
Interest rate risk in the banking book	11,612	8,165	8,485
<b>Total risk-weighted assets</b>	<b>417,163</b>	<b>417,610</b>	<b>425,147</b>
<b>Risk-based regulatory capital ratios</b>			
CET1	13.00%	12.37%	11.47%
Tier 1	14.64%	14.01%	13.20%
Total capital	18.91%	17.90%	16.62%

## 9 CAPITAL ADEQUACY (CONTINUED)

	As at		
	30 Sep 21 \$m	31 Mar 21 \$m	30 Sep 20 \$m
<b>Risk-weighted assets</b>			
<b>Credit risk</b>			
Subject to the internal ratings-based approach			
Corporate (including SME)	128,615	126,791	132,922
Sovereign	1,608	1,720	2,143
Bank	6,404	8,026	8,856
Retail SME	6,330	6,168	5,983
Residential mortgage	110,557	111,366	106,269
Qualifying revolving retail	2,206	2,438	2,524
Other retail	2,030	2,178	2,281
Total internal ratings-based approach	257,750	258,687	260,978
Specialised lending	58,870	57,471	59,465
Subject to standardised approach			
Corporate	4,445	4,241	4,355
Residential mortgage	979	1,255	1,296
Other	419	432	418
Total standardised approach	5,843	5,928	6,069
Other			
Securitisation exposures	5,602	5,028	5,237
Credit valuation adjustment	7,619	10,189	12,703
Central counterparty default fund contribution guarantee	108	82	83
Other <sup>(1)</sup>	12,249	10,807	9,456
Total other	25,578	26,106	27,479
<b>Total credit risk</b>	<b>348,041</b>	<b>348,192</b>	<b>353,991</b>
<b>Market risk</b>	<b>9,644</b>	<b>12,626</b>	<b>12,678</b>
<b>Operational risk</b>	<b>47,866</b>	<b>48,627</b>	<b>49,993</b>
<b>Interest rate risk in the banking book</b>	<b>11,612</b>	<b>8,165</b>	<b>8,485</b>
<b>Total risk-weighted assets</b>	<b>417,163</b>	<b>417,610</b>	<b>425,147</b>

(1) Other mainly consists of risk-weighted assets for other assets, claims and exposures and risk-weighted asset overlay adjustments for regulatory prescribed methodology requirements.

## SECTION 4 SUPPLEMENTARY INFORMATION

# 10 EARNINGS PER SHARE

	Year to <sup>(1)</sup>			
	Basic		Diluted	
	Sep 21	Sep 20	Sep 21	Sep 20
<b>Statutory earnings per share</b>				
<b>Earnings (\$m)</b>				
Net profit attributable to owners of NAB	6,364	2,559	6,364	2,559
Distributions on other equity instruments	(13)	(39)	(13)	(39)
Potential dilutive adjustments (after tax)				
Interest expense on convertible notes	-	-	194	162
Interest expense on convertible preference shares <sup>(2)(3)</sup>	-	-	9	-
<b>Adjusted earnings</b>	<b>6,351</b>	<b>2,520</b>	<b>6,554</b>	<b>2,682</b>
Net loss attributable to owners of NAB from discontinued operations	107	939	107	939
<b>Adjusted earnings from continuing operations</b>	<b>6,458</b>	<b>3,459</b>	<b>6,661</b>	<b>3,621</b>
<b>Weighted average number of ordinary shares (millions)</b>				
Weighted average number of ordinary shares (net of treasury shares)	3,290	3,068	3,290	3,068
Potential dilutive weighted average number of ordinary shares				
Convertible notes	-	-	229	258
Convertible preference shares <sup>(2)(3)</sup>	-	-	16	-
Share-based payments	-	-	5	7
<b>Total weighted average number of ordinary shares</b>	<b>3,290</b>	<b>3,068</b>	<b>3,540</b>	<b>3,333</b>
<b>Earnings per share (cents) attributable to owners of NAB</b>	<b>193.0</b>	<b>82.1</b>	<b>185.2</b>	<b>80.5</b>
Earnings per share (cents) from continuing operations	196.3	112.7	188.2	108.6

