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Thursday, 22 November 2018

ASX Announcement

NATIONAL AUSTRALIA BANK LIMITED (NAB) RELEASES 2018 SUPPLEMENTAL INFORMATION

NAB today releases its 2018 Supplemental Information report which provides certain statistical information regarding NAB. The Supplemental Information voluntarily continues the disclosure of some of the information NAB previously disclosed to the U.S. market in its U.S. periodic reports filed with the U.S. Securities Exchange Commission (SEC) when NAB was an SEC registrant.

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SUPPLEMENTAL INFORMATION REGARDING NATIONAL AUSTRALIA BANK LIMITED 2018

National Australia Bank

Steve Cameron

"There have been some tough situations during drought years but NAB has been there every time."

North West Ag Services
NAB customer

Our vision is to be Australia's leading bank, trusted by customers for exceptional service.

National Australia Bank Limited ABN 12 004 044 937

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PRESENTATION OF INFORMATION

Basis of presentation

This report is prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) and International Financial Reporting Standards issued by the International Accounting Standards Board. Certain differences exist between Australian Accounting Standards, International Financial Reporting Standards and the Generally Accepted Accounting Principles applicable in the United States of America (US GAAP) which might be material to the financial information herein.

The Group, being National Australia Bank Limited (NAB) and its controlled entities, has not prepared a reconciliation of its consolidated financial statements and related footnote disclosures between Australian Accounting Standards, International Financial Reporting Standards and US GAAP. In making an investment decision, potential investors must rely upon their own examination of the Group, the terms of the offering and the financial information. Potential investors should consult their own professional advisors for an understanding of these differences, and if they affect the financial information herein.

Discontinued Operations

In the September 2016 financial year, the Group executed two major divestments, the demerger and Initial Public Offering (IPO) of CYBG Group and the sale of 80% of Wealth's life insurance business to Nippon Life. Each of the transactions qualified as a discontinued operation. A discontinued operation is 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 co-ordinated plan for disposal. During the September 2018 financial year, a net loss of $411 million before tax ($388 million after tax) was recognised in discontinued operations in relation to the above divestments. For further information, refer to *Note 37 Discontinued operations* in NAB's *2018 Annual Financial Report*.

Information in this report is presented on a continuing operations basis. Continuing operations are the components of the Group which are not discontinued operations.

Currency of presentation

All currency amounts are expressed in Australian dollars unless otherwise stated. All amounts have been rounded to the nearest million dollars, except where indicated. This report contains translations of certain Australian dollar amounts into US dollars at specified rates. These translations should not be construed as representations that the Australian dollar amounts actually represent such US dollar amounts or could be converted into US dollars at the rate indicated. Unless otherwise stated, the translations of Australian dollars into US dollars have been made at the rate of US$0.7238 = A$1.00, the noon buying rate in New York City for cable transfers in Australian dollars as certified for customs purposes by the Federal Reserve Bank of New York on 30 September 2018.

Certain definitions

The Group's fiscal year ends on 30 September. The fiscal year ended 30 September 2018 is referred to as 2018 and other fiscal years are referred to in a corresponding manner. The abbreviations $m and $bn represent millions and thousands of millions (i.e. billions) of Australian dollars respectively. Any discrepancies between total and sums of components in tables contained in this report are due to rounding.

The information presented in this report has been derived from the US Debt Funding Information for the fiscal years 2014 through to 2018.

Other information herein has been derived from the audited annual financial report of the Group (financial report) for each fiscal year. Where certain items are not shown in the Group's annual financial report, it has been prepared for the purpose of this report. Accordingly, this information should be read in conjunction with and is qualified in its entirety by reference to the annual financial report.

Forward-looking statements

This report contains certain forward-looking statements within the meaning of section 21E of the United States *Securities Exchange Act 1934*. The United States *Private Securities Litigation Reform Act 1995* provides a safe harbour for forward-looking information to encourage companies to provide prospective information about themselves without fear of litigation, so long as the information is identified as forward-looking and is accompanied by meaningful cautionary statements identifying important factors that could cause actual results to differ materially from those projected in the information.

Accordingly, the words 'anticipate', 'believe', 'expect', 'project', 'estimate', 'likely', 'intend', 'should', 'could', 'may', 'target', 'plan', and other similar expressions are intended to identify forward-looking statements. Indications of, or guidance on, future earnings and financial position and performance are also forward-looking statements.

In this report, forward-looking statements may, without limitation, relate to statements regarding:

- Economic and financial forecasts, including but not limited to such statements in the business overview.
- Anticipated implementation of certain control systems and programs, including but not limited to those described in risk management.
- Certain plans, strategies and objectives of management.

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 contained in this report. For example:

PRESENTATION OF INFORMATION (CONTINUED)

- The economic and financial forecasts contained in this report will be affected by movements in interest and foreign currency exchange rates, which may vary significantly from current levels; movements and conditions in capital markets; the competitive environment in each of the Group's operating markets; as well as by general economic conditions worldwide and, in particular, in each of the Group's major markets. Such variations may materially impact the Group's financial condition and results of operations.
- The implementation of control systems and risk management programs will be dependent on such factors as the Group's ability to acquire or develop necessary technology or systems, its ability to attract, retain and properly train qualified personnel and the response of customers and third parties such as vendors.
- The plans, strategies and objectives of management will be subject to, among other things, government regulation, which may change at any time and over which the Group may have no control, and execution risk, which includes, but is not limited to, the possibility that such plans, strategies and objectives prove to be too difficult or costly to execute effectively.
- The Group is subject to extensive regulation. The Group may be exposed to risk from non-compliance with laws or standards, including through inappropriate conduct by employees in breach of Group policy, regulatory standards, and industry codes of conduct. Further, regulatory changes may adversely impact the Group's operations, financial performance and position.

Because there can be no assurance that actual outcomes will not differ materially from these statements contained in this report, potential investors are cautioned not to place undue reliance on such forward-looking statements.

Page 11 of this report describes certain initiatives relating to the Group's strategic agenda ("Program"), including certain forward-looking statements. These statements are subject to a number of risks, assumptions and qualifications, including: (1) detailed business plans have not been developed for the entirety of the Program, and the full scope and cost of the Program may vary as plans are developed and third parties engaged; (2) the Group's ability to execute and manage the Program in a sequenced, controlled and effective manner and in accordance with the relevant project and business plan (once developed); (3) the Group's ability to execute productivity initiatives and realise operational synergies, cost savings and revenue benefits in accordance with the Program plan (including, in relation to CTI and ROE targets, the extension of improvements beyond the current Program plan); (4) the Group's ability to meet its internal net FTE reduction targets; (5) the Group's ability to recruit and retain FTE and contractors with the requisite skills and experience to deliver Program initiatives; (6) there being no significant change in the Group's financial performance or operating environment, including the economic conditions in Australia and New Zealand, changes to financial markets and the Group's ability to raise funding and the cost of such funding, increased competition, changes in interest rates and changes in customer behaviour; (7) there being no material change to law or regulation or changes to regulatory policy or interpretation, including relating to the capital and liquidity requirements of the Group; and (8) for the purpose of calculating FTE cost savings and redundancy costs, the Group has assumed an average FTE cost based on Group-wide averages, and such costs are not calculated by reference to specific productivity initiatives or individual employee entitlements.

Cautionary note regarding non-GAAP financial measures

In addition to selected financial information contained in our 2018 and 2017 *Annual Financial Report* documents, presented in accordance with Australian Accounting Standards and Interpretations by the AASB and International Financial Reporting Standards, we have included certain 'non-GAAP financial measures' (as defined in Regulation G under the United States *Securities Act 1933*, as amended).

These non-GAAP financial measures do not have a standardised meaning prescribed by either Australian Accounting Standards or International Financial Reporting Standards and, therefore, may not be comparable to similarly titled measures presented by other entities, nor should they be construed as an alternative to other financial measures determined in accordance with Australian Accounting Standards or International Financial Reporting Standards. They are not audited or reviewed in line with Australian Auditing Standards. Potential investors are cautioned, therefore, not to place undue reliance on any non-GAAP financial measures and ratios included in the Group's US Debt Funding Information and this document.

Cash Earnings

Cash earnings is a non-GAAP financial measure. It is a non-IFRS key financial performance measure used by NAB, the investment community and NAB's Australian peers with similar business portfolios. 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 calculated by excluding discontinued operations and certain other items which are included within the statutory net profit attributable to owners of NAB. Cash earnings does not purport to represent the cash flows, funding or liquidity position of the Group, nor any amount represented on a cash flow statement. It 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.

Cash earnings for 2018 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.

PRESENTATION OF INFORMATION (CONTINUED)

Cash earnings has been adjusted for the following non-cash earnings items:

i. Distributions.
ii. Fair value and hedge ineffectiveness.
iii. Amortisation of acquired intangible assets.
iv. MLC Wealth divestment transaction costs.

Details of non-cash earnings items are as follows:

i. 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 Section 5, *Note 6 - Dividends and Distributions* of our 2018 US Debt Funding Information. The effect of this in 2018 is to reduce cash earnings by $100 million.

ii. Fair Value and Hedge Ineffectiveness

Fair value and hedge ineffectiveness causes volatility in statutory profit, which is excluded from cash earnings as it is income neutral over the full term of transactions. This arises 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 2018, there was an increase in statutory profit of $240 million ($182 million after tax) from fair value and hedge ineffectiveness. This was largely due to the mark-to-market gain from derivatives used to hedge the Group's long-term funding issuances and liquid assets. The adoption of the hedge accounting requirement in AASB 9 *Financial Instruments* from 1 April 2018 has reduced the Group's volatility of statutory profit due to movements in interest rates, foreign exchange rates and cross currency spreads compared to prior periods.

iii. Amortisation of Acquired Intangible Assets

The amortisation of acquired intangibles represents the amortisation of intangible assets arising from the acquisition of controlled entities and associates such as management agreements and contracts in force. In 2018, there was a decrease in statutory profit of $35 million ($30 million after tax) due to the amortisation of acquired intangible assets.

iv. MLC Wealth Divestment Transaction Costs

MLC Wealth divestment transaction costs represent costs incurred in preparation for the divestment of the Group's Advice, Platform & Superannuation and Asset Management businesses which is expected to occur in the 2019 calendar year. In 2018, there was a decrease in statutory profit of $17 million ($12 million after tax) due to MLC Wealth divestment transaction costs.

For a reconciliation of operating segment cash earnings and Group cash earnings to the net profit attributable to owners of NAB, see Section 5, *Note 2 - Segment Information* of our 2018 US Debt Funding Information (for the 2018 and 2017 fiscal years).

SELECTED FINANCIAL DATA

The Divisional performance table and the Reconciliation of cash earnings to net profit attributable to owners of NAB presented on the following pages, have been derived from the 2018 and 2017 US Debt Funding Information. Refer to the section *Cautionary note regarding non-GAAP financial measures* on page 4 for further details.

Other information hereunder has been derived from the audited financial report of the Group, or where certain items are not shown in the Group's financial report, it has been prepared for the purpose of this report. Accordingly, this information should be read in conjunction with and is qualified in its entirety by reference to the financial report.

	2018[(1)] $m	2018[(1)(2)] US$m	2017[(1)] $m	2016[(1)] $m	2015[(3)] $m	2014[(3)] $m
Income Statement Summary						
Net interest income	**13,505**	**9,775**	13,182	12,930	12,462	13,415
Net investment income[(4)]	**-**	**-**	-	594	701	542
Gains less losses on financial instruments at fair value	**1,525**	**1,104**	552	827	1,498	999
Other operating income	**4,071**	**2,947**	4,290	3,771	3,776	3,900
Operating expenses	**(9,910)**	**(7,173)**	(8,539)	(8,331)	(8,189)	(10,227)
Credit impairment charge	**(791)**	**(573)**	(824)	(813)	(733)	(847)
Profit before income tax expense	**8,400**	**6,080**	8,661	8,978	9,515	7,782
Income tax expense	**(2,455)**	**(1,777)**	(2,480)	(2,553)	(2,709)	(2,598)
Net profit for the period from continuing operations	**5,945**	**4,303**	6,181	6,425	6,806	5,184
Net (loss) after tax for the period from discontinued operations	**(388)**	**(281)**	(893)	(6,068)	(414)	114
Net profit / (loss) for the period	**5,557**	**4,022**	5,288	357	6,392	5,298
Profit for the period attributable to owners of NAB	**5,554**	**4,020**	5,285	352	6,338	5,295
Profit for the period attributable to non-controlling interests	**3**	**2**	3	5	54	3
Net profit / (loss) for the period	**5,557**	**4,022**	5,288	357	6,392	5,298
Dividends paid / payable[(5)]	**5,403**	**3,911**	5,307	5,248	4,997	4,673

(1) *Information is presented on a continuing operations basis. September 2015 was restated for the demerger of CYBG and the sale of 80% of Wealth's life insurance business to Nippon Life in September 2016. September 2014 was restated for the sale of Great Western Bancorp Inc. but has not been restated for the demerger of CYBG or the sale of 80% of the Wealth's insurance business to Nippon Life. The Group's consolidated financial statements for the financial years ended 30 September 2014 and 2015 can be found in the corresponding reports published by the Group for the respective periods.*

(2) *Translated at the closing noon buying rate on 30 September 2018 of US$0.7238 = A$1.00.*

(3) *AASB 9 Financial Instruments was adopted from October 2014. 2014 period not restated.*

(4) *Includes the impact of movements in life investment contracts to 1 July 2016, being the date on which the Successor Fund Merger occurred and the related investment assets and investment contract liabilities were deconsolidated.*

(5) *Dividend amounts for a year represent the final and interim dividend in respect of that year, irrespective of when they are declared, determined and publicly recommended, including the dividend reinvestment plan and excluding issues under the bonus share plan in lieu of cash. This includes payments to both ordinary and American depository shareholders. 2015 has been restated to include both the final and interim dividend in respect of that year.*

SELECTED FINANCIAL DATA (CONTINUED)

Divisional Performance

The Group's reportable segments are business units engaged in providing either different products or services, or similar products and services in different geographical areas. The businesses are managed separately as each requires a strategy focussed on the specific services provided for the economic, competitive and regulatory environment in which it operates.

