Half Year Results

2022

Incorporating the requirements of Appendix 4D

This half year results announcement incorporates the half year report given to the Australian Securities Exchange (ASX) under Listing Rule 4.2A.

The half year consolidated report is to be read in conjunction with the Annual Financial Report 2021.

National Australia Bank Limited ABN 12 004 044 937

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APPENDIX 4D

Preliminary financial statements for the half year ended 31 March 2022 as required by ASX listing rule 4.2A

Results for announcement to the market

Current period:	1 October 2021 to 31 March 2022
Prior corresponding period:	1 October 2020 to 31 March 2021

	Half Year to			
				31 March 2022
				$m
Revenue from ordinary activities[1][2]	up	9.9%	to	**9,071**
Net profit after tax from ordinary activities attributable to owners of NAB	up	10.7%	to	**3,551**
Net profit attributable to owners of NAB	up	10.7%	to	**3,551**

(1) Reported as the sum of the following from the Group's consolidated income statement: Net interest income $7,076 million and total other income $1,995 million.
(2) Information is presented on a continuing operations basis, unless otherwise stated.

	Amount per share cents	Franked amount per share %
Dividends and Dividend Reinvestment Plan		
Final 2021 dividend	67	100
Interim 2022 dividend	73	100

Interim dividend dates	
Ex-dividend date	11 May 2022
Record date	12 May 2022
Payment date	5 July 2022

The dividend is paid in cash or as part of a dividend plan. Cash dividends are paid by way of direct credit or cash equivalents. The dividend plans in operation are the Dividend Reinvestment Plan and the Bonus Share Plan (closed to new participants).

The last date for receipt of election notices for the Dividend Reinvestment Plan and the Bonus Share Plan is 13 May 2022 at 5pm (Australian Eastern Standard time).

	As at	
	31 March 2022 $	**31 March 2021 $**
Net tangible assets		
Net tangible assets per ordinary share	**17.67**	17.52

The Group has not gained or lost control over any material entities during the half year ended 31 March 2022.

The Group held no material investments in associates or joint venture entities as at 31 March 2022.

Additional information supporting the Appendix 4D disclosure requirements can be found in the accompanying 2022 Half Year Results.

This document should be read in conjunction with the 2021 Annual Financial Report and any announcements to the market made by the Group during the period in accordance with the continuous disclosure requirements of the *Corporations Act 2001* (Cth) and the ASX Listing Rules.

This report is based on the consolidated financial statements of the Group which have been reviewed by Ernst & Young.

A reference to the 'Group' is a reference to NAB and its controlled entities.

This announcement has been authorised for release by the Board.

Half Year Results Summary

2022

1H22 KEY FINANCIAL INFORMATION

$3,551M
Statutory net profit

$3,480M
Cash earnings[1]
Up 4.1% v 1H21

11.3%
Cash ROE

12.48%
Group Common Equity Tier 1 (CET1) ratio[2]

"The execution of our strategy is delivering good results for our customers, colleagues and shareholders. We are producing better and faster experiences and getting the basics right more consistently. This has been achieved during a period of increased customer activity across all divisions of the bank, including the fastest growth in business lending since the GFC.

1H22 cash earnings increased 4% compared with 1H21. Revenue rose 4.6%, benefitting from pricing discipline and strong growth in lending and deposits which were up 10% and 12% respectively versus March 2021.

Focused investment has been key to delivering strong momentum across our businesses. The recent shift to a higher growth outlook provides greater scope to keep investing while continuing to deliver productivity benefits. This, along with inflationary pressures has prompted a reset of our FY22 cost growth target to approximately 2-3%[3,4], to ensure we drive shareholder returns while balancing cost disciplines and growth opportunities. This target includes costs associated with the essential work underway to deliver the requirements of our Enforceable Undertaking (EU) with AUSTRAC.

Our results this period were achieved while maintaining strong balance sheet settings. This is key to delivering sustainable growth and keeping the bank safe. Our capital levels remain above our targets despite completing a $2.5 billion buy-back, with a further $2.5 billion buy-back commencing in May 2022. Our FY22 term funding is also well advanced.

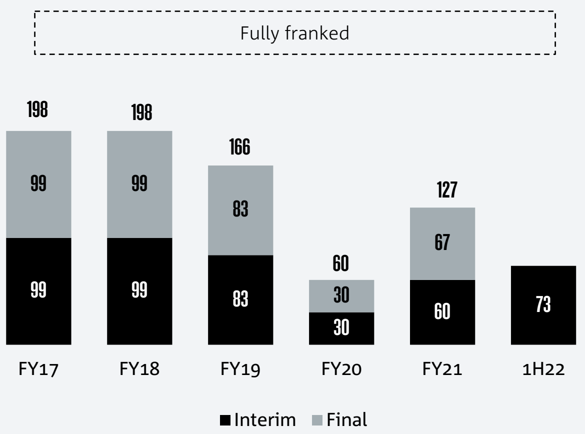
The lift in our 2022 interim dividend reflects progress of our strategy, confidence in the sustainability of our performance and our continued optimism in the medium term outlook for the Australian and New Zealand economies."

ROSS MCEWAN – NAB CEO

DIVIDENDS

CENTS PER SHARE

In respect of each financial year / period



SUPPORTING OUR CUSTOMERS & COMMUNITIES

- Strategic Net Promoter Scores (NPS) from September 2021 to March 2022 stable for Consumer NPS at -1 (ranked 1st of major banks) and up 3 points for Business NPS to 0 (ranked 2nd of major banks)[5]
- Supporting customers impacted by floods in Qld and NSW including disaster relief grants, credit card and personal loan relief, payment reduction and moratoriums on personal and home loans, concessional restructuring loans and fund raising
- Supporting customers achieve climate goals with innovation in ESG financing including approving our first NAB agri green loan and ongoing expansion of Carbonplace – a settlement platform for voluntary carbon credits of which NAB is a founding member
- Helping to make owning land a reality for first time farmers, with the launch of NAB Future Farmers program offering more flexible loan structures

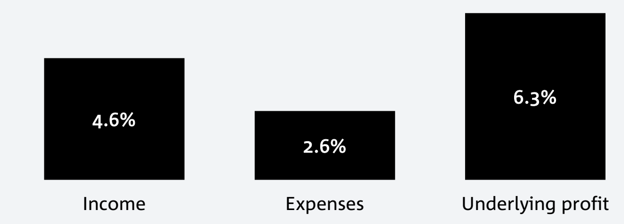
[1] Refer cash earnings note and reconciliation on page 6.
[2] Capital ratios in this announcement refer to Level 2 CET1 capital under current APRA capital standards.
[3] Refer to key risks, qualifications, and assumptions in relation to forward looking statements on page 7.
[4] Excluding large notable items and the impact of the proposed acquisition of Citigroup's Australian consumer business.

The March 2022 half year results are compared with the March 2021 half year results for continuing operations unless otherwise stated. Operating Performance and Asset Quality are expressed on a cash earnings basis.

OPERATING PERFORMANCE 1H22 V 1H21

- Revenue increased 4.6%. Key drivers include higher volumes, increased fees and commission income, offset by lower margins.
- Net Interest Margin (NIM) declined 11 basis points (bps) to 1.63%, but excluding the impact from Markets and Treasury and higher holdings of liquid assets, NIM declined 3bps. This reflects competitive pressures and mix issues in housing lending, partly offset by lower deposit and funding costs.
- Expenses rose 2.6%, reflecting additional bankers and resources to support growth, combined with salary increases and investment in technology. This was partially offset by productivity benefits achieved through simplification and third party savings, and lower occupancy costs. Compared with 2H21, expenses were flat.

1H22 V 1H21 DRIVERS OF CASH EARNINGS CHANGE

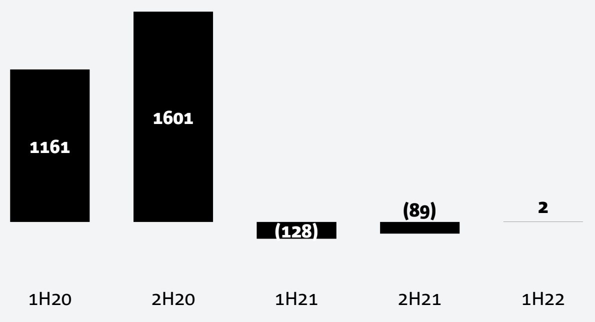


"Given the level of growth opportunities and emerging inflationary pressures, we now expect cost growth of ~2-3% in FY22, which includes costs associated with delivering the requirements of our EU with AUSTRAC"[3,4]

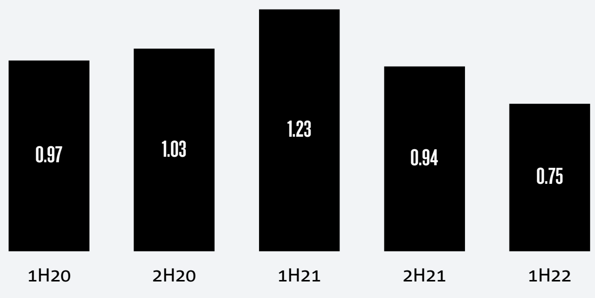
ASSET QUALITY 1H22 V 1H21

- 1H22 credit impairment charges were $2 million, versus a 1H21 write-back of $128 million. The 1H22 charge reflects increased charges for forward looking provisions combined with an underlying write-back.
- 1H22 charges for forward looking provisions of $67 million includes a $131 million top-up to the economic adjustment primarily to reflect increased downside risks including the potential impact of higher inflation and interest rates. This has been partly offset by a net $64 million release from target sector forward looking adjustments.
- Excluding charges for forward looking provisions, the underlying write-back of $65 million reflects improved asset quality across Australian lending exposures and low specific charges.
- The ratio of 90+ days past due and gross impaired assets to gross loans and acceptances reduced 48bps to 0.75%, driven by improved delinquencies across the Australian home lending portfolio, and work-outs for a small number of larger exposures in the Australian and New Zealand business lending portfolios.

CREDIT IMPAIRMENT CHARGES/(WRITE-BACK) ($ MILLIONS)



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

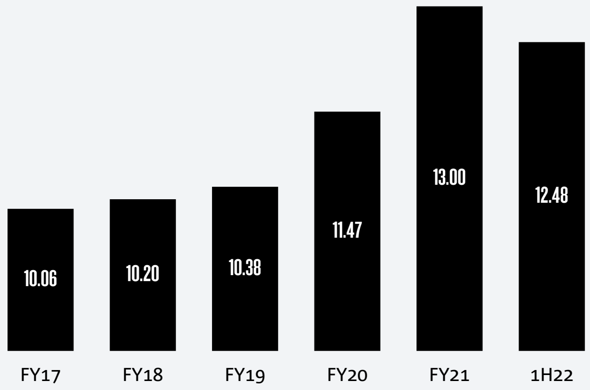


"Collective provision coverage to credit risk weighted assets remains prudent at 1.31% to reflect uncertainties in our evolving environment. Staying safe through the cycle remains a key pillar of our strategy, to allow us to support customers and deliver sustainable growth."

[5] Net Promoter® and NPS® are registered trademarks and Net Promoter Score and Net Promoter System are trademarks of Bain & Company, Satmetrix Systems and Fred Reichheld. Sourced from DBM Consultants Business and Consumer Atlas, measured on 6 month rolling average. A number of changes have been made to our Strategic NPS measure to align more closely to the Group Strategy. Business NPS is now based on equal (25:25:25:25) combined weighting of NAB turnover segments: Micro (Up to $100k turnover), Small ($100k-$5m turnover), Medium ($5m-$50m turnover), Large ($50m+). Consumer NPS now excludes consumers with Personal income of $260k+ and/or investible assets $1m+. History has been restated. Ranking based on absolute scores, not statistically significant differences.

CAPITAL, FUNDING & LIQUIDITY

CET1 RATIO[2] (%)



KEY RATIOS[2] AS AT 31 MARCH 2022

- Group Common Equity Tier 1 (CET1) ratio of 12.48%, 52bps lower than September 2021 primarily reflecting the impact of the completed $2.5 billion on-market share buy-back
- Pro forma CET1 ratio of 11.65% includes the estimated impacts of the proposed acquisition of the Citigroup Australian consumer business[6] (~31 bps), further $2.5 billion on-market share buy-back (~58bps) and proceeds from the BNZ Life divestment (~6bps)[7]
- Leverage ratio (APRA basis) of 5.5%
- Liquidity coverage ratio (LCR) quarterly average of 134%
- Net Stable Funding Ratio (NSFR) of 123%

KEY DIVISIONAL PERFORMANCE – CASH EARNINGS

	1H22 ($M)	% CHANGE 1H22 V 1H21	KEY DRIVERS 1H22 V 1H21
Business & Private Banking	1,429	17.5	Higher earnings mostly reflecting increased revenue benefitting from strong growth in lending and deposit volumes, broadly stable margins and a rise in fee income. Credit impairment charges were also lower. These impacts were partially offset by higher operating expenses including additional resources to support growth and investment in technology.
Personal Banking	788	(8.3)	Earnings declined driven by lower credit impairment write-backs, combined with reduced revenue given competitive pressures and mix shift in the housing lending portfolio. These impacts were partially offset by lower operating expenses benefitting from productivity and the sale of the broker aggregation business in 1H21.
Corporate & Institutional Banking	806	3.1	A stronger earnings outcome reflecting increased revenue, with strong growth in lending and deposit volumes combined with higher Markets and fee income. This was partially offset by lower credit impairment write-backs and higher operating expenses.
New Zealand Banking (NZ$M)	668	8.4	Higher earnings with revenue increasing due to growth in lending and improved margins. This was partly offset by higher operating expenses including increased resources to support growth, combined with a rise in credit impairment charges.

[6] The proposed acquisition of the Citigroup Australian consumer business is expected to complete in 2QCY2022, subject to relevant regulatory approvals. Estimated CET1 impact of 31bps on completion. The final capital impact of the transaction will be determined following completion.
[7] Sale of BNZ Life is expected to complete in 2022 subject to regulatory approvals. Final capital impact of the transaction will be determined following completion.

OUR STRATEGIC AMBITION

WHY WE ARE HERE

To serve customers well and help our communities prosper

WHO WE ARE HERE FOR

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

Customers
Choose NAB because we serve them well every day

WHAT WE WILL BE KNOWN FOR

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

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

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

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

WHERE WE WILL GROW

Business & Private
Clear market leadership

Corporate & Institutional
Disciplined growth

Personal
Simple & digital

BNZ
Grow in Personal & SME

UBank
New customer acquisition

HOW WE WORK

Excellence for customers
Grow together
Be respectful
Own it

MEASURES FOR SUCCESS

Engagement
NPS growth
Cash EPS growth
ROE

ECONOMIC OUTLOOK[8]

"Recent data highlights ongoing strength in the Australian economy. Consumption has rebounded strongly from lockdowns and is expected to remain robust, in part supported by a run-down in accumulated household savings. This, combined with a healthy outlook for business investment plus high levels of dwelling investment and government spending, support forecast GDP growth of 3.4% over 2022 and 2.1% over 2023. Given the strength in activity and labour demand, the unemployment rate is expected to fall below 4% in coming months and remain low for some time. Against this backdrop, wages growth and underlying inflationary pressures are building, with monetary policy tightening now underway.

Following elevated growth in 2021, the New Zealand economy is facing some near term challenges and uncertainties. Rapid monetary policy tightening is underway to address inflationary pressures and Omicron has further tightened labour supply. Asset prices are softening and consumer and business confidence have fallen to low levels. Some relief is expected with the removal of COVID-19 restrictions and a reopening of New Zealand's border in the June quarter but growth is then expected to slow. On balance, this sees forecast GDP growth of 3.6% over 2022 and 1.4% over 2023."

[8] All references to years are on the basis of calendar years. GDP growth rates expressed as December quarter on December quarter of previous year.

STRATEGIC OVERVIEW

1H22 has been another period of strong momentum. Continued discipline in the execution of our strategy has been key to our performance. This is evident in stable to improving customer NPS[5] and market share gains across housing, business and unsecured lending plus deposits over the six months to March 2022.

Consistent with our strategic ambition, this growth has translated into half-on-half improvements in both cash EPS growth, up 9%, and cash ROE up 100 basis points to 11.3%. While these results are encouraging, our ability to deliver strong performance consistently over time will be the real differentiator, which is why our focus is on managing for the long term.

Ongoing competition makes it critical that we keep improving the experiences of our customers and colleagues. This allows us to attract and retain talent in an increasingly tight labour market and grow our business without undue margin pressure. During the six months to March 2022, Consumer NPS was stable at -1 and NAB ranked first of the major banks, while Business NPS improved from -3 to 0 and NAB ranked second of the major banks[5]. Colleague engagement scores were broadly stable over the same period at 76 and well up from our score of 66 in FY19[9]. We are progressing on both fronts but have more to do to achieve our ambitions of positive customer NPS ranked first of the major banks and top quartile colleague engagement.

To achieve these ambitions, we must consistently be simple and easy to deal with and offer fast and seamless experiences that always work. We need exceptional bankers and the ability to offer personalised customer experiences, insights and value. Investments we are making to support these key priorities, along with heightened accountability and execution rigor, are gaining traction, supported by strong and flexible technology foundations established over many years.

In our leading SME franchise, Business & Private Banking, we are adding more bankers in FY22 to service strong customer demand, building on approximately 550 new customer facing roles added last year. Ongoing simplification of our policies and processes, in conjunction with increasing digitisation is freeing up bankers and delivering quicker customer responses. Over the 12 months to March 2022 ‘time to yes’ on new lending more than halved and the number of transaction accounts opened digitally increased from 23% to 35%. The launch of NAB Hive in 1H22 will provide a simpler, more flexible way for merchant customers to manage their business and payment needs through a single, easy-to-use digital portal. The acquisition of LanternPay and integration of its digital healthcare claiming technology with NAB’s healthcare payments business HICAPS will deliver an enhanced offering to healthcare providers, saving time and simplifying administration.

A key focus in Personal Banking is simplifying home lending to offer a consistent, fast experience which is efficient and scalable. To achieve this we are building an end-to-end platform which is being progressively rolled out across all channels, replacing multiple ways of originating a home loan in NAB. The Simple Home Loans (SHL) application platform is an important step in this journey. About 90% of retail applications are now eligible for SHL applications with about 35% achieving ‘time to yes’ in under one hour. Rollout of SHL to Business & Private Banking home loan customers commenced in 1H22, while for mortgage brokers we are delivering quicker, more consistent outcomes from policy and process simplification with rollout of our end-to-end broker solution targeted from 2H22. The acquisition of Citigroup’s Australian consumer banking business[6], will further support our ambition to build a leading personal bank with a simpler, more digital experience.

We are optimistic about the growth outlook. Investments we are making position us well, particularly at a time when business investment intentions are high and business credit is growing at the fastest rate since the GFC. But our growth must continue to generate cash EPS improvements through the cycle if we are to achieve our strategic ambition. To do this we need to manage our business safely and with discipline, especially in a period of rising funding costs and inflationary pressures.

In April 2020 we laid out a target of lower absolute costs in FY23-25 compared with FY20 to support our ambition of cash EPS growth in what was then expected to be a sustained period of low revenue growth. The outlook has now shifted to one of higher growth, higher inflation and higher rates, prompting reconsideration of our targets to ensure we are appropriately balancing cost discipline against growth opportunities. Progressing our productivity agenda will remain key to helping offset cost inflation and creating capacity to reinvest, with cumulative productivity benefits of greater than $400 million targeted in FY22[3]. Given growth opportunities across our business and inflationary pressures, we now expect cost growth of approximately 2-3% in FY22 and we are no longer targeting absolute cost reductions by FY23-25[3,4]. Progress on financial crime remediation over the past six months including agreeing an EU with AUSTRAC, means we now have a clearer view of the expected cost of this work and have included this in the 2-3% target.

Having a strong balance sheet and managing risk responsibly remain key to staying safe and generating consistent performance. Despite benign asset quality outcomes over 1H22, our collective provisions as a ratio of credit risk weighted assets are little changed at 1.31% and remain well above the levels of FY19. We continue to manage our Common Equity Tier 1 (CET1) capital ratio towards a target range of 10.75-11.25%[2], reflecting a balance between maintaining a strong balance sheet through the cycle while improving shareholder returns. CET1 decreased 52bps to 12.48% over the six months to March 2022. After adjusting for the proposed acquisition of Citigroup’s Australian consumer business, BNZ Life sale proceeds and a further $2.5 billion on-market share buy-back, proforma CET1 is 11.65%.

As our lending growth has accelerated, we have not lost sight of the need to safely fund this growth in a disciplined and strategic manner. A focus on generating high quality deposits across our business is producing results including 6% growth in Australian household deposits and 11% growth in Australian business deposits (ex Financial Institutions) over the six months to March 2022. This has meant that despite strong loan growth over the same period, the percentage of lending funded by customer deposits increased to 80% at 31 March 2022. We are also well advanced on our term wholesale funding for FY22 with $21 billion raised to-date across a range of markets and tenors.

We are optimistic about the future and well positioned for an evolving environment in FY22 and FY23. Disciplined execution of our strategy and investing to deliver better customer and colleague outcomes remain our key focus to allow us to drive sustainable growth across our business and improved returns for shareholders.

[9] The 2019 score of 66 represents a restated score of the AON survey into a Glint ‘Heartbeat” score methodology.

GROUP PERFORMANCE RESULTS

Cash earnings is a non-IFRS key financial performance measure used by NAB and the investment community. NAB also uses cash earnings for its internal management reporting, as it better reflects what NAB considers to be the underlying performance of the Group. Cash earnings is not a statutory financial measure, is not presented in accordance with Australian Accounting Standards, and is not audited or reviewed in accordance with Australian Auditing Standards. The 2022 Half Year Results Announcement provides details of how cash earnings is defined on page 4 and a discussion of non-cash earnings items and full reconciliation of statutory net profit attributable to owners of NAB on pages 91 to 93.