	Half Year to <sup>(1)</sup>			
	Basic		Diluted	
	Sep 21	Mar 21	Sep 21	Mar 21
<b>Statutory earnings per share</b>				
<b>Earnings (\$m)</b>				
Net profit attributable to owners of NAB	3,156	3,208	3,156	3,208
Distributions on other equity instruments	-	(13)	-	(13)
Potential dilutive adjustments (after tax)				
Interest expense on convertible notes	-	-	104	90
Interest expense on convertible preference shares <sup>(2)</sup>	-	-	-	9
<b>Adjusted earnings</b>	<b>3,156</b>	<b>3,195</b>	<b>3,260</b>	<b>3,294</b>
Net loss attributable to owners of NAB from discontinued operations	85	22	85	22
<b>Adjusted earnings from continuing operations</b>	<b>3,241</b>	<b>3,217</b>	<b>3,345</b>	<b>3,316</b>
<b>Weighted average number of ordinary shares (millions)</b>				
Weighted average number of ordinary shares (net of treasury shares)	3,290	3,289	3,290	3,289
Potential dilutive weighted average number of ordinary shares				
Convertible notes	-	-	247	226
Convertible preference shares <sup>(2)</sup>	-	-	-	32
Share-based payments	-	-	4	5
<b>Total weighted average number of ordinary shares</b>	<b>3,290</b>	<b>3,289</b>	<b>3,541</b>	<b>3,552</b>
<b>Earnings per share (cents) attributable to owners of NAB</b>	<b>95.9</b>	<b>97.1</b>	<b>92.1</b>	<b>92.7</b>
Earnings per share (cents) from continuing operations	98.5	97.8	94.5	93.4

(1) Information is presented on a continuing operations basis, unless otherwise stated.

(2) On 17 December 2020, the Group redeemed the \$1,717 million Convertible Preference Shares II issued on 17 December 2013, in accordance with the redemption notice issued on 5 November 2020.

(3) Convertible preference shares were excluded from the calculation of diluted earnings per share in the September 2020 full year as the conversion conditions had not been met as at 30 September 2020.



## 10 EARNINGS PER SHARE (CONTINUED)

	Year to			
	Basic		Diluted	
	Sep 21	Sep 20	Sep 21	Sep 20
<b>Cash earnings per share</b>				
<b>Earnings (\$m)</b>				
Cash earnings <sup>(1)</sup>	6,558	3,710	6,558	3,710
Potential dilutive adjustments (after tax)				
Interest expense on convertible notes	-	-	194	162
Interest expense on convertible preference shares <sup>(2)(3)</sup>	-	-	9	-
<b>Adjusted cash earnings</b>	<b>6,558</b>	<b>3,710</b>	<b>6,761</b>	<b>3,872</b>
<b>Weighted average number of ordinary shares (millions)</b>				
Weighted average number of ordinary shares (net of treasury shares)	3,290	3,068	3,290	3,068
Potential dilutive weighted average number of ordinary shares				
Convertible notes	-	-	229	258
Convertible preference shares <sup>(2)(3)</sup>	-	-	16	-
Share-based payments	-	-	5	7
<b>Total weighted average number of ordinary shares</b>	<b>3,290</b>	<b>3,068</b>	<b>3,540</b>	<b>3,333</b>
<b>Cash earnings per share (cents)</b>	<b>199.3</b>	<b>120.9</b>	<b>191.0</b>	<b>116.2</b>

	Half Year to			
	Basic		Diluted	
	Sep 21	Mar 21	Sep 21	Mar 21
<b>Cash earnings per share</b>				
<b>Earnings (\$m)</b>				
Cash earnings <sup>(1)</sup>	3,215	3,343	3,215	3,343
Potential dilutive adjustments (after tax)				
Interest expense on convertible notes	-	-	104	90
Interest expense on convertible preference shares <sup>(2)</sup>	-	-	-	9
<b>Adjusted cash earnings</b>	<b>3,215</b>	<b>3,343</b>	<b>3,319</b>	<b>3,442</b>
<b>Weighted average number of ordinary shares (millions)</b>				
Weighted average number of ordinary shares (net of treasury shares)	3,290	3,289	3,290	3,289
Potential dilutive weighted average number of ordinary shares				
Convertible notes	-	-	247	226
Convertible preference shares <sup>(2)</sup>	-	-	-	32
Share-based payments	-	-	4	5
<b>Total weighted average number of ordinary shares</b>	<b>3,290</b>	<b>3,289</b>	<b>3,541</b>	<b>3,552</b>
<b>Cash earnings per share (cents)</b>	<b>97.7</b>	<b>101.6</b>	<b>93.7</b>	<b>96.9</b>

(1) Refer to Section 4 Reconciliation between statutory net profit (after tax) from continuing operations and cash earnings for further information.