	2018[(1)] $m	2018[(1)(2)] US$m	2017[(1)] $m	2016[(1)] $m
Divisional performance				
Business and Private Banking	**2,911**	**2,107**	2,841	2,673
Consumer Banking and Wealth	**1,539**	**1,114**	1,633	1,565
Corporate and Institutional Banking	**1,541**	**1,115**	1,535	1,367
NZ Banking	**922**	**667**	882	804
Corporate Functions and Other[(3)]	**(1,211)**	**(876)**	(249)	74
Cash earnings	**5,702**	**4,127**	6,642	6,483
Non-cash earnings items	**240**	**174**	(464)	(63)
Net (loss) after tax for the period from discontinued operations[(4)]	**(388)**	**(281)**	(893)	(6,068)
Net profit attributable to the owners of NAB	**5,554**	**4,020**	5,285	352

(1) *Information is presented on a continuing operations basis.*

(2) *Translated at the closing noon buying rate on 30 September 2018 of US$0.7238 = A$1.00.*

(3) *Corporate Functions and Other includes Treasury, NAB UK CRE, other supporting units and Group eliminations.*

(4) *For the year ended 30 September 2018, a net loss of $411 million before tax ($388 million after tax) was recognised in discontinued operations. This loss mainly related to the Conduct Indemnity Deed entered into with CYBG. For further information refer to Note 37 Discontinued operations in NAB's 2018 Annual Financial Report.*

SELECTED FINANCIAL DATA (CONTINUED)

Reconciliation of cash earnings to net profit attributable to owners of NAB

	2018[1]	2018[1][2]	2017[1]	2016[1]	2015	2014[3]
	$m	US$m	$m	$m	$m	$m
Net interest income	**13,467**	**9,747**	13,166	12,930	12,498	13,451
Other operating income	**4,510**	**3,264**	4,729	4,503	4,507	5,070
Net operating income	**17,977**	**13,011**	17,895	17,433	17,005	18,521
Operating expenses	**(8,992)**	**(6,508)**	(7,635)	(7,438)	(7,278)	(9,987)
Underlying profit	**8,985**	**6,503**	10,260	9,995	9,727	8,534
Credit impairment charge	**(779)**	**(564)**	(810)	(800)	(748)	(869)
Cash earnings before tax and distributions	**8,206**	**5,939**	9,450	9,195	8,979	7,665
Income tax expense	**(2,404)**	**(1,740)**	(2,710)	(2,588)	(2,582)	(2,430)
Cash earnings before distributions	**5,802**	**4,199**	6,740	6,607	6,397	5,235
Distributions	**(100)**	**(72)**	(98)	(124)	(175)	(180)
Cash earnings from continuing operations	**5,702**	**4,127**	6,642	6,483	6,222	5,055
Non-cash earnings items (after tax):						
Distributions	**100**	**72**	98	124	175	180
Treasury shares	**-**	**-**	-	61	4	(43)
Fair value and hedge ineffectiveness	**182**	**132**	(500)	(126)	516	83
Amortisation of acquired intangible assets	**(30)**	**(22)**	(62)	(83)	(80)	(74)
MLC Wealth divestment transaction costs	**(12)**	**(8)**	-	-	-	-
Life insurance 20% share of profit	**-**	**-**	-	(39)	(37)	-
Life insurance economic assumption variation	**-**	**-**	-	-	-	(20)
Net profit from continuing operations	**5,942**	**4,301**	6,178	6,420	6,800	5,181
Net profit / (loss) after tax for the period from discontinued operations[4]	**(388)**	**(281)**	(893)	(6,068)	(462)	114
Net profit attributable to the owners of NAB	**5,554**	**4,020**	5,285	352	6,338	5,295

(1) *Information is presented on a continuing operations basis. September 2015 was restated for the demerger of CYBG and the sale of 80% of Wealth's life insurance business to Nippon Life in September 2016. September 2014 was restated for the sale of Great Western Bancorp Inc. but has not been restated for the demerger of CYBG or the sale of 80% of the Wealth's insurance business to Nippon Life. The Group's consolidated financial statements for the financial years ended 30 September 2014 and 2015 can be found in the corresponding reports published by the Group for the respective periods.*

(2) *Translated at the closing noon buying rate on 30 September 2018 of US$0.7238 = A$1.00.*

(3) *AASB 9 Financial Instruments was adopted from 1 October 2014. 2014 period was not restated.*

(4) *For the year ended 30 September 2018, a net loss of $411 million before tax ($388 million after tax) was recognised in discontinued operations. This loss mainly related to the Conduct Indemnity Deed entered into with CYBG. For further information refer to Note 37 Discontinued operations in NAB's 2018 Annual Financial Report.*

SELECTED FINANCIAL DATA (CONTINUED)

	2018[(1)] $m	2018[(1)(2)] US$m	2017[(1)(3)] $m	2016[(1)(3)] $m	2015[(1)(3)(4)] $m	2014[(1)(3)(4)] $m
Balance sheet summary						
Investments relating to life insurance business[(5)(6)]	**-**	**-**	-	-	89,350	85,032
Loans and advances	**567,981**	**411,105**	540,125	510,045	532,784	434,725
Total assets[(6)(7)]	**806,510**	**583,752**	788,325	776,710	955,052	883,301
Total risk-weighted assets	**389,684**	**282,053**	382,114	388,445	399,758	367,652
Deposits and other borrowings	**503,145**	**364,176**	500,604	459,714	489,010	476,208
Life policy liabilities[(5)]	**-**	**-**	-	-	76,311	71,701
Bonds, notes and subordinated debt	**140,222**	**101,493**	124,871	127,942	130,518	118,165
Other debt issues	**6,158**	**4,457**	6,187	6,248	6,292	4,686
Net assets	**52,712**	**38,153**	51,317	51,315	55,513	47,908
Contributed equity	**35,982**	**26,044**	34,627	34,285	34,651	28,380
Ordinary shares	**33,062**	**23,930**	31,707	30,968	31,334	24,049
Other equity instruments	**2,920**	**2,113**	2,920	3,317	3,317	4,331
Total equity (parent entity interest)	**52,701**	**38,145**	51,306	51,292	55,494	47,891
Non-controlling interest in controlled entities	**11**	**8**	11	23	19	17
Total equity	**52,712**	**38,153**	51,317	51,315	55,513	47,908

(1) *Information is presented on a continuing operations basis. September 2015 was restated for the demerger of CYBG and the sale of 80% of Wealth's life insurance business to Nippon Life in September 2016, with the exception of APRA information, which predominantly related to capital. September 2014 was restated for the sale of Great Western Bancorp Inc. but has not been restated for the demerger of CYBG, the sale of 80% of the Wealth's insurance business to Nippon Life nor APRA information, which predominantly related to capital. No further comparative periods have been restated. The Group's consolidated financial statements for the financial years ended 30 September 2014 and 2015 can be found in the corresponding reports published by the Group for the respective periods.*
(2) *Translated at the closing noon buying rate on 30 September 2018 of US$0.7238 = A$1.00.*
(3) *National Capital Instruments of $397 million were fully redeemed on 4 October 2016. The Company exercised its right to call the Trust Preferred Securities II of $1,014 million in 2015 and BNZ Income Securities 2 of $203 million in 2014.*
(4) *AASB 9 Financial Instruments was adopted from 1 October 2014. 2014 period was not restated.*
(5) *Balances were impacted by the Successor Fund Merger on 1 July 2016 and the sale of 80% of Wealth's life insurance business on 30 September 2016.*
(6) *The 2016 comparative information has been restated following a reclassification of investments relating to life insurance business into other assets.*
(7) *The 2016 comparative information has been restated to reflect a change in presentation of interest accrual on certain derivative assets and derivative liabilities, which is now presented within derivative assets and derivative liabilities (previously included in other assets and other liabilities).*

	2018[(1)] %	2017[(1)] %	2016[(1)] %	2015[(1)(2)] %	2014[(1)(2)] %
Selected financial ratios					
Dividend payout ratio[(3)]	**91.8**	86.8	81.7	72.9	92.5
Average equity to average total assets[(4)]	**6.0**	6.0	5.2	4.7	4.9
Net profit on average assets	**0.74**	0.77	0.75	0.79	0.58
Net profit on average equity[(4)(5)]	**12.0**	12.8	14.2	16.4	11.9

(1) *Information is presented on a continuing operations basis. September 2015 was restated for the demerger of CYBG and the sale of 80% of Wealth's life insurance business to Nippon Life in September 2016, with the exception of APRA information, which predominantly related to capital. September 2014 was restated for the sale of Great Western Bancorp Inc. but has not been restated for the demerger of CYBG, the sale of 80% of the Wealth's insurance business to Nippon Life nor APRA information, which predominantly related to capital. No further comparative periods have been restated. The Group's consolidated financial statements for the financial years ended 30 September 2014 and 2015 can be found in the corresponding reports published by the Group for the respective periods.*
(2) *AASB 9 Financial Instruments was adopted in 2015. Prior periods have not been restated.*
(3) *Dividend payout ratio is the dividend amounts for a year divided by earnings per share based on statutory net profit from continuing operations.*
(4) *Average equity has been adjusted for other equity instruments and any non-controlling interest in controlled entities.*
(5) *Net profit has been adjusted for distributions and dividends on other equity instruments.*

	2018	2017	2016	2015	2014
Noon buying rates (average and closing per A$1.00)					
Daily average					
United States dollar	**0.7605**	0.7623	0.7372	0.7855	0.9209
Closing					
United States dollar	**0.7238**	0.7840	0.7667	0.7020	0.8737

SELECTED FINANCIAL DATA (CONTINUED)

On 9 November 2018, the noon buying rate was US$0.7226 per A$1.00.

	2018					
	October	September	August	July	June	May
United States dollar (per A$1.00)						
High	0.7223	0.7278	0.7428	0.7466	0.7677	0.7595
Low	0.7048	0.7107	0.7192	0.7322	0.7355	0.7445

BUSINESS OVERVIEW

Introduction

The Group is an international financial services group that provides a comprehensive and integrated range of financial products and services.

The Company traces its history back to the establishment of The National Bank of Australasia in 1858. National Australia Bank Limited (NAB) is a public limited company, incorporated on June 23, 1893 in Australia, which is the Company's main domicile. Its registered office is 800 Bourke Street, Docklands Victoria 3008, Australia. The Company operates under the requirements of the *Banking Act 1959* (Cth) and the *Corporations Act 2001* (Cth).

In 1981 the National Bank of Australasia merged with the Commercial Banking Corporation of Sydney which was established in 1834.

Strategic Highlights

Focus, Vision and Objectives

The Group's strategic focus supports its recently refreshed vision to be Australia's leading bank, trusted by customers for exceptional service. Achieving this vision is underpinned by four key long term objectives:

1. Net Promoter Score [(1)] [(2)] (NPS) positive and number 1 of major Australian banks in priority segments.
2. Cost to income ratio towards 35%.
3. Number 1 ROE of major Australian banks.
4. Top quartile employee engagement.

Critical to the Group's ability to achieve its vision and objectives is the maintenance of strong foundations – Balance Sheet (including capital, funding and liquidity), Risk (including credit and operational risk) and Technology.

Accelerating our Strategy

On 2 November 2017, the Group announced an acceleration of its strategy to achieve its vision and objectives, reflecting the environment of rapid and constant change.