	Half Year to				
	Mar 22 $m	Sep 21 $m	Mar 21 $m	Mar 22 v Sep 21 %	Mar 22 v Mar 21 %
Net interest income	7,085	6,958	6,839	1.8	3.6
Other operating income	1,743	1,409	1,600	23.7	8.9
Net operating income	8,828	8,367	8,439	5.5	4.6
Operating expenses	(3,963)	(3,954)	(3,863)	0.2	2.6
Underlying profit	4,865	4,413	4,576	10.2	6.3
Credit impairment (charge)/write-back	(2)	89	128	large	large
Cash earnings before tax and distributions	4,863	4,502	4,704	8.0	3.4
Income tax expense	(1,383)	(1,287)	(1,348)	7.5	2.6
Cash earnings before distributions	3,480	3,215	3,356	8.2	3.7
Distributions	-	-	(13)	-	large
Cash earnings	3,480	3,215	3,343	8.2	4.1
Non-cash earnings items (after tax)	91	26	(113)	large	large
Net profit from continuing operations	3,571	3,241	3,230	10.2	10.6
Net loss attributable to owners of NAB from discontinued operations[10]	(20)	(85)	(22)	(76.5)	(9.1)
Net profit attributable to owners of NAB	3,551	3,156	3,208	12.5	10.7
Represented by:					
Business and Private Banking	1,429	1,264	1,216	13.1	17.5
Personal Banking	788	791	859	(0.4)	(8.3)
Corporate and Institutional Banking	806	425	782	89.6	3.1
New Zealand Banking	630	578	576	9.0	9.4
Corporate Functions and Other	(173)	157	(90)	large	92.2
Cash earnings	3,480	3,215	3,343	8.2	4.1

SHAREHOLDER SUMMARY

	Half Year to				
	Mar 22	Sep 21	Mar 21	Mar 22 v Sep 21	Mar 22 v Mar 21
Group – including discontinued operations					
Dividend per share (cents)	73	67	60	6	13
Statutory dividend payout ratio	66.9%	69.9%	61.8%	(300 bps)	510 bps
Statutory earnings per share (cents) – basic	109.1	95.9	97.1	13.2	12.0
Statutory earnings per share (cents) – diluted	104.8	92.1	92.7	12.7	12.1
Statutory return on equity	11.5%	10.2%	10.6%	130 bps	90 bps
Net tangible assets per ordinary share ($)	17.67	17.88	17.52	(1.2%)	0.9%
Group – Continuing operations					
Cash dividend payout ratio	68.3%	68.6%	59.1%	(30 bps)	920 bps
Statutory dividend payout ratio from continuing operations	66.5%	68.0%	61.3%	(150 bps)	520 bps
Statutory earnings per share from continuing operations (cents) – basic	109.7	98.5	97.8	11.2	11.9
Statutory earnings per share from continuing operations (cents) – diluted	105.4	94.5	93.4	10.9	12.0
Cash earnings per share (cents) – basic	106.9	97.7	101.6	9.2	5.3
Cash earnings per share (cents) – diluted	102.8	93.7	96.9	9.1	5.9
Cash return on equity (ROE)	11.3%	10.3%	11.1%	100 bps	20 bps

[10] Refer to NAB's 2022 Half Year Results Announcement Note 14 Discontinued Operations for further information.

FOR FURTHER INFORMATION

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

DISCLAIMER – FORWARD LOOKING STATEMENTS

This Results Summary and the 2022 Half Year Results Announcement contain statements that are, or may be deemed to be, forward looking statements. These forward looking statements may be identified by the use of forward looking terminology, including the terms "believe", "estimate", "plan", "project", "anticipate", "expect", "goal", "target", "intend", "likely", "may", "will", "could" or "should" or, in each case, their negative or other variations or other similar expressions, or by discussions of strategy, plans, objectives, targets, goals, future events or intentions. Indications of, and guidance on, future earnings and financial position and performance are also forward looking statements. You are cautioned not to place undue reliance on such forward looking statements. Such forward looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of the Group, which may cause actual results to differ materially from those expressed or implied in such statements. There can be no assurance that actual outcomes will not differ materially from these statements.

There are a number of other important factors that could cause actual results to differ materially from those projected in such statements, including (without limitation) a significant change in the Group's financial performance or operating environment; a material change to law or regulation or changes to regulatory policy or interpretation; and risks and uncertainties associated with the ongoing impacts of the COVID-19 pandemic, the conflict between Russia and Ukraine, the Australian and global economic environment and capital market conditions. Further information is contained in the Group's Luxembourg Transparency Law disclosures released to the ASX on 5 May 2022 and the Group's Annual Financial Report for the 2021 financial year, which is available at www.nab.com.au.

HALF YEAR RESULTS 2022

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HALF YEAR RESULTS 2022

SECTION 1

INFORMATION ABOUT CASH EARNINGS AND OTHER NON-IFRS MEASURES

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

Non-IFRS key financial performance measures used by the Group

Certain financial measures detailed in this 2022 Half Year Results are not accounting measures within the scope of International Financial Reporting Standards (IFRS). Management use these financial metrics to measure the Group's overall financial performance and position and believe the presentation of these financial measures provide useful information to analysts and investors regarding the results of the Group's operations.

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

Further information in relation to these financial measures is set out below and in the *Glossary*.

Information about cash earnings

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

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

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

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

Cash earnings for the March 2022 half year has been adjusted for the following:

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

Reconciliation to statutory net profit

Section 4 Financial Report of this 2022 Half Year Results contains the Group's income statement, including statutory net profit. The statutory net profit for the period is the sum of both net profit / (loss) from continuing operations and discontinued operations. The Group's consolidated financial statements are included in Section 4 of the 2022 Half Year Results. They are prepared in accordance with the *Corporations Act 2001* (Cth) and applicable Australian Accounting Standards, and reviewed by the auditor, Ernst & Young, in accordance with Australian Auditing Standards.

A reconciliation of cash earnings to statutory net profit is set out on page 5, and full reconciliations between statutory net profit and cash earnings are included in Section 5 Supplementary information on pages 92-93.

Page 91 contains a description of non-cash earnings items for the March 2022 half year.

Information about net interest margin

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

Information about average balances

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

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

Comparative information

References in this document to the March 2022 half year are references to the six months ended 31 March 2022. Other six month periods referred to in this document are referred to in a corresponding manner.

GROUP PERFORMANCE RESULTS

	Half Year to[1]				
	Mar 22 $m	Sep 21 $m	Mar 21 $m	Mar 22 v Sep 21 %	Mar 22 v Mar 21 %
Net interest income	**7,085**	6,958	6,839	1.8	3.6
Other operating income	**1,743**	1,409	1,600	23.7	8.9
Net operating income	**8,828**	8,367	8,439	5.5	4.6
Operating expenses	**(3,963)**	(3,954)	(3,863)	0.2	2.6
Underlying profit	**4,865**	4,413	4,576	10.2	6.3
Credit impairment (charge) / write-back	**(2)**	89	128	large	large
Cash earnings before tax and distributions	**4,863**	4,502	4,704	8.0	3.4
Income tax expense	**(1,383)**	(1,287)	(1,348)	7.5	2.6
Cash earnings before distributions	**3,480**	3,215	3,356	8.2	3.7
Distributions	**-**	-	(13)	-	large
Cash earnings	**3,480**	3,215	3,343	8.2	4.1
Non-cash earnings items (after tax):					
Distributions	**-**	-	13	-	large
Hedging and fair value volatility	**183**	63	(126)	large	large
Amortisation of acquired intangible assets	**(6)**	(4)	-	50.0	large
Acquisition, integration and transaction costs	**(86)**	(33)	-	large	large
Net profit from continuing operations	**3,571**	3,241	3,230	10.2	10.6
Net loss attributable to owners of NAB from discontinued operations	**(20)**	(85)	(22)	(76.5)	(9.1)
Net profit attributable to owners of NAB	**3,551**	3,156	3,208	12.5	10.7
Cash earnings by division:					
Business and Private Banking	**1,429**	1,264	1,216	13.1	17.5
Personal Banking	**788**	791	859	(0.4)	(8.3)
Corporate and Institutional Banking	**806**	425	782	89.6	3.1
New Zealand Banking	**630**	578	576	9.0	9.4
Corporate Functions and Other	**(173)**	157	(90)	large	92.2
Cash earnings	**3,480**	3,215	3,343	8.2	4.1

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

Shareholder summary

	Half Year to				
	Mar 22	Sep 21	Mar 21	Mar 22 v Sep 21	Mar 22 v Mar 21
Group - Including discontinued operations					
Dividend per share (cents)	**73**	67	60	6	13
Statutory dividend payout ratio	**66.9%**	69.9%	61.8%	(300 bps)	510 bps
Statutory earnings per share (cents) - basic	**109.1**	95.9	97.1	13.2	12.0
Statutory earnings per share (cents) - diluted	**104.8**	92.1	92.7	12.7	12.1
Statutory return on equity	**11.5%**	10.2%	10.6%	130 bps	90 bps
Net tangible assets per ordinary share ($)	**17.67**	17.88	17.52	(1.2%)	0.9%
Group - Continuing operations[1]					
Cash dividend payout ratio	**68.3%**	68.6%	59.1%	(30 bps)	920 bps
Statutory dividend payout ratio from continuing operations	**66.5%**	68.0%	61.3%	(150 bps)	520 bps
Statutory earnings per share from continuing operations (cents) - basic	**109.7**	98.5	97.8	11.2	11.9
Statutory earnings per share from continuing operations (cents) - diluted	**105.4**	94.5	93.4	10.9	12.0
Cash earnings per share (cents) - basic	**106.9**	97.7	101.6	9.2	5.3
Cash earnings per share (cents) - diluted	**102.8**	93.7	96.9	9.1	5.9
Cash return on equity	**11.3%**	10.3%	11.1%	100 bps	20 bps

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

GROUP PERFORMANCE RESULTS (CONTINUED)

Review of Group performance results[1]

March 2022 v March 2021

Statutory net profit increased by $343 million or 10.7%. Excluding the impact of discontinued operations, statutory net profit increased by $341 million or 10.6%[2].

Cash earnings increased by $137 million or 4.1%.

Net interest income increased by $246 million or 3.6%. This includes an increase of $18 million due to movements in economic hedges, offset in other operating income. Excluding these movements, the underlying increase of $228 million or 3.3% was driven by higher average lending volumes, lower term deposit costs, deposit repricing, favourable deposit mix, and lower wholesale funding costs. These movements were partially offset by competitive pressures and product mix impacting housing lending margins, lower NAB risk management income in Markets and Treasury and a lower earnings rate on deposits due to the low interest rate environment.

Other operating income increased by $143 million or 8.9%. This includes a decrease of $18 million due to movements in economic hedges, offset in net interest income. Excluding these movements, the underlying increase of $161 million or 10.1% was primarily driven by higher NAB risk management income in Markets.

Operating expenses increased by $100 million or 2.6%. The increase was primarily driven by higher personnel expenses including additional bankers and resources to support growth, combined with salary increases and additional costs associated with the investment in technology. These were partially offset by productivity benefits achieved through simplification of the Group's operations, a reduction in third party spend and savings in occupancy-related expenses.

Credit impairment charge increased by $130 million including a net $81 million increase in charges for forward looking provisions. Excluding forward looking provisions, underlying charges have increased by $49 million driven by the non-recurrence of collective provision releases for the Australian unsecured retail portfolio in the prior period, partially offset by a lower level of collective provision charges for the Australian mortgage and business lending portfolios.

March 2022 v September 2021

Statutory net profit increased by $395 million or 12.5%. Excluding the impact of discontinued operations, statutory net profit increased by $330 million or 10.2%[2].

Cash earnings increased by $265 million or 8.2%.

Net interest income increased by $127 million or 1.8%. This includes a decrease of $1 million due to movements in economic hedges, offset in other operating income. Excluding this movement, the underlying increase of $128 million or 1.8% was driven by higher average lending volumes, deposit repricing, favourable deposit mix, lower term deposit costs, lower wholesale funding costs and higher earnings on capital. These movements were partially offset by competitive pressures and product mix impacting housing lending margins and lower NAB risk management income in Markets and Treasury.

Other operating income increased by $334 million or 23.7%. This includes an increase of $1 million due to movements in economic hedges, offset in net interest income. Excluding this movement, the underlying increase of $333 million or 23.6% was primarily driven by higher NAB risk management income in Markets and Treasury, and higher fee income reflecting strong volume growth across housing and business lending portfolios, and higher cards income from increased spend volumes.

Operating expenses increased by $9 million or 0.2%. The increase was primarily driven by higher personnel expenses including additional bankers and resources to support growth, combined with salary increases and additional costs associated with the investment in technology. These were partially offset by productivity benefits achieved through simplification of the Group's operations and a reduction in third party spend.

Credit impairment charge increased by $91 million including a net $43 million increase in charges for forward looking provisions. Excluding forward looking provisions, underlying charges have increased by $48 million driven by the non-recurrence of collective provision releases for the Australian unsecured retail portfolio in the prior period, partially offset by a lower level of collective provision charges for the Australian mortgage portfolio.

(1) Information is presented on a continuing operations basis, unless otherwise stated.
(2) Discontinued operations in the March 2022 half year primarily relates to MLC Wealth-related items. Discontinued operations for prior periods include the results of MLC Wealth prior to the sale, loss on sale of MLC Wealth, MLC Wealth-related items, combined with a reassessment of customer-related remediation relating to MLC Life.

GROUP PERFORMANCE RESULTS (CONTINUED)

Key performance indicators

	Half Year to				
	Mar 22	Sep 21	Mar 21	Mar 22 v Sep 21	Mar 22 v Mar 21
Group performance - cash earnings basis					
Cash earnings on average assets	**0.73%**	0.71%	0.77%	2 bps	(4 bps)
Cash earnings on average risk-weighted assets	**1.63%**	1.54%	1.59%	9 bps	4 bps
Cash earnings per average FTE ($'000)	**213**	195	214	9.2%	(0.5%)
Cost to income (CTI) ratio	**44.9%**	47.3%	45.8%	(240 bps)	(90 bps)
Net interest margin	**1.63%**	1.69%	1.74%	(6 bps)	(11 bps)
Total Group capital					
Common Equity Tier 1 (CET1) capital ratio	**12.48%**	13.00%	12.37%	(52 bps)	11 bps
Tier 1 capital ratio	**14.07%**	14.64%	14.01%	(57 bps)	6 bps
Total capital ratio	**18.55%**	18.91%	17.90%	(36 bps)	65 bps
Risk-weighted assets ($bn)	**431.9**	417.2	417.6	3.5%	3.4%
Volumes ($bn)					
Gross loans and acceptances (GLAs)	**659.7**	629.1	598.7	4.9%	10.2%
Average interest earning assets	**872.4**	822.7	787.1	6.0%	10.8%
Total average assets	**956.4**	905.0	874.0	5.7%	9.4%
Total customer deposits	**530.4**	500.3	475.8	6.0%	11.5%
Asset quality					
90+ days past due (DPD) and gross impaired assets to GLAs	**0.75%**	0.94%	1.23%	(19 bps)	(48 bps)
Collective provision to credit risk-weighted assets	**1.31%**	1.35%	1.50%	(4 bps)	(19 bps)
Total provision to credit risk-weighted assets	**1.48%**	1.55%	1.72%	(7 bps)	(24 bps)
Full-time equivalent employees (FTE)					
Group - Continuing operations (spot)	**32,932**	32,741	31,696	0.6%	3.9%
Group - Continuing operations (average)	**32,801**	32,802	31,271	-	4.9%
Group - Including discontinued operations (spot)	**33,433**	33,275	35,078	0.5%	(4.7%)
Group - Including discontinued operations (average)	**33,329**	33,853	34,704	(1.5%)	(4.0%)

	As at		
	31 Mar 22	30 Sep 21	31 Mar 21
Market share			
Australia			
Business lending[1]	**22.3%**	22.0%	21.6%
Business lending[2]	**21.3%**	20.8%	20.6%
Business deposits[1]	**20.1%**	19.2%	19.2%
Housing lending[1]	**14.5%**	14.4%	14.4%
Household deposits[1]	**13.3%**	13.3%	13.3%
New Zealand[3]			
Housing lending	**16.5%**	16.5%	16.2%
Agribusiness	**20.8%**	20.7%	20.8%
Business lending	**22.5%**	22.5%	22.3%
Retail deposits	**17.9%**	17.9%	17.7%

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

	As at		
	31 Mar 22	30 Sep 21	31 Mar 21
Distribution			
Number of retail branches and business banking centres			
Australia	**592**	608	646
New Zealand	**138**	140	168

GROUP PERFORMANCE RESULTS (CONTINUED)

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SECTION 2

NET INTEREST INCOME

	Half Year to				
	Mar 22	Sep 21	Mar 21	Mar 22 v Sep 21 %	Mar 22 v Mar 21 %
Net interest income ($m)	**7,085**	6,958	6,839	1.8	3.6
Average interest earning assets ($bn)	**872.4**	822.7	787.1	6.0	10.8
Net interest margin (%)	**1.63**	1.69	1.74	(6 bps)	(11 bps)

March 2022 v March 2021

Net interest income increased by $246 million or 3.6%. This includes an increase of $18 million due to movements in economic hedges, offset in other operating income. Excluding this movement, the underlying increase of $228 million or 3.3% was due to:

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

The underlying increase was partially offset by:

- Competitive pressures impacting housing lending margins.
- Unfavourable housing lending mix as a result of changes in customer preferences towards lower margin fixed rate loans.
- Lower NAB risk management income in Markets and Treasury.
- A lower earnings rate on deposits due to the low interest rate environment.

March 2022 v September 2021

Net interest income increased by $127 million or 1.8%. This includes a decrease of $1 million due to movements in economic hedges, offset in other operating income. Excluding this movement, the underlying increase of $128 million or 1.8% was due to:

- Higher average lending volumes.
- Deposit repricing, favourable deposit mix and lower term deposit costs.
- Lower wholesale funding costs.
- Higher earnings on capital.

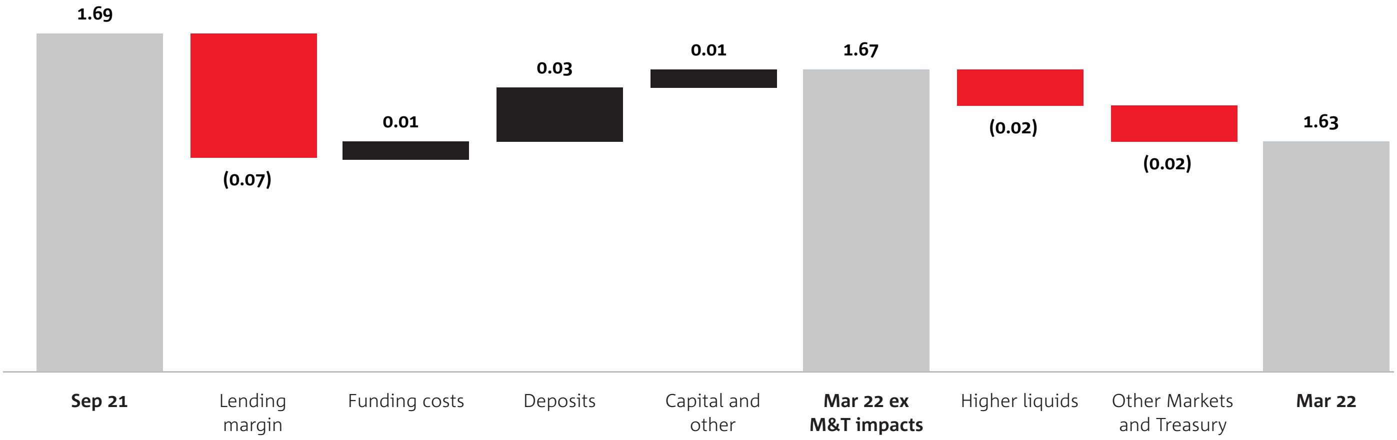
The underlying increase was partially offset by:

- Competitive pressures impacting housing lending margins.
- Unfavourable housing lending mix as a result of changes in customer preferences towards lower margin fixed rate loans.
- Lower NAB risk management income in Markets and Treasury.

NET INTEREST MARGIN

	Half Year to				
	Mar 22 %	Sep 21 %	Mar 21 %	Mar 22 v Sep 21	Mar 22 v Mar 21
Group net interest margin	**1.63**	1.69	1.74	(6 bps)	(11 bps)
Business and Private Banking	**2.82**	2.85	2.83	(3 bps)	(1 bp)
Personal Banking	**1.93**	2.01	2.05	(8 bps)	(12 bps)
Corporate and Institutional Banking	**0.74**	0.75	0.73	(1 bp)	1 bp
New Zealand Banking	**2.38**	2.29	2.29	9 bps	9 bps

Group net interest margin movement



March 2022 v March 2021

The Group's **net interest margin** decreased by 11 basis points. Excluding a decrease of 8 basis points in Markets and Treasury, the underlying margin was down 3 basis points due to:

- A decrease of 12 basis points in lending margin primarily driven by competitive pressures and the impacts of changes in customer preferences toward lower margin fixed rate loans in housing lending.

This decrease was partially offset by:

- An increase of 7 basis points driven by lower term deposit costs, deposit repricing and favourable deposit mix, partially offset by a lower earnings rate on deposits due to the low interest rate environment.
- An increase of 2 basis points driven by lower wholesale funding costs.

The decrease of 8 basis points in Markets and Treasury was due to:

- A decrease of 5 basis points driven by lower NAB risk management income.
- A decrease of 3 basis points driven by higher volumes of lower yielding high-quality liquid assets (HQLA).

March 2022 v September 2021

The Group's **net interest margin** decreased by 6 basis points. Excluding a decrease of 4 basis points in Markets and Treasury, the underlying margin was down 2 basis points due to:

- A decrease of 7 basis points in lending margin primarily driven by competitive pressures and the impacts of changes in customer preferences towards lower margin fixed rate loans in housing lending.

This decrease was partially offset by:

- An increase of 3 basis points driven by deposit repricing, favourable deposit mix and lower term deposit costs.
- An increase of 1 basis point driven by lower wholesale funding costs.
- An increase of 1 basis point driven by higher earnings on capital.

The decrease of 4 basis points in Markets and Treasury was due to:

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

OTHER OPERATING INCOME

	Half Year to[1]				
	Mar 22 $m	Sep 21 $m	Mar 21 $m	Mar 22 v Sep 21 %	Mar 22 v Mar 21 %
Fees and commissions	**1,069**	1,012	1,076	5.6	(0.7)
Trading income	**478**	246	436	94.3	9.6
Other	**196**	151	88	29.8	large
Total other operating income	**1,743**	1,409	1,600	23.7	8.9

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

March 2022 v March 2021

Other operating income increased by $143 million or 8.9%.

Fees and commissions decreased by $7 million or 0.7%. Included in the March 2022 half year is a charge of $21 million (March 2021 half year $19 million) for customer-related remediation. Excluding the $2 million increase in customer-related remediation and a $14 million decrease in fee income due to the sale of the broker aggregation businesses in the March 2021 half year, the underlying increase was $9 million. The increase was primarily driven by higher fee income reflecting strong volume growth across housing lending and business lending portfolios.

Trading income increased by $42 million or 9.6%. This includes a decrease of $18 million due to movements in economic hedges, offset in net interest income. Excluding this movement, the underlying increase of $60 million was primarily due to higher NAB risk management income in Markets, partially offset by a lower derivative valuation adjustment.

Other income increased by $108 million primarily due to realised gains on bond sales in Treasury (high-quality liquids portfolio) and an increase in equity accounted earnings from the investment in MLC Life.

March 2022 v September 2021

Other operating income increased by $334 million or 23.7%.

Fees and commissions increased by $57 million or 5.6%. Included in the March 2022 half year is a charge of $21 million (September 2021 half year $41 million) for customer-related remediation. Excluding the $20 million decrease in customer-related remediation, the underlying increase of $37 million was primarily driven by higher fee income reflecting strong volume growth across housing lending and business lending portfolios, and higher cards income from increased spend volumes.

Trading income increased by $232 million or 94.3%. This includes an increase of $1 million due to movements in economic hedges, offset in net interest income. Excluding this movement, the underlying increase of $231 million was primarily due to higher NAB risk management income in Markets and Treasury.

Other income increased by $45 million or 29.8% primarily due to realised gains on bond sales in Treasury (high-quality liquids portfolio) and an increase in equity accounted earnings from the investment in MLC Life.