(2) On 17 December 2020, the Group redeemed the \$1,717 million Convertible Preference Shares II issued on 17 December 2013, in accordance with the redemption notice issued on 5 November 2020.

(3) Convertible preference shares were excluded from the calculation of diluted earnings per share in the September 2020 full year as the conversion conditions had not been met as at 30 September 2020.

## 11 RETURN ON EQUITY

	Year to		Half Year to	
	Sep 21	Sep 20	Sep 21	Mar 21
<b>Statutory return on equity</b>				
<b>Earnings (\$m)</b>				
Net profit attributable to owners of NAB	6,364	2,559	3,156	3,208
Distributions on other equity instruments	(13)	(39)	-	(13)
<b>Adjusted earnings</b>	<b>6,351</b>	<b>2,520</b>	<b>3,156</b>	<b>3,195</b>
<b>Average equity (\$m)</b>				
Average equity	61,889	58,657	61,984	61,852
Less: Average non-controlling interest in controlled entities	(1)	(2)	-	(1)
Less: Average National Income Securities	(732)	(1,945)	-	(1,470)
<b>Average equity (adjusted)</b>	<b>61,156</b>	<b>56,710</b>	<b>61,984</b>	<b>60,381</b>
<b>Statutory return on equity</b>	<b>10.4%</b>	<b>4.4%</b>	<b>10.2%</b>	<b>10.6%</b>

	Year to		Half Year to	
	Sep 21	Sep 20	Sep 21	Mar 21
<b>Cash return on equity</b>				
<b>Earnings (\$m)</b>				
Cash earnings	6,558	3,710	3,215	3,343
Cash earnings (excluding large notable items) <sup>(1)</sup>	6,558	4,733	3,215	3,343
<b>Average equity (adjusted) (\$m)</b>	<b>61,156</b>	<b>56,710</b>	<b>61,984</b>	<b>60,381</b>
<b>Cash return on equity</b>	<b>10.7%</b>	<b>6.5%</b>	<b>10.3%</b>	<b>11.1%</b>
Cash return on equity (excluding large notable items) <sup>(1)</sup>	10.7%	8.3%	10.3%	11.1%

(1) Refer to Section 4 Large notable items for further information.

## 12 FUNDED BALANCE SHEET

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

The following table shows the Group's funding view of the balance sheet, once accounting related gross-ups and self-funded assets have been netted down.

	As at			Sep 21 v Sep 20 %	Sep 21 v Mar 21 %
	30 Sep 21 \$m	31 Mar 21 \$m	30 Sep 20 \$m		
<b>Funding sources<sup>(1)</sup></b>					
Stable customer deposits <sup>(2)</sup>	461,841	436,633	425,188	8.6	5.8
Term wholesale funding with greater than 12 months to maturity	102,252	102,202	120,209	(14.9)	-
Central bank funding facilities <sup>(3)</sup>	34,409	15,998	14,270	large	large
Equity	62,779	61,577	59,347	5.8	2.0
<b>Total stable funding</b>	<b>661,281</b>	<b>616,410</b>	<b>619,014</b>	<b>6.8</b>	<b>7.3</b>
Short-term wholesale funding <sup>(4)</sup>	105,994	92,520	85,116	24.5	14.6
Term wholesale funding with less than 12 months to maturity	31,773	35,638	36,569	(13.1)	(10.8)
Other deposits <sup>(5)</sup>	38,417	39,181	43,036	(10.7)	(1.9)
<b>Total funding</b>	<b>837,465</b>	<b>783,749</b>	<b>783,735</b>	<b>6.9</b>	<b>6.9</b>
<b>Funded assets</b>					
Liquid assets <sup>(6)</sup>	194,498	170,176	170,141	14.3	14.3
Other short-term assets <sup>(7)</sup>	11,107	12,672	16,478	(32.6)	(12.4)
<b>Total short-term assets</b>	<b>205,605</b>	<b>182,848</b>	<b>186,619</b>	<b>10.2</b>	<b>12.4</b>
Business and other lending <sup>(7)</sup>	264,489	249,275	248,851	6.3	6.1
Housing lending	360,000	345,172	341,729	5.3	4.3
Other assets <sup>(4)(8)</sup>	7,371	6,454	6,536	12.8	14.2
<b>Total long-term assets</b>	<b>631,860</b>	<b>600,901</b>	<b>597,116</b>	<b>5.8</b>	<b>5.2</b>
<b>Total funded assets</b>	<b>837,465</b>	<b>783,749</b>	<b>783,735</b>	<b>6.9</b>	<b>6.9</b>

(1) Excludes repurchase agreements, trading and hedging derivatives, and any accruals, receivables and payables that do not provide net funding.