The acceleration of the Group's strategy involves a targeted $1.5 billion increase in investment over the three years to September 2020, taking total investment spend to approximately $4.5 billion over that period. For the September 2018 full year, investment spend was $1,519 million. The focus of this increased investment over three years is on the four key areas outlined below.

Best Business Bank

The Group continues to invest in transforming its leading Australian Small and Medium Enterprise (SME) franchise making it simpler and easier for customers. Good progress was made over the September 2018 full year including:

- Improved banker capacity to understand and support business and personal needs of the Group's more complex customers, with revenue per banker increasing 10%.
- Metropolitan-based small business customers have been migrated to a new customer service hub, with extended operating hours open 7 days a week.
- Improved digital and decisioning with 80% of simple business transaction account customers [(3)] now set up via a new digital platform in less than 30 minutes, compared with 8 days at September 2017. In addition, the proportion of new small business lending accounts generated via the Quickbiz digital platform, with application and decisioning in under 10 minutes, increased to 35% from 20%.

Simpler and Faster

The Group is focussed on delivering exceptional customer service, increased productivity and reduced operational and regulatory risks. Key progress over the September 2018 full year includes:

- Number of products reduced from approximately 600 to 495, and products capable of digital origination increased from 10% to 19%.
- Time required to open Everyday consumer accounts reduced from up to 48 hours to less than seven minutes, and term deposit rollovers (both in branch and online) have been simplified to one click, reducing processing time by 70%.
- Over-the-counter transactions in branches declined 15% following the completed rollout of 805 smart ATMs.
- Organisational structure flattened to 7 layers between the CEO and customer for 94% of employees (66% at September 2017).

New and Emerging Growth Opportunities

Capturing new and emerging growth opportunities by leveraging the Group's capabilities and positions of strength is a key focus. Progress over the September 2018 full year includes:

- Given strong forecast population growth in Greater Western Sydney and Greater Melbourne [(4)], the Group has added or relocated 40 bankers to service these urban growth corridors, combined with 7 new or refreshed points of presence.
- Leveraging the Group's top 15 global position in infrastructure financing [(5)] with 63 global infrastructure deals completed worth approximately $48 billion of total project debt.
- UBank, the Group's digital bank, increased customer numbers by 17%, and in the September 2018 half year grew home lending at 4 times system rates.

(1) 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.
(2) Priority Segments Net Promoter Score (NPS) is a simple average of the NPS scores of four priority segments: Home Owners, Investors, Small Business ($0.1m-<$5m) and Medium Business ($5m-<$50m). The Priority Segments NPS data is based on six month moving averages from Roy Morgan Research and DBM BFSM Research.
(3) Simple business transaction account customers refers to sole traders and private business customers.
(4) Forecast growth of 0.9 million people in 5 years in Greater Western Sydney and Greater Melbourne. Source: Melbourne: "Victoria in Future 2016", Dept of Environment, Land, Water and Planning. Sydney: "2016 New South Wales State and Local Government Area Population Projections", NSW Govt - Planning & Environment.
(5) IJGlobal League tables (2018).

BUSINESS OVERVIEW (CONTINUED)

Great People, Talent and Culture

The Group is committed to attracting, developing and inspiring talent to drive a culture that delivers high performance. Key developments over the September 2018 full year include:

- More than 350 senior managers participated in talent programs to identify current capability and future potential to fast track progress into more senior roles.
- Providing support and career transition services for people leaving NAB via 'The Bridge', with 84% take up. Within its first six months of operation, 40% of Bridge users have successfully transitioned to their desired pathways including new positions, vocational training, self-employment or retirement.
- 2019 graduate applications increased by 27% compared to the prior year, and the Group's graduate program has been transformed with more locations now covered.

As part of the acceleration of its strategy, the Group expects to deliver cumulative cost savings, currently targeted at greater than $1 billion by 30 September 2020, as it significantly simplifies and automates processes, reduces procurement and third party costs, and gets closer to its customers with a flatter organisational structure. In the September 2018 full year, cost savings of approximately $320 million were achieved.

The Group is reshaping its workforce to enable it to deliver for customers. Over the three years to 30 September 2020, the Group is targeting the creation of up to 2,000 new roles and a reduction of 6,000 existing roles as it further automates and simplifies its business. It is expected that this will result in a net reduction in employees of approximately 4,000 by 30 September 2020. Throughout this process, the Group will treat its people with care and respect and equip them for the future through the services of The Bridge. During the September 2018 full year, a reduction of 1,897 roles occurred while an additional 195 new roles were added bringing new skills and capabilities to support the Group's growth agenda.

Reflecting the accelerated investment impact, the Group outlined an expectation for September 2018 full year expense growth of 5-8%, excluding restructuring-related costs and any large one-off expenses. In the September 2018 full year, expense growth was 6.4%, excluding restructuring-related costs of $755 million booked in the March 2018 half year and customer-related remediation. The Group continues to target expense growth over the September 2019 and September 2020 full years to remain broadly flat, excluding large notable expenses [1].

Reshaping of Wealth Management

On 3 May 2018, the Group announced its intention to reshape its Wealth Management offering, consistent with its plan to become simpler and faster. A detailed review, conducted over nine months, determined the Group could best serve the needs of its customers and deliver long term value for shareholders by retaining and investing in a more focussed Wealth Management offering. This involves retaining JBWere, part of the Group's leading Business and Private Banking franchise, to help high net worth customers manage their personal wealth alongside their business interests, combined with nabtrade, the Group's fast growing online investing platform, supporting self-directed customers.

The Group intends to exit its Advice, Superannuation & Investment Platforms and Asset Management businesses, currently operating under MLC and other brands ('MLC'). Separate ownership will allow this business to determine its own strategy and investment priorities to better deliver for customers and enhance its competitive position. The Group is targeting separation by the end of the 2019 calendar year via public markets options including demerger and IPO, while maintaining flexibility to consider trade sale options. It is expected there will be ongoing arrangements between NAB and MLC to offer NAB customers continued access to advice and products to meet their wealth management needs.

Since announcing the reshaping of its Wealth business in May 2018, the Group has made good progress in the work required to separate MLC, including the appointment of Geoff Lloyd as CEO of MLC.

Performance against key long term objectives

The Group uses NPS [2] system to access real-time, targeted feedback so it can understand and improve the customer experience. For the 12 months ended 30 September 2018, priority segment NPS [2] [3] declined from -12 to -16 partly reflecting an overall industry decline relating to the Royal Commission, and is now second of the major Australian banks.

The Group's long term objective remains for NPS to be positive and number one of major Australian banks, which it expects to achieve through its focus on building a better bank for customers. Key initiatives supporting this focus over the September 2018 full year include:

- Establishment of a centre for customer remediation to resolve issues more quickly for customers.
- Supporting rural and regional customers with a drought assistance package, including no branch closures in drought declared areas.
- From 1 October 2018, 97% of employees will be rewarded on a balance of outcomes and behaviours under the Group Variable Reward Plan and not specialist

(1) Notable expenses includes significant customer-related remediation.

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(3) Priority Segments Net Promoter Score (NPS) is a simple average of the NPS scores of four priority segments: Home Owners, Investors, Small Business ($0.1m-<$5m) and Medium Business ($5m-<$50m). The Priority Segments NPS data is based on six month moving averages from Roy Morgan Research and DBM BFSM Research.

BUSINESS OVERVIEW (CONTINUED)

sales incentives, up from 85% in the September 2018 full year.

Over the September 2018 full year, the Group's Cost to Income (CTI) ratio increased by 730 basis points to 50.0%. Excluding restructuring-related costs and customer-related remediation, the CTI increased 190 basis points to 44.6%, mainly reflecting higher investment in customer and technology capabilities associated with the acceleration of the Group's strategy.

Over the September 2018 full year, the Group's return on equity (ROE) declined 230 basis points to 11.7%. Excluding restructuring-related costs and customer-related remediation, ROE declined 70 basis points to 13.3%, again mainly reflecting higher investment in customer and technology capabilities associated with the acceleration of the Group's strategy.

The Group is targeting top quartile employee engagement. The Group's annual employee engagement result for September 2018 declined over the year from 59% to 54% but recovered from the April 2018 'Pulse' survey [(1)] result of 48%. At 54%, the September 2018 score is below the top quartile benchmark of 68% [(2)] in part reflecting impacts of the Royal Commission on the Group's external reputation and the Group's restructuring announcement in November 2017.

Maintaining strong foundations

The Group remained well capitalised during the year to September 2018, and expects to achieve APRA's 'unquestionably strong' capital benchmark of 10.5% in an orderly manner by 1 January 2020. The Group's Common Equity Tier 1 (CET1) ratio as at 30 September 2018 was 10.20%.

The Group has maintained strong liquidity through the September 2018 full year. The Net Stable Funding Ratio (NSFR) was 113% and the quarterly average Liquidity Coverage Ratio (LCR) was 129%, both above the APRA regulatory requirement of 100%.

Portfolio concentrations continue to be managed with reference to established Group risk appetite settings, and overall credit risk in the Group's portfolio remains sound. Credit impairment charges for the September 2018 full year declined 4% over the year and represent 0.13% of gross loans and acceptances. The ratio of loans which are more than 90 days in arrears and impaired as a percentage of gross loans and acceptances remained broadly stable over the year to 30 September 2018 at 0.71%.

Provisions for credit impairment remain prudent, with total provisions increasing 7% over the year to $3,729 million, and the ratio of collective provisions to credit risk weighted assets increasing from 0.86% to 0.92%.

The Group continues to strengthen its technology environment to be fast, agile, efficient, resilient and relevant, supported by deep technical expertise. Technology investment spend has increased as part of the acceleration of the Group's strategy to deliver these objectives in a timely manner. Over the September 2018 full year:

- A new technology leadership team has been recruited, bringing strong technology experience with 10 new executives hired from major global financial services and technology firms.
- Insourced 542 roles, mainly technology and operations related.
- Established the NAB Cloud Guild to build cloud computing skills for NAB employees. Over 3,000 employees have completed the program and NAB has more cloud certified employees than any other organisation in Australia and New Zealand.
- IT applications have reduced by 120 or 5%, and 70 or 3% of IT applications have been migrated to the cloud. The Group is targeting a 15-20% reduction in IT applications and 35% migration to the cloud.

Organisational structure and operating model

The Group is a financial services organisation with approximately 33,000 employees, operating through a network of more than 900 locations, with more than 585,000 shareholders and serving over nine million customers.

The majority of the Group's financial services businesses operate in Australia and New Zealand, with branches located in Asia, the United Kingdom (UK) and the United States (US). The Group's brands share a commitment to providing customers with quality products and services. The Group's relationships are based on the principles of providing quality help, guidance and advice to achieve better financial outcomes for customers.

In 2018 the Group operated the following divisions:

- *Business and Private Banking* focusses on serving the needs of three of NAB's priority customer segments – small businesses, medium businesses and investors. Customers are served through an integrated banking model locally led by managing partners through business banking centres and through the small business customer hubs. This includes specialists in Health, Agribusiness, Government, Education, Community and Franchising (GECF), Professional Services and Commercial Real Estate. The division also serves high net worth customers through Private Bank and JBWere.
- *Consumer Banking and Wealth* comprises the NAB and UBank consumer banking divisions, and the Wealth divisions of Advice, Asset Management and Superannuation. The division provides customers with access to advisers, including mortgage brokers and a financial planning network of self-employed, aligned and salaried advisers in Australia.
- *Corporate and Institutional Banking* provides a range of lending and transactional products and services related to financial and debt capital markets, specialised capital,

(1) *Pulse survey sent to a randomly selected subsection of the organisation, April 2018.*
(2) *Based on the top quartile of Australian and New Zealand companies, source AON Hewitt 2018*

BUSINESS OVERVIEW (CONTINUED)

custody and alternative investments. The division services its customers in Australia and globally through branches in the US, UK and Asia with specialised industry relationship and product teams.

- *New Zealand Banking* comprises the Consumer Banking, Wealth, Agribusiness, Corporate and Insurance franchises and Markets Sales operations in New Zealand, operating under the 'Bank of New Zealand' brand. It excludes Bank of New Zealand's Markets Trading operations.

LIQUIDITY, FUNDING AND CAPITAL RESOURCES

Liquidity and funding

The Group's banking entities comply as required with the regulatory liquidity requirements of the banking regulators in Australia, the United Kingdom, New Zealand, the United States and other geographies in which the Group operates. The Group's Wealth Management businesses also comply with the regulatory liquidity requirements of their Australian Financial Services Licences and the requirements of their various non-Australian regulators. Liquidity within the Group is also managed in accordance with policies approved by the Board, with oversight from regional and Group Asset and Liability Management Committees.