MARKETS AND TREASURY INCOME

	Half Year to				
	Mar 22 $m	Sep 21 $m	Mar 21 $m	Mar 22 v Sep 21 %	Mar 22 v Mar 21 %
Net interest income	**161**	254	322	(36.6)	(50.0)
Other operating income	**592**	326	486	81.6	21.8
Total Markets and Treasury income	**753**	580	808	29.8	(6.8)
Customer risk management[(1)]					
Foreign exchange	**262**	223	217	17.5	20.7
Rates	**139**	143	128	(2.8)	8.6
Total customer risk management income	**401**	366	345	9.6	16.2
NAB risk management[(2)]					
Markets	**199**	47	171	large	16.4
Treasury	**170**	159	221	6.9	(23.1)
Total NAB risk management income	**369**	206	392	79.1	(5.9)
Derivative valuation adjustment[(3)]	**(17)**	8	71	large	large
Total Markets and Treasury income	**753**	580	808	29.8	(6.8)
Average Markets traded market risk Value at Risk (VaR)[(4)]	**12.0**	17.3	16.8	(30.6)	(28.6)

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

March 2022 v March 2021

Markets and Treasury income decreased by $55 million or 6.8% primarily due to lower derivative valuation adjustment and NAB risk management income in Treasury, partially offset by higher customer risk management and NAB risk management income in Markets.

Customer risk management income increased by $56 million or 16.2%, primarily driven by higher foreign exchange and interest rate sales.

NAB risk management income decreased by $23 million or 5.9% due to lower Treasury income, partially offset by higher Markets income.

Derivative valuation adjustment decreased by $88 million primarily reflecting a gain in the March 2021 half year as funding spreads tightened compared to a loss in the March 2022 half year as funding spreads widened.

March 2022 v September 2021

Markets and Treasury income increased by $173 million or 29.8%, primarily due to higher NAB risk management income and customer risk management income, partially offset by a lower derivative valuation adjustment.

Customer risk management income increased by $35 million or 9.6%, primarily driven by higher foreign exchange sales.

NAB risk management income increased by $163 million or 79.1% primarily due to higher interest rate and foreign exchange risk management income as a result of improved trading conditions.

Derivative valuation adjustment decreased by $25 million primarily due to funding spreads widening in the March 2022 half year.

OPERATING EXPENSES

	Half Year to[1]				
	Mar 22 $m	Sep 21 $m	Mar 21 $m	Mar 22 v Sep 21 %	Mar 22 v Mar 21 %
Personnel expenses	**2,426**	2,306	2,260	5.2	7.3
Occupancy and depreciation expenses	**350**	373	389	(6.2)	(10.0)
General expenses	**1,187**	1,275	1,214	(6.9)	(2.2)
Total operating expenses	**3,963**	3,954	3,863	0.2	2.6

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

March 2022 v March 2021

Operating expenses increased by $100 million or 2.6%.

Personnel expenses increased by $166 million or 7.3%. The increase was primarily due to additional bankers and resources to support growth, combined with salary increases. This was partially offset by productivity benefits achieved through simplification of the Group's operations.

Occupancy and depreciation expenses decreased by $39 million or 10.0%. The decrease was driven by productivity benefits associated with subleasing of commercial buildings and lower depreciation combined with savings associated with the exit of commercial and network properties. This was partially offset by lease and facility costs associated with the new commercial buildings in Sydney and Melbourne.

General expenses decreased by $27 million or 2.2%. The decrease was driven by third party productivity savings, partially offset by investment in technology.

March 2022 v September 2021

Operating expenses increased by $9 million or 0.2%.

Personnel expenses increased by $120 million or 5.2%. The increase was primarily due to additional bankers and resources to support growth, combined with salary increases. This was partially offset by productivity benefits achieved through simplification of the Group's operations.

Occupancy and depreciation expenses decreased by $23 million or 6.2%. The decrease was driven by productivity benefits associated with subleasing of commercial buildings and lower depreciation combined with savings associated with the exit of commercial and network properties. This was partially offset by lease and facility costs associated with the new commercial buildings in Sydney and Melbourne.

General expenses decreased by $88 million or 6.9%. The decrease was driven by third party productivity savings, partially offset by investment in technology.

INVESTMENT SPEND

	Half Year to				
	Mar 22 $m	Sep 21 $m	Mar 21 $m	Mar 22 v Sep 21 %	Mar 22 v Mar 21 %
Expensed	**377**	381	311	(1.0)	21.2
Capitalised software and fixed assets	**272**	368	199	(26.1)	36.7
Total investment spend	**649**	749	510	(13.4)	27.3
Represented by:					
Infrastructure	**226**	294	177	(23.1)	27.7
Compliance and risk	**195**	226	177	(13.7)	10.2
Customer experience, efficiency and sustainable revenue	**228**	229	156	(0.4)	46.2
Total investment spend	**649**	749	510	(13.4)	27.3

Investment spend is expenditure on initiatives designed to enhance the customer experience, comply with legal and regulatory requirements, and improve capabilities and efficiencies in the Group's business processes. Investment spend for the Group was $649 million for the March 2022 half year.

March 2022 v March 2021

Investment spend increased by $139 million or 27.3%. The increase was largely driven by the timing of investment spend in the last financial year which was tilted to the September 2021 half year.

Investment in **infrastructure** initiatives increased by $49 million or 27.7%. There is continued investment in technology simplification and refresh activity, as well as investment in the Group's cloud migration strategy and cyber security.

Investment in **compliance and risk** initiatives increased by $18 million or 10.2%. There is ongoing investment in financial crime capabilities, meeting regulatory commitments, implementation of reforms in Corporate and Institutional Banking, sound data governance and processes, strengthening controls and managing risk across the Group.

Investment in **customer experience, efficiency and sustainable revenue** initiatives increased by $72 million or 46.2%. There is continued investment in business lending capabilities, a simplified home lending process, uplifting merchant capabilities, as well as digitisation and optimisation within core business processes.

March 2022 v September 2021

Investment spend decreased by $100 million or 13.4%. The decrease was largely driven by the timing of investment spend in the last financial year which was tilted to the September 2021 half year.

Investment in **infrastructure** initiatives decreased by $68 million or 23.1%. There is continued investment in technology simplification and refresh activity, as well as investment in the Group's cloud migration strategy and cyber security.

Investment in **compliance and risk** initiatives decreased by $31 million or 13.7%. There is ongoing investment in financial crime capabilities, meeting regulatory commitments, implementation of reforms in Corporate and Institutional Banking, sound data governance and processes, strengthening controls and managing risk across the Group.

Investment in **customer experience, efficiency and sustainable revenue** initiatives decreased by $1 million or 0.4%. There is continued investment in business lending capabilities, a simplified home lending process, uplifting merchant capabilities, as well as digitisation and optimisation within core business processes.

TAXATION

	Half Year to[1]				
	Mar 22	Sep 21	Mar 21	Mar 22 v Sep 21	Mar 22 v Mar 21
Income tax expense ($m)	**1,383**	1,287	1,348	7.5%	2.6%
Effective tax rate (%)	**28.4**	28.6	28.7	(20 bps)	(30 bps)

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

March 2022 v March 2021

Cash earnings income tax expense increased by $35 million or 2.6% mainly due to higher cash earnings before tax.

The **cash earnings effective tax rate** decreased by 30 basis points to 28.4% predominantly due to an increase in the tax benefit attributed to the concessionally taxed offshore banking unit.

March 2022 v September 2021

Cash earnings income tax expense increased by $96 million or 7.5% mainly due to higher cash earnings before tax.

The **cash earnings effective tax rate** decreased by 20 basis points to 28.4% due to an increase in income from offshore jurisdictions taxed at rates lower than Australia's corporate tax rate and an increase in the tax benefit attributed to the concessionally taxed offshore banking unit.

LENDING

	As at				
	31 Mar 22 $bn	30 Sep 21 $bn	31 Mar 21 $bn	Mar 22 v Sep 21 %	Mar 22 v Mar 21 %
Housing					
Business and Private Banking	**94.9**	88.5	84.8	7.2	11.9
Personal Banking	**218.3**	212.0	206.8	3.0	5.6
Corporate and Institutional Banking	**0.1**	0.1	0.1	-	-
New Zealand Banking	**50.6**	50.3	45.5	0.6	11.2
Corporate Functions and Other	**9.9**	9.1	8.0	8.8	23.8
Total housing	**373.8**	360.0	345.2	3.8	8.3
Non-housing					
Business and Private Banking	**127.9**	119.8	113.0	6.8	13.2
Personal Banking	**4.4**	4.2	4.5	4.8	(2.2)
Corporate and Institutional Banking	**113.0**	104.4	97.5	8.2	15.9
New Zealand Banking	**40.5**	40.4	38.2	0.2	6.0
Corporate Functions and Other	**0.1**	0.3	0.3	(66.7)	(66.7)
Total non-housing	**285.9**	269.1	253.5	6.2	12.8
Gross loans and advances	**659.7**	629.1	598.7	4.9	10.2

March 2022 v March 2021

Lending increased by $61.0 billion or 10.2% including an increase of $1.2 billion driven by exchange rate movements.

Housing lending increased by $28.6 billion or 8.3% mainly due to:

- An increase of $11.5 billion or 5.6% in Personal Banking largely due to growth in owner occupier lending.
- An increase of $10.1 billion or 11.9% in Business and Private Banking due to growth in both owner occupier and investor lending.
- An increase of $5.1 billion or 11.2% in New Zealand Banking. The underlying increase of $4.5 billion excluding exchange rate movements reflects growth in both proprietary and broker channels.
- An increase of $1.9 billion or 23.8% in Corporate Functions and Other driven by the acquisition of 86 400 and subsequent growth in the combined 86 400 and UBank business.

Non-housing lending increased by $32.4 billion or 12.8% mainly due to:

- An increase of $15.5 billion or 15.9% in Corporate and Institutional Banking. The underlying increase of $15.4 billion excluding exchange rate movements was largely due to a continued focus on investor and infrastructure growth segments, partially offset by the sale of approximately $1.5 billion of loans in the aviation portfolio during the September 2021 half year.
- An increase of $14.9 billion or 13.2% in Business and Private Banking driven by above system growth in business lending.
- An increase of $2.3 billion or 6.0% in New Zealand Banking. The underlying increase of $1.8 billion excluding exchange rate movements reflects growth in business lending, partially offset by a decrease in credit card lending.
- A decrease of $0.1 billion or 2.2% in Personal Banking.

March 2022 v September 2021

Lending increased by $30.6 billion or 4.9% including a decrease of $4.2 billion driven by exchange rate movements.

Housing lending increased by $13.8 billion or 3.8% mainly due to:

- An increase of $6.4 billion or 7.2% in Business and Private Banking due to growth in both owner occupier and investor lending.
- An increase of $6.3 billion or 3.0% in Personal Banking largely due to growth in owner occupier and investor lending.
- An increase of $0.8 billion or 8.8% in Corporate Functions and Other driven by growth in the combined 86 400 and UBank business.
- An increase of $0.3 billion or 0.6% in New Zealand Banking. The underlying increase of $1.7 billion excluding exchange rate movements reflects growth in both proprietary and broker channels.

Non-housing lending increased by $16.8 billion or 6.2% mainly due to:

- An increase of $8.6 billion or 8.2% in Corporate and Institutional Banking. The underlying increase of $10.3 billion excluding exchange rate movements reflects increased customer activity levels.
- An increase of $8.1 billion or 6.8% in Business and Private Banking driven by above system growth in business lending.
- An increase of $0.1 billion or 0.2% in New Zealand Banking. The underlying increase of $1.2 billion excluding exchange rate movements was driven by growth in both business lending and credit card lending.
- An increase of $0.2 billion or 4.8% in Personal Banking driven by an increase in card spend.

GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill

Goodwill was flat compared to the September 2021 half year. Goodwill increased by $126 million compared to the March 2021 half year due to the Group's acquisition of 86 400.

The movement in goodwill is as follows:

	Half Year to		
	Mar 22 $m	Sep 21 $m	Mar 21 $m
Balance at beginning of period	**1,964**	1,838	1,838
Additions from business combinations	**-**	126	-
Impairment and write-offs	**-**	-	-
Reclassified to held for sale	**-**	-	-
Goodwill	**1,964**	1,964	1,838

Other intangible assets

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

- Additions - refer to *Investment spend* on page 15
- Amortisation - included as part of operating expenses
- Additions from business combinations – software acquired as part of the acquisition of 86 400 in the September 2021 half year

The movement in capitalised software is as follows:

	Half Year to		
	Mar 22 $m	Sep 21 $m	Mar 21 $m
Balance at beginning of period	**2,133**	1,922	1,955
Additions from business combinations	**-**	116	-
Additions	**319**	333	197
Disposals and write-offs	**(1)**	(5)	(8)
Amortisation	**(248)**	(237)	(223)
Foreign currency translation adjustments	**(8)**	4	1
Capitalised software	**2,195**	2,133	1,922

CUSTOMER DEPOSITS

	As at				
	31 Mar 22 $bn	30 Sep 21 $bn	31 Mar 21 $bn	Mar 22 v Sep 21 %	Mar 22 v Mar 21 %
Business and Private Banking	**184.0**	168.0	161.5	9.5	13.9
Personal Banking	**133.3**	127.7	120.8	4.4	10.3
Corporate and Institutional Banking	**128.1**	119.2	110.7	7.5	15.7
New Zealand Banking	**66.9**	65.5	61.9	2.1	8.1
Corporate Functions and Other	**18.1**	19.9	20.9	(9.0)	(13.4)
Total customer deposits	**530.4**	500.3	475.8	6.0	11.5

March 2022 v March 2021

Customer deposits increased by $54.6 billion or 11.5% mainly due to growth in on-demand deposits and non-interest bearing accounts. This also includes an increase of $0.8 billion driven by exchange rate movements. The increase is mainly due to:

- An increase of $22.5 billion or 13.9% in Business and Private Banking driven by growth in on-demand deposits of $11.9 billion and non-interest bearing accounts of $11.9 billion, partially offset by a reduction in term deposits of $1.3 billion.
- An increase of $17.4 billion or 15.7% in Corporate and Institutional Banking driven by an increase in term deposits of $8.2 billion, on-demand deposits of $8.2 billion and non-interest bearing accounts of $1.0 billion.
- An increase of $12.5 billion or 10.3% in Personal Banking driven by growth in on-demand deposits of $12.7 billion and non-interest bearing accounts of $2.9 billion, partially offset by a reduction in term deposits of $3.1 billion.
- An increase of $5.0 billion or 8.1% in New Zealand Banking. The underlying increase of $4.2 billion excluding exchange rate movements was driven by growth in on-demand deposits of $2.1 billion, non-interest bearing accounts of $2.0 billion and term deposits of $0.1 billion.
- A decrease of $2.8 billion or 13.4% in Corporate Functions and Other reflecting the net movements of deposits in Treasury and UBank, which was driven by lower on-demand deposits of $1.9 billion and term deposits of $1.0 billion, partially offset by an increase in non-interest bearing accounts of $0.1 billion.

March 2022 v September 2021

Customer deposits increased by $30.1 billion or 6.0% mainly due to growth in on-demand deposits, non-interest bearing accounts and term deposits. This also includes a decrease of $2.3 billion driven by exchange rate movements. The increase is mainly due to:

- An increase of $16.0 billion or 9.5% in Business and Private Banking driven by growth in non-interest bearing accounts of $6.3 billion, on-demand deposits of $6.2 billion and term deposits of $3.5 billion.
- An increase of $8.9 billion or 7.5% in Corporate and Institutional Banking. The underlying increase of $9.3 billion excluding exchange rate movements was primarily driven by an increase in term deposits of $8.0 billion, on-demand deposits of $1.2 billion and non-interest bearing accounts of $0.1 billion.
- An increase of $5.6 billion or 4.4% in Personal Banking driven by growth in on-demand deposits of $5.2 billion and non-interest bearing accounts of $1.1 billion, partially offset by a reduction in term deposits of $0.7 billion.
- An increase of $1.4 billion or 2.1% in New Zealand Banking. The underlying increase of $3.2 billion excluding exchange rate movements was due to an increase in on-demand deposits of $1.3 billion, non-interest bearing accounts of $1.1 billion and term deposits of $0.8 billion.
- A decrease of $1.8 billion or 9.0% in Corporate Functions and Other. The underlying decrease of $1.7 billion excluding exchange rate movements was primarily driven by lower on-demand deposits of $1.6 billion and term deposits of $0.1 billion mainly in Treasury.

ASSET QUALITY

Credit impairment charge

	Half Year to				
	Mar 22 $m	Sep 21 $m	Mar 21 $m	Mar 22 v Sep 21 %	Mar 22 v Mar 21 %
Specific credit impairment charge - new and increased	**193**	287	218	(32.8)	(11.5)
Specific credit impairment charge - write-backs	**(83)**	(172)	(98)	(51.7)	(15.3)
Specific credit impairment charge - recoveries	**(27)**	(18)	(36)	50.0	(25.0)
Specific credit impairment charge	**83**	97	84	(14.4)	(1.2)
Collective credit impairment (write-back)	**(81)**	(186)	(212)	(56.5)	(61.8)
Total credit impairment charge / (write-back)	**2**	(89)	(128)	large	large

	Half Year to				
	Mar 22 %	Sep 21 %	Mar 21 %	Mar 22 v Sep 21	Mar 22 v Mar 21
Credit impairment charge / (write-back) to GLAs - annualised	**-**	(0.03)	(0.04)	3 bps	4 bps
Net write-offs to GLAs - annualised(1)	**0.04**	0.07	0.04	(3 bps)	-

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

March 2022 v March 2021

Credit impairment charge increased by $130 million including a net $81 million increase in charges for forward looking provisions. Excluding forward looking provisions, underlying charges have increased by $49 million driven by the non-recurrence of collective provision releases for the Australian unsecured retail portfolio in the prior period, partially offset by a lower level of collective provision charges for the Australian mortgage and business lending portfolios.

Specific credit impairment charge decreased by $1 million or 1.2% driven by lower charges in Business and Private Banking due to a lower level of individual impaired exposures, partially offset by higher charges in Corporate and Institutional Banking relating to the impairment of a small number of larger exposures.

Collective credit impairment write-back decreased by $131 million or 61.8% driven by:

- Higher level of charges for the forward looking economic adjustment raised for uncertainty in the economic outlook.
- Non-recurrence of releases for the Australian unsecured retail portfolio in the prior period.

This was partially offset by:

- Lower level of charges for forward looking adjustments (FLAs) raised for targeted sectors.
- Lower level of charges for the Australian business lending portfolio due to improved credit quality.
- Lower level of charges for the Australian mortgage portfolio due to the impact of house price increases and improved delinquencies.

The Group ratio of **net write-offs to GLAs** is flat at 0.04% due to a continued low level of write-off activity across the Group's lending portfolio.

March 2022 v September 2021

Credit impairment charge increased by $91 million including a net $43 million increase in charges for forward looking provisions. Excluding forward looking provisions, underlying charges have increased by $48 million driven by the non-recurrence of collective provision releases for the Australian unsecured retail portfolio in the prior period, partially offset by a lower level of collective provision charges for the Australian mortgage portfolio.

Specific credit impairment charge decreased by $14 million or 14.4% driven by lower charges in Business and Private Banking due to a lower level of individual impaired exposures, partially offset by higher charges in New Zealand Banking due to the non-recurrence of write-backs for a small number of larger exposures in the prior period.

Collective credit impairment write-back decreased by $105 million or 56.5% driven by:

- Lower level of net releases of FLAs held for targeted sectors.
- Non-recurrence of releases for the Australian unsecured retail portfolio in the prior period.

This was partially offset by:

- Lower level of charges for the Australian mortgage portfolio due to the impact of house price increases and improved delinquencies.
- Lower level of charges for the forward looking economic adjustment raised for uncertainty in the economic outlook.

The Group ratio of **net write-offs to GLAs** decreased by 3 basis points to 0.04% due to a lower level of write-off activity for the Group's business lending portfolio.

ASSET QUALITY (CONTINUED)

Provision for credit impairment

	As at				
	31 Mar 22 $m	30 Sep 21 $m	31 Mar 21 $m	Mar 22 v Sep 21 %	Mar 22 v Mar 21 %
Collective provision on loans at amortised cost	**4,423**	4,521	4,975	(2.2)	(11.1)
Collective provision on loans at fair value	**38**	39	43	(2.6)	(11.6)
Collective provision on derivatives at fair value	**173**	155	191	11.6	(9.4)
Total collective provision for credit impairment	**4,634**	4,715	5,209	(1.7)	(11.0)
Total specific provision for credit impairment(1)	**622**	664	794	(6.3)	(21.7)
Total provision for credit impairment	**5,256**	5,379	6,003	(2.3)	(12.4)

	As at				
	31 Mar 22 %	30 Sep 21 %	31 Mar 21 %	Mar 22 v Sep 21	Mar 22 v Mar 21
Total provision to GLAs	**0.80**	0.86	1.00	(6 bps)	(20 bps)
Total provision to credit risk-weighted assets	**1.48**	1.55	1.72	(7 bps)	(24 bps)
Total provision to net write-offs - annualised(2)	**2,184**	1,494	2,357	large	large
Specific provision to gross impaired assets	**54.9**	52.8	47.6	210 bps	730 bps
Collective provision to credit risk-weighted assets	**1.31**	1.35	1.50	(4 bps)	(19 bps)
Collective provision to GLAs	**0.70**	0.75	0.87	(5 bps)	(17 bps)

(1) Includes $18 million (September 2021: $14 million, March 2021: $24 million) of specific provision on loans at fair value.
(2) Net write-offs include net write-offs of loans at fair value. March 2022 and March 2021 metrics refer to the half year ratio annualised; September 2021 metrics refer to the full year ratio.

March 2022 v March 2021

Provisions for credit impairment decreased by $747 million or 12.4% to $5,256 million.

Specific provisions decreased by $172 million or 21.7% mainly due to work-outs for a small number of larger exposures in the business lending portfolio in Australia and New Zealand.

Collective provisions decreased by $575 million or 11.0%. This was mainly due to:
- A decrease of $469 million in net collective provision FLAs held for targeted sectors.
- Collective provision releases for the Australian mortgage portfolio due to the impact of house price increases and improved delinquencies.
- Collective provision releases for the Australian business lending portfolio due to improved credit quality.
- Collective provision releases for the Australian unsecured retail portfolio due to improved delinquencies.

This was partially offset by:
- An increase of $307 million in the collective provision forward looking economic adjustment raised for uncertainty in the economic outlook.

The **collective provision to credit risk-weighted assets** ratio decreased by 19 basis points to 1.31% predominantly due to a decrease in collective provisions.

March 2022 v September 2021

Provisions for credit impairment decreased by $123 million or 2.3% to $5,256 million.

Specific provisions decreased by $42 million or 6.3% mainly due to a low level of new and increased specific provisions raised combined with work-outs in the Group's business lending portfolio.

Collective provisions decreased by $81 million or 1.7%. This was mainly due to:
- A decrease of $64 million in net collective provision FLAs held for targeted sectors.
- Collective provision releases for the Australian mortgage portfolio due to the impact of house price increases and improved delinquencies.
- Collective provision releases for the Australian business lending portfolio due to improved credit quality.

This was partially offset by:
- An increase of $126 million in the collective provision forward looking economic adjustment raised for uncertainty in the economic outlook.