(2) Includes operational deposits, non-financial corporate deposits and retail / SME deposits and excludes certain offshore deposits as defined in APRA Prudential Standard APS 210 *Liquidity*.

(3) Includes TFF provided by the Reserve Bank of Australia, and the TLF and FLP provided by the Reserve Bank of New Zealand.

(4) Comparative information has been restated to align to the presentation in the current period. Refer to *Note 1 Basis of preparation* in the 2021 Annual Financial Report.

(5) Includes non-operational financial institution deposits and certain offshore deposits as defined in APRA Prudential Standard APS 210 *Liquidity*.

(6) Market value of marketable securities including HQLA, non-HQLA securities and commodities.

(7) Trade finance loans are included in other short-term assets, instead of business and other lending.

(8) Includes net derivatives, goodwill, property, plant and equipment and net of accruals, receivables and payables.

## SECTION 4 SUPPLEMENTARY INFORMATION

### 13 NUMBER OF ORDINARY SHARES

	Year to	
	Sep 21 No. '000	Sep 20 No. '000
<b>Ordinary shares, fully paid</b>		
Balance at beginning of period	3,290,093	2,883,019
Shares issued:		
Institutional share placement	-	212,014
Retail share purchase plan	-	88,337
Conversion of convertible preferences shares and convertible notes	-	35,141
Dividend reinvestment plan	10,949	39,745
Dividend reinvestment plan underwritten allotments	-	26,898
Bonus share plan	1,058	1,445
Share-based payments	3,434	3,494
Paying up of partly paid shares	7	-
On-market purchase of shares for dividend reinvestment plan neutralisation	(6,173)	-
Shares bought back	(17,377)	-
<b>Total ordinary shares, fully paid</b>	<b>3,281,991</b>	<b>3,290,093</b>
<b>Ordinary shares, partly paid to 25 cents</b>		
Balance at beginning of period	19	19
Paying up of partly paid shares	(7)	-
<b>Total ordinary shares, partly paid to 25 cents</b>	<b>12</b>	<b>19</b>
<b>Total ordinary shares (including treasury shares)</b>	<b>3,282,003</b>	<b>3,290,112</b>
Less: Treasury shares	(6,005)	(5,572)
<b>Total ordinary shares (excluding treasury shares)</b>	<b>3,275,998</b>	<b>3,284,540</b>

	Half Year to	
	Sep 21 No. '000	Mar 21 No. '000
<b>Ordinary shares, fully paid</b>		
Balance at beginning of period	3,298,602	3,290,093
Shares issued:		
Dividend reinvestment plan	6,173	4,776
Bonus share plan	608	450
Share-based payments	157	3,277
Paying up of partly paid shares	1	6
On-market purchase of shares for dividend reinvestment plan neutralisation	(6,173)	-
Shares bought back	(17,377)	-
<b>Total ordinary shares, fully paid</b>	<b>3,281,991</b>	<b>3,298,602</b>
<b>Ordinary shares, partly paid to 25 cents</b>		
Balance at beginning of period	13	19
Paying up of partly paid shares	(1)	(6)
<b>Total ordinary shares, partly paid to 25 cents</b>	<b>12</b>	<b>13</b>
<b>Total ordinary shares (including treasury shares)</b>	<b>3,282,003</b>	<b>3,298,615</b>
Less: Treasury shares	(6,005)	(6,229)
<b>Total ordinary shares (excluding treasury shares)</b>	<b>3,275,998</b>	<b>3,292,386</b>

## 14 NON-CASH EARNINGS ITEMS

### Distributions

Distributions relating to hybrid equity instruments are treated as an expense for cash earnings purposes and as a reduction in equity (dividend) for statutory reporting purposes. The distributions on other equity instruments are set out in *Note 29 Dividends and distributions* in the 2021 Annual Financial Report. The effect of this in the September 2021 full year is to reduce cash earnings by \$13 million.