The principal sources of liquidity for the Group are:
- Cash
- Amounts due to and from other banks
- Repurchase agreements
- Trading and other marketable securities.
- Proceeds from investments and repayments of customer lending facilities
- Collateral placed on derivatives
- Deposits
- NAB Wealth net operating income
- Proceeds from commercial paper, certificates of deposit, bonds, notes and subordinated debt issues
- Interest income
- Other operating income.

The Group's primary source of funding is from deposits and other borrowings which include on-demand and short-term deposits, term deposits, and bank issued certificates of deposit. Of total liabilities at 30 September 2018 of $753,798 million (2017: $737,008 million; 2016: $725,395 million), funding from customer deposits and certificates of deposit (including amounts accounted for at fair value) amounted to $452,935 million (2017: $459,835 million; 2016: $436,497 million) or 60% (2017: 62%; 2016: 60%). Although a substantial portion of customer accounts are contractually repayable within one year, on-demand, or at short-notice, such customer deposit balances have provided a stable source of core long-term funding for the Group.

Deposits taken from the inter-bank market of $38,192 million as at 30 September 2018 (2017: $36,683 million; 2016: $43,903 million) supplement the Group's customer deposits. The Group also accesses the domestic and international debt capital markets under its various funding programs. As at 30 September 2018, the Group had on issue $163,802 million (2017: $147,740 million; 2016: $147,639 million) of term debt securities (bonds, notes and subordinated debt including bonds, notes and subordinated debt accounted for at fair value) and the following funding programmes available to fund the Group's general banking businesses:

Short-term funding programmes as at 30 September 2018

Euro Market

Limit	Type	Issuer(s)
USD20 billion	Global Commercial Paper and Certificate of Deposit Programme	National Australia Bank Limited
USD10 billion	Global Commercial Paper Programme	BNZ International Funding Limited, acting through its London Branch (and guaranteed by Bank of New Zealand)

United States

Limit	Type	Issuer(s)
USD10 billion	Commercial Paper Program	BNZ International Funding Limited, acting through its London Branch (and guaranteed by Bank of New Zealand)
USD30 billion	Commercial Paper Program	National Australia Bank Limited
USD20 billion	Commercial Paper Program	National Australia Funding (Delaware) Inc. (guaranteed by National Australia Bank Limited)

New Zealand

Limit	Type	Issuer(s)
Unlimited	Debt Issuance Programme	Bank of New Zealand

LIQUIDITY, FUNDING AND CAPITAL RESOURCES (CONTINUED)

Long-term funding programmes and issuing shelves as at 30 September 2018

Global [(1)]

Limit	Type	Issuer(s)
NZD7 billion [(2)]	BNZ Covered Bond Programme	Bank of New Zealand and BNZ International Funding Limited (acting through its London Branch) guaranteed by CBG Trustee Company Limited as Trustee of the BNZ Covered Bond Trust, and Bank of New Zealand in respect of covered bonds issued by BNZ International Funding Limited (acting through its London Branch)
USD100 billion [(3)]	Global Medium Term Note Programme	National Australia Bank Limited and BNZ International Funding Limited (acting through its London Branch and guaranteed by Bank of New Zealand)
USD30 billion [(4)]	NAB Covered Bond Programme	National Australia Bank Limited (guaranteed by Perpetual Corporate Trust Limited as trustee of the NAB Covered Bond Trust)
Unlimited	National RMBS Trust Programme	National Australia Bank Limited
Unlimited	National ABS Trust Programme	National Australia Bank Limited

United States [(1)]

Limit	Type	Issuer(s)
USD30 billion [(4)]	U.S. Rule 144A sub-programme associated with the NAB Covered Bond Programme	National Australia Bank Limited (guaranteed by Perpetual Corporate Trust Limited as trustee of the NAB Covered Bond Trust)
USD100 billion [(3)]	U.S. Rule 144A sub-programme associated with the Global Medium Term Note Programme	BNZ International Funding Limited (acting through its London Branch and guaranteed by Bank of New Zealand)
USD100 billion [(3)]	U.S. Rule 144A sub-programme associated with the Global Medium Term Note Programme	National Australia Bank Limited
USD25 billion	Section 3(a)(2) Medium Term Note (Series B) Program	National Australia Bank Limited (acting through its New York Branch)

Australia [(1)]

Limit	Type	Issuer(s)
Unlimited	Debt Issuance Programme	National Australia Bank Limited
USD30 billion [(4)]	NAB Covered Bond Programme	National Australia Bank Limited (guaranteed by Perpetual Corporate Trust Limited as trustee of the NAB Covered Bond Trust)

New Zealand [(1)]

Limit	Type	Issuer(s)
Unlimited	Debt Issuance Programme	Bank of New Zealand
NZD7 billion [(2)]	BNZ Covered Bond Programme	Bank of New Zealand guaranteed by CBG Trustee Company Limited as trustee of the BNZ Covered Bond Trust

Japan [(1)]

Limit	Type	Issuer(s)
JPY500 billion	Samurai Shelf	National Australia Bank Limited
JPY300 billion	Uridashi Shelf	National Australia Bank Limited

(1) *Programmes have been listed in the jurisdictions within which issuances can be made and therefore may appear in multiple categories.*
(2) *Refers to total BNZ Covered Bond Programme limit for both issuers in aggregate.*
(3) *Refers to total Global Medium Term Note Programme limit for both issuers in aggregate.*
(4) *Refers to total NAB Covered Bond Programme limit.*

LIQUIDITY, FUNDING AND CAPITAL RESOURCES (CONTINUED)

Credit ratings

At 30 September 2018, the Group's issuing entities credit ratings were as follows:

National Australia Bank	Short-term debt	Senior long-term debt
S&P Global Ratings	A-1+	AA-
Moody's Investors Service	P-1	Aa3
Fitch Ratings	F1+	AA-

Bank of New Zealand	Short-term debt	Senior long-term debt
S&P Global Ratings	A-1+	AA-
Moody's Investors Service	P-1	A1
Fitch Ratings	F1+	AA-

BNZ International Funding Limited (guaranteed by Bank of New Zealand)	Short-term debt	Senior long-term debt
S&P Global Ratings	A-1+	AA-
Moody's Investors Service	P-1	A1
Fitch Ratings [(1)]	(not rated)	AA-

(1) *Issue credit ratings.*

Ratings are not a recommendation to purchase, hold or sell securities, and may be changed, superseded or withdrawn at any time.

The Group maintains well diversified and high quality liquid asset portfolios to support regulatory and internal requirements in the various countries in which it operates. As at 30 September 2018, the Group held $125,854 million of on balance sheet liquid assets (2017: $123,733 million; 2016: $118,268 million), of which NAB held $118,236 million (2017: $116,862 million; 2016: $112,080 million). According to the Group Contingent Funding Plan (CFP), the Group Treasurer has the authority to direct any holder of unencumbered liquid assets to realise those assets for cash. In addition, the Group held $577,826 million (2017: $554,721 million; 2016: $529,909 million) of net loans and advances to customers (including loans accounted for at fair value), of which $106,242 million (2017: $103,476 million; 2016: $98,565 million) is due to mature within one year – although a proportion of these maturing customer loans will be extended in the normal course of business.

The Group also has the capacity to access funding through the Reserve Bank of Australia under the Committed Liquidity Facility (CLF). The CLF value used in the Liquidity Coverage Ratio calculation is the undrawn portion of the facility. NAB's CLF for 2018 was $59,300 million ($50,400 million for 2017). A combination of external marketable debt securities and internal residential mortgage backed securities provide collateral for the CLF. Unencumbered internal RMBS after haircuts held by the Group at 30 September 2018 was $40,160 million (2017: $43,546 million). Within the Group's Wealth Management business, the principal sources of liquidity are funds management fees and investment income.

Based on the level of resources within the Group's businesses, and the ability of the Group to access wholesale money markets and issue debt securities should the need arise, overall liquidity is considered sufficient to meet current obligations to customers, policyholders and debt holders.

LIQUIDITY, FUNDING AND CAPITAL RESOURCES (CONTINUED)

The following table sets out the amounts and maturities of the Group's contractual cash obligations for bonds, notes and subordinated debt, other debt issues, and other commitments as listed below at 30 September 2018:

	Payments due by period				
	Less than 1 year $m	1 to 3 years $m	3 to 5 years $m	After 5 years $m	Total $m
Bonds, notes and subordinated debt – dated	29,568	65,287	41,173	27,774	163,802
Other debt issues – undated	-	-	-	6,158	6,158
Non-cancellable operating leases	389	651	511	1,447	2,998
Total contractual cash obligations	**29,957**	**65,938**	**41,684**	**35,379**	**172,958**

The above table excludes deposits and other liabilities taken in the normal course of banking business and short-term and undated liabilities, including life policy liabilities.

The following table sets out the amounts and maturities of the Group's contingent liabilities and other commercial commitments at 30 September 2018:

	Amount of commitment expiration per period				
	Less than 1 year $m	1 to 3 years $m	3 to 5 years $m	After 5 years $m	Total $m
Contingent liabilities					
Guarantees	3,423	1,468	274	431	5,596
Letters of credit	4,800	847	572	40	6,259
Performance-related contingencies	5,418	4,354	363	319	10,454
Other commercial commitments					
Underwriting facilities	-	2	-	-	2
Other binding credit commitments	67,808	31,720	13,802	43,299	156,629
Total commercial commitments	**81,449**	**38,391**	**15,011**	**44,089**	**178,940**

Description of off-balance sheet arrangements (special purpose entities)

The Group enters into various arrangements with special purpose entities (SPEs). The primary purposes of these SPEs are to:

- Assist customers to securitise their assets.
- Provide diversified funding sources to customers.
- Tailor new products to satisfy customers' funding requirements.

In accordance with Australian Accounting Standards and International Financial Reporting Standards, the Group will consolidate an SPE where the Group has control over the SPE. Generally the Group does not have control over SPEs that have been established for purposes of providing funding to customers, and therefore these SPEs are not consolidated by the Group.

Capital resources

The Group assesses a number of areas to determine its capital resources including the Group's own risk profile, regulation, ratings agency measures and market expectations. The Group believes it has sufficient capital to meet current and likely future commitments.

Capital adequacy

As an Authorised Deposit-taking Institution (ADI), the Company is subject to regulation by the Australian Prudential Regulation Authority (APRA) under the authority of the *Banking Act 1959* (Cth). APRA has set minimum Prudential Capital Requirements (PCRs) for ADIs consistent with the Basel Committee on Banking Supervision (BCBS) capital adequacy framework. PCRs are expressed as a percentage of total risk-weighted assets.

The Group's capital structure comprises various forms of capital. CET1 capital consists of the sum of paid-up ordinary share capital, retained profits plus certain other items recognised as the highest quality components of capital. The ratio of such capital to risk-weighted assets is called the CET1 ratio. Additional Tier 1 capital comprises certain securities with complying loss absorbing characteristics. Together with CET1 capital these components of capital make up Tier 1 capital and the ratio of such capital to risk-weighted assets is called the Tier 1 ratio.

Tier 2 capital comprises subordinated debt instruments, with complying loss absorbing characteristics. Tier 2 capital contributes to the overall capital framework. The sum of Tier 1 capital and Tier 2 capital is called Total capital. The ratio of Total capital to risk-weighted assets is called the Total capital ratio.

LIQUIDITY, FUNDING AND CAPITAL RESOURCES (CONTINUED)

CET1 contains the highest quality and most effective loss absorbent components of capital, followed first by Additional Tier 1 capital and then by Tier 2 capital.

The minimum CET1 ratio, Tier 1 ratio and Total capital ratio under APRA's Basel capital adequacy Prudential Standards are 4.5%, 6.0% and 8.0% respectively.

In addition to the minimum capital ratios described above, an ADI must hold a capital conservation buffer above the PCR for CET1 capital. On 1 January 2016, APRA implemented a capital conservation buffer of 2.5% of an ADI's total risk-weighted assets. In addition, for ADI's considered systemically important such as NAB, a further Domestic Systemically Important Bank (D-SIB) requirement of 1% has been added to the required capital conservation buffer.

A breach of the required ratios under APRA's Prudential Standards may trigger legally enforceable directions by APRA, which can include a direction to raise additional capital.

Capital ratios

Capital ratios are monitored against internal capital targets that are set by the Board over and above minimum capital requirements set by APRA. The capital ratios at 30 September 2018, and comparatives at 30 September 2017 are as follows:

	2018 %	2017 %
Common Equity Tier 1 ratio	**10.20**	10.06
Tier 1 ratio	**12.38**	12.41
Total capital ratio	**14.12**	14.58

Capital initiatives

Tier 2 Capital Initiatives

The Group's Tier 2 capital initiatives during the September 2018 full year include the following capital reductions:
- On 28 November 2017 NAB redeemed $950 million of subordinated notes.
- On 12 June 2018 NAB redeemed £350 million of subordinated notes.
- On 26 June 2018 NAB redeemed €500 million of subordinated notes.
- The Group also repurchased and surrendered for cancellation in aggregate US$39 million of the undated subordinated notes issued on 9 October 1986. The outstanding nominal amount of the undated subordinated notes is US$77 million as at 30 September 2018.