The **collective provision to credit risk-weighted assets** ratio decreased by 4 basis points to 1.31% due to a decrease in collective provisions combined with an increase in credit risk-weighted assets predominantly due to volume growth.

ASSET QUALITY (CONTINUED)

90+ days past due and gross impaired assets

	As at				
	31 Mar 22 $m	30 Sep 21 $m	31 Mar 21 $m	Mar 22 v Sep 21 %	Mar 22 v Mar 21 %
90+ DPD assets	**3,822**	4,643	5,664	(17.7)	(32.5)
Gross impaired assets	**1,134**	1,258	1,669	(9.9)	(32.1)
90+ DPD and gross impaired assets	**4,956**	5,901	7,333	(16.0)	(32.4)

	As at				
	31 Mar 22 %	30 Sep 21 %	31 Mar 21 %	Mar 22 v Sep 21	Mar 22 v Mar 21
90+ DPD assets to GLAs	**0.58**	0.74	0.95	(16 bps)	(37 bps)
Gross impaired assets to GLAs	**0.17**	0.20	0.28	(3 bps)	(11 bps)
90+ DPD and gross impaired assets to GLAs	**0.75**	0.94	1.23	(19 bps)	(48 bps)

March 2022 v March 2021

The ratio of **90+ DPD assets to GLAs** decreased by 37 basis points to 0.58%. This was primarily due to improved delinquencies across the Australian mortgage portfolio.

The ratio of **gross impaired assets to GLAs** decreased by 11 basis points to 0.17%. This was predominantly driven by work-outs for a small number of larger exposures in the New Zealand dairy portfolio and Business and Private Banking business lending portfolio.

March 2022 v September 2021

The ratio of **90+ DPD assets to GLAs** decreased by 16 basis points to 0.58%. This was primarily due to improved delinquencies across the Australian mortgage portfolio.

The ratio of **gross impaired assets to GLAs** decreased by 3 basis points to 0.17%. This was predominantly driven by work-outs in both the Business and Private Banking and New Zealand Banking business lending portfolios, combined with a reduction in impairments for the Australian mortgage portfolio.

CAPITAL MANAGEMENT AND FUNDING

Balance sheet management overview and regulatory reform

Balance sheet management overview

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

Regulatory reform

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

Revisions to the capital framework

- APRA has finalised prudential standards for the revised ADI capital framework, with the focus now shifting to implementation (from 1 January 2023), as well as finalising prudential guidance and reporting standards. APRA's revisions to the framework include:
  - Improving flexibility via increasing regulatory capital buffers.
  - Implementing more risk-sensitive risk-weights.
  - Enhancing competition via a capital floor for internal ratings-based (IRB) ADIs.
  - Improving transparency and comparability through the disclosure of capital ratios under the standardised approach.

  Overall, these revisions will result in changes to the calculation and presentation of capital ratios. APRA has reiterated its view that it is not seeking to further increase the overall level of capital in the banking system.
- APRA has provided Advanced Measurement Approach (AMA) accredited ADIs the option to apply APS 115 *Capital Adequacy: Standardised Measurement Approach to Operational Risk* from either 1 January 2022 or 1 January 2023. The Group has applied the Standardised Measurement Approach (SMA) from 1 January 2022.
- The revised APS 111 *Capital Adequacy: Measurement of Capital*, including changes to the treatment of equity investments in subsidiaries for the purpose of calculating Level 1 regulatory capital, became effective from 1 January 2022 and the changes have been incorporated into the 2022 Half Year Results. APRA has also introduced a minimum leverage ratio requirement of 3.5% for IRB ADIs and a revised leverage ratio exposure measurement methodology to be implemented from 1 January 2023. The Level 2 Group's leverage ratio as at 31 March 2022 is 5.51% (under the current methodology).
- APRA has also announced its intention to finalise APS 117 *Capital Adequacy: Interest Rate Risk in the Banking Book* and consult on revisions to the market risk capital standards to implement the Basel Committee on Banking Supervision's fundamental review of the trading book in the second half of calendar year 2022.

Increased loss-absorbing capacity for ADIs

- In December 2021, APRA finalised requirements for the Australian loss-absorbing capacity framework. The final requirements represent a further 1.5% increase in the amount of Total capital required by domestic systemically important banks, with a total increase of 4.5% of risk-weighted assets required by January 2026. The interim requirement of an increase in the Total capital requirement of 3% of risk-weighted assets by 1 January 2024 remains in place.

RBNZ capital review

- In December 2019, the RBNZ finalised its review of the capital adequacy framework. The RBNZ amendments to the amount of regulatory capital required of locally incorporated banks include:
  - An increase in credit risk-weighted assets for banks that use the RBNZ's internal ratings-based approach due to the use of the standardised approach for bank and sovereign exposures, and the introduction of an overall minimum standardised floor, implemented on 1 January 2022.
  - An increase in the scalar from 1 October 2022.
  - An increase in the Tier 1 capital requirement to 16% of risk-weighted assets, and an increase in the Total capital requirement to 18% of risk-weighted assets, to be phased in by 2028.

RBNZ actions to support the banking system

- In March 2021, the RBNZ announced the easing of restrictions on dividend payments, allowing New Zealand banks (including BNZ) to pay up to 50% of their earnings as dividends to shareholders (such as NAB), and has noted its expectation that banks exercise prudence when determining dividend payments. The 50% restriction will remain in place until 1 July 2022, at which point the RBNZ intends to remove the restriction, subject to economic conditions.

Contingent liquidity consultation

- On 18 November 2021, APRA released guidance on contingent liquidity to locally incorporated ADIs subject to Liquidity Coverage Ratio (LCR) requirements. APRA considers that it would be prudent for an ADI subject to LCR requirements to maintain surplus self-securitised assets as contingent liquidity equal to at least 30% of its AUD LCR net cash outflows based on a 12-month average of net cash outflows.

Committed Liquidity Facility (CLF) reduction

- On 10 September 2021, APRA announced that the CLF will be reduced to zero by the end of 2022 subject to financial market conditions. The CLF reduction is expected to be offset by ADIs increasing holdings of HQLA. APRA specified that ADIs should not rely on the CLF to meet the minimum 100% LCR requirement from the beginning of 2022.

Further detail on the regulatory changes impacting the Group is outlined in the March 2022 Pillar 3 Report.

Capital management

The Group's capital management strategy is focused on adequacy, efficiency and flexibility. The capital adequacy objective seeks to ensure sufficient capital is held in excess of IRB capital assessments and regulatory requirements,

CAPITAL MANAGEMENT AND FUNDING (CONTINUED)

and is within the Group's balance sheet risk appetite. This approach is consistent across the Group's subsidiaries.

The Group's capital ratio operating targets are regularly reviewed in the context of the external economic and regulatory outlook with the objective of maintaining balance sheet strength.

On 30 July 2021, the Group announced its intention to buy back up to $2.5 billion of NAB ordinary shares on-market to progressively manage its CET1 capital ratio towards its target range of 10.75–11.25% on a Level 2 basis, under current APRA capital standards. NAB commenced the buy-back in mid-August 2021 and has bought back and cancelled 86,925,469 ordinary shares ($2.5 billion) up to 31 March 2022, including 69,548,049 ordinary shares ($2.0 billion) in the March 2022 half year. On 24 March 2022, the Group announced the completion of the initial $2.5 billion of on-market buy-back, and the commencement of a further on-market buy-back of up to $2.5 billion, following its 2022 Half Year Results.

Pillar 3 disclosures

Further disclosures with respect to capital adequacy and risk management are included in the March 2022 Pillar 3 Report as required by APRA Prudential Standard APS 330 *Public Disclosure*.

CAPITAL MANAGEMENT AND FUNDING (CONTINUED)

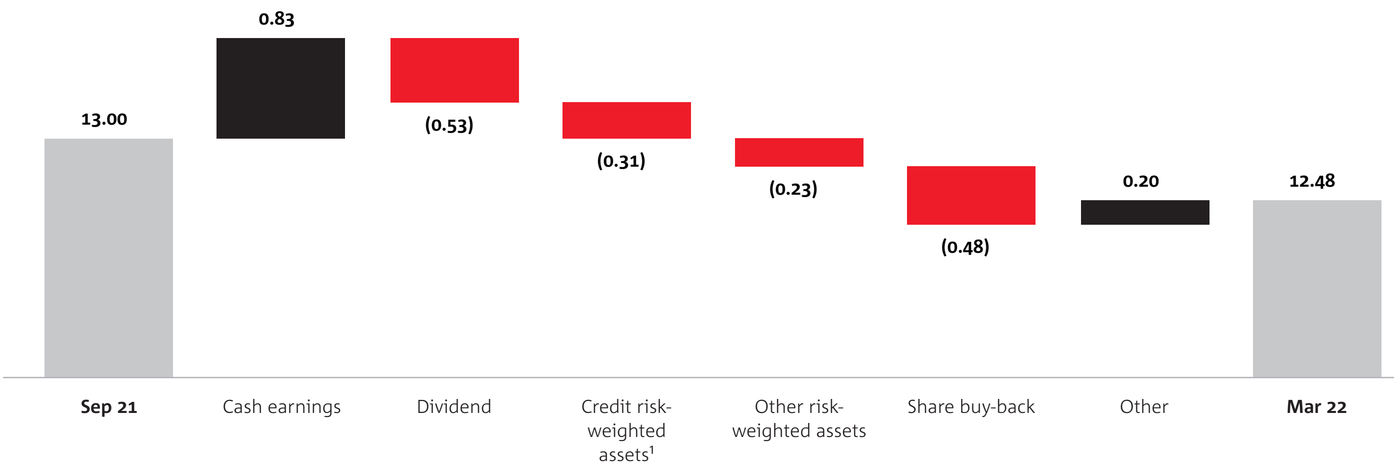
Capital ratios

	As at 31 Mar 22 %	30 Sep 21 %	31 Mar 21 %	Mar 22 v Sep 21	Mar 22 v Mar 21
Capital ratios					
CET1	**12.48**	13.00	12.37	(52 bps)	11 bps
Tier 1	**14.07**	14.64	14.01	(57 bps)	6 bps
Total capital	**18.55**	18.91	17.90	(36 bps)	65 bps

	As at 31 Mar 22 $m	30 Sep 21 $m	31 Mar 21 $m	Mar 22 v Sep 21 %	Mar 22 v Mar 21 %
Risk-weighted assets					
Credit risk	**355,102**	348,041	348,192	2.0	2.0
Market risk	**8,958**	9,644	12,626	(7.1)	(29.1)
Operational risk(1)	**41,124**	47,866	48,627	(14.1)	(15.4)
Interest rate risk in the banking book	**26,756**	11,612	8,165	large	large
Total risk-weighted assets	**431,940**	417,163	417,610	3.5	3.4

(1) Risk-weighted assets for operational risk as at 31 March 2022 are measured under the SMA to operational risk. Comparative period risk-weighted assets are measured under the AMA.

Movements in CET1 capital ratio



(1) Excludes foreign exchange (FX) translation

Capital movements during the March 2022 half year

The Group's CET1 capital ratio was 12.48% as at 31 March 2022. The key movements in capital over the March 2022 half year included:

- Cash earnings less the 2021 final dividend resulting in an increase of 30 basis points.
- An increase in credit risk-weighted assets decreasing the CET1 capital ratio by 31 basis points, driven mainly by:
  - Volume growth contributing to a decrease of 51 basis points.
  - Asset quality contributing to an increase of 11 basis points.
  - Credit models contributing to an increase of 5 basis points.
  - Derivatives (excluding FX translation) contributing to an increase of 4 basis points.
- An increase in other (non-credit) risk-weighted assets decreasing the CET1 capital ratio by 23 basis points, driven mainly by:
  - Interest rate risk in the banking book contributing to a decrease of 45 basis points.
  - Traded market risk contributing to an increase of 2 basis points.
  - Operational risk contributing to an increase of 20 basis points. The change in operational risk included an increase of 19 basis points due to the adoption of the SMA from 1 January 2022.
- The impact of $2.0 billion of the on-market buy-back completed in the March 2022 half year resulting in a decrease of 48 basis points.

CAPITAL MANAGEMENT AND FUNDING (CONTINUED)

- Other items, which increased the CET1 capital ratio by 20 basis points, include a reduction in deferred tax assets and an increase in the cost of hedging reserve.

Dividend and Dividend Reinvestment Plan (DRP)

The interim dividend in respect of the March 2022 half year has been increased to 73 cents, 100% franked, payable on 5 July 2022.

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

The Group periodically adjusts its DRP to reflect its capital position and outlook. In respect of the interim dividend for the March 2022 half year, the DRP discount is nil, with no participation limit. The Group expects to satisfy the DRP in full by an on-market purchase of shares.

Tier 2 capital initiatives

The Group's Tier 2 capital initiatives during the March 2022 half year included the following:

- On 25 November 2021, NAB issued $195 million of Subordinated Notes.
- On 21 December 2021, NAB redeemed JPY10 billion of Subordinated Notes.
- On 12 January 2022, NAB issued US$1.25 billion of Subordinated Notes.
- On 24 February 2022, NAB issued $203 million of Subordinated Notes.

Funding and liquidity

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

Funding

The Group employs a range of metrics to set its risk appetite and measure balance sheet strength. The NSFR measures the extent to which assets are funded with stable sources of funding to mitigate the risk of future funding stress. At 31 March 2022, the Group's NSFR remained flat at 123% compared to 30 September 2021, with required stable funding (RSF) from lending growth largely offset by available stable funding (ASF) from deposits and wholesale funding. The NSFR remains well above regulatory minimums.

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

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

Over the March 2022 half year, the SFI remained at 101% as the increase in lending growth was funded by deposits and term wholesale funding.

Group funding metrics

	As at		
	31 Mar 22	30 Sep 21	31 Mar 21
	%	%	%
CFI	**80**	79	78
TFI	**21**	22	20
SFI	**101**	101	98
NSFR	**123**	123	122

Term wholesale funding

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

In the March 2022 half year, NAB was able to access its core term wholesale funding markets across a range of products. This was against a backdrop of increasing market volatility and widening credit spreads.

The Group raised $21.4 billion of term wholesale funding during the March 2022 half year. NAB raised $18.2 billion of term wholesale funding, including $2.1 billion of Tier 2 subordinated debt, and BNZ raised $3.2 billion of senior unsecured debt.

The weighted average maturity of term wholesale funding issued by the Group in the March 2022 half year was approximately 5.2[1] years to the maturity date. The weighted average remaining maturity of the Group's term wholesale funding portfolio is approximately 3.8[1] years.

Term funding markets continue to be influenced by the economic environment, investor sentiment, and monetary and fiscal policy settings. Recent trends reflected elevated inflationary expectations, commodity price volatility and increased risk aversion from geopolitical events.

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

CAPITAL MANAGEMENT AND FUNDING (CONTINUED)

Term wholesale funding issuance by deal type

	As at		
	31 Mar 22 %	30 Sep 21 %	31 Mar 21 %
Senior Public Offshore	**39**	7	25
Senior Public Domestic	**22**	26	-
Secured Public Offshore	**24**	11	-
Secured Public Domestic	**-**	11	-
Subordinated Public debt	**8**	45	75
Private Placements	**2**	-	-
Subordinated Private Placement	**5**	-	-
Total	**100**	100	100

Term wholesale funding issuance by currency

	As at		
	31 Mar 22 %	30 Sep 21 %	31 Mar 21 %
USD	**46**	33	67
AUD	**21**	32	33
EUR	**11**	21	-
GBP	**14**	9	-
NZD	**-**	5	-
Other	**8**	-	-
Total	**100**	100	100

Short-term wholesale funding

During the March 2022 half year, the Group accessed international and domestic short-term funding through wholesale markets. In addition, the Group has accessed secured short-term funding in the form of repurchase agreements primarily to support markets and trading activities. Repurchase agreements entered into, excluding those associated with the TFF, TLF and FLP, are materially offset by reverse repurchase agreements with similar tenors.

The increase in short-term funding in the March 2022 half year primarily supported higher holdings of HQLA to replace the $7.75 billion of CLF reduction that occurred on 1 January 2022.

Liquidity Coverage Ratio

The LCR measures the adequacy of HQLA available to meet net cash outflows over a 30-day period during a severe liquidity stress scenario. HQLA consist of cash, central bank reserves along with highly rated government and central bank issuance. In addition to HQLA, other regulatory liquid assets include the Alternative Liquid Assets (ALA). ALA are comprised of internal Residential Mortgage Backed Securities and non-HQLA securities used to collateralise the CLF and RBNZ repo-eligible securities that are eligible for inclusion under APS210 *Liquidity*.

The Group maintains a well-diversified liquid asset portfolio to support regulatory and internal requirements in the regions in which it operates. The average value of regulatory liquid assets held through the March 2022 quarter was $198 billion and included $173 billion of HQLA. The increase in HQLA during the March 2022 half year was partially offset by a reduction in the ALA. Quarterly average ALA for March 2022 were $25 billion and comprise unencumbered assets available to the CLF of $23 billion, and RBNZ securities of $2 billion.

A detailed breakdown of quarterly average net cash outflows is provided in the March 2022 Pillar 3 Report.

Quarterly average net cash outflows

	Quarterly average		
	31 Mar 22 $bn	30 Sep 21 $bn	31 Mar 21 $bn
Liquidity Coverage Ratio			
High-quality liquid assets	**173**	163	137
Alternative liquid assets	**25**	28	47
Total LCR liquid assets	**198**	191	184
Net cash outflows	**148**	149	135
Quarterly average LCR (%)	**134**	128	136

Credit ratings

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

National Australia Bank credit ratings

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

CAPITAL MANAGEMENT AND FUNDING (CONTINUED)

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SECTION 3

BUSINESS AND PRIVATE BANKING

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

	Half Year to				
	Mar 22 $m	Sep 21 $m	Mar 21 $m	Mar 22 v Sep 21 %	Mar 22 v Mar 21 %
Net interest income	**2,832**	2,734	2,605	3.6	8.7
Other operating income	**483**	428	449	12.9	7.6
Net operating income	**3,315**	3,162	3,054	4.8	8.5
Operating expenses	**(1,295)**	(1,308)	(1,239)	(1.0)	4.5
Underlying profit	**2,020**	1,854	1,815	9.0	11.3
Credit impairment (charge) / write-back	**27**	(39)	(70)	large	large
Cash earnings before tax	**2,047**	1,815	1,745	12.8	17.3
Income tax expense	**(618)**	(551)	(529)	12.2	16.8
Cash earnings	**1,429**	1,264	1,216	13.1	17.5

Volumes ($bn)					
Housing lending	**94.9**	88.5	84.8	7.2	11.9
Business lending	**124.3**	116.6	109.9	6.6	13.1
Other lending	**3.6**	3.2	3.1	12.5	16.1
Gross loans and acceptances	**222.8**	208.3	197.8	7.0	12.6
Average interest earning assets	**201.3**	191.7	184.9	5.0	8.9
Total assets	**222.2**	208.2	197.8	6.7	12.3
Customer deposits	**184.0**	168.0	161.5	9.5	13.9
Total risk-weighted assets[1]	**135.6**	125.0	122.6	8.5	10.6

	Half Year to				
	Mar 22	Sep 21	Mar 21	Mar 22 v Sep 21	Mar 22 v Mar 21
Performance Measures					
Cash earnings on average assets (%)	**1.34**	1.24	1.25	10 bps	9 bps
Cash earnings on average risk-weighted assets (%)	**2.18**	2.04	1.97	14 bps	21 bps
Net interest margin (%)	**2.82**	2.85	2.83	(3 bps)	(1 bp)
Cost to income ratio (%)	**39.1**	41.4	40.6	(230 bps)	(150 bps)
Funds under administration (spot) ($m)	**42,820**	40,721	36,432	5.2%	17.5%

Asset Quality (%)					
90+ DPD and gross impaired assets to GLAs	**1.07**	1.25	1.53	(18 bps)	(46 bps)
Credit impairment charge / (write-back) to GLAs - annualised	**(0.02)**	0.04	0.07	(6 bps)	(9 bps)

(1) Risk-weighted assets for operational risk as at 31 March 2022 are measured under the SMA to operational risk. Comparative period risk-weighted assets are measured under the AMA. Refer to Section 2 Capital Management and Funding for further details.

BUSINESS AND PRIVATE BANKING (CONTINUED)

March 2022 v March 2021

Cash earnings increased by $213 million or 17.5%, driven by an increase in revenue from balance sheet growth, combined with lower credit impairment charges, partially offset by higher operating expenses.

Key movements	Key drivers
Net interest income up $227m, 8.7%	• Average interest earning assets increased by $16.4 billion or 8.9% reflecting above system growth in both business lending and housing lending. • Customer deposits increased by $22.5 billion or 13.9% driven by growth in on-demand deposits and non-interest bearing accounts, partially offset by a reduction in term deposits. • Net interest margin decreased by 1 basis point. Primarily driven by continued housing lending competitive pressures combined with changes in housing lending portfolio mix as a result of customer preferences towards lower margin fixed rate loans, partially offset by favourable deposit mix.
Other operating income up $34m, 7.6%	• Higher foreign exchange revenue driven by increased volumes. • Higher fee income reflecting strong volume growth across housing lending and business lending portfolios.
Operating expenses up $56m, 4.5%	• Higher personnel costs driven primarily by additional bankers and resources to support growth, salary increases and investment in technology. • Partially offset by productivity benefits.
Credit impairment charge down $97m	• Lower specific provision charges due to a lower level of individual impaired exposures. • Lower collective provision charges due to improved credit quality. • 90+ DPD and gross impaired assets to GLAs decreased by 46 basis points to 1.07%. This was due to improved delinquencies across the business lending and housing lending portfolios.
Risk-weighted assets up $13.0bn, 10.6%	• Growth in business lending and housing lending volumes, combined with changes to the internal allocation of operational risk relating to the adoption of the SMA, partially offset by improved asset quality across housing lending and business lending.

March 2022 v September 2021

Cash earnings increased by $165 million or 13.1%, driven by an increase in revenue from balance sheet growth, combined with lower credit impairment charges and lower operating expenses.

Key movements	Key drivers
Net interest income up $98m, 3.6%	• Average interest earning assets increased by $9.6 billion or 5.0% reflecting above system growth in both business lending and housing lending. • Customer deposits increased by $16.0 billion or 9.5% driven by growth in non-interest bearing accounts, on-demand deposits and term deposits. • Net interest margin decreased by 3 basis points. Primarily driven by continued housing lending competitive pressures combined with changes in housing lending portfolio mix as a result of customer preferences towards lower margin fixed rate loans, partially offset by favourable deposit mix.
Other operating income up $55m, 12.9%	• Higher foreign exchange revenue driven by increased volumes. • Higher fee income reflecting strong volume growth across housing lending and business lending portfolios.
Operating expenses down $13m, 1.0%	• Productivity benefits. • Partially offset by higher personnel costs driven primarily by additional bankers and resources to support growth, salary increases and investment in technology.
Credit impairment charge down $66m	• Lower specific provision charges due to a lower level of individual impaired exposures. • Lower collective provision charges due to improved credit quality. • 90+ DPD and gross impaired assets to GLAs decreased by 18 basis points to 1.07%. This was due to improved delinquencies across the business lending and housing lending portfolios.
Risk-weighted assets up $10.6bn, 8.5%	• Growth in business lending and housing lending volumes, combined with changes to the internal allocation of operational risk relating to the adoption of the SMA, partially offset by improved asset quality across housing lending and business lending.