### 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 2021 full year, there was a decrease in statutory profit of \$92 million (\$63 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, management agreements and contracts in force.

In the September 2021 full year, there was a decrease in statutory profit of \$6 million (\$4 million after tax) due to the amortisation of acquired intangible assets.

### Acquisition, integration and transaction costs

Costs directly associated with the acquisition and integration of Group businesses have been excluded from cash earnings as they do not reflect the earnings expected from the acquired business following the integration period. Transaction costs associated with the acquisition and disposal of Group businesses have been excluded from cash earnings as they do not reflect the underlying earnings of the related business.

In the September 2021 full year, there was a decrease in statutory profit of \$40 million (\$33 million after tax) related to acquisition, integration and transaction costs.

## 15 RECONCILIATION BETWEEN STATUTORY NET PROFIT (AFTER TAX) FROM CONTINUING OPERATIONS AND CASH EARNINGS

	Statutory net profit from continuing operations	Distributions	Hedging and fair value volatility	Amortisation of acquired intangible assets	Acquisition, integration and transaction costs	Cash earnings
	\$m	\$m	\$m	\$m	\$m	\$m
<b>Year ended 30 September 2021<sup>(1)</sup></b>						
Net interest income	13,793	-	4	-	-	13,797
Other operating income	2,936	-	73	-	-	3,009
Net operating income	16,729	-	77	-	-	16,806
Operating expenses	(7,863)	-	-	6	40	(7,817)
Profit before credit impairment charge	8,866	-	77	6	40	8,989
Credit impairment write-back	202	-	15	-	-	217
Profit before tax	9,068	-	92	6	40	9,206
Income tax expense	(2,597)	-	(29)	(2)	(7)	(2,635)
<b>Net profit on continuing operations before distributions</b>	<b>6,471</b>	<b>-</b>	<b>63</b>	<b>4</b>	<b>33</b>	<b>6,571</b>
Distributions	-	(13)	-	-	-	(13)
<b>Net profit / (loss) attributable to owners of NAB from continuing operations</b>	<b>6,471</b>	<b>(13)</b>	<b>63</b>	<b>4</b>	<b>33</b>	<b>6,558</b>

(1) Information is presented on a continuing operations basis, unless otherwise stated.

	Statutory net profit from continuing operations	Distributions	Hedging and fair value volatility	Amortisation of acquired intangible assets <sup>(1)</sup>	Cash earnings
	\$m	\$m	\$m	\$m	\$m
<b>Year ended 30 September 2020<sup>(2)</sup></b>					
Net interest income <sup>(3)</sup>	13,877	-	(6)	-	13,871
Other operating income <sup>(3)(4)</sup>	3,259	-	55	5	3,319
Net operating income	17,136	-	49	5	17,190
Operating expenses <sup>(3)(4)</sup>	(9,221)	-	-	214	(9,007)
Profit before credit impairment charge	7,915	-	49	219	8,183
Credit impairment charge	(2,752)	-	(10)	-	(2,762)
Profit before tax	5,163	-	39	219	5,421
Income tax expense	(1,665)	-	(5)	(2)	(1,672)
<b>Net profit on continuing operations before distributions</b>	<b>3,498</b>	<b>-</b>	<b>34</b>	<b>217</b>	<b>3,749</b>
Distributions	-	(39)	-	-	(39)
<b>Net profit / (loss) attributable to owners of NAB from continuing operations</b>	<b>3,498</b>	<b>(39)</b>	<b>34</b>	<b>217</b>	<b>3,710</b>

(1) The September 2020 full year included an impairment of acquired intangible assets.

(2) Information is presented on a continuing operations basis, unless otherwise stated.

(3) Includes large notable items. Refer to Section 4 Large notable items for further information.

(4) Comparative information has been restated to align to the presentation in the current period. Refer to *Note 1 Basis of preparation* in the 2021 Annual Financial Report.