Dividend and Dividend Reinvestment Plan (DRP)

The Group periodically adjusts the DRP to reflect its capital position and outlook. The final dividend for the year ended 30 September 2018 is 99 cents and the Group will offer a 1.5% discount on the DRP, with no participation limit.

AVERAGE BALANCE SHEET AND RELATED INTEREST

The following tables set forth the major categories of interest earning assets and interest bearing liabilities, together with their respective interest rates earned or incurred by the Group. Averages are predominantly daily averages. Amounts classified as Other International represent interest earning assets and interest bearing liabilities of the controlled entities and overseas branches domiciled in Europe, the United States and Asia. Impaired assets are included within loans and advances in interest earning assets.

Average assets and interest income

	2018 [1]			2017 [1]			2016 [1]		
	Average balance $m	Interest $m	Average rate % pa	Average balance $m	Interest $m	Average rate % pa	Average balance $m	Interest $m	Average rate % pa
Average interest earning assets									
Due from other banks									
Australia	**14,314**	**191**	**1.3**	12,150	191	1.6	13,086	257	2.0
New Zealand	**4,606**	**79**	**1.7**	3,073	45	1.5	3,657	54	1.5
Other International	**23,710**	**364**	**1.5**	34,269	354	1.0	39,064	274	0.7
Marketable debt securities									
Australia	**76,455**	**1,911**	**2.5**	73,300	1,980	2.7	67,750	1,816	2.7
New Zealand	**5,582**	**118**	**2.1**	5,477	124	2.3	5,041	142	2.8
Other International	**11,095**	**117**	**1.1**	12,304	122	1.0	14,159	139	1.0
Loans and advances - housing									
Australia	**269,581**	**11,613**	**4.3**	259,184	11,213	4.3	248,055	11,350	4.6
New Zealand	**33,684**	**1,601**	**4.8**	32,446	1,581	4.9	29,718	1,621	5.5
Other International	**393**	**15**	**3.8**	2,207	71	3.2	2,422	76	3.1
Loans and advances - non-housing									
Australia	**185,790**	**9,258**	**5.0**	181,816	8,846	4.9	178,735	9,156	5.1
New Zealand	**39,358**	**1,884**	**4.8**	38,436	1,775	4.6	35,438	1,745	4.9
Other International	**12,634**	**354**	**2.8**	10,702	263	2.5	13,289	308	2.3
Other interest earning assets									
Australia	**3,352**	**244**	**n/a**	5,473	294	n/a	6,285	358	n/a
New Zealand	**461**	**26**	**n/a**	965	59	n/a	178	14	n/a
Other International	**45,642**	**768**	**n/a**	39,463	485	n/a	32,649	319	n/a
Total average interest earning assets and interest income by:									
Australia	**549,492**	**23,217**	**4.2**	531,923	22,524	4.2	513,911	22,937	4.5
New Zealand	**83,691**	**3,708**	**4.4**	80,397	3,584	4.5	74,032	3,576	4.8
Other International	**93,474**	**1,618**	**1.7**	98,945	1,295	1.3	101,583	1,116	1.1
Total average interest earning assets and interest income	**726,657**	**28,543**	**3.9**	711,265	27,403	3.9	689,526	27,629	4.0
Average non-interest earning assets									
Investments relating to life insurance business									
Australia	**-**			-			66,776		
New Zealand	**86**			81			71		
Other assets	**83,582**			90,485			102,437		
Total average non-interest earning assets	**83,668**			90,566			169,284		
Provision for credit impairment									
Australia	**(2,686)**			(2,501)			(2,479)		
New Zealand	**(530)**			(484)			(441)		
Other International	**(72)**			(72)			(82)		
Total average assets	**807,037**			798,774			855,808		

[1] *Information is presented on a continuing operations basis.*

AVERAGE BALANCE SHEET AND RELATED INTEREST (CONTINUED)

Average liabilities, interest expense and average equity

	2018 [(1)]			2017 [(1)]			2016 [(1)]		
	Average balance $m	Interest $m	Average rate % pa	Average balance $m	Interest $m	Average rate % pa	Average balance $m	Interest $m	Average rate % pa
Average interest bearing liabilities									
Due to other banks									
Australia	**25,255**	**381**	**1.5**	25,611	394	1.5	25,916	479	1.8
New Zealand	**2,305**	**21**	**0.9**	2,044	17	0.8	1,652	16	1.0
Other International	**15,594**	**203**	**1.3**	18,638	148	0.8	23,597	151	0.6
On-demand and short-term deposits									
Australia	**169,765**	**2,167**	**1.3**	162,076	2,124	1.3	156,975	2,597	1.7
New Zealand	**18,750**	**154**	**0.8**	18,391	162	0.9	17,970	256	1.4
Other International	**10,785**	**144**	**1.3**	14,940	110	0.7	15,805	49	0.3
Certificates of deposits									
Australia	**35,870**	**707**	**2.0**	36,714	719	2.0	34,395	790	2.3
New Zealand	**1,722**	**34**	**2.0**	1,912	37	1.9	2,345	62	2.6
Other International	**9,680**	**149**	**1.5**	11,594	146	1.3	11,747	74	0.6
Term deposits									
Australia	**120,488**	**3,042**	**2.5**	118,870	3,117	2.6	116,518	3,414	2.9
New Zealand	**30,985**	**1,061**	**3.4**	27,905	942	3.4	24,466	884	3.6
Other International	**7,990**	**158**	**2.0**	11,854	176	1.5	13,497	185	1.4
Other borrowings									
Australia	**24,863**	**564**	**2.3**	17,938	330	1.8	22,678	260	1.1
New Zealand	**2,018**	**45**	**2.2**	3,121	53	1.7	2,887	27	0.9
Other International	**27,599**	**600**	**2.2**	23,149	313	1.4	16,507	135	0.8
Bonds, notes and subordinated debt [(2)]									
Australia	**115,462**	**3,527**	**3.1**	112,911	3,434	3.0	117,571	3,556	3.0
New Zealand	**19,280**	**546**	**2.8**	17,723	635	3.6	14,793	685	4.6
Other International	**19,237**	**485**	**2.5**	16,272	395	2.4	12,078	275	2.3
Other interest bearing liabilities [(2)]									
Australia	**6,304**	**968**	**n/a**	5,883	894	n/a	3,345	728	n/a
New Zealand	**-**	**-**	**n/a**	-	-	n/a	2	-	n/a
Other International	**567**	**82**	**n/a**	1,517	75	n/a	4,285	76	n/a
Total average interest bearing liabilities and interest expense by:									
Australia	**498,007**	**11,356**	**2.3**	480,003	11,012	2.3	477,398	11,824	2.5
New Zealand	**75,060**	**1,861**	**2.5**	71,096	1,846	2.6	64,115	1,930	3.0
Other International	**91,452**	**1,821**	**2.0**	97,964	1,363	1.4	97,516	945	1.0
Total average interest bearing liabilities and interest expense	**664,519**	**15,038**	**2.3**	649,063	14,221	2.2	639,029	14,699	2.3

(1) *Information is presented on a continuing operations basis.*
(2) *For the year ended 30 September 2016, certain interest expense amounts previously classified as Bonds, notes and subordinated debt have been reclassified to other debt issues.*

AVERAGE BALANCE SHEET AND RELATED INTEREST (CONTINUED)

Average non-interest bearing liabilities

	2018[(1)] $m	2017[(1)] $m	2016[(1)] $m
Average non-interest bearing liabilities			
Deposits not bearing interest			
Australia	**44,226**	40,011	35,139
New Zealand	**5,013**	4,521	3,826
Other International	**10**	16	4
Life insurance policy liabilities			
Australia	**-**	-	56,123
Other liabilities	**41,633**	54,689	74,038
Total average non-interest-bearing liabilities	**90,882**	99,237	169,130
Total average liabilities	**755,401**	748,300	808,159
Average equity			
Total equity (parent entity interest)	**51,625**	50,458	47,625
Non-controlling interest in controlled entities	**11**	16	24
Total average equity	**51,636**	50,474	47,649
Total average liabilities and equity	**807,037**	798,774	855,808

	2018 %	2017 %	2016 %
Net interest margin - statutory basis	**1.86**	1.85	1.88

(1) *Information is presented on a continuing operations basis.*

AVERAGE BALANCE SHEET AND RELATED INTEREST (CONTINUED)

Volume and rate analysis

The following table allocates movements in net interest income between changes in volume and changes in rate for the years ended 30 September 2018 and 30 September 2017. Volume and rate variances have been calculated on the movement in average balances and the change in interest rates on average interest earning assets and average interest bearing liabilities. The variance caused by changes of both volume and rate has been allocated in proportion to the relationship of the absolute dollar amounts of each change to the total.

	2018 [(1)] Increase / (decrease) due to change in			2017 [(1)] Increase / (decrease) due to change in		
	Average balance $m	Average rate $m	Total $m	Average balance $m	Average rate $m	Total $m
Interest earning assets						
Due from other banks						
Australia	**31**	**(31)**	**-**	(18)	(48)	(66)
New Zealand	**25**	**9**	**34**	(9)	-	(9)
Other International	**(130)**	**140**	**10**	(37)	117	80
Marketable debt securities						
Australia	**83**	**(152)**	**(69)**	150	14	164
New Zealand	**2**	**(8)**	**(6)**	11	(29)	(18)
Other International	**(13)**	**8**	**(5)**	(18)	1	(17)
Loans and advances - housing						
Australia	**448**	**(48)**	**400**	496	(633)	(137)
New Zealand	**59**	**(39)**	**20**	142	(182)	(40)
Other International	**(67)**	**11**	**(56)**	(7)	2	(5)
Loans and advances - non housing						
Australia	**195**	**217**	**412**	156	(466)	(310)
New Zealand	**43**	**66**	**109**	142	(112)	30
Other International	**51**	**40**	**91**	(63)	18	(45)
Other interest earning assets						
Australia	**(135)**	**85**	**(50)**	(45)	(19)	(64)
New Zealand	**(28)**	**(5)**	**(33)**	49	(4)	45
Other International	**84**	**199**	**283**	75	91	166
Change in interest income	**648**	**492**	**1,140**	1,024	(1,250)	(226)

(1) *Information is presented on a continuing operations basis.*

AVERAGE BALANCE SHEET AND RELATED INTEREST (CONTINUED)

	2018 [1] Increase / (decrease) due to change in			2017 [1] Increase / (decrease) due to change in		
	Average balance $m	Average rate $m	Total $m	Average balance $m	Average rate $m	Total $m
Interest bearing liabilities						
Due to other banks						
Australia	**(5)**	**(8)**	**(13)**	(6)	(79)	(85)
New Zealand	**2**	**2**	**4**	3	(2)	1
Other International	**(28)**	**83**	**55**	(35)	32	(3)
On-demand and short-term deposits						
Australia	**99**	**(56)**	**43**	83	(556)	(473)
New Zealand	**3**	**(11)**	**(8)**	6	(100)	(94)
Other International	**(36)**	**70**	**34**	(3)	63	60
Certificates of deposits						
Australia	**(17)**	**5**	**(12)**	50	(121)	(71)
New Zealand	**(4)**	**1**	**(3)**	(10)	(15)	(25)
Other International	**(26)**	**29**	**3**	(1)	73	72
Term deposits						
Australia	**42**	**(117)**	**(75)**	68	(365)	(297)
New Zealand	**105**	**14**	**119**	119	(61)	58
Other International	**(66)**	**48**	**(18)**	(23)	14	(9)
Other borrowings						
Australia	**146**	**88**	**234**	(62)	132	70
New Zealand	**(22)**	**14**	**(8)**	2	24	26
Other International	**69**	**218**	**287**	68	110	178
Bonds, notes and subordinated debt						
Australia	**78**	**15**	**93**	(142)	20	(122)
New Zealand	**52**	**(141)**	**(89)**	122	(172)	(50)
Other International	**74**	**16**	**90**	101	19	120
Other interest bearing liabilities						
Australia	**65**	**9**	**74**	434	(268)	166
Other International	**(69)**	**76**	**7**	(72)	71	(1)
Change in interest expense	**462**	**355**	**817**	702	(1,181)	(479)
Change in net interest income	**186**	**137**	**323**	322	(69)	253

(1) *Information is presented on a continuing operations basis.*

Loan fees

Included within interest income is $173 million (2017: $168 million; 2016: $205 million) relating to loan fees which are amortised over the effective life of the loan.