PERSONAL BANKING

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

	Half Year to				
	Mar 22 $m	Sep 21 $m	Mar 21 $m	Mar 22 v Sep 21 %	Mar 22 v Mar 21 %
Net interest income	**1,931**	1,986	1,976	(2.8)	(2.3)
Other operating income	**247**	230	253	7.4	(2.4)
Net operating income	**2,178**	2,216	2,229	(1.7)	(2.3)
Operating expenses	**(1,078)**	(1,101)	(1,096)	(2.1)	(1.6)
Underlying profit	**1,100**	1,115	1,133	(1.3)	(2.9)
Credit impairment write-back	**26**	2	93	large	(72.0)
Cash earnings before tax	**1,126**	1,117	1,226	0.8	(8.2)
Income tax expense	**(338)**	(326)	(367)	3.7	(7.9)
Cash earnings	**788**	791	859	(0.4)	(8.3)

Volumes ($bn)					
Housing lending	**218.3**	212.0	206.8	3.0	5.6
Other lending	**4.4**	4.2	4.5	4.8	(2.2)
Gross loans and acceptances	**222.7**	216.2	211.3	3.0	5.4
Average interest earning assets	**200.6**	196.7	193.8	2.0	3.5
Total assets	**229.1**	222.5	218.8	3.0	4.7
Customer deposits	**133.3**	127.7	120.8	4.4	10.3
Total risk-weighted assets[(1)]	**77.3**	78.6	80.9	(1.7)	(4.4)

	Half Year to				
	Mar 22 %	Sep 21 %	Mar 21 %	Mar 22 v Sep-21	Mar 22 v Mar-21
Performance Measures					
Cash earnings on average assets	**0.70**	0.72	0.80	(2 bps)	(10 bps)
Cash earnings on average risk-weighted assets	**2.02**	1.98	2.18	4 bps	(16 bps)
Net interest margin	**1.93**	2.01	2.05	(8 bps)	(12 bps)
Cost to income ratio	**49.5**	49.7	49.2	(20 bps)	30 bps

Asset Quality					
90+ DPD and gross impaired assets to GLAs	**0.94**	1.28	1.67	(34 bps)	(73 bps)
Credit impairment charge / (write-back) to GLAs - annualised	**(0.02)**	-	(0.09)	large	7 bps

(1) Risk-weighted assets for operational risk as at 31 March 2022 are measured under the SMA to operational risk. Comparative period risk-weighted assets are measured under the AMA. Refer to Section 2 Capital Management and Funding for further details.

PERSONAL BANKING (CONTINUED)

March 2022 v March 2021

Cash earnings decreased by $71 million or 8.3%, largely driven by lower revenue as a result of competitive pressures and housing lending portfolio mix, combined with lower credit impairment write-backs, partially offset by lower operating expenses.

Key movements	Key drivers
Net interest income down $45m, 2.3%	• Net interest margin decreased by 12 basis points driven by housing lending competitive pressures and changes in customer preferences towards lower margin fixed rate loans. This was partially offset by favourable deposit mix and lower funding costs in the housing lending portfolio. • Average interest earning assets increased by $6.8 billion or 3.5%, driven by growth in housing lending volumes. • Customer deposits increased by $12.5 billion or 10.3% driven by growth in on-demand deposits and non-interest bearing accounts, partially offset by a reduction in term deposits.
Other operating income down $6m, 2.4%	• Lower fees due to the sale of the broker aggregation businesses in the March 2021 half year. • Partially offset by higher cards income driven by increased spend volumes.
Operating expenses down $18m, 1.6%	• Productivity benefits. • Sale of the broker aggregation businesses in the March 2021 half year. • Partially offset by higher personnel costs driven primarily by additional bankers and resources to support growth, salary increases and investment in technology.
Credit impairment write-back down $67m, 72.0%	• Non-recurrence of collective provision releases for the unsecured retail portfolio in the prior period, partially offset by lower collective provision charges for the mortgage portfolio due to the impact of house price increases and improved delinquencies. • 90+ DPD and gross impaired assets to GLAs decreased 73 basis points to 0.94% primarily driven by a decrease in 90+ DPD assets for the mortgage portfolio due to improved delinquencies.
Risk-weighted assets down $3.6bn, 4.4%	• Decrease in risk-weighted assets due to asset quality improvement, change to the internal allocation of operational risk relating to the adoption of the SMA and other methodology changes, partially offset by mortgage lending growth.

March 2022 v September 2021

Cash earnings decreased by $3 million or 0.4%, driven by lower revenue as a result of competitive pressures and housing lending portfolio mix, partially offset by lower operating expenses.

Key movements	Key drivers
Net interest income down $55m, 2.8%	• Net interest margin decreased by 8 basis points as a result of housing lending competitive pressures and changes in customer preferences towards lower margin fixed rate loans. This was partially offset by favourable deposit mix. • Average interest earning assets increased by $3.9 billion or 2.0% due to growth in housing lending volumes. • Customer deposits increased by $5.6 billion or 4.4% driven by growth in on-demand deposits and non-interest bearing accounts, partially offset by a reduction in term deposits.
Other operating income up $17m, 7.4%	• Higher cards income driven by increased spend volumes and higher foreign exchange revenue.
Operating expenses down $23m, 2.1%	• Productivity benefits. • Partially offset by higher personnel costs driven primarily by additional bankers and resources to support growth, salary increases and investment in technology.
Credit impairment write-back up $24m	• Lower level of collective provision charges for the mortgage portfolio due to the impact of house price increases and improved delinquencies, partially offset by non-recurrence of collective provision releases for the unsecured retail portfolio in the prior period. • 90+ DPD and gross impaired assets to GLAs decreased 34 basis points to 0.94% primarily driven by a decrease in 90+ DPD assets for the mortgage portfolio due to improved delinquencies.
Risk-weighted assets down $1.3bn, 1.7%	• Decrease in risk-weighted assets due to asset quality improvement and change to the internal allocation of operational risk relating to the adoption of SMA, partially offset by mortgage lending growth and methodology changes.

CORPORATE AND INSTITUTIONAL BANKING

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

	Half Year to				
	Mar 22 $m	Sep 21 $m	Mar 21 $m	Mar 22 v Sep 21 %	Mar 22 v Mar 21 %
Net interest income	**973**	951	967	2.3	0.6
Other operating income	**759**	598	706	26.9	7.5
Net operating income	**1,732**	1,549	1,673	11.8	3.5
Operating expenses	**(697)**	(693)	(676)	0.6	3.1
Underlying profit	**1,035**	856	997	20.9	3.8
Credit impairment (charge) / write-back	**19**	(231)	45	large	(57.8)
Cash earnings before tax	**1,054**	625	1,042	68.6	1.2
Income tax expense	**(248)**	(200)	(260)	24.0	(4.6)
Cash earnings	**806**	425	782	89.6	3.1
Net operating income					
Lending and deposits income	**1,225**	1,141	1,102	7.4	11.2
Markets income (ex derivative valuation adjustments)	**370**	220	330	68.2	12.1
Derivative valuation adjustment[1]	**(17)**	8	71	large	large
Other income	**154**	180	170	(14.4)	(9.4)
Total net operating income	**1,732**	1,549	1,673	11.8	3.5
Volumes ($bn)					
Business lending	**112.7**	104.2	97.1	8.2	16.1
Other lending	**0.4**	0.3	0.5	33.3	(20.0)
Gross loans and acceptances	**113.1**	104.5	97.6	8.2	15.9
Average interest earning assets	**264.7**	252.6	265.9	4.8	(0.5)
Total assets	**304.0**	276.4	281.4	10.0	8.0
Customer deposits	**128.1**	119.2	110.7	7.5	15.7
Total risk-weighted assets[2]	**116.3**	121.5	125.7	(4.3)	(7.5)

	Half Year to				
	Mar 22 %	Sep 21 %	Mar 21 %	Mar 22 v Sep-21	Mar 22 v Mar-21
Performance Measures					
Cash earnings on average assets	**0.55**	0.30	0.52	25 bps	3 bps
Cash earnings on average risk-weighted assets	**1.34**	0.68	1.22	66 bps	12 bps
Net interest margin	**0.74**	0.75	0.73	(1 bp)	1 bp
Net interest margin (ex Markets)	**1.65**	1.68	1.68	(3 bps)	(3 bps)
Cost to income ratio	**40.2**	44.7	40.4	(450 bps)	(20 bps)
Asset Quality					
90+ DPD and gross impaired assets to GLAs	**0.13**	0.13	0.14	-	(1 bp)
Credit impairment charge / (write-back) to GLAs - annualised	**(0.03)**	0.44	(0.09)	(47 bps)	6 bps

(1) Derivative valuation adjustments, which include credit valuation adjustments and funding valuation adjustments, are shown net of hedging costs or benefits.
(2) Risk-weighted assets for operational risk as at 31 March 2022 are measured under the SMA to operational risk. Comparative period risk-weighted assets are measured under the AMA. Refer to Section 2 Capital Management and Funding for further details.

CORPORATE AND INSTITUTIONAL BANKING (CONTINUED)

March 2022 v March 2021

Cash earnings increased by $24 million or 3.1%, driven by higher fee income and increased lending volumes, partially offset by a decrease in credit impairment write-back and an increase in operating expenses.

Key movements	Key drivers
Net interest income up $6m, 0.6%	• Includes an increase of $17 million due to movements in economic hedges offset in other operating income. Underlying decrease of $11 million mainly due to lower Markets risk management income and impacts of the low interest rate environment, partially offset by higher lending and deposit volumes and lower funding costs. • Gross loans and acceptances increased by $15.5 billion or 15.9%. Underlying increase of $15.4 billion excluding exchange rate movements was largely due to a continued focus on investor and infrastructure growth segments, partially offset by the sale of approximately $1.5 billion of loans in the aviation portfolio during the September 2021 half year. • Customer deposits increased by $17.4 billion or 15.7%, driven by an increase in term deposits of $8.2 billion, on-demand deposits of $8.2 billion and non-interest bearing accounts of $1.0 billion. • Net interest margin (ex Markets) decreased by 3 basis points to 1.65% reflecting lending competitive pressures and higher deposit costs, partially offset by lower funding costs.
Other operating income up $53m, 7.5%	• Includes a decrease of $17 million due to movements in economic hedges, offset in net interest income. • Underlying increase of $70 million due to higher Markets risk management income and customer risk management income combined with higher fee income primarily from increased customer activity to support merger and acquisition activities. Partially offset by a lower derivative valuation adjustment.
Operating expenses up $21m, 3.1%	• Higher personnel costs driven primarily by additional resources to support growth, salary increases and investment in technology. • Partially offset by productivity benefits.
Credit impairment write-back down $26m	• Higher specific provision charges for the impairment of a small number of larger exposures, partially offset by a lower level of collective provision charges within the business lending portfolio.
Risk-weighted assets down $9.4bn, 7.5%	• Decrease due to changes in the internal allocation of operational risk relating to the adoption of the SMA, market volatility and continued returns focused portfolio management, partially offset by growth in lending volumes.

March 2022 v September 2021

Cash earnings increased by $381 million or 89.6%, driven by higher Markets income, increased lending volumes and lower credit impairment charges.

Key movements	Key drivers
Net interest income up $22m, 2.3%	• Includes a decrease of $2 million due to movements in economic hedges offset in other operating income. Underlying increase of $24 million due to higher lending and deposit volumes, partially offset by lower Markets risk management income. • Gross loans and acceptances increased by $8.6 billion or 8.2%. Underlying increase of $10.3 billion excluding exchange rate movements reflects increased customer activity levels. • Customer deposits increased by $8.9 billion or 7.5%. The underlying increase of $9.3 billion excluding exchange rate movements was primarily driven by an increase in term deposits of $8.0 billion, on-demand deposits of $1.2 billion and non-interest bearing accounts of $0.1 billion. • Net interest margin (ex Markets) reduced 3 basis points to 1.65% due to lending competitive pressures, partially offset by lower funding costs.
Other operating income up $161m, 26.9%	• Includes an increase of $2 million due to movements in economic hedges, offset in net interest income. • Underlying increase of $159 million due to higher Markets risk management income and customer risk management income.
Operating expenses up $4m, 0.6%	• Higher personnel costs driven primarily by additional resources to support growth, salary increases and increased investment in technology. • Largely offset by productivity benefits.
Credit impairment charge down $250m	• Decrease due to the non-recurrence of $248 million of charges associated with the sale of approximately $1.5 billion of loans in the aviation portfolio in the September 2021 half year. The underlying charges mainly reflect higher specific provision charges for the impairment of a small number of larger exposures.
Risk-weighted assets down $5.2bn, 4.3%	• Decrease due to changes in the internal allocation of operational risk relating to the adoption of the SMA, market volatility and continued returns focused portfolio management, partially offset by growth in lending volumes.

NEW ZEALAND BANKING

New Zealand Banking provides banking and financial services across customer segments in New Zealand. It consists of Partnership Banking, servicing retail, business, and private customers; Corporate and Institutional Banking, servicing corporate and institutional customers, and includes Markets Sales operations in New Zealand. New Zealand Banking also includes the Wealth and Insurance franchises operating under the 'Bank of New Zealand' brand. It excludes the Bank of New Zealand's Markets Trading operations.

Results presented in New Zealand dollars. See page 38 for results in Australian dollars and page 94 for foreign exchange rates.

	Half Year to				
	Mar 22 $m	Sep 21 $m	Mar 21 $m	Mar 22 v Sep 21 %	Mar 22 v Mar 21 %
Net interest income	**1,180**	1,103	1,047	7.0	12.7
Other operating income	**281**	263	276	6.8	1.8
Net operating income	**1,461**	1,366	1,323	7.0	10.4
Operating expenses	**(510)**	(507)	(488)	0.6	4.5
Underlying profit	**951**	859	835	10.7	13.9
Credit impairment (charge) / write-back	**(20)**	(6)	19	large	large
Cash earnings before tax	**931**	853	854	9.1	9.0
Income tax expense	**(263)**	(239)	(238)	10.0	10.5
Cash earnings	**668**	614	616	8.8	8.4

Volumes ($bn)					
Housing lending	**54.5**	52.7	49.5	3.4	10.1
Business lending	**42.8**	41.5	40.6	3.1	5.4
Other lending	**0.8**	0.9	1.0	(11.1)	(20.0)
Gross loans and acceptances	**98.1**	95.1	91.1	3.2	7.7
Average interest earning assets	**99.5**	96.3	91.8	3.3	8.4
Total assets	**104.5**	101.3	96.7	3.2	8.1
Customer deposits	**72.0**	68.6	67.5	5.0	6.7
Total risk-weighted assets[1]	**63.6**	63.1	62.2	0.8	2.3

	Half Year to				
	Mar 22 %	Sep 21 %	Mar 21 %	Mar 22 v Sep-21	Mar 22 v Mar-21
Performance Measures					
Cash earnings on average assets	**1.30**	1.23	1.30	7 bps	-
Cash earnings on average risk-weighted assets	**2.10**	1.95	1.96	15 bps	14 bps
Net interest margin	**2.38**	2.29	2.29	9 bps	9 bps
Cost to income ratio	**34.9**	37.1	36.9	(220 bps)	(200 bps)

Asset Quality					
90+ DPD and gross impaired assets to GLAs	**0.34**	0.40	0.72	(6 bps)	(38 bps)
Credit impairment charge / (write-back) to GLAs - annualised	**0.04**	0.01	(0.04)	3 bps	8 bps

(1) Risk-weighted assets for operational risk as at 31 March 2022 are measured under the SMA to operational risk. Comparative period risk-weighted assets are measured under the AMA. Refer to Section 2 Capital Management and Funding for further details.

NEW ZEALAND BANKING (CONTINUED)

March 2022 v March 2021

Cash earnings increased by $52 million or 8.4%, driven by higher revenue, partially offset by higher operating expenses and higher credit impairment charges.

Key movements	Key drivers
Net interest income up $133m, 12.7%	• Net interest margin increased by 9 basis points primarily driven by higher earnings rates on deposits and capital, favourable deposit mix, and lower wholesale funding costs, partially offset by housing lending competitive pressures impacting lending margins. • Average interest earning assets increased by $7.7 billion or 8.4% driven by growth in housing lending and business lending. • Customer deposits increased by $4.5 billion or 6.7% driven by growth in on-demand deposits of $2.3 billion, non-interest bearing accounts of $2.1 billion and term deposits of $0.1 billion.
Other operating income up $5m, 1.8%	• Higher sales of customer risk management products, partially offset by a decrease in the number of over-the-counter transactions and lower credit card fee income.
Operating expenses up $22m, 4.5%	• Increased spend on additional bankers and resources to support growth and financial crime capabilities, combined with salary increases. • Partially offset by productivity benefits.
Credit impairment charge up $39m	• Higher collective provision charges due to volume growth in housing lending and business lending. • 90+ DPD and gross impaired assets to GLAs decreased by 38 basis points mainly due to lower impaired loans in the corporate and dairy portfolios.
Total risk-weighted assets up $1.4bn, 2.3%	• Increase driven by growth in both housing lending and business lending, combined with changes to the internal allocation of operational risk relating to the adoption of the SMA, partially offset by improved asset quality.

March 2022 v September 2021

Cash earnings increased by $54 million or 8.8%, driven by higher revenue, partially offset by higher operating expenses and higher credit impairment charges.

Key movements	Key drivers
Net interest income up $77m, 7.0%	• Net interest margin increased by 9 basis points primarily driven by higher earnings rates on deposits and capital, favourable deposit mix, and lower wholesale funding costs, partially offset by housing lending competitive pressures impacting lending margins. • Average interest earning assets increased by $3.2 billion or 3.3% due to growth in housing lending and business lending. • Customer deposits increased by $3.4 billion or 5.0% driven by growth in on-demand deposits of $1.3 billion, non-interest bearing accounts of $1.2 billion and term deposits of $0.9 billion.
Other operating income up $18m, 6.8%	• Higher sales of customer risk management products and higher business lending fees due to volume growth, partially offset by a decrease in the number of over-the-counter transactions.
Operating expenses up $3m, 0.6%	• Increased spend on additional bankers and resources to support growth and financial crime capabilities, combined with salary increases. • Partially offset by productivity benefits.
Credit impairment charge up $14m	• Higher credit impairment charge due to the non-recurrence of write-backs for a small number of larger exposures in the prior period, combined with lower collective provision charges. • 90+ DPD and gross impaired assets to GLAs decreased by 6 basis points mainly due to lower impaired loans in the corporate and dairy portfolios.
Total risk-weighted assets up $0.5bn, 0.8%	• Increase driven by growth in both housing lending and business lending, combined with changes to the internal allocation of operational risk relating to the adoption of the SMA, partially offset by improved asset quality.

NEW ZEALAND BANKING (CONTINUED)

Results presented in Australian dollars. See page 36 for results in New Zealand dollars.

	Half Year to				
	Mar 22 $m	Sep 21 $m	Mar 21 $m	Mar 22 v Sep 21 %	Mar 22 v Mar 21 %
Net interest income	**1,114**	1,038	979	7.3	13.8
Other operating income	**265**	247	258	7.3	2.7
Net operating income	**1,379**	1,285	1,237	7.3	11.5
Operating expenses	**(481)**	(477)	(456)	0.8	5.5
Underlying profit	**898**	808	781	11.1	15.0
Credit impairment (charge) / write-back	**(19)**	(5)	17	large	large
Cash earnings before tax	**879**	803	798	9.5	10.2
Income tax expense	**(249)**	(225)	(222)	10.7	12.2
Cash earnings	**630**	578	576	9.0	9.4

Impact of foreign exchange rate movements

Favourable / (unfavourable) 31 March 2022	Half Year since Sep 21 $m	Mar 22 v Sep 21 ex FX %	Year since Mar 21 $m	Mar 22 v Mar 21 ex FX %
Net interest income	**4**	6.9	**11**	12.7
Other operating income	**-**	7.3	**2**	1.9
Operating expenses	**(1)**	0.6	**(4)**	4.6
Credit impairment (charge) / write-back	**-**	large	**-**	large
Income tax expense	**(1)**	10.2	**(3)**	10.8
Cash earnings	**2**	8.7	**6**	8.3

CORPORATE FUNCTIONS AND OTHER

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

	Half Year to[1]				
	Mar 22 $m	Sep 21 $m	Mar 21 $m	Mar 22 v Sep 21 %	Mar 22 v Mar 21 %
Net operating income	**224**	155	246	44.5	(8.9)
Operating expenses	**(412)**	(375)	(396)	9.9	4.0
Underlying loss	**(188)**	(220)	(150)	(14.5)	25.3
Credit impairment (charge) / write-back	**(55)**	362	43	large	large
Cash earnings / (loss) before tax and distributions	**(243)**	142	(107)	large	large
Income tax benefit	**70**	15	30	large	large
Cash earnings / (loss) before distributions	**(173)**	157	(77)	large	large
Distributions	**-**	-	(13)	-	large
Cash earnings / (loss)	**(173)**	157	(90)	large	92.2

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

March 2022 v March 2021

Cash loss increased by $83 million or 92.2% mainly due to lower net operating income, higher operating expenses and credit impairment charges, partially offset by lower distributions.

Key movements	Key drivers
Net operating income down $22m, 8.9%	• Lower NAB risk management income in Treasury combined with the non-recurrence of one off gains in the prior period. • Partially offset by a one-off gain from payment systems merger and an increase in equity accounted earnings from the investment in MLC Life.
Operating expenses up $16m, 4.0%	• Additional operating costs from the acquisition of 86 400, combined with higher regulatory spend and investment in technology. • Partially offset by the non-recurrence of $26 million payroll remediation costs in the prior period.
Credit impairment charge up $98m	• Higher level of charges for the forward looking economic adjustment raised for uncertainty in the economic outlook. • Partially offset by lower level of charges for FLAs raised for targeted sectors.
Distributions down $13m	• Distributions reduced due to the redemption of the National Income Securities in February 2021.

March 2022 v September 2021

Cash loss increased by $330 million mainly due to higher credit impairment charges and operating expenses, partially offset by higher net operating income.

Key movements	Key drivers
Net operating income up $69m, 44.5%	• A one-off gain from payment systems merger, net lower customer-related remediation, as well as an increase in equity accounted earnings from the investment in MLC Life.
Operating expenses up $37m, 9.9%	• Additional operating costs from the acquisition of 86 400, combined with higher regulatory spend and investment in technology.
Credit impairment charge up $417m	• Lower level of net releases of FLAs held for targeted sectors, including the non-recurrence of $248 million of FLA release as the result of a sale of part of the aviation portfolio in the September 2021 half year. • Partially offset by lower level of charges for the forward looking economic adjustment raised for uncertainty in the economic outlook.

CORPORATE FUNCTIONS AND OTHER (CONTINUED)

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SECTION 4

REPORT OF THE DIRECTORS

The Directors of National Australia Bank Limited (NAB) (ABN 12 004 044 937) present their report, together with the interim financial statements of NAB and its controlled entities (the Group) for the half year ended 31 March 2022.