## 15 RECONCILIATION BETWEEN STATUTORY NET PROFIT (AFTER TAX) FROM CONTINUING OPERATIONS AND CASH EARNINGS (CONTINUED)

	Statutory net profit from continuing operations	Hedging and fair value volatility	Amortisation of acquired intangible assets	Acquisition, integration and transaction costs	Cash earnings
	\$m	\$m	\$m	\$m	\$m
<b>Half Year ended 30 September 2021<sup>(1)</sup></b>					
Net interest income	6,953	5	-	-	6,958
Other operating income	1,521	(112)	-	-	1,409
Net operating income	8,474	(107)	-	-	8,367
Operating expenses	(4,000)	-	6	40	(3,954)
Profit before credit impairment charge	4,474	(107)	6	40	4,413
Credit impairment write-back	74	15	-	-	89
Profit before tax	4,548	(92)	6	40	4,502
Income tax (expense) / benefit	(1,307)	29	(2)	(7)	(1,287)
<b>Net profit / (loss) on continuing operations before distributions</b>	<b>3,241</b>	<b>(63)</b>	<b>4</b>	<b>33</b>	<b>3,215</b>
<b>Net profit / (loss) attributable to owners of NAB from continuing operations</b>	<b>3,241</b>	<b>(63)</b>	<b>4</b>	<b>33</b>	<b>3,215</b>

(1) Information is presented on a continuing operations basis, unless otherwise stated.

	Statutory net profit from continuing operations	Distributions	Hedging and fair value volatility <sup>(1)</sup>	Cash earnings
	\$m	\$m	\$m	\$m
<b>Half Year ended 31 March 2021<sup>(2)</sup></b>				
Net interest income	6,840	-	(1)	6,839
Other operating income	1,415	-	185	1,600
Net operating income	8,255	-	184	8,439
Operating expenses	(3,863)	-	-	(3,863)
Profit before credit impairment charge	4,392	-	184	4,576
Credit impairment write-back	128	-	-	128
Profit before tax	4,520	-	184	4,704
Income tax expense	(1,290)	-	(58)	(1,348)
<b>Net profit on continuing operations before distributions</b>	<b>3,230</b>	<b>-</b>	<b>126</b>	<b>3,356</b>
Distributions	-	(13)	-	(13)
<b>Net profit / (loss) attributable to owners of NAB from continuing operations</b>	<b>3,230</b>	<b>(13)</b>	<b>126</b>	<b>3,343</b>

(1) In the March 2021 half year, operational enhancements were implemented to reduce future volatility in statutory earnings related to hedge accounting. This resulted in a one-off \$245 million charge to other operating income in the March 2021 half year.

(2) Information is presented on a continuing operations basis, unless otherwise stated.

## SECTION 4 SUPPLEMENTARY INFORMATION

### 16 LARGE NOTABLE ITEMS

In the September 2021 full year, the Group did not recognise any amounts as large notable items. The large notable items recognised in the September 2020 full year are shown in the tables below.

	Year to <sup>(1)(2)</sup>
	Sep 20
	\$m
Net interest income	
Customer-related remediation	(49)
Other operating income	
Customer-related remediation	(80)
<b>Net operating income</b>	<b>(129)</b>
Operating expenses	
Customer-related remediation	(136)
Payroll remediation	(108)
Capitalised software policy change	(950)
Impairment of property-related assets	(134)
<b>Cash loss before tax</b>	<b>(1,457)</b>
Income tax benefit	
Customer-related remediation	80
Payroll remediation	32
Capitalised software policy change	282
Impairment of property-related assets	40
<b>Cash loss</b>	<b>(1,023)</b>
Net loss after tax from discontinued operations	
Customer-related remediation <sup>(3)</sup>	(269)
Payroll remediation	(14)
Capitalised software policy change	(74)
<b>Net loss attributable to owners of NAB</b>	<b>(1,380)</b>

(1) Information is presented on a continuing operations basis, unless otherwise stated.

(2) Included in Corporate Functions and Other.

(3) Further details on customer-related remediation matters within discontinued operations are set out in *Note 37 Discontinued operations* in the 2021 Annual Financial Report.

In the September 2020 full year, the Group recognised the following charges as large notable items:

- Customer-related remediation of \$454 million (\$648 million before tax). The customer-related remediation matters within continuing operations comprised of banking-related matters including additional costs associated with executing the remediation programs for both existing and new matters.
- Payroll remediation of \$90 million (\$128 million before tax) to address potential payroll issues relating to both current and former Australian colleagues, comprising payments to colleagues and costs to execute the remediation program.
- Accelerated amortisation of \$742 million (\$1,056 million before tax) as a result of a further change to the application of the software capitalisation policy by increasing the threshold for capitalisation of software from \$2 million to \$5 million.
- Impairment of property-related assets of \$94 million (\$134 million before tax) primarily due to plans to consolidate NAB's Melbourne office space.