INVESTMENT PORTFOLIO

The following table shows the total value of the Group's investment portfolio as at the dates indicated:

	2018 $m	2017 $m	2016 $m
Trading securities	**53,231**	50,954	45,971
Debt instruments	**42,056**	42,131	40,689
Total investments	**95,287**	93,085	86,660

Trading securities

The following table shows the fair value of the Group's holdings of trading securities as at the dates indicated:

	2018 $m	2017 $m	2016 $m
Listed – Australia			
Australian Commonwealth Government bonds and securities	**26,038**	24,802	18,224
Securities of Australian and semi-government authorities	**3,167**	4,303	4,037
Private corporations / other financial institutions' certificates of deposit	**3,823**	4,013	5,091
Private corporations / other financial institutions' bills	**30**	-	-
Private corporations / other financial institutions' bonds	**159**	666	1,293
Private corporations / other financial institutions' floating rate notes	**12,188**	11,390	10,682
Private corporations / other financial institutions' Eurobonds	**-**	215	395
Other bonds, notes, securities and other assets	**1,435**	63	1,105
	46,840	45,452	40,827
Listed – Overseas			
Securities of Australian and semi-government authorities	**1,865**	776	486
Securities of or guaranteed by the New Zealand Government	**790**	796	1,352
New Zealand Government notes	**1,790**	2,218	1,670
Other government bonds and securities	**5**	-	1
Private corporations / other financial institutions' certificates of deposit	**846**	768	38
Private corporations / other financial institutions' bonds	**173**	125	273
Private corporations / other financial institutions' floating rate notes	**414**	474	750
Private corporations / other financial institutions' promissory notes	**210**	134	110
Private corporations / other financial institutions' medium term notes	**298**	211	464
	6,391	5,502	5,144
Total listed trading securities	**53,231**	50,954	45,971
Total trading securities [1]	**53,231**	50,954	45,971

(1) *The amount that best represents the maximum credit exposure at reporting date is the carrying value of these assets.*

INVESTMENT PORTFOLIO (CONTINUED)

Debt instruments

The following table shows the fair value of the Group's holdings of Debt instruments as at the dates indicated:

	2018 $m	2017 $m	2016 $m
Listed – Australia			
Securities of Australian and semi-government authorities	**21,011**	20,915	21,186
Private corporations / other financial institutions' bonds	**5**	20	-
Private corporations / other financial institutions' floating rate notes	**241**	530	139
Other securities	**9,408**	9,970	7,750
	30,665	31,435	29,075
Listed – Overseas			
Other government treasury notes	**665**	388	778
Private corporations / other financial institutions' bonds	**4,603**	4,661	5,820
Private corporations / other financial institutions' floating rate notes	**369**	721	673
Private corporations / other financial institutions' medium term notes	**2,243**	1,797	1,585
Other securities	**365**	368	398
	8,245	7,935	9,254
Total listed debt instruments	**38,910**	39,370	38,329
Unlisted – Overseas			
Other government bonds and securities	**1,100**	764	307
Other government treasury notes	**1,811**	1,775	1,477
Private corporations / other financial institutions' certificates of deposit	**102**	108	39
Private corporations / other financial institutions' floating rate notes	**-**	-	157
Private corporations / other financial institutions' medium term notes	**133**	114	380
	3,146	2,761	2,360
Total unlisted debt instruments	**3,146**	2,761	2,360
Total debt instruments	**42,056**	42,131	40,689

INVESTMENT PORTFOLIO (CONTINUED)

Maturities

The following table analyses the maturity (according to when they are expected to mature, be recovered or settled) and weighted average yield of the Group's holdings of debt instruments at fair value through other comprehensive income at 30 September 2018:

	0 to 1 year		1 to 5 year(s)		5 to 10 years		Over 10 years	
	$m	yield pa	$m	yield pa	$m	yield pa	$m	yield pa
Australia								
Securities of Australian and semi-government authorities	982	3.6%	8,817	4.6%	9,936	3.9%	1,276	3.2%
Private corporations / other financial institutions' bonds	-	-	-	-	5	3.0%	-	-
Private corporations / other financial institutions' floating rate notes	-	-	241	2.4%	-	-	-	-
Other securities	1,993	2.0%	7,415	1.9%	-	-	-	-
	2,975		16,473		9,941		1,276	
Overseas								
Other government bonds and securities	1,100	0.3%	-	-	-	-	-	-
Other government treasury notes	2,476	0.3%	-	-	-	-	-	-
Private corporations / other financial institutions' certificates of deposit	102	1.8%	-	-	-	-	-	-
Private corporations / other financial institutions' bonds	3,235	1.4%	1,368	0.9%	-	-	-	-
Private corporations / other financial institutions' floating rate notes	168	0.6%	201	0.5%	-	-	-	-
Private corporations / other financial institutions' medium term notes	1,388	0.5%	988	0.6%	-	-	-	-
Other securities	204	2.4%	160	3.3%	-	-	1	-
	8,673		2,717		-		1	
Total maturities at carrying value [1]	**11,648**		**19,190**		**9,941**		**1,277**	

[1] *The amount that best represents the maximum credit exposure at reporting date is the carrying value of these assets.*

LOAN PORTFOLIO

Loans and advances

The following table sets out the Group's portfolio of loans and advances, including provisions net of unearned and deferred net fee income, for the years indicated:

	2018 $m	2017 $m	2016[(1)] $m	2015[(1)] $m	2014[(1)] $m
Australia					
Overdrafts	**3,666**	3,662	4,222	4,185	4,950
Credit card outstandings	**6,232**	6,365	6,439	6,218	6,129
Asset and lease financing	**11,938**	11,214	10,477	10,252	10,463
Housing loans	**303,007**	292,989	278,848	265,928	247,312
Other term lending	**154,329**	140,659	130,206	111,975	57,440
Other lending	**4,789**	4,336	3,997	4,357	3,696
Loans at fair value [(2)]	**7,259**	10,926	14,523	18,237	54,848
	491,220	470,151	448,712	421,152	384,838
Overseas					
Overdrafts	**2,155**	2,011	2,082	4,727	5,571
Credit card outstandings	**1,062**	1,044	1,079	1,860	1,869
Asset and lease financing	**490**	460	472	1,512	1,265
Housing loans	**36,533**	36,545	35,709	76,037	64,728
Other term lending	**45,695**	42,276	38,398	45,656	30,793
Other lending	**2,033**	2,203	1,762	4,458	4,740
Loans at fair value [(2)]	**2,586**	3,670	5,341	9,308	28,120
	90,554	88,209	84,843	143,558	137,086
Total gross loans and advances	**581,774**	558,360	533,555	564,710	521,924
Deduct: Unearned income and deferred net fee income	**(435)**	(415)	(532)	(861)	(1,113)
Provision for credit impairment	**(3,513)**	(3,224)	(3,114)	(3,520)	(3,118)
Total net loans and advances	**577,826**	554,721	529,909	560,329	517,693

(1) *AASB 9 Financial Instruments was adopted in 2015. Prior periods have not been restated.*
(2) *Loans at fair value represent "Other term lending" loans. This amount includes an unfavourable credit risk adjustment of $66 million (2017: $90 million; 2016: $95 million; 2015: $117 million; 2014: $442 million) for Australia, and an unfavourable credit risk adjustment of $16 million (2017: $26 million; 2016: $53 million; 2015: $204 million; 2014: $384 million) for Overseas.*

Where a loan is held at fair value, a statistical-based calculation is used to estimate expected losses attributable to adverse movements in credit on the assets held. This adjustment to the credit quality of the asset is then applied to the carrying value of the loan held at fair value.

The diversification and size of the Group is such that its lending is widely spread both geographically and in terms of the types of industries served. In accordance with U.S. SEC guidelines, the following table shows comparative year-end detail of the loan portfolio for the years indicated. The table also demonstrates the concentration of credit risk by industry with credit risk represented by the carrying value less provision for credit impairment.

	2018 $m	2017 $m	2016[(1)] $m	2015[(1)] $m	2014[(1)] $m
Australia					
Government and public authorities	**1,833**	1,938	2,041	2,137	2,097
Agriculture, forestry, fishing and mining	**22,722**	21,058	21,094	20,152	17,572
Financial, investment and insurance	**17,037**	14,924	15,962	12,558	9,400
Real estate – construction	**1,601**	1,585	1,597	1,558	1,423
Manufacturing	**7,130**	7,205	6,839	6,886	6,225
Real estate – mortgage	**303,007**	292,989	278,848	265,928	247,312
Instalment loans to individuals and other personal lending (including credit cards)	**9,203**	9,428	9,592	9,294	9,118
Asset and lease financing	**11,938**	11,214	10,477	10,252	10,463
Other commercial and industrial	**116,749**	109,810	102,262	92,387	81,228
	491,220	470,151	448,712	421,152	384,838

(1) *AASB 9 Financial Instruments was adopted in 2015. Prior periods have not been restated.*

LOAN PORTFOLIO (CONTINUED)

	2018 $m	2017 $m	2016[(1)] $m	2015[(1)] $m	2014[(1)] $m
Overseas					
Government and public authorities	**237**	239	214	208	426
Agriculture, forestry, fishing and mining	**14,557**	14,375	14,271	16,193	16,515
Financial, investment and insurance	**8,746**	8,195	6,446	8,166	6,948
Real estate – construction	**1,211**	1,162	1,205	2,292	4,155
Manufacturing	**3,365**	3,342	3,549	5,048	4,739
Real estate – mortgage	**36,533**	36,545	35,709	76,037	64,728
Instalment loans to individuals and other personal lending (including credit cards)	**1,405**	1,449	1,496	4,589	4,723
Asset and lease financing	**490**	460	472	1,512	1,265
Other commercial and industrial	**24,010**	22,442	21,481	29,513	33,587
	90,554	88,209	84,843	143,558	137,086
Total gross loans and advances	**581,774**	558,360	533,555	564,710	521,924
Deduct: Unearned income and deferred net fee income	**(435)**	(415)	(532)	(861)	(1,113)
Provision for credit impairment	**(3,513)**	(3,224)	(3,114)	(3,520)	(3,118)
Total net loans and advances	**577,826**	554,721	529,909	560,329	517,693

(1) *AASB 9 Financial Instruments was adopted in 2015. Prior periods have not been restated.*

The following tables show the contractual maturity distribution of loans and advances to customers and the nature of the interest rate applicable to such loans and advances for the Group as at 30 September 2018:

	0 to 1 year[(1)] $m	1 to 5 year(s) $m	Over 5 years[(2)] $m	Total $m
Maturity distribution of loans and advances				
Australia				
Government and public authorities	13	477	1,343	1,833
Agriculture, forestry, fishing and mining	6,056	14,049	2,617	22,722
Financial, investment and insurance	10,233	5,545	1,259	17,037
Real estate – construction	950	595	56	1,601
Manufacturing	2,536	4,269	325	7,130
Real estate – mortgage	19,502	1,715	281,790	303,007
Instalment loans to individuals and other personal lending (including credit cards)	1,115	1,116	6,972	9,203
Asset and lease financing	1,163	10,092	683	11,938
Other commercial and industrial	42,929	61,827	11,993	116,749
	84,497	99,685	307,038	491,220
Overseas				
Government and public authorities	120	67	50	237
Agriculture, forestry, fishing and mining	4,166	6,788	3,603	14,557
Financial, investment and insurance	5,044	3,683	19	8,746
Real estate – construction	543	470	198	1,211
Manufacturing	2,131	1,082	152	3,365
Real estate – mortgage	1,290	1,077	34,166	36,533
Instalment loans to individuals and other personal lending (including credit cards)	247	82	1,076	1,405
Asset and lease financing	3	66	421	490
Other commercial and industrial	11,180	10,689	2,141	24,010
	24,724	24,004	41,826	90,554
Total gross loans and advances	**109,221**	**123,689**	**348,864**	**581,774**

(1) *Overdrafts are not subject to a repayment schedule. Due to their characteristics, overdrafts are categorised as due within one year.*
(2) *Loans and advances which have no contractual maturity (including credit cards) are categorised as due over 5 years.*

LOAN PORTFOLIO (CONTINUED)

	0 to 1 year $m	1 to 5 year(s) $m	Over 5 years $m	Total $m
Nature of interest rate applicable to loans and advances				
Variable interest rates				
Australia	53,945	46,723	232,649	333,317
Overseas	10,950	17,738	12,588	41,276
Fixed interest rates				
Australia	30,552	52,962	74,390	157,904
Overseas	13,774	6,266	29,237	49,277
Total gross loans and advances	**109,221**	**123,689**	**348,864**	**581,774**

Asset quality disclosures

The following tables provide an analysis of the asset quality of the Group's loans and advances for the years indicated. Gross amounts are shown before taking into account any collateral held or other credit enhancements.

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).