Directors

Directors who held office during or since the end of the March 2022 half year are:

Philip Chronican
Director since May 2016 and Chair of the Board since November 2019

Ross McEwan
Managing Director and Group Chief Executive Officer since December 2019

David Armstrong
Director since August 2014

Kathryn Fagg
Director since December 2019

Peeyush Gupta
Director since November 2014

Anne Loveridge
Director since December 2015

Douglas McKay
Director since February 2016

Simon McKeon
Director since February 2020

Ann Sherry
Director since November 2017

Rounding of Amounts

Pursuant to the ASIC Corporations (Rounding in Financial / Directors' Reports) Instrument 2016/191, amounts in this report and the accompanying financial statements have been rounded to the nearest million dollars, except where indicated.

Significant Changes in the State of Affairs

On 24 March 2022, NAB announced the completion of its $2.5 billion on-market share buy-back(1), which resulted in the buy-back of 86,925,469 ordinary shares. NAB also announced that it will commence a further on-market buy-back of up to $2.5 billion(2), bringing the total potential combined size to $5 billion. The further buy-back will allow NAB to continue managing its CET1 capital ratio towards its target range of 10.75 – 11.25%(3). Subject to market conditions, NAB expects to commence the further buy-back following its 2022 Half Year results announcement on 5 May 2022.

There have been no other significant changes in the Group's state of affairs during the March 2022 half year.

Response to floods in Queensland and New South Wales

Multiple flooding events have severely impacted communities across Queensland and New South Wales.

In response, the Group enacted support measures for customers, colleagues and communities. These included targeted product support such as concessional loans to customers seeking to restructure facilities, reducing payments for, and enacting moratoriums on, personal and home loans, credit card payment relief and tele-consults with the Group's NAB Assist team. The Group also deployed the 'Bank in a Box' in Lismore to support customers and the local community with access to cash and financial services.

In addition, the Group and the NAB Foundation provided disaster relief measures totalling $4.4 million in the March 2022 half year. This included:

- $3.3 million in emergency grants to provide immediate financial support for impacted customers and colleagues.
- $330,000 in grants to more than 50 local football clubs across Queensland and New South Wales to help get them back on the field.
- $100,000 to Queensland Fire and Emergency Services and $100,000 to New South Wales State Emergency Service to aid their response efforts.
- $100,000 to GIVIT's Storm and Flooding Appeal.
- More than $224,000 donated through a national fundraising campaign with GIVIT's Storm and Flooding Appeal, where the Group matched every dollar donated to GIVIT's Storm and Flooding Appeal.
- Nabtrade charity day donation of $250,000 in brokerage to GIVIT's Storm and Flooding Appeal.

The Group's response is part of its strategic program to support Australians before, during and after natural disasters. For more information on this program, refer to https://www.nab.com.au/about-us/social-impact/customers/natural-disaster-and-crisis-support.

(1) Announced on 30 July 2021.
(2) The further buy-back is expected to be undertaken over approximately 12 months.
(3) Capital ratios refer to Level 2 CET1 capital under current APRA capital standards.

REPORT OF THE DIRECTORS (CONTINUED)

Review of operations and financial performance

	Half Year to[1]	
	Mar 22	Sep 21
	$m	$m
Net interest income	7,076	6,953
Other income	1,995	1,521
Net operating income	9,071	8,474
Operating expenses	(4,072)	(4,000)
Credit impairment write-back	2	74
Profit before income tax	5,001	4,548
Income tax expense	(1,430)	(1,307)
Net profit for the period from continuing operations	3,571	3,241
Net loss after tax for the period from discontinued operations	(20)	(84)
Net profit for the period	3,551	3,157
Profit attributable to non-controlling interests	-	1
Net profit attributable to owners of NAB	3,551	3,156

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

Net profit attributable to owners of NAB increased by $395 million compared to the September 2021 half year. Net profit from continuing operations increased by $330 million or 10.2% compared to the September 2021 half year primarily due to higher net operating income, partially offset by higher operating expenses and lower credit impairment write-backs.

Net interest income increased by $123 million or 1.8% driven by higher average lending volumes, deposit repricing, favourable deposit mix and lower term deposit costs, lower wholesale funding costs and higher earnings on capital. These movements were partially offset by competitive pressures and product mix impacting housing lending margins and lower NAB risk management income in Markets and Treasury.

Other income increased by $474 million or 31.2% primarily driven by higher NAB risk management income in Markets and Treasury, and higher fee income reflecting strong volume growth across housing lending and business lending portfolios and higher cards income from increased spend volumes. This is combined with favourable movements in hedging and fair value volatility.

Operating expenses increased by $72 million or 1.8% primarily due to higher personnel expenses including additional bankers and resources to support growth, combined with salary increases, additional costs associated with the investment in technology as well as acquisition, integration and transaction costs associated with the acquisition and disposal of Group businesses. These were partially offset by productivity benefits achieved through simplification of the Group's operations and reduction in third party spend.

Credit impairment write-back decreased by $72 million or 97.3% including a net $43 million increase in charges for forward looking provisions. Excluding forward looking provisions, underlying charges have increased by $29 million driven by the non-recurrence of collective provision releases for the Australian unsecured retail portfolio in the prior period, partially offset by a lower level of collective provision charges for the Australian mortgage portfolio.

Discontinued operations in the March 2022 half year primarily relate to MLC Wealth-related items. The September 2021 half year includes the results of MLC Wealth prior to the sale, loss on sale of MLC Wealth and MLC Wealth-related items.

Group balance sheet review

	As at	
	31 Mar 22	30 Sep 21
	$m	$m
Assets		
Cash and liquid assets	44,164	50,832
Due from other banks	133,787	107,546
Collateral placed	10,009	6,430
Trading securities	45,961	50,020
Debt instruments	40,251	41,878
Other financial assets	2,180	2,794
Derivative assets	30,325	27,474
Loans and advances	652,488	621,156
All other assets	16,711	17,838
Total assets	975,876	925,968
Liabilities		
Due to other banks	66,721	74,160
Collateral received	6,323	4,664
Other financial liabilities	25,682	27,046
Derivative liabilities	33,965	24,031
Deposits and other borrowings	654,780	605,043
Bonds, notes and subordinated debt	107,285	109,154
Other debt issues	6,835	6,831
All other liabilities	13,256	12,260
Total liabilities	914,847	863,189
Total equity	61,029	62,779
Total liabilities and equity	975,876	925,968

Assets

Total assets increased by $49,908 million or 5.4% compared to 30 September 2021. The key movements are as follows:

- Cash and liquid assets decreased by $6,668 million or 13.1% predominantly due to a decrease in reverse repurchase agreements with corporate counterparties.
- Due from other banks increased by $26,241 million or 24.4% primarily due to an increase in deposits and reverse repurchase agreements with central banks, as well as an increase in the Exchange Settlement Account (ESA) balance with the RBA.
- Collateral placed increased by $3,579 million or 55.7% as a result of an increase in derivative liabilities.
- Trading securities decreased by $4,059 million or 8.1% driven by interest rate movements during the period and a reduction in bond holdings.

REPORT OF THE DIRECTORS (CONTINUED)

- Derivative assets increased by $2,851 million or 10.4% predominantly driven by foreign exchange rate and interest rate movements during the period.
- Loans and advances increased by $31,332 million or 5.0% due to growth in both housing and non-housing lending.

Liabilities

Total liabilities increased by $51,658 million or 6.0% compared to 30 September 2021. The key movements are as follows:

- Due to other banks decreased by $7,439 million or 10.0% predominantly due to a decrease in repurchase agreements.
- Derivative liabilities increased by $9,934 million or 41.3% predominantly driven by foreign exchange rate and interest rate movements during the period.
- Deposits and other borrowings increased by $49,737 million or 8.2% mainly due to growth in customer deposits, as well as an increase in other borrowings in line with the Group's funding requirements.
- Bonds, notes and subordinated debt decreased by $1,869 million or 1.7% mainly driven by foreign exchange rate and interest rate movements during the period, partially offset by net new issuances in line with the Group's funding requirements.

Equity

Total equity decreased by $1,750 million or 2.8% compared to 30 September 2021. The key movements are as follows:

- Contributed equity decreased by $1,956 million or 4.5% mainly driven by share buy-backs during the period.
- Reserves decreased by $1,252 million primarily due to movements in the cash flow hedge reserve and foreign currency translation reserve, partially offset by movements in the cost of hedging reserve.
- Retained earnings increased by $1,458 million or 7.7% reflecting current period statutory profits, partially offset by dividends paid.

Review of divisional results

Business and Private Banking results were driven by an increase in revenue from balance sheet growth, combined with lower credit impairment charges and lower operating expenses.

Personal Banking results were driven by lower revenue as result of competitive pressures and housing lending portfolio mix, partially offset by lower operating expenses.

Corporate and Institutional Banking results were driven by higher Markets income, increased lending volumes and lower credit impairment charges.

New Zealand Banking results were driven by higher revenue, partially offset by higher operating expenses and higher credit impairment charges.

Corporate Functions and Other results reflect higher credit impairment charges and operating expenses, partially offset by higher net operating income.

Safety and Security of the Bank

The COVID-19 pandemic had a significant impact on global and domestic capital and funding markets. Furthermore, the March 2022 half year saw increasing market volatility and widening credit spreads. The Group was well placed heading into this period and continues to have a strong balance sheet, accessing a range of domestic and global markets to support the Group’s capital and funding requirements over the half year.

Consistent with safety being a key pillar of the Group's strategic ambition, March 2022 balance sheet settings have been maintained at prudent levels including a CET1 ratio of 12.48% (pro forma 11.65% including estimated impacts of the proposed acquisition of Citigroup’s Australian consumer business, the sale of BNZ Life, and the announced additional $2.5bn on-market buy-back). The additional buy-back will allow NAB to continue managing its CET1 capital ratio towards its target range of 10.75-11.25% under current APRA capital standards.

The Group maintained funding and liquidity metrics well above regulatory minimums throughout the March 2022 half year. The NSFR was 123% and the quarterly average LCR was 134%.

Economic Outlook

The outlook for the Group's financial performance and outcomes may be impacted by a range of factors including:

- The evolution and spread of COVID-19, in Australia and abroad, and the policy response, including fiscal support.
- Geopolitical events and their impact on global growth, domestic confidence and key sectors for Australia.
- The impact on financial conditions as central banks move to tighten monetary policy.
- Global supply chain disruptions and the speed at which they are resolved.
- Re-opening of the international borders and the impact on net migration.

Subsequent Events

On 2 May 2022, NAB announced that it had entered into an enforceable undertaking (EU) with the Australian Transaction Reports and Analysis Centre (AUSTRAC). This follows an enforcement investigation undertaken by AUSTRAC, which commenced in June 2021, in relation to the NAB Group’s compliance with certain requirements under Australia's anti-money laundering and counter-terrorism financing (AML / CTF) laws. Under the terms of the EU, NAB and certain subsidiaries are required to, amongst other things, complete a Remedial Action Plan (RAP) approved by AUSTRAC by 31 December 2024.

The Group expects to incur expenditure between $80 million and $120 million per annum over 3 years to execute the RAP and comply with the EU. This is in addition to amounts already incurred in supporting the Group's financial crime activities.

REPORT OF THE DIRECTORS (CONTINUED)

Corporate Governance

The Board has received the relevant assurances required under Recommendation 4.2 of the ASX Corporate Governance Principles and Recommendations jointly from the Group Chief Executive Officer and the Group Chief Financial Officer in respect to the half year financial report for the period ended 31 March 2022.

The directors of NAB have a responsibility with respect to the integrity of external reporting. This involves reviewing and monitoring, with the assistance of the Board Audit Committee and management, the processes, controls and procedures that are in place to maintain the integrity of the Group's financial statements. Further details on the role of the Board and its Committees can be found online in the Corporate Governance section of the NAB website at *www.nab.com.au/about-us/corporate-governance*.

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required by section 307C of the *Corporations Act 2001* (Cth) is set out on the following page and forms part of this report.

Directors' Signatures

Signed in accordance with the resolution of the Directors:

Philip Chronican
Chair

Ross McEwan
Group Chief Executive Officer

5 May 2022

Forward looking statements

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

There are a number of other important factors that could cause actual results to differ materially from those projected in such statements, including (without limitation) a significant change in the Group's financial performance or operating environment; a material change to law or regulation or changes to regulatory policy or interpretation; and risks and uncertainties associated with the ongoing impacts of the COVID-19 pandemic, the conflict between Russia and Ukraine, the Australian and global economic environment and capital market conditions. Further information is contained in the Group's Luxembourg Transparency Law disclosures released to the ASX on 5 May 2022 and the Group's Annual Financial Report for the 2021 financial year, which is available at *www.nab.com.au*.

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Auditor's Independence Declaration to the Directors of National Australia Bank Limited

As lead auditor for the review of the half-year financial report of National Australia Bank Limited for the half-year ended 31 March 2022, I declare to the best of my knowledge and belief, there have been:

a) No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review;

b) No contraventions of any applicable code of professional conduct in relation to the review; and

c) No non-audit services provided that contravene any applicable code of professional conduct in relation to the review.

This declaration is in respect of National Australia Bank Limited and the entities it controlled during the financial period.

Ernst & Young

Ernst & Young

Sarah Lowe

Sarah Lowe
Partner
5 May 2022

CONSOLIDATED FINANCIAL STATEMENTS

Income statement

		Half Year to[1]		
		Mar 22	Sep 21	Mar 21
	Note	$m	$m	$m
Interest income				
Effective interest income		**8,605**	8,785	8,363
Fair value through profit or loss		**389**	55	831
Interest expense		**(1,918)**	(1,887)	(2,354)
Net interest income		**7,076**	6,953	6,840
Other income	3	**1,995**	1,521	1,415
Operating expenses	4	**(4,072)**	(4,000)	(3,863)
Credit impairment write-back	8	**2**	74	128
Profit before income tax		**5,001**	4,548	4,520
Income tax expense	5	**(1,430)**	(1,307)	(1,290)
Net profit for the period from continuing operations		**3,571**	3,241	3,230
Net loss after tax for the period from discontinued operations	14	**(20)**	(84)	(20)
Net profit for the period		**3,551**	3,157	3,210
Attributable to non-controlling interests		**-**	1	2
Attributable to owners of NAB		**3,551**	3,156	3,208
Earnings per share		**cents**	**cents**	**cents**
Basic		**109.1**	95.9	97.1
Diluted		**104.8**	92.1	92.7
Basic from continuing operations		**109.7**	98.5	97.8
Diluted from continuing operations		**105.4**	94.5	93.4

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

CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Statement of comprehensive income

	Note	Half Year to[1] Mar 22 $m	Sep 21 $m	Mar 21 $m
Net profit for the period from continuing operations		**3,571**	3,241	3,230
Other comprehensive income				
Items that will not be reclassified to profit or loss				
Actuarial gains on defined benefit superannuation plans		**-**	1	-
Fair value changes on financial liabilities designated at fair value attributable to the Group's own credit risk		**119**	23	(101)
Revaluation of land and buildings		**8**	-	-
Equity instruments at fair value through other comprehensive income reserve:				
Revaluation gains / (losses)		**10**	(2)	5
Tax on items transferred directly to equity		**(37)**	(8)	30
Total items that will not be reclassified to profit or loss		**100**	14	(66)
Items that will be reclassified subsequently to profit or loss				
Cash flow hedge reserve:				
Gains / (losses) on cash flow hedging instruments		**(1,635)**	18	(336)
Cost of hedging reserve		**448**	61	124
Foreign currency translation reserve:				
Currency adjustments on translation of foreign operations		**(363)**	424	(123)
Transfer to the income statement on disposal or partial disposal of foreign operations[2]		**-**	-	(14)
Debt instruments at fair value through other comprehensive income reserve:				
Revaluation gains / (losses)		**(12)**	(34)	411
Transferred to the income statement		**(99)**	(66)	(36)
Tax on items transferred directly to equity		**392**	5	(52)
Total items that will be reclassified subsequently to profit or loss		**(1,269)**	408	(26)
Other comprehensive income for the period, net of income tax		**(1,169)**	422	(92)
Total comprehensive income for the period from continuing operations		**2,402**	3,663	3,138
Net loss after tax for the period from discontinued operations	14	**(20)**	(84)	(20)
Other comprehensive income for the period from discontinued operations, net of income tax		**-**	9	(1)
Total comprehensive income for the period		**2,382**	3,588	3,117
Attributable to non-controlling interests	14	**-**	1	2
Total comprehensive income attributable to owners of NAB		**2,382**	3,587	3,115

(1) Information is presented on a continuing operations basis, unless otherwise stated.
(2) Partial disposals of foreign operations include returns of capital made by foreign branches.

CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Balance sheet

	Note	31 Mar 22 $m	30 Sep 21 $m	31 Mar 21 $m
		As at		
Assets				
Cash and liquid assets		**44,164**	50,832	52,831
Due from other banks		**133,787**	107,546	77,192
Collateral placed		**10,009**	6,430	7,389
Trading securities		**45,961**	50,020	52,692
Debt instruments		**40,251**	41,878	40,800
Other financial assets		**2,180**	2,794	2,960
Derivative assets		**30,325**	27,474	30,416
Loans and advances		**652,488**	621,156	589,848
Current tax assets		**31**	36	114
Deferred tax assets		**2,934**	2,953	3,253
Property, plant and equipment		**3,086**	2,814	2,265
Goodwill and other intangible assets		**4,177**	4,113	3,776
Other assets		**6,483**	7,922	6,583
Assets held for sale		**-**	-	1,454
Total assets		**975,876**	925,968	871,573
Liabilities				
Due to other banks		**66,721**	74,160	48,442
Collateral received		**6,323**	4,664	4,816
Other financial liabilities		**25,682**	27,046	26,520
Derivative liabilities		**33,965**	24,031	27,307
Deposits and other borrowings	10	**654,780**	605,043	572,726
Current tax liabilities		**426**	271	30
Provisions		**1,785**	2,834	3,264
Bonds, notes and subordinated debt		**107,285**	109,154	111,464
Other debt issues		**6,835**	6,831	6,826
Deferred tax liabilities		**-**	29	30
Other liabilities		**11,045**	9,126	8,407
Liabilities directly associated with assets held for sale		**-**	-	164
Total liabilities		**914,847**	863,189	809,996
Net assets		**61,029**	62,779	61,577
Equity				
Contributed equity	11	**41,291**	43,247	43,713
Reserves	11	**(702)**	550	91
Retained profits		**20,440**	18,982	17,772
Total equity (parent entity interest)		**61,029**	62,779	61,576
Non-controlling interest in controlled entities		**-**	-	1
Total equity		**61,029**	62,779	61,577

CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Condensed statement of cash flows

	Half Year to		
	Mar 22 $m	Sep 21 $m	Mar 21 $m
Cash flows from operating activities			
Interest received	**8,930**	8,885	9,309
Interest paid	**(1,841)**	(1,992)	(2,597)
Dividends received	**21**	14	8
Other cash flows from operating activities before changes in operating assets and liabilities	**1,723**	474	(3,287)
Income tax paid	**(932)**	(684)	(1,149)
Changes in operating assets and liabilities arising from cash flow movements	**21,415**	(15,815)	7,593
Net cash provided by / (used in) operating activities	**29,316**	(9,118)	9,877
Cash flows from investing activities			
Movement in debt instruments:			
Purchases	**(14,719)**	(15,897)	(13,843)
Proceeds from disposal and maturity	**13,978**	14,505	11,796
Net movement in associates and joint ventures, and other debt and equity instruments	**13**	845	(243)
Purchase of property, plant, equipment and software	**(424)**	(548)	(310)
Proceeds from sale of property, plant, equipment and software, net of costs	**1**	1	-
Net cash provided by / (used in) investing activities	**(1,151)**	(1,094)	(2,600)
Cash flows from financing activities			
Repayments of bonds, notes and subordinated debt	**(16,769)**	(16,982)	(13,080)
Proceeds from issue of bonds, notes and subordinated debt, net of costs	**21,744**	9,199	3,899
Payments for share buy-back	**(2,014)**	(486)	-
Purchase of shares for dividend reinvestment plan neutralisation	**(239)**	(164)	-
Repayments of other contributed equity	**-**	-	(2,000)
Proceeds from other debt issues, net of costs	**-**	-	2,365
Repayments of other debt issues	**-**	-	(1,731)
Dividends and distributions paid (excluding dividend reinvestment plan)	**(1,939)**	(1,800)	(882)
Repayments of other financing activities	**(174)**	(194)	(189)
Net cash provided by / (used in) financing activities	**609**	(10,427)	(11,618)
Net increase / (decrease) in cash and cash equivalents	**28,774**	(20,639)	(4,341)
Cash and cash equivalents at beginning of period	**37,881**	56,729	62,041
Effects of exchange rate changes on balance of cash held in foreign currencies	**(2,356)**	1,791	(971)
Cash and cash equivalents at end of period	**64,299**	37,881	56,729

CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Statement of changes in equity

	Contributed equity[(1)] $m	Reserves[(1)] $m	Retained profits $m	Total $m	Non-controlling interest in controlled entities $m	Total equity $m
Balance at 1 October 2020[(2)]	45,476	99	15,717	61,292	1	61,293
Net profit for the period from continuing operations	-	-	3,230	3,230	-	3,230
Net profit / (loss) for the period from discontinued operations	-	-	(22)	(22)	2	(20)
Other comprehensive income for the period from continuing operations	-	(21)	(71)	(92)	-	(92)
Other comprehensive income for the period from discontinued operations	-	-	(1)	(1)	-	(1)
Total comprehensive income for the period	-	(21)	3,136	3,115	2	3,117
Transactions with owners, recorded directly in equity:						
Contributions by and distributions to owners						
Issue of ordinary shares	110	-	-	110	-	110
Transfer from / (to) retained profits	-	21	(21)	-	-	-
Transfer from equity-based compensation reserve	72	(72)	-	-	-	-
Equity-based compensation	-	49	-	49	-	49
Dividends paid	-	-	(977)	(977)	(2)	(979)
Distributions on other equity instruments	-	-	(13)	(13)	-	(13)
Redemption of National Income Securities	(1,945)	15	(70)	(2,000)	-	(2,000)
Balance at 31 March 2021	43,713	91	17,772	61,576	1	61,577
Net profit for the period from continuing operations	-	-	3,241	3,241	-	3,241
Net profit / (loss) for the period from discontinued operations	-	-	(85)	(85)	1	(84)
Other comprehensive income for the period from continuing operations	-	406	16	422	-	422
Other comprehensive income for the period from discontinued operations	-	3	6	9	-	9
Total comprehensive income for the period	-	409	3,178	3,587	1	3,588
Transactions with owners, recorded directly in equity:						
Contributions by and distributions to owners						
Issue of ordinary shares	164	-	-	164	-	164
Tax on deductible transaction costs	13	-	-	13	-	13
On-market purchase of shares for dividend reinvestment plan neutralisation	(164)	-		(164)		(164)
Share buy-back	(486)	-		(486)		(486)
Transfer from / (to) retained profits	-	6	(6)	-	-	-
Transfer from equity-based compensation reserve	7	(7)	-	-	-	-
Equity-based compensation	-	51	-	51	-	51
Dividends paid	-	-	(1,962)	(1,962)	(2)	(1,964)
Distributions on other equity instruments	-	-	-	-	-	-
Balance at 30 September 2021	43,247	550	18,982	62,779	-	62,779

(1) Refer to *Note 11 Contributed equity and reserves*.
(2) Information is presented on a continuing operations basis, unless otherwise stated.

CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Statement of changes in equity (continued)

	Contributed equity[1] $m	Reserves[1] $m	Retained profits $m	Total $m	Non-controlling interest in controlled entities $m	Total equity $m
Balance at 1 October 2021[2]	**43,247**	**550**	**18,982**	**62,779**	**-**	**62,779**
Net profit for the period from continuing operations	-	-	3,571	3,571	-	3,571
Net profit / (loss) for the period from discontinued operations	-	-	(20)	(20)	-	(20)
Other comprehensive income for the period from continuing operations	-	(1,251)	82	(1,169)	-	(1,169)
Total comprehensive income for the period	**-**	**(1,251)**	**3,633**	**2,382**	**-**	**2,382**
Transactions with owners, recorded directly in equity:						
Contributions by and distributions to owners						
Issue of ordinary shares	239	-	-	239	-	239
On-market purchase of shares for dividend reinvestment plan neutralisation	(239)	-	-	(239)		(239)
Share buy-back	(2,014)	-	-	(2,014)	-	(2,014)
Transfer from / (to) retained profits	-	(3)	3	-	-	-
Transfer from equity-based compensation reserve	58	(58)	-	-	-	-
Equity-based compensation	-	60	-	60	-	60
Dividends paid	-	-	(2,178)	(2,178)	-	(2,178)
Balance at 31 March 2022	**41,291**	**(702)**	**20,440**	**61,029**	**-**	**61,029**

(1) Refer to *Note 11 Contributed equity and reserves*.
(2) Information is presented on a continuing operations basis, unless otherwise stated.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 1 Basis of preparation

This interim financial report (the report) for the half year reporting period ended 31 March 2022 has been prepared in accordance with the Australian Securities Exchange (ASX) Listing Rules, *the Corporations Act 2001* (Cth) and AASB 134 *Interim Financial Reporting*.

This report has been prepared under the historical cost basis, as modified by the fair value accounting of certain assets and liabilities where required or permitted by standards and interpretations issued by the Australian Accounting Standards Board (AASB).

This interim financial report does not contain all disclosures of the type normally found within an annual financial report and therefore cannot be expected to provide as full an understanding of the financial position and financial performance of the Group as that given by the annual financial report. This report should be read in conjunction with the Group's 2021 Annual Financial Report and any public announcements made up until the date of this interim financial report.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as net loss after tax from discontinued operations in the income statement.

Accounting policies

The accounting policies and methods of computation applied in this report are consistent with those applied in the Group's 2021 Annual Financial Report. There were no substantial amendments to Australian Accounting Standards adopted during the period that have a material impact on the Group.

Critical accounting judgements and estimates

The preparation of this interim financial report requires the use of critical accounting estimates, judgements and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Except as explained below, there have been no significant changes to the accounting estimates, judgements and assumptions used in preparing the interim financial report compared to those applied in the preparation of the 2021 Annual Financial Report.

Goodwill

Since 1 October 2021, the Group has made progress in the operational integration of UBank and 86 400. As a result, the combined business is now considered to be a single cash-generating unit (CGU) and the goodwill recognised on the acquisition of 86 400 has been allocated to this new UBank CGU. The remainder of the Group's CGUs are consistent with those presented in the 2021 Annual Financial Report.

Judgement is required to determine the appropriate cash flows, discount rates and growth rates to be applied in calculating the recoverable amount of the Group's CGUs. The key assumptions used in determining the recoverable amount of CGUs, to which goodwill has been allocated, are as follows:

	Goodwill			Discount rate per annum	Terminal growth rate
	Mar 22	Sep 21	Mar 21	Mar 22	Mar 22
	$m	$m	$m	%	%
Cash generating unit					
Business and Private Banking	**68**	68	68	**8.9**	**3.9**
New Zealand Banking	**258**	258	258	**9.0**	**3.9**
Personal Banking	**1,512**	1,512	1,512	**8.9**	**3.9**
UBank(1)	**126**	126	-	**9.5**	**3.9**
Total goodwill	**1,964**	1,964	1,838	**n/a**	**n/a**

(1) Cash flows are forecast over a period of seven years for the UBank CGU to recognise the integration with 86 400 in the earlier years and the consequential benefits of the combined business over the longer term.

Currency of presentation

All amounts are expressed in Australian dollars unless otherwise stated.

Rounding of amounts

In accordance with ASIC Corporations (Rounding in Financial / Directors' Reports) Instrument 2016/191, all amounts have been rounded to the nearest million dollars, except where indicated.

Other developments - IBOR Reform

Following the cessation of certain non-USD interest rate benchmarks from 1 January 2022, the Group has transitioned substantially all impacted non-USD financial instrument contracts to alternative reference rates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Note 2 Segment information

Overview

For the March 2022 half year, the Group's segment information is presented based on the following reportable segments: Business and Private Banking; Personal Banking; Corporate and Institutional Banking; New Zealand Banking and Corporate Functions and Other. Prior period segment information includes MLC Wealth as a segment, presented as a discontinued operation.

The Group evaluates performance on the basis of cash earnings as it better reflects what is considered to be the underlying performance of the Group. Cash earnings is a non-IFRS key financial performance measure used by the Group and the investment community.

Cash earnings is calculated by adjusting statutory net profit from continuing operations for certain non-cash earnings items. Non-cash earnings items are those items which are considered separately when assessing performance and analysing the underlying trends in the business. Cash earnings has been adjusted for hedging and fair value volatility, amortisation of acquired intangible assets, and acquisition, integration and transaction costs. The March 2021 half year has additionally been adjusted for distributions. 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.

Major customers

No single customer contributes revenue greater than 10% of the Group's revenues.

Reportable segments

	Half Year to March 2022[1]					
	Business and Private Banking $m	Personal Banking $m	Corporate and Institutional Banking $m	New Zealand Banking $m	Corporate Functions and Other[2] $m	Total Group $m
Reportable segment information						
Net interest income	2,832	1,931	973	1,114	235	7,085
Other operating income	483	247	759	265	(11)	1,743
Net operating income	3,315	2,178	1,732	1,379	224	8,828
Operating expenses	(1,295)	(1,078)	(697)	(481)	(412)	(3,963)
Underlying profit / (loss)	2,020	1,100	1,035	898	(188)	4,865
Credit impairment (charge) / write-back	27	26	19	(19)	(55)	(2)
Cash earnings / (loss) before tax	2,047	1,126	1,054	879	(243)	4,863
Income tax (expense) / benefit	(618)	(338)	(248)	(249)	70	(1,383)
Cash earnings / (loss)	1,429	788	806	630	(173)	3,480
Hedging and fair value volatility	(2)	(3)	21	23	144	183
Other non-cash earnings items	-	-	-	-	(92)	(92)
Net profit / (loss) for the period from continuing operations	1,427	785	827	653	(121)	3,571
Net loss attributable to owners of NAB from discontinued operations	-	-	-	-	(20)	(20)
Net profit / (loss) attributable to the owners of NAB	1,427	785	827	653	(141)	3,551

(1) Information is presented on a continuing operations basis, unless otherwise stated.
(2) Corporate Functions and Other includes Group Eliminations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Note 2 Segment information (continued)

	Half Year to September 2021[1]						
	Business and Private Banking $m	Personal Banking $m	Corporate and Institutional Banking $m	New Zealand Banking $m	Corporate Functions and Other[2] $m	MLC Wealth $m	Total Group $m
Reportable segment information							
Net interest income	2,734	1,986	951	1,038	249	-	6,958
Other operating income	428	230	598	247	(94)	-	1,409
Net operating income	3,162	2,216	1,549	1,285	155	-	8,367
Operating expenses	(1,308)	(1,101)	(693)	(477)	(375)	-	(3,954)
Underlying profit / (loss)	1,854	1,115	856	808	(220)	-	4,413
Credit impairment (charge) / write-back	(39)	2	(231)	(5)	362	-	89
Cash earnings before tax	1,815	1,117	625	803	142	-	4,502
Income tax (expense) / benefit	(551)	(326)	(200)	(225)	15	-	(1,287)
Cash earnings	1,264	791	425	578	157	-	3,215
Hedging and fair value volatility	1	4	6	4	48	-	63
Other non-cash earning items	-	-	-	(1)	(36)	-	(37)
Net profit for the period from continuing operations	1,265	795	431	581	169	-	3,241
Net loss attributable to owners of NAB from discontinued operations	-	-	-	-	(61)	(24)	(85)
Net profit / (loss) attributable to the owners of NAB	1,265	795	431	581	108	(24)	3,156

	Half Year to March 2021[1]						
	Business and Private Banking $m	Personal Banking $m	Corporate and Institutional Banking $m	New Zealand Banking $m	Corporate Functions and Other[2] $m	MLC Wealth $m	Total Group $m
Reportable segment information							
Net interest income	2,605	1,976	967	979	312	-	6,839
Other operating income	449	253	706	258	(66)	-	1,600
Net operating income	3,054	2,229	1,673	1,237	246	-	8,439
Operating expenses	(1,239)	(1,096)	(676)	(456)	(396)	-	(3,863)
Underlying profit / (loss)	1,815	1,133	997	781	(150)	-	4,576
Credit impairment (charge) / write-back	(70)	93	45	17	43	-	128
Cash earnings / (loss) before tax and distributions	1,745	1,226	1,042	798	(107)	-	4,704
Income tax (expense) / benefit	(529)	(367)	(260)	(222)	30	-	(1,348)
Cash earnings / (loss) before distributions	1,216	859	782	576	(77)	-	3,356
Distributions	-	-	-	-	(13)	-	(13)
Cash earnings / (loss)	1,216	859	782	576	(90)	-	3,343
Hedging and fair value volatility	(5)	(4)	16	14	(147)	-	(126)
Other non-cash earning items	-	-	-	-	13	-	13
Net profit / (loss) for the period from continuing operations	1,211	855	798	590	(224)	-	3,230
Net profit / (loss) attributable to owners of NAB from discontinued operations	-	-	-	-	(70)	48	(22)
Net profit / (loss) attributable to the owners of NAB	1,211	855	798	590	(294)	48	3,208

(1) Information is presented on a continuing operations basis, unless otherwise stated.
(2) Corporate Functions and Other includes Group Eliminations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Note 3 Other income

	Half Year to[1]		
	Mar 22	Sep 21	Mar 21
	$m	$m	$m
Fees and commissions			
Lending fees[2]	**554**	535	519
Other fees and commissions[2]	**442**	411	497
Net investment management income			
Investment management income	**148**	150	128
Investment management expense	**(75)**	(84)	(68)
Total fees and commissions	**1,069**	1,012	1,076
Gains less losses on financial instruments at fair value			
Trading instruments	**49**	173	297
Hedge ineffectiveness[3]	**37**	16	(249)
Financial instruments designated at fair value	**644**	169	203
Total gains less losses on financial instruments at fair value	**730**	358	251
Other operating income			
Dividend revenue	**21**	8	4
Other income	**175**	143	84
Total other operating income	**196**	151	88
Total other income	**1,995**	1,521	1,415

(1) Information is presented on a continuing operations basis, unless otherwise stated.
(2) Comparative information has been restated for the presentation of fees and commissions income. Lending fees was previously labelled as banking fees, and other fees and commissions incorporates both money transfer fees and fees and commissions.
(3) Represents hedge ineffectiveness of designated hedging relationships. In the March 2021 half year, operational enhancements were implemented to reduce future volatility in statutory earnings related to hedge accounting. This resulted in a one-off $245 million charge to statutory earnings in the March 2021 half year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Note 4 Operating expenses

	Half Year to[1]		
	Mar 22	Sep 21	Mar 21
	$m	$m	$m
Personnel expenses			
Salaries and related on-costs	**1,945**	1,744	1,739
Superannuation costs-defined contribution plans	**155**	154	148
Performance-based compensation	**285**	299	291
Other expenses	**83**	120	82
Total personnel expenses	**2,468**	2,317	2,260
Occupancy and depreciation expenses			
Rental expense	**53**	29	35
Depreciation and impairment	**287**	310	318
Other expenses	**10**	35	35
Total occupancy and depreciation expenses	**350**	374	388
General expenses			
Fees and commissions expense	**24**	25	22
Amortisation of intangible assets	**248**	229	188
Advertising and marketing	**68**	88	72
Charge / (release) to provide for operational risk event losses	**(14)**	25	60
Communications, postage and stationery	**66**	76	76
Computer equipment and software	**381**	389	351
Data communication and processing charges	**38**	32	45
Professional fees	**338**	313	245
Impairment losses recognised	**3**	16	-
Other expenses	**102**	116	156
Total general expenses	**1,254**	1,309	1,215
Total operating expenses	**4,072**	4,000	3,863

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Note 5 Income tax expense

Reconciliation of income tax expense shown in the income statement with prima facie tax payable on the pre-tax accounting profit

	Half Year to[1]		
	Mar 22	Sep 21	Mar 21
	$m	$m	$m
Profit before income tax	**5,001**	4,548	4,520
Prima facie income tax expense at 30%	**1,500**	1,364	1,356
Tax effect of permanent differences:			
Assessable foreign income	**3**	4	3
Foreign tax rate differences	**(34)**	(22)	(56)
Foreign branch income not assessable	**(13)**	(13)	(22)
Over provision in prior years	**(3)**	(7)	(1)
Offshore banking unit adjustment	**(40)**	(31)	(15)
Restatement of deferred tax balances for tax rate changes	**4**	(2)	1
Non-deductible interest on convertible instruments	**30**	29	29
Losses not tax effected	**(2)**	(12)	(1)
Other	**(15)**	(3)	(4)
Total income tax expense	**1,430**	1,307	1,290
Effective tax rate (%)	**28.6%**	28.7%	28.5%

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Note 6 Dividends and distributions

The Group has recognised the following dividends on ordinary shares:

	Half Year to					
	Mar 22	Mar 22	Sep 21	Sep 21	Mar 21	Mar 21
	Amount per share cents	Total amount $m	Amount per share cents	Total amount $m	Amount per share cents	Total amount $m
Dividends on ordinary shares						
Dividend (in respect of prior periods)	**67**	**2,196**	60	1,979	30	987
Deduct: Bonus shares in lieu of dividend	**n/a**	**(18)**	n/a	(17)	n/a	(10)
Dividends paid by NAB	**n/a**	**2,178**	n/a	1,962	n/a	977
Add: Dividends paid to non-controlling interest in controlled entities	**n/a**	**-**	n/a	2	n/a	2
Total dividends paid	**n/a**	**2,178**	n/a	1,964	n/a	979

Franked dividends paid during the period were fully franked at a tax rate of 30% (2021: 30%).

Interim dividend

On 5 May 2022, the Directors determined the following dividend:

	Amount per share cents	Total amount $m	Franked amount per share %
Interim dividend determined in respect of the half year ended 31 March 2022	73	**2,350**	100

The 2022 interim dividend is payable on 5 July 2022. No discount will be applied to the Dividend Reinvestment Plan (DRP), with no participation limit. The financial effect of the interim dividend has not been brought to account in the financial statements for the half year ended 31 March 2022 and will be recognised in subsequent financial reports.

Distributions on other equity instruments

On 15 February 2021, the Group redeemed the $2,000 million of National Income Securities (NIS) issued on 29 June 1999. The NIS were redeemed for cash at their par value ($100) plus the final interest payment. The unpaid preference shares forming part of the NIS were bought back for no consideration and cancelled. During the March 2021 half year, a total distribution of $13m or $0.66 per security was paid.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Note 7 Loans and advances

	As at		
	31 Mar 22 $m	30 Sep 21 $m	31 Mar 21 $m
Loans and advances			
Housing loans	**373,807**	360,000	345,172
Other term lending	**253,061**	238,581	223,594
Asset and lease financing	**14,394**	13,879	12,988
Overdrafts	**4,448**	4,588	4,511
Credit card outstandings	**5,144**	4,871	5,395
Other lending	**8,790**	7,006	6,890
Fair value adjustment	**37**	131	160
Gross loans and advances	**659,681**	629,056	598,710
Represented by:			
Loans and advances at fair value[1]	**1,979**	2,556	2,958
Loans and advances at amortised cost	**657,702**	626,500	595,752
Gross loans and advances	**659,681**	629,056	598,710
Unearned income and deferred net fee income	**(187)**	(173)	(159)
Provision for credit impairment	**(5,027)**	(5,171)	(5,745)
Net loans and advances	**654,467**	623,712	592,806
Securitised loans and loans supporting covered bonds[2]	**35,489**	35,920	34,177

	As at 31 March 2022			
	Australia $m	New Zealand $m	Other International $m	Total Group $m
By product and geographic location				
Housing loans	**323,171**	**50,608**	**28**	**373,807**
Other term lending	**193,269**	**38,042**	**21,750**	**253,061**
Asset and lease financing	**14,188**	**-**	**206**	**14,394**
Overdrafts	**2,639**	**1,801**	**8**	**4,448**
Credit card outstandings	**4,407**	**737**	**-**	**5,144**
Other lending	**7,952**	**387**	**451**	**8,790**
Fair value adjustment	**59**	**(22)**	**-**	**37**
Gross loans and advances	**545,685**	**91,553**	**22,443**	**659,681**
Represented by:				
Loans and advances at fair value[1]	**1,419**	**560**	**-**	**1,979**
Loans and advances at amortised cost	**544,266**	**90,993**	**22,443**	**657,702**
Gross loans and advances	**545,685**	**91,553**	**22,443**	**659,681**

(1) On the balance sheet, this amount is included within other financial assets. Refer to *Balance sheet* in the consolidated financial statements.
(2) Loans supporting securitisation and covered bonds are included within the balance of net loans and advances.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Note 7 Loans and advances (continued)

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

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

(1) On the balance sheet, this amount is included within other financial assets. Refer to *Balance sheet* in the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Note 8 Provision for credit impairment on loans at amortised cost

Expected Credit Losses (ECL) are derived from unbiased probability weighted estimates of loss. The measurement of ECL and assessment of significant increase in credit risk, considers information about current conditions, past events, as well as reasonable and supportable forecasts of future economic conditions.

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

Key estimates and assumptions

- In determining ECL, management judgement is applied, using objective, reasonable and supportable information about current and forecast economic conditions and granular probability of default and loss given default assumptions.
- Macro-economic variables used in these scenarios, include (but are not limited to) cash rates, unemployment rates, GDP growth rates and residential and commercial property price indices.
- When determining whether the risk of default has increased significantly since initial recognition, both quantitative and qualitative information is considered, including expert credit assessment, forward looking information and analysis based on the Group's historical loss experience.

Credit impairment charge on loans at amortised cost

	Half Year to		
	Mar 22	Sep 21	Mar 21
	$m	$m	$m
Credit impairment charge on loans at amortised cost			
New and increased provisions (net of collective provision releases)	**108**	116	6
Write-backs of specific provisions	**(83)**	(172)	(98)
Recoveries of specific provisions	**(27)**	(18)	(36)
Total write-back to the income statement	**(2)**	(74)	(128)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Note 8 Provision for credit impairment on loans at amortised cost (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 2020	470	3,897	824	820	6,011
Changes due to financial assets recognised in the opening balance that have:					
Transferred to 12-mth ECL - collective provision	102	(95)	(7)	-	-
Transferred to Lifetime ECL not credit impaired - collective provision	(29)	177	(148)	-	-
Transfer to Lifetime ECL credit impaired - collective provision	(1)	(55)	56	-	-
Transfer to Lifetime ECL credit impaired - specific provision	-	(10)	(67)	77	-
New and increased provisions (net of collective provision releases)	(270)	(28)	166	138	6
Write-backs of specific provisions	-	-	-	(98)	(98)
Write-offs from specific provisions	-	-	-	(163)	(163)
Foreign currency translation and other adjustments	-	(7)	-	(4)	(11)
Balance at 31 March 2021	272	3,879	824	770	5,745
Changes due to financial assets recognised in the opening balance that have:					
Transferred to 12-mth ECL - collective provision	141	(129)	(12)	-	-
Transferred to Lifetime ECL not credit impaired - collective provision	(95)	180	(85)	-	-
Transfer to Lifetime ECL credit impaired - collective provision	(1)	(38)	39	-	-
Transfer to Lifetime ECL credit impaired - specific provision	(1)	(34)	(48)	83	-
New and increased provisions (net of collective provision releases)	(63)	(203)	168	214	116
Write-backs of specific provisions	-	-	-	(172)	(172)
Write-offs from specific provisions	-	-	-	(250)	(250)
Derecognised in respect of a sale of loans	-	(299)	-	-	(299)
Foreign currency translation and other adjustments	3	20	3	5	31
Balance at 30 September 2021	256	3,376	889	650	5,171
Changes due to financial assets recognised in the opening balance that have:					
Transferred to 12-mth ECL - collective provision	**142**	**(133)**	**(9)**	**-**	**-**
Transferred to Lifetime ECL not credit impaired - collective provision	**(27)**	**114**	**(87)**	**-**	**-**
Transfer to Lifetime ECL credit impaired - collective provision	**(1)**	**(30)**	**31**	**-**	**-**
Transfer to Lifetime ECL credit impaired - specific provision	**-**	**(21)**	**(31)**	**52**	**-**
New and increased provisions (net of collective provision releases)	**(105)**	**83**	**(6)**	**136**	**108**
Write-backs of specific provisions	**-**	**-**	**-**	**(83)**	**(83)**
Write-offs from specific provisions	**-**	**-**	**-**	**(147)**	**(147)**
Foreign currency translation and other adjustments	**(1)**	**(14)**	**(3)**	**(4)**	**(22)**
Balance at 31 March 2022	**264**	**3,375**	**784**	**604**	**5,027**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Note 8 Provision for credit impairment on loans at amortised cost (continued)

ECL scenario analysis

The following table shows the key macro-economic variables used in the base case and downside scenarios as at 31 March 2022.

	Base case			Downside		
	Financial year			Financial year		
	2022	2023	2024	2022	2023	2024
	%	%	%	%	%	%
GDP change (year ended September)	**5.8**	2.6	2.5	**5.0**	(4.5)	0.2
Unemployment (as at 30 September)	**4.0**	3.6	3.8	**7.4**	9.8	10.9
House price change (year ended September)	**7.7**	(8.7)	3.0	**2.2**	(25.1)	(1.0)

The probability weighted ECL is a blended outcome taking into consideration the respective scenarios applied across each of the Group's major loan portfolios. The following table shows the reported total provisions for ECL based on the probability weighting of scenarios, with the sensitivity range reflecting the ECL impacts assuming a 100% weighting is applied to the base case scenario or the downside scenario (with all other assumptions held constant).

	As at		
	31 Mar 22	30 Sep 21	31 Mar 21
	$m	$m	$m
Total provisions for ECL			
Probability weighted	**5,027**	5,171	5,745
100% Base case	**4,063**	4,291	4,904
100% Downside	**6,447**	6,984	7,330

The table below shows weightings applied to the Australian portfolio as at 31 March 2022 to derive the probability weighted ECL:

	As at		
	31 Mar 22	30 Sep 21	31 Mar 21
	%	%	%
Macro-economics scenario weightings			
Upside	**2.5**	5.0	5.0
Base case	**57.5**	62.5	65.0
Downside	**40.0**	32.5	30.0

- The March 2022 total provisions for ECL in the 100% base case and 100% downside scenarios have reduced since September 2021, largely reflecting collective provision releases for the Australian mortgage and business lending portfolios and a lower specific provision balance.
- For the Australian portfolio, the downside scenario weighting has increased from 32.5% as at September 2021 to 40.0% as at March 2022 and the upside scenario weighting has reduced from 5.0% as at September 2021 to 2.5% as at March 2022, reflecting increased downside risks including the potential impact of higher inflation and interest rates.