## 16 LARGE NOTABLE ITEMS (CONTINUED)

### Reconciliation of large notable items

	Year to <sup>(1)</sup>		
	Sep 20 \$m	Large notable items \$m	Sep 20 ex Large notable items \$m
Net interest income	13,871	(49)	13,920
Other operating income	3,319	(80)	3,399
<b>Net operating income</b>	17,190	(129)	17,319
Operating expenses	(9,007)	(1,328)	(7,679)
<b>Underlying profit</b>	8,183	(1,457)	9,640
Credit impairment charge	(2,762)	-	(2,762)
<b>Cash earnings before tax and distributions</b>	5,421	(1,457)	6,878
Income tax (expense) / benefit	(1,672)	434	(2,106)
<b>Cash earnings / (loss) before distributions</b>	3,749	(1,023)	4,772
Distributions	(39)	-	(39)
<b>Cash earnings / (loss)</b>	3,710	(1,023)	4,733

(1) Information is presented on a continuing operations basis, unless otherwise stated.

## SECTION 4 SUPPLEMENTARY INFORMATION

### 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 2021 full year is translated at average foreign exchange rates for the September 2020 full year and the September 2021 half year is translated at average foreign exchange rates for the March 2021 half year.

	Year to <sup>(1)</sup>			Half Year to <sup>(1)</sup>		
	Sep 21 v Sep 20 %	FX \$m	Sep 21 v Sep 20 ex FX %	Sep 21 v Mar 21 %	FX \$m	Sep 21 v Mar 21 ex FX %
	<b>Cash earnings</b>					
Net interest income	(0.5)	(40)	<b>(0.2)</b>	1.7	8	<b>1.6</b>
Other operating income	(9.3)	(29)	<b>(8.5)</b>	(11.9)	7	<b>(12.4)</b>
<b>Net operating income</b>	(2.2)	(69)	<b>(1.8)</b>	(0.9)	15	<b>(1.0)</b>
Operating expenses	(13.2)	23	<b>(13.0)</b>	2.4	(5)	<b>2.2</b>
<b>Underlying profit</b>	9.8	(46)	<b>10.4</b>	(3.6)	10	<b>(3.8)</b>
Credit impairment charge / (write-back)	(107.9)	(2)	<b>(107.9)</b>	(30.5)	-	<b>(30.5)</b>
<b>Cash earnings before tax and distributions</b>	69.8	(48)	<b>70.7</b>	(4.3)	10	<b>(4.5)</b>
Income tax expense	57.6	6	<b>58.0</b>	(4.5)	(2)	<b>(4.7)</b>
<b>Cash earnings before distributions</b>	75.3	(42)	<b>76.4</b>	(4.2)	8	<b>(4.4)</b>
Distributions	(66.7)	1	<b>(64.1)</b>	(100.0)	-	<b>(100.0)</b>
<b>Cash earnings</b>	76.8	(41)	<b>77.9</b>	(3.8)	8	<b>(4.1)</b>

(1) Information is presented on a continuing operations basis, unless otherwise stated.

### 18 EXCHANGE RATES

	Income statement - average				Balance sheet - spot		
	Year to		Half Year to		As at		
	Sep 21	Sep 20	Sep 21	Mar 21	30 Sep 21	31 Mar 21	30 Sep 20
<b>One Australian dollar equals</b>							
British pounds	<b>0.5493</b>	0.5322	<b>0.5419</b>	0.5569	<b>0.5360</b>	0.5538	0.5540
Euros	<b>0.6290</b>	0.6056	<b>0.6312</b>	0.6268	<b>0.6216</b>	0.6491	0.6061
United States dollars	<b>0.7519</b>	0.6787	<b>0.7524</b>	0.7515	<b>0.7212</b>	0.7601	0.7107
New Zealand dollars	<b>1.0663</b>	1.0606	<b>1.0628</b>	1.0698	<b>1.0476</b>	1.0897	1.0801