	2018 $m	2017 $m	2016 $m	2015 $m	2014 $m
Total impaired assets [(1) (2)]					
Gross					
Australia	**1,230**	1,213	1,558	1,241	1,925
Overseas	**291**	511	1,084	809	2,197
Total gross impaired assets	**1,521**	1,724	2,642	2,050	4,122
Specific provision for credit impairment [(3)]					
Australia	**562**	564	582	343	551
Overseas	**113**	127	130	328	903
Total specific provision for credit impairment	**675**	691	712	671	1,454
Net					
Australia	**668**	649	976	898	1,374
Overseas	**178**	384	954	481	1,294
Total net impaired assets	**846**	1,033	1,930	1,379	2,668

(1) *Includes impaired off-balance sheet credit-related commitments amounting to $10 million gross, $10 million net (2017: $20 million gross, $20 million net; 2016: $18 million gross, $18 million net; 2015: $22 million gross, $22 million net; 2014: $23 million gross, $23 million net).*

(2) *Impaired assets include $2 million (NZ$3 million) (2017: $205 million (NZ$222 million); 2016: $785 million (NZ$823 million)) of NZ Banking dairy exposures currently assessed as no loss based on security held. Collective provisions are held against these loans. Prior to 2016, the balance was nil.*

(3) *Includes $2 million (2017: $2 million; 2016: $6 million; 2015: $34 million; 2014: $96 million) of specific provision on loans at fair value.*

The amounts below are not classified as impaired assets and therefore are not included in the above summary.

	2018 $m	2017 $m	2016 $m	2015 $m	2014 $m
90+ days past due loans [(1)]					
Australia	**2,527**	2,094	1,806	1,620	1,694
Overseas	**121**	151	169	502	648
Total 90+ days past due loans	**2,648**	2,245	1,975	2,122	2,342

(1) *Includes $nil (2017: $3 million, 2016: nil, 2015: nil, 2014: $2 million) of non-impaired other financial assets at fair value past due 90 days or more with adequate security.*

LOAN PORTFOLIO (CONTINUED)

Additional information in respect of impaired assets	2018 $m	2017 $m	2016 $m	2015 $m	2014 $m
Fair value of security [(1)]					
Australia	**637**	708	881	906	1,532
Overseas	**161**	381	929	452	985
Total fair value of security	**798**	1,089	1,810	1,358	2,517
Loans newly classified into impaired asset categories during the year [(2)]					
Australia	**639**	907	1,276	934	1,236
Overseas	**231**	235	1,115	538	1,637
Total loans newly classified into impaired assets during the year	**870**	1,142	2,391	1,472	2,873

(1) *Fair value of security is the amount for which that security could be exchanged between a knowledgeable, willing buyer and a knowledgeable, willing seller in an arm's length transaction. Amounts of security held in excess of the outstanding balance of individual impaired assets are not included in this table.*

(2) *New gross impaired assets during 2018 include $45 million (NZ$50 million) (2017: $40 million (NZ$43 million); 2016: $822 million (NZ$898 million)) of NZ Banking dairy exposures currently assessed as no loss based on security held. Collective provisions are held against these loans. Prior to 2016, the balance was nil.*

Cross border outstandings

The following table analyses the aggregate cross border outstandings due from countries other than Australia where such outstandings individually exceed 0.75% of the Group's total assets. For the purposes of this disclosure, cross border outstandings are based on the country of domicile of the counterparty or guarantor of the ultimate risk, and comprise loans and advances, balances due from other financial institutions, acceptances and other monetary assets including trading derivative assets and reverse repurchase agreements. Activities with local residents by the Group's foreign branches and subsidiaries are excluded.

The reporting threshold used below is for disclosure guidance only and is not intended as an indicator of a prudent level of lending by the Group to any one country.

		Public $m	Banks $m	Non-Private Bank $m	Total $m	% of total assets
As at 30 September 2018	United Kingdom	13	7,463	6,457	13,933	1.7
	United States	471	3,469	3,994	7,934	1.0
	China	50	1,077	5,255	6,382	0.8
As at 30 September 2017	United States	2,098	3,529	4,286	9,913	1.3
As at 30 September 2016	United States	781	4,536	4,257	9,574	1.2
	United Kingdom	55	4,876	1,947	6,878	0.9

For the fiscal year ending 30 September 2018, the off-balance sheet commitments in both the United Kingdom and the United States exceeded 0.75% of the Group's total assets, i.e. 0.9% respectively. For the fiscal years ending 30 September 2017 and 2016, there were no off-balance sheet commitments with individual countries exceeding 0.75% of the Group's total assets.

SUMMARY OF LOAN LOSS EXPERIENCE

Provision for Credit Impairment

The following tables set forth details of the Group's provision for credit impairment for the years indicated:

	2018 $m	2017 $m	2016 $m	2015[(1)] $m	2014 $m
Collective provision for credit impairment	-	-	-	-	1,760
Collective provision for credit impairment - Stage 1 - 12 months Expected Credit Losses (ECL)	**324**	313	329	455	-
Collective provision for credit impairment - Stage 2 - Lifetime ECL Not credit impaired	**2,125**	1,819	1,657	1,988	-
Collective provision for credit impairment - Stage 3 - Lifetime ECL credit impaired	**391**	403	422	440	-
Total collective provision for credit impairment	**2,840**	2,535	2,408	2,883	1,760
Specific provision for credit impairment - Stage 3 - Lifetime ECL credit impaired	**673**	689	706	637	1,358
Total provision for credit impairment [(2)] [(3)]	**3,513**	3,224	3,114	3,520	3,118

(1) *The opening balance for the collective provision of credit impairment measured under AASB 139 is presented as 12-months and Lifetime expected credit losses following the adoption of AASB 9, with no restatement to prior period comparatives.*

(2) *Not included in total provision for credit impairment is $2 million (2017: $2 million; 2016: $6 million; 2015: $34 million; 2014: $96 million) specific provision on loans at fair value; $80 million (2017: $114 million; 2016: $143 million; 2015: $289 million; 2014: $711 million) collective provision on loans at fair value; and $134 million (2017: $149 million; 2016: $260 million; 2015: $322 million; 2014: $165 million) collective provision on derivatives at fair value.*

(3) *Not included in total provision for credit impairment are provisions on investments - held to maturity of $nil (2017: nil; 2016: nil; 2015: nil; 2014: $26 million).*

	2018 $m	2017 $m	2016 $m	2015[(1)] $m	2014[(2)] $m
New and increased provisions (net of releases)	**1,057**	1,177	1,158	991	-
Write-backs of specific provisions	**(193)**	(242)	(156)	-	-
Recoveries of specific provisions	**(73)**	(111)	(119)	(129)	-
Total charge to the income statement	**791**	824	883	862	847
Attributable to:					
Charge to income statement from continuing operations	**791**	824	813	733	-
Charge to income statement from discontinuing operations	**-**	-	70	129	-

(1) *AASB 9 Financial Instruments was adopted in 2015. Prior period numbers have not been restated. The Group has not reclassified amounts for "Write-backs of specific provisions" for the 2015 comparative period as the information was not collected for financial reporting purposes and it would be impracticable to recreate the data for consistent presentation with the current period. Had the reclassification been made, an amount would have been reclassified from "New and increased provisions" to "Write-backs of specific provisions".*

(2) *Total charge to the income statement for the 2014 has not been presented in line with the current period as it would be impracticable to recreate the data for consistent presentation.*

SUMMARY OF LOAN LOSS EXPERIENCE (CONTINUED)

Provision for credit impairment on loans at amortised cost

The following tables set forth details of the Group's provision for credit impairment for the years indicated:

	Stage 1	Stage 2	Stage 3			
	12-mth ECL Collective provision $m	Lifetime ECL not credit impaired Collective provision $m	Lifetime ECL credit impaired Collective provision $m	Collective provision $m	Lifetime ECL credit impaired Specific provision $m	Total $m
Balance at 1 October 2014	-	-	-	1,760	1,358	3,118
Restated for adoption of new accounting standards [(1)]	559	1,639	567	(1,760)	(322)	683
Changes due to financial assets recognised in the opening balance that have:						
Transferred to 12-mth ECL - collective provision	480	(450)	(30)	-	-	-
Transferred to Lifetime ECL not credit impaired - collective provision	(56)	119	(63)	-	-	-
Transfer to Lifetime ECL credit impaired - collective provision	(4)	(57)	61	-	-	-
Transfer to Lifetime ECL credit impaired - specific provision	(3)	(67)	(132)	-	202	-
New and increased provisions (net of releases)	(520)	814	23	-	674	991
Write-backs of specific provisions [(2)]	-	-	-	-	-	-
Write-offs from specific provisions	-	-	-	-	(1,300)	(1,300)
Derecognised in respect of the group disposal [(3)]	(27)	(52)	(1)	-	(13)	(93)
Foreign currency translation and other adjustments	26	42	15	-	38	121
Balance at 1 October 2015	455	1,988	440	-	637	3,520
Changes due to financial assets recognised in the opening balance that have:						
Transferred to 12-mth ECL - collective provision	543	(520)	(23)	-	-	-
Transferred to Lifetime ECL not credit impaired - collective provision	(45)	98	(53)	-	-	-
Transfer to Lifetime ECL credit impaired - collective provision	(3)	(76)	79	-	-	-
Transfer to Lifetime ECL credit impaired - specific provision	(2)	(120)	(114)	-	236	-
New and increased provisions (net of releases)	(518)	526	191	-	959	1,158
Write-backs of specific provisions	-	-	-	-	(156)	(156)
Write-offs from specific provisions	-	-	-	-	(778)	(778)
Derecognised in respect of the group disposal [(3)]	(85)	(222)	(94)	-	(174)	(575)
Foreign currency translation and other adjustments	(16)	(17)	(4)	-	(18)	(55)
Balance at 1 October 2016	329	1,657	422	-	706	3,114
Changes due to financial assets recognised in the opening balance that have:						
Transferred to 12-mth ECL - collective provision	329	(316)	(13)	-	-	-
Transferred to Lifetime ECL not credit impaired - collective provision	(44)	123	(79)	-	-	-
Transfer to Lifetime ECL credit impaired - collective provision	(3)	(42)	45	-	-	-
Transfer to Lifetime ECL credit impaired - specific provision	(2)	(135)	(100)	-	237	-
New and increased provisions (net of releases)	(295)	538	124	-	810	1,177
Write-backs of specific provisions	-	-	-	-	(242)	(242)
Write-offs from specific provisions	-	-	-	-	(849)	(849)
Foreign currency translation and other adjustments	(1)	(6)	4	-	27	24
Balance at 30 September 2017	313	1,819	403	-	689	3,224

(1) *AASB 9 Financial Instruments was adopted in 2015. Prior periods have not been restated.*

(2) *The Group has not reclassified amounts for "Write-backs of specific provisions" for the 2015 comparative period as the information was not collected for financial reporting purposes and it would be impracticable to recreate the data for consistent presentation with the current period. Had the reclassification been made, an amount would have been reclassified from "New and increased provisions" to "Write-backs of specific provisions".*

(3) *The September 2015 full year reflects the disposal of GWB, and the September 2016 full year reflects the CYBG demerger.*

SUMMARY OF LOAN LOSS EXPERIENCE (CONTINUED)

	Stage 1	Stage 2	Stage 3		
	12-mth ECL Collective provision $m	Lifetime ECL not credit impaired Collective provision $m	Lifetime ECL credit impaired Collective provision $m	Lifetime ECL credit impaired Specific provision $m	Total $m
Balance at 1 October 2017	313	1,819	403	689	**3,224**
Changes due to financial assets recognised in the opening balance that have:					
Transferred to 12-mth ECL - collective provision	296	(286)	(10)	-	**-**
Transferred to Lifetime ECL not credit impaired - collective provision	(58)	147	(89)	-	**-**
Transfer to Lifetime ECL credit impaired - collective provision	(2)	(50)	52	-	**-**
Transfer to Lifetime ECL credit impaired - specific provision	(2)	(34)	(114)	150	**-**
New and increased provisions (net of releases)	(225)	530	149	603	**1,057**
Write-backs of specific provisions	-	-	-	(193)	**(193)**
Write-offs from specific provisions	-	-	-	(573)	**(573)**
Foreign currency translation and other adjustments	2	(1)	-	(3)	**(2)**
Balance at 30 September 2018	**324**	**2,125**	**391**	**673**	**3,513**

	2014 $m
Collective provision	
Balance at beginning of year	2,178
Transfer to specific provision	(1,299)
Charge to income statement [(1)]	863
Disposals	(18)
Foreign currency translation and other adjustments	36
Balance at end of year	1,760
Specific provision	
Balance at beginning of year	1,840
Transfer from collective provision	1,299
Write-backs of specific provisions	185
Write-offs from specific provisions	(1,760)
Disposals	(221)
Foreign currency translation and other adjustments	15
Balance at end of year	1,358
Total provision for credit impairment	3,118

[(1)] *Excludes $8 million write-back on Investments - held to maturity.*

	2018 %	2017 %	2016 %	2015 %	2014 %
Ratio of net write-offs during the year to average gross loans and advances	**0.09**	0.13	0.12	0.22	0.31

SUMMARY OF LOAN LOSS EXPERIENCE (CONTINUED)

Provision for Credit Impairment by industry category

The following table provides an analysis of the Group's provision for credit impairment by industry category for the years indicated:

	2018			
	Collective Provision[1] $m	Specific Provision $m	Total $m	Percentage of loans in each industry category to total gross loans and advances %
Australia				
Government and public authorities	-	-	-	0.3
Agriculture, forestry, fishing and mining	259	110	369	3.9
Financial, investment and insurance	65	6	71	2.9
Real estate - construction	20	20	40	0.3
Manufacturing	72	95	167	1.2
Real estate - mortgage	515	96	611	52.0
Instalment loans to individuals and other personal lending (including credit cards)	278	3	281	1.6
Asset and lease financing	64	32	96	2.1
Other commercial and industrial	1,085	200	1,285	20.1
	2,358	562	2,920	84.4
Overseas				
Government and public authorities	1	-	1	-
Agriculture, forestry, fishing and mining	95	26	121	2.5
Financial, investment and insurance	24	20	44	1.5
Real estate - construction	2	2	4	0.2
Manufacturing	39	5	44	0.6
Real estate - mortgage	51	6	57	6.3
Instalment loans to individuals and other personal lending (including credit cards)	25	1	26	0.2
Asset and lease financing	7	-	7	0.1
Other commercial and industrial	238	51	289	4.2
	482	111	593	15.6
Total provision for credit impairment	**2,840**	**673**	**3,513**	**100.0**

[1] *Collective provision includes collective provision 12 month ECL, collective provision lifetime ECL not credit impaired and collective provision lifetime ECL credit impaired.*

SUMMARY OF LOAN LOSS EXPERIENCE (CONTINUED)

	2017			
	Collective provision[(1)] $m	Specific Provision $m	Total $m	Percentage of loans in each industry category to total gross loans and advances %
Australia				
Government and public authorities	-	-	-	0.3
Agriculture, forestry, fishing and mining	331	110	441	3.8
Financial, investment and insurance	54	19	73	2.7
Real estate - construction	21	18	39	0.3
Manufacturing	86	82	168	1.3
Real estate - mortgage	270	86	356	52.4
Instalment loans to individuals and other personal lending (including credit cards)	294	2	296	1.7
Asset and lease financing	64	42	106	2.0
Other commercial and industrial	964	205	1,169	19.7
	2,084	564	2,648	84.2
Overseas				
Government and public authorities	1	-	1	-
Agriculture, forestry, fishing and mining	122	23	145	2.6
Financial, investment and insurance	20	22	42	1.5
Real estate - construction	2	2	4	0.2
Manufacturing	35	11	46	0.6
Real estate - mortgage	57	9	66	6.5
Instalment loans to individuals and other personal lending (including credit cards)	23	-	23	0.3
Asset and lease financing	5	-	5	0.1
Other commercial and industrial	186	58	244	4.0
	451	125	576	15.8
Total provision for credit impairment	2,535	689	3,224	100.0

(1) *Collective provision includes collective provision 12 month ECL, collective provision lifetime ECL not credit impaired and collective provision lifetime ECL credit impaired.*

SUMMARY OF LOAN LOSS EXPERIENCE (CONTINUED)

	2016			
	Collective Provision[(1)] $m	Specific Provision $m	Total $m	Percentage of loans in each industry category to total gross loans and advances %
Australia				
Government and public authorities	1	-	1	0.4
Agriculture, forestry, fishing and mining	421	134	555	4.0
Financial, investment and insurance	58	21	79	3.0
Real estate - construction	26	14	40	0.3
Manufacturing	118	54	172	1.3
Real estate - mortgage	146	83	229	52.3
Instalment loans to individuals and other personal lending (including credit cards)	291	2	293	1.8
Asset and lease financing	64	28	92	2.0
Other commercial and industrial	879	245	1,124	19.0
	2,004	581	2,585	84.1
Overseas				
Agriculture, forestry, fishing and mining	144	27	171	2.7
Financial, investment and insurance	13	20	33	1.2
Real estate - construction	2	-	2	0.2
Manufacturing	36	34	70	0.7
Real estate - mortgage	10	14	24	6.7
Instalment loans to individuals and other personal lending (including credit cards)	16	-	16	0.3
Asset and lease financing	4	-	4	0.1
Other commercial and industrial	179	30	209	4.0
	404	125	529	15.9
Total provision for credit impairment	2,408	706	3,114	100.0

(1) Collective provision includes collective provision 12 month ECL, collective provision lifetime ECL not credit impaired and collective provision lifetime ECL credit impaired.

SUMMARY OF LOAN LOSS EXPERIENCE (CONTINUED)

	2015			
	Collective Provision[(1)] $m	Specific Provision $m	Total $m	Percentage of loans in each industry category to total gross loans and advances %
Australia				
Government and public authorities	-	-	-	0.4
Agriculture, forestry, fishing and mining	352	38	390	3.6
Financial, investment and insurance	86	14	100	2.2
Real estate - construction	29	4	33	0.3
Manufacturing	135	34	169	1.2
Real estate - mortgage	128	85	213	47.1
Instalment loans to individuals and other personal lending (including credit cards)	265	1	266	1.6
Asset and lease financing	73	26	99	1.8
Other commercial and industrial	1,061	141	1,202	16.4
	2,129	343	2,472	74.6
Overseas				
Agriculture, forestry, fishing and mining	123	24	147	2.9
Financial, investment and insurance	30	19	49	1.4
Real estate - construction	4	4	8	0.4
Manufacturing	97	6	103	0.9
Real estate - mortgage	54	63	117	13.5
Instalment loans to individuals and other personal lending (including credit cards)	68	4	72	0.8
Asset and lease financing	13	2	15	0.3
Other commercial and industrial	365	172	537	5.2
	754	294	1,048	25.4
Total provision for credit impairment	2,883	637	3,520	100.0

(1) *Collective provision includes collective provision 12 month ECL, collective provision lifetime ECL not credit impaired and collective provision lifetime ECL credit impaired.*

SUMMARY OF LOAN LOSS EXPERIENCE (CONTINUED)

	2014			
	Collective Provision $m	Specific Provision $m	Total $m	Percentage of loans in each industry category to total gross loans and advances %
Australia				
Government and public authorities	1	-	1	0.4
Agriculture, forestry, fishing and mining	104	77	181	3.4
Financial, investment and insurance	33	19	52	1.8
Real estate - construction	10	9	19	0.3
Manufacturing	45	42	87	1.2
Real estate - mortgage	74	83	157	47.5
Instalment loans to individuals and other personal lending (including credit cards)	189	2	191	1.7
Asset and lease financing	51	40	91	2.0
Other commercial and industrial	660	279	939	15.5
	1,167	551	1,718	73.8
Overseas				
Government and public authorities	1	-	1	0.1
Agriculture, forestry, fishing and mining	37	16	53	3.2
Financial, investment and insurance	8	45	53	1.3
Real estate - construction	12	66	78	0.8
Manufacturing	22	18	40	0.9
Real estate - mortgage	12	53	65	12.4
Instalment loans to individuals and other personal lending (including credit cards)	85	5	90	0.9
Asset and lease financing	16	4	20	0.2
Other commercial and industrial	400	600	1,000	6.4
	593	807	1,400	26.2
Total provision for credit impairment	1,760	1,358	3,118	100.0

SUMMARY OF LOAN LOSS EXPERIENCE (CONTINUED)

Write-offs from specific provisions and recoveries of specific provisions by industry category

The following table provides an analysis of write-offs from specific provisions by industry category for the years indicated:

	2018 $m	2017 $m	2016 $m	2015 $m	2014 $m
Write-offs from specific provisions					
Australia					
Agriculture, forestry, fishing and mining	**20**	37	34	92	134
Financial, investment and insurance	**1**	1	-	22	15
Real estate - construction	**4**	2	3	7	20
Manufacturing	**10**	42	9	22	64
Real estate - mortgage	**61**	69	72	73	103
Instalment loans to individuals and other personal lending (including credit cards)	**300**	322	310	262	328
Asset and lease financing	**23**	23	27	58	38
Other commercial and industrial	**74**	278	195	273	404
	493	774	650	809	1,106
Overseas					
Agriculture, forestry, fishing and mining	**15**	5	38	50	48
Financial, investment and insurance	**1**	1	1	18	19
Real estate - construction	**3**	1	3	7	9
Manufacturing	**8**	16	2	14	14
Real estate - mortgage	**3**	4	9	21	26
Instalment loans to individuals and other personal lending (including credit cards)	**27**	26	36	90	105
Asset and lease financing	**-**	-	-	1	25
Other commercial and industrial	**23**	22	39	290	408
	80	75	128	491	654
Total write-offs from specific provisions	**573**	849	778	1,300	1,760

Recoveries of specific provisions by industry category

The following table provides an analysis of recoveries of specific provisions by industry category for the years indicated:

	2018 $m	2017 $m	2016 $m	2015 $m	2014 $m
Recoveries of specific provisions					
Australia					
Agriculture, forestry, fishing and mining	**1**	1	4	(5)	10
Manufacturing	**-**	-	(1)	1	6
Real estate - mortgage	**6**	3	-	9	5
Instalment loans to individuals and other personal lending (including credit cards)	**42**	71	88	54	44
Asset and lease financing	**-**	-	1	3	-
Other commercial and industrial	**1**	8	-	2	14
	50	83	92	64	79
Overseas					
Agriculture, forestry, fishing and mining	**9**	15	-	-	-
Instalment loans to individuals and other personal lending (including credit cards)	**11**	10	17	36	37
Other commercial and industrial	**3**	3	10	29	69
	23	28	27	65	106
Total recoveries of specific provisions	**73**	111	119	129	185

DEPOSITS AND OTHER BORROWINGS

The following table sets out the Group's liabilities in respect to deposits and other borrowings for the years indicated:

	2018 $m	2017 $m	2016 $m
Australia			
Deposits			
Term deposits	**124,096**	121,766	120,390
On-demand and short-term deposits	**171,446**	165,951	155,818
Certificates of deposit	**33,953**	38,617	35,298
Deposits not bearing interest	**45,463**	42,548	37,292
Borrowings	**24,322**	19,560	14,990
Securities sold under agreements to repurchase	**1,909**	1,282	787
	401,189	389,724	364,575
Overseas			
Deposits			
Term deposits	**39,070**	39,118	38,373
On-demand and short-term deposits	**23,594**	33,498	34,200
Certificates of deposit	**10,009**	13,638	10,720
Deposits not bearing interest	**5,304**	4,699	4,406
Borrowings	**2,699**	2,421	3,795
Securities sold under agreements to repurchase	**25,823**	22,211	15,277
Fair value adjustment	**2**	5	21
	106,501	115,590	106,792
Total deposits and other borrowings	**507,690**	505,314	471,367

Maturities of deposits

The following table shows the maturity profile of all certificates of deposit, and additionally term deposits issued with a value of $100,000 or more that are included within the deposits and other borrowings category at 30 September 2018:

	0 to 3 month(s) $m	3 to 6 months $m	6 to 12 months $m	Over 12 months $m	Total $m
Australia					
Term deposits	73,952	24,674	14,520	2,587	115,733
Certificates of deposit	16,907	16,295	751	-	33,953
	90,859	40,969	15,271	2,587	149,686
Overseas					
Term deposits	21,435	7,812	6,798	3,013	39,058
Certificates of deposit	4,959	3,683	1,367	-	10,009
	26,394	11,495	8,165	3,013	49,067
Total Maturities of deposits	**117,253**	**52,464**	**23,436**	**5,600**	**198,753**

DEPOSITS AND OTHER BORROWINGS (CONTINUED)

Short-term borrowings

Short-term borrowings of the Group include the commercial paper programs of the Company, National Australia Funding (Delaware), Inc. and BNZ International Funding Limited. The following table sets forth information concerning the Group's commercial paper programs for the years indicated:

	2018 $m	2017 $m	2016[1] $m
Commercial paper			
Balance outstanding at balance date	**26,470**	21,951	18,430
Maximum outstanding at any month end	**30,452**	23,467	31,299
Approximate average amount outstanding during the year	**24,787**	19,449	24,115
Approximate weighted average interest rate on			
Balance outstanding at balance date (per annum)	**1.9%**	1.3%	0.8%
Average amount outstanding during the year (per annum)	**2.0%**	1.4%	0.6%

(1) *Comparative periods include commercial paper programs from CYBG.*