# FULL YEAR RESULTS 2021

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## SECTION 5 GLOSSARY

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## SECTION 5 GLOSSARY

Terms	Description
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, the holding company of the 86 400 banking business, acquired by the Group in May 2021.
90+ days past due (DPD) and gross impaired assets to GLAs	Loans and advances 90+ DPD but not impaired and impaired assets expressed as a percentage of gross loans and acceptances. Calculated as the sum of 'Loans and advances past due but not impaired (past due over 90 days)' and 'Gross impaired assets', divided by gross loans and acceptances.
90+ DPD assets	90+ DPD assets consist of well-secured assets that are more than 90 days past due and portfolio-managed facilities that are not well secured and between 90 and 180 days past due.
AASB	Australian Accounting Standards Board.
ADI	Authorised Deposit-taking Institution.
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).
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.
Broker aggregation businesses	PLAN Australia, Choice and FAST.
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 defined as net profit attributable to owners of NAB from continuing operations, adjusted for the items NAB considers appropriate to better reflect the underlying performance of the Group. Cash earnings for the September 2021 full year have been adjusted for the following: <ul style="list-style-type: none"> <li>• distributions</li> <li>• hedging and fair value volatility</li> <li>• amortisation of acquired intangible assets</li> <li>• acquisition, integration and transaction costs.</li> </ul>
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 earnings after tax expressed as a percentage of average equity (adjusted).
Committed liquidity facility (CLF)	A facility provided by the RBA to certain ADIs to assist them in meeting the Basel III liquidity requirements.
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 <i>Capital Adequacy: Measurement of Capital</i> .
Common Equity Tier 1 capital ratio	CET1 capital divided by risk-weighted assets.
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.
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).
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, these include convertible preference shares, convertible notes and shares issued under employee incentive schemes.

Terms	Description
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.
Economic adjustments (EA)	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).
Earnings per share (EPS) - 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 (EPS) - 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.
Effective tax rate	Income tax expense divided by profit before income tax expense.
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 EA. They incorporate more targeted sector-specific forward looking information.
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.
General reserve for credit losses (GRCL)	An estimate of the reasonable and prudent expected credit losses over the remaining life of the portfolio of non-defaulted assets, as set out under APS 220 <i>Credit Quality</i> . The GRCL is calculated as a collective provision for credit impairment, excluding securitisation exposures and provisions classified as regulatory specific provisions. Where the GRCL (regulatory reserve) is greater than the accounting provision, the difference is covered with an additional top-up, created through an appropriation of retained profits to a non-distributable reserve.
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 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 <i>Liquidity</i> .
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	Consist of: <ul style="list-style-type: none"> <li>• Retail loans (excluding unsecured portfolio managed facilities) which are contractually 90 days past due with insufficient security to cover principal and interest.</li> <li>• Non-retail loans which are contractually past due and / or there is sufficient doubt exists about the ability to collect principal and interest in a timely manner.</li> <li>• Off-balance sheet credit exposures where current circumstances indicate that losses may be incurred.</li> <li>• Unsecured portfolio managed facilities that are 180 days past due (if not written off).</li> </ul>
Internal ratings-based (IRB)	The process used to estimate credit risk through the use of internally developed models to assess potential credit losses using the outputs from the probability of default, loss given default and exposure at default models.

## SECTION 5 GLOSSARY

Terms	Description
Leverage ratio	Tier 1 capital divided by exposures as defined by APS 110 <i>Capital Adequacy</i> . 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 other 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 Wealth	MLC Wealth was the Group's Wealth division which provided superannuation, investments, asset management and financial advice to retail, corporate and institutional clients, supported by several brands including MLC, Plum and investment brands under MLC Asset Management. The sale of MLC Wealth to IOOF Holdings 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 stable funding ratio (NSFR)	A ratio of the amount of available stable funding (ASF) to the amount of required stable funding (RSF).
RBA	Reserve Bank of Australia.
RBNZ	Reserve Bank of New Zealand.
Regulatory specific provisions	In line with APRA's July 2017 guidance " <i>Provisions for regulatory purposes and AASB 9 Financial Instruments</i> ", regulatory specific provisions include collective provisions for facilities in Stage 2 with identified deterioration (that do not meet the two exception clauses per the APRA guidance), and Stage 3 in default. All other facilities are classified as GRCL.
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	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.
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 to the assessment of credit risk whereby an ADI uses external rating agencies to assist in assessing credit risk and / or the application of specific values provided by regulators to determine risk-weighted assets.
Statutory net profit	Net profit attributable to owners of NAB.
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 <i>Capital Adequacy: Measurement of Capital</i> .
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 performance measure used by NAB. It represents cash earnings / loss before various items, including income tax expense and the credit impairment charge. It is not a statutory financial measure and is not presented in accordance with Australian Accounting Standards.
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.

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