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

	As at		
	31 Mar 22	30 Sep 21	31 Mar 21
	$m	$m	$m
Total provision for ECL for key portfolios			
Housing	**1,117**	1,248	1,305
Business	**3,740**	3,770	4,126
Others	**170**	153	314
Total	**5,027**	5,171	5,745

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Note 9 Asset quality

Impaired assets consist of retail loans (excluding unsecured portfolio managed facilities) which are contractually 90 days or more past due with security insufficient to cover principal and interest revenue or where sufficient doubt exists about the ability to collect principal and interest in a timely manner, non-retail loans which are contractually past due and / or where sufficient doubt exists about the ability to collect principal and interest in a timely manner, 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).

	As at		
	31 Mar 22 $m	30 Sep 21 $m	31 Mar 21 $m
Summary of total impaired assets			
Impaired assets	**1,087**	1,254	1,668
Restructured loans	**47**	4	1
Gross impaired assets[1]	**1,134**	1,258	1,669
Specific provisions for credit impairment[2]	**(622)**	(664)	(794)
Net impaired assets[3]	**512**	594	875

(1) Gross impaired assets include $30 million (September 2021: $30 million, March 2021: $48 million) of gross impaired other financial assets at fair value and $10 million (September 2021: $9 million, March 2021: $22 million) of impaired off-balance sheet credit exposures.
(2) Includes $18 million (September 2021: $14 million, March 2021: $24 million) of specific provision on loans at fair value.
(3) The fair value of security in respect of impaired assets is $522 million (September 2021: $638 million, March 2021: $907 million). Fair value amounts of security held in excess of the outstanding balance of individual impaired assets are not included in these amounts.

	Australia $m	New Zealand $m	Other International $m	Total Group $m
Movement in gross impaired assets				
Balance at 1 October 2020	1,277	561	28	1,866
New	200	71	-	271
Written-off	(56)	(33)	(1)	(90)
Returned to performing, repaid or no longer impaired	(223)	(144)	(7)	(374)
Foreign currency translation adjustments	-	(2)	(2)	(4)
Balance at 31 March 2021	1,198	453	18	1,669
New	256	27	3	286
Written-off	(136)	(39)	-	(175)
Returned to performing, repaid or no longer impaired	(303)	(232)	(2)	(537)
Foreign currency translation adjustments	-	13	2	15
Balance at 30 September 2021	1,015	222	21	1,258
New	**211**	**12**	**-**	**223**
Written-off	**(61)**	**(20)**	**(1)**	**(82)**
Returned to performing, repaid or no longer impaired	**(226)**	**(32)**	**(1)**	**(259)**
Foreign currency translation adjustments	**-**	**(5)**	**(1)**	**(6)**
Balance at 31 March 2022	**939**	**177**	**18**	**1,134**

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

	As at		
	31 Mar 22 $m	30 Sep 21 $m	31 Mar 21 $m
90+ DPD assets - by geographic location			
Australia	**3,686**	4,498	5,509
New Zealand	**132**	140	148
Other International	**4**	5	7
90+ DPD assets	**3,822**	4,643	5,664

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Note 10 Deposits and other borrowings

	As at		
	31 Mar 22 $m	30 Sep 21 $m	31 Mar 21 $m
Deposits and other borrowings			
Term deposits	**119,147**	108,494	115,961
On-demand and short-term deposits	**313,518**	302,414	280,057
Certificates of deposit	**59,493**	47,519	40,439
Deposits not bearing interest[1]	**97,772**	89,350	79,796
Commercial paper and other borrowings	**35,946**	33,473	26,594
Repurchase agreements	**34,847**	30,348	34,172
Fair value adjustment	**(18)**	(3)	3
Total deposits and other borrowings	**660,705**	611,595	577,022
Represented by:			
Total deposits and other borrowings at fair value	**5,925**	6,552	4,296
Total deposits and other borrowings at amortised cost	**654,780**	605,043	572,726
Total deposits and other borrowings	**660,705**	611,595	577,022

	As at 31 March 2022			
	Australia $m	New Zealand $m	Other International $m	Total Group $m
By product and geographic location				
Term deposits	**90,939**	**23,475**	**4,733**	**119,147**
On-demand and short-term deposits	**276,948**	**32,543**	**4,027**	**313,518**
Certificates of deposit	**30,310**	**2,300**	**26,883**	**59,493**
Deposits not bearing interest[1]	**85,455**	**12,311**	**6**	**97,772**
Commercial paper and other borrowings	**31,346**	**3,643**	**957**	**35,946**
Repurchase agreements	**5,660**	**128**	**29,059**	**34,847**
Fair value adjustment	**-**	**(18)**	**-**	**(18)**
Total deposits and other borrowings	**520,658**	**74,382**	**65,665**	**660,705**
Represented by:				
Total deposits and other borrowings at fair value	**-**	**5,925**	**-**	**5,925**
Total deposits and other borrowings at amortised cost	**520,658**	**68,457**	**65,665**	**654,780**
Total deposits and other borrowings	**520,658**	**74,382**	**65,665**	**660,705**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Note 10 Deposits and other borrowings (continued)

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

	As at 31 March 2021			
	Australia $m	New Zealand $m	Other International $m	Total Group $m
By product and geographic location				
Term deposits	88,364	23,080	4,517	115,961
On-demand and short-term deposits	244,716	30,105	5,236	280,057
Certificates of deposit	27,254	605	12,580	40,439
Deposits not bearing interest[1]	69,657	10,139	-	79,796
Commercial paper and other borrowings	21,625	3,688	1,281	26,594
Repurchase agreements	1,279	-	32,893	34,172
Fair value adjustment	-	3	-	3
Total deposits and other borrowings	452,895	67,620	56,507	577,022
Represented by:				
Total deposits and other borrowings at fair value	-	4,296	-	4,296
Total deposits and other borrowings at amortised cost	452,895	63,324	56,507	572,726
Total deposits and other borrowings	452,895	67,620	56,507	577,022

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Note 11 Contributed equity and reserves

	As at		
	31 Mar 22	30 Sep 21	31 Mar 21
	$m	$m	$m
Contributed equity			
Ordinary shares, fully paid	**41,291**	43,247	43,713
Total contributed equity	**41,291**	43,247	43,713

	Half Year to		
	Mar 22	Sep 21	Mar 21
	$m	$m	$m
Movement in issued and paid-up ordinary share capital			
Balance at beginning of period	**43,247**	43,713	43,531
Shares issued:			
Dividend reinvestment plan	**239**	164	110
Transfer from equity-based compensation reserve	**58**	7	72
On-market purchase of shares for dividend reinvestment plan neutralisation	**(239)**	(164)	-
Shares bought back	**(2,014)**	(486)	-
Tax on deductible transaction costs	**-**	13	-
Balance at end of period	**41,291**	43,247	43,713

	As at		
	31 Mar 22	30 Sep 21	31 Mar 21
	$m	$m	$m
Reserves			
Foreign currency translation reserve	**(75)**	288	(137)
Asset revaluation reserve	**33**	25	25
Cash flow hedge reserve	**(1,056)**	86	69
Cost of hedging reserve	**48**	(266)	(309)
Equity-based compensation reserve	**138**	136	92
Debt instruments at fair value through other comprehensive income reserve	**187**	266	338
Equity instruments at fair value through other comprehensive income reserve	**23**	15	13
Total reserves	**(702)**	550	91

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Note 12 Fair value of financial instruments

(a) Fair value hierarchy

The level in the fair value hierarchy within which a fair value measurement is categorised is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. The fair value hierarchy is as follows:

- Level 1 - Financial instruments that have been valued by reference to unadjusted quoted prices for identical financial assets or financial liabilities in active markets. Financial instruments included in this category are Commonwealth of Australia and New Zealand government bonds, and spot and exchange traded derivatives.
- Level 2 - Financial instruments that have been valued through valuation techniques incorporating inputs other than quoted prices within Level 1 that are observable for the financial asset or financial liability, either directly (as prices) or indirectly (derived from prices). Financial instruments included in this category are over-the-counter trading and hedging derivatives, semi-government bonds, financial institution and corporate bonds, mortgage-backed securities, loans measured at fair value, and issued bonds, notes and subordinated debt measured at fair value.
- Level 3 - Financial instruments that have been valued through valuation techniques incorporating inputs that are not based on observable market data. Unobservable inputs are those not readily available in an active market due to market illiquidity or complexity of the product. Financial instruments included in this category are bespoke trading derivatives, trading derivatives where the credit valuation adjustment is considered unobservable and significant to the valuation, and certain asset-backed securities valued using unobservable inputs.

Where no active market exists for a particular asset or liability, the Group uses a valuation technique to arrive at the fair value, including the use of transaction prices obtained in recent arm's length transactions, discounted cash flow analysis, option pricing models, rates of estimated credit losses and other valuation techniques, based on market conditions and risks existing at reporting date. In doing so, fair value is estimated using a valuation technique that makes maximum use of observable market inputs and places minimal reliance upon entity-specific inputs.

Transfers between levels of the fair value hierarchy are deemed to have occurred at the beginning of the reporting period in which the transfer occurs.

Transfers into and out of Level 3 occur due to changes in whether the inputs to the valuation techniques are observable. Where inputs are no longer observable the fair value measurement is transferred into Level 3. Conversely, a measurement is transferred out of Level 3 when inputs become observable.

The Group's exposure to fair value measurements based in full or in part on unobservable inputs comprises an insignificant component of the portfolios in which they belong. As such, a change in the assumption used to value the instruments as at 31 March 2022 attributable to reasonably possible alternatives would not have a material impact on the Group.

(b) Fair value of financial instruments, carried at amortised cost

The financial assets and financial liabilities listed in the table below are carried at amortised cost. While this is the value at which the Group expects the assets to be realised and the liabilities to be settled, the table below includes their fair values as at the dates shown below:

	As at 31 March 2022		As at 30 September 2021		As at 31 March 2021	
	Carrying Value $m	Fair Value $m	Carrying Value $m	Fair Value $m	Carrying Value $m	Fair Value $m
Financial assets						
Loans and advances	**652,488**	**649,589**	621,156	621,083	589,848	590,272
Financial liabilities						
Deposits and other borrowings	**654,780**	**654,484**	605,043	605,068	572,726	572,811
Bonds, notes and subordinated debt	**107,285**	**107,500**	109,154	112,563	111,464	114,305
Other debt issues	**6,835**	**7,149**	6,831	7,217	6,826	7,156

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Note 12 Fair value of financial instruments (continued)

(c) Fair value measurements recognised on the balance sheet

	As at 31 March 2022			
	Level 1 $m	Level 2 $m	Level 3 $m	Total $m
Financial assets				
Trading securities	**29,074**	**16,887**	**-**	**45,961**
Debt instruments	**3,012**	**36,497**	**742**	**40,251**
Other financial assets	**-**	**1,979**	**201**	**2,180**
Derivatives assets	**-**	**30,187**	**138**	**30,325**
Investments relating to life insurance business	**-**	**88**	**-**	**88**
Equity instruments[1]	**-**	**-**	**175**	**175**
Total financial assets measured at fair value	**32,086**	**85,638**	**1,256**	**118,980**
Financial liabilities				
Other financial liabilities	**2,432**	**23,250**	**-**	**25,682**
Derivatives liabilities	**-**	**33,903**	**62**	**33,965**
Total financial liabilities measured at fair value	**2,432**	**57,153**	**62**	**59,647**

	As at 30 September 2021			
	Level 1 $m	Level 2 $m	Level 3 $m	Total $m
Financial assets				
Trading securities	33,694	16,326	-	50,020
Debt instruments	3,211	37,748	919	41,878
Other financial assets	-	2,560	234	2,794
Derivatives assets	-	27,326	148	27,474
Investments relating to life insurance business	-	102	-	102
Equity instruments[1]	-	-	135	135
Total financial assets measured at fair value	36,905	84,062	1,436	122,403
Financial liabilities				
Other financial liabilities	1,291	25,755	-	27,046
Derivatives liabilities	-	23,935	96	24,031
Total financial liabilities measured at fair value	1,291	49,690	96	51,077

	As at 31 March 2021			
	Level 1 $m	Level 2 $m	Level 3 $m	Total $m
Financial assets				
Trading securities	34,285	18,407	-	52,692
Debt instruments	3,378	36,756	666	40,800
Other financial assets	-	2,960	-	2,960
Derivatives assets	-	30,260	156	30,416
Investments relating to life insurance business	-	93	-	93
Equity instruments[1]	-	29	125	154
Total financial assets measured at fair value	37,663	88,505	947	127,115
Financial liabilities				
Other financial liabilities	1,635	24,885	-	26,520
Derivatives liabilities	-	27,201	106	27,307
Total financial liabilities measured at fair value	1,635	52,086	106	53,827

(1) Includes fair value through profit or loss instruments.

There were no material transfers between Level 1 and Level 2 during the March 2022 half year for the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Note 12 Fair value of financial instruments (continued)

(c) Fair value measurements recognised on the balance sheet (continued)

The table below summarises changes in fair value classified as Level 3:

	Half Year to March 2022			
	Assets			Liabilities
	Derivative $m	Debt instruments $m	Other[1] $m	Derivative $m
Balance at the beginning of period	148	919	369	96
Gains / (losses) on assets and (gains) / losses on liabilities recognised:				
In profit or loss	(27)	-	(35)	(35)
In other comprehensive income	-	(25)	7	-
Purchases and issues	8	163	67	2
Sales and settlements	-	(222)	(32)	-
Transfers into Level 3	12	253	-	-
Transfers out of Level 3	(3)	(345)	-	-
Foreign currency translation adjustments	-	(1)	-	(1)
Balance at the end of period	138	742	376	62
Gains / (losses) on assets and (gains) / losses on liabilities for the reporting period related to financial instruments held at the end of the reporting period recognised:				
In profit or loss	(27)	-	(35)	(35)
In other comprehensive income	-	(25)	7	-

(1) Includes other financial assets and equity instruments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Note 13 Contingent liabilities and other commitments

Contingent liabilities

From time to time the Group is exposed to contingent risks and liabilities arising from the conduct of its business including:
- actual and potential disputes, claims and legal proceedings
- investigations into past conduct, including actual and potential regulatory breaches, carried out by regulatory authorities on either an industry-wide or Group-specific basis
- internal investigations and reviews into past conduct, including actual and potential regulatory breaches, carried out by or on behalf of the Group
- contracts that involve giving contingent commitments such as warranties, indemnities or guarantees.

There are contingent liabilities in respect of all such matters. Such matters are often highly complex and uncertain. Where appropriate, provisions have been made. The aggregate potential liability of the Group in relation to these matters cannot be accurately assessed.

Further information on some specific contingent liabilities that may impact the Group is set out below.

Legal proceedings

Bank Bill Swap Reference Rate US class action

In August 2016, a class action complaint was filed in the United States District Court for the Southern District of New York regarding alleged conduct relating to the Bank Bill Swap Reference Rate. The complaint named a number of defendants, including NAB and various other Australian and international banks. The allegations against NAB refer to proceedings brought by ASIC against three banks in relation to the Bank Bill Swap Reference Rate. The relevant ASIC proceeding against NAB was concluded in November 2017 with NAB admitting certain contraventions.

In June 2021, NAB announced that it had agreed to settle the claims made against it in the class action. On 1 February 2022 the Court provided its preliminary approval of the settlement. A hearing at which the Court will consider its final approval of the settlement will be held on 13 October 2022.

United Kingdom matters

Eight separate claims (comprising 834 individual claimants) focused on Tailored Business Loans (TBLs) have been commenced against NAB and Clydesdale Bank Plc (CYBG) by RGL Management Limited (a claims management company) (RGL) and law firm Fladgate LLP on behalf of customers of CYBG in the English Courts. The cases involving four individual claimants (being the first and fourth claims) are proceeding to trial, effectively as test cases. The cases of the remaining individual claimants are currently paused by agreement and court order.

The claims concern TBLs which customers entered into with CYBG and in respect of which NAB employees performed various functions. The claimants allege they were misled about: (1) the cost of repaying (or restructuring) their TBLs early; and (2) the composition of fixed interest rates/other rates offered under the TBLs. The alleged misconduct is said to give rise to several causes of action, including negligent misstatement, misrepresentation and deceit.

The claims were before the court for a procedural hearing in December 2020 following which a timetable was directed for the first and fourth claims to move forward to a second procedural hearing which occurred in October 2021. At that hearing the court made further directions to progress the first and fourth claims. NAB has filed and served its defences to the first and fourth claims.

The proceedings are nearing the end of the extended disclosure phase and will then proceed to the evidence phase. Trial of the four test cases has been ordered to commence in October 2023.

The potential outcome and total costs associated with the claims by RGL and Fladgate LLP remain uncertain.

Walton Construction Group class action

In January 2022, a class action complaint was filed in the Federal Court by a number of subcontractors regarding NAB's alleged conduct in connection with the collapse of the Walton Construction Group (WCG). It is alleged that NAB's conduct in the period prior to the collapse of WCG contributed to losses incurred by subcontractors following the liquidation of WGC. NAB will be defending the proceedings. However, the potential outcome and total costs associated with the claims under this class action remain uncertain.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Note 13 Contingent liabilities and other commitments (continued)

Regulatory activity, compliance investigations and associated proceedings

AML and CTF program uplift and compliance issues

For some time NAB has been working to uplift and strengthen the Group's systems and processes to comply with AML and CTF requirements. The Group continues to keep AUSTRAC and, where applicable, relevant foreign regulators informed of its progress. In addition to a general uplift in capability, the program of work aims to remediate specific known compliance issues and weaknesses. The Group has reported a number of compliance issues to relevant regulators, including in relation to 'Know Your Customer' (KYC) requirements (particularly with enhanced customer due diligence for non-individual customers), systems and process issues that impacted some aspects of transaction monitoring and reporting, and other financial crime risks. As this work progresses, further compliance issues may be identified and reported to AUSTRAC or equivalent foreign regulators, and additional uplifting and strengthening may be required.

In June 2021, NAB announced that AUSTRAC had identified concerns with the NAB Group's compliance with certain AML and CTF requirements and that AUSTRAC had initiated a formal enforcement investigation. On 2 May 2022, NAB announced that it had entered into an enforceable undertaking (EU) with AUSTRAC to address these concerns. In accepting the EU, AUSTRAC stated that it had "formed the view at the start of the investigation that a civil penalty proceeding was not appropriate at that time" and that it had "not identified any information during the investigation to change that view". Under the terms of the EU, NAB and certain subsidiaries are required to:

- Complete a Remedial Action Plan (RAP) approved by AUSTRAC by 31 December 2024;
- Address to AUSTRAC's satisfaction any deficiencies or concerns with activities in the RAP identified by AUSTRAC; and
- Appoint an external auditor who will provide a final report by 31 March 2025.

Estimated costs relating to compliance with the EU have been disclosed (refer to *Note 15 Events subsequent to reporting date*). The potential outcomes and total costs associated with any other risks or issues that are contingent remain uncertain.

Banking matters

A number of reviews into banking-related matters are being carried on across the Group, both internally and in some cases by regulatory authorities, including matters where:

- incorrect fees were applied in connection with certain products
- customers may not have been provided notice of increases to loan repayments within the timeframe required by the National Credit Code
- incorrect interest rates were applied in relation to certain products, including home lending products on conversion from interest only to principal and interest and/or from fixed interest to variable interest rates
- there were issues in delivering statements, and other notices enclosed with those statements, capturing customer consent to receive electronic statements and inconsistencies with recording statement preferences
- business term lending facilities were not amortising in accordance with approved facilities; and
- various responsible lending matters.

The potential outcome and total costs associated with these matters remain uncertain.

Incorrect charging of periodical payment fees

On 24 February 2021, ASIC commenced Federal Court proceedings against NAB alleging that NAB failed to comply with a number of provisions of the ASIC Act and the Corporations Act in relation to the incorrect charging of periodical payment fees including misleading or deceptive conduct and unconscionable conduct. The proceeding is listed for trial on 1 June 2022. The potential outcomes and total costs associated with the matter remain uncertain.

Payroll matters

In December 2019, NAB announced an end-to-end Payroll Review examining internal pay processes and compliance with pay-related obligations under Australian employment laws. The review has identified a range of issues and a remediation program is being undertaken. Provisions have been taken and a number of payments have been made. In addition to the costs associated with the remediation program, there remains the potential for further developments regarding these issues, including possible enforcement action or other legal actions. The final outcome and total costs associated with this matter remain uncertain.

The Wage Inspectorate Victoria and the NSW Employee Relations have been undertaking investigations in relation to the long service leave entitlements of NAB's casual employees. In October 2021, NAB commenced action in the Federal Court seeking a declaration about the proper interpretation of relevant provisions of the *Fair Work Act* (Cth), in order to clarify the situation. In October 2021, the Wage Inspectorate Victoria commenced a prosecution in the Victorian Magistrate's Court with respect to this matter. The final outcome and total costs associated with this matter remain uncertain.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Note 13 Contingent liabilities and other commitments (continued)

Wealth - Adviser service fees

In 2015, ASIC commenced an industry-wide investigation into financial advice fees paid by customers pursuant to ongoing service arrangements with financial advice firms, including entities within the Group. Under the service arrangements, customers paid an adviser service fee to receive ongoing financial review services. In some instances, customers did not receive the agreed services or, in other cases, there may not be sufficient evidence that the agreed services were provided or that customers were adequately informed of their ability to terminate the service fee. NAB is undertaking a remediation program in relation to this matter for JBWere and the various advice businesses, which were operated by the Group prior to completion of the MLC Wealth Transaction discussed below, including MLC Advice (formerly known as NAB Financial Planning) and NAB Advice Partnerships. While the businesses of MLC Advice and NAB Advice Partnerships have been sold to Insignia Financial Ltd (Insignia Financial, formerly known as IOOF) pursuant to the MLC Wealth Transaction discussed below, NAB has retained the companies that operated the advice business, such that the Group has retained all liabilities associated with the conduct of these businesses pre-completion of the MLC Wealth Transaction. JBWere is not within the scope of the MLC Wealth Transaction.

Payments with respect to MLC Advice are now complete. NAB Advice Partnerships has commenced making accelerated remediation payments to potentially impacted customers for remediation.

JBWere has identified its potentially impacted customers and has commenced making remediation payments where appropriate. JBWere continues to assess further matters which may impact clients including clients who are members of an APRA superannuation fund and their treatment as a wholesale client instead of retail.

The total ongoing advice fees received within the period 2009-2018 are estimated to be approximately $1.3 billion for NAB Advice Partnerships. With respect to JBWere, the current ongoing advice fees in-scope for remediation is approximately $80 million. While the Group has taken provisions in relation to these matters based on current information, there remains the potential for further developments and the potential outcomes and total costs associated with these matters remain uncertain.

Wealth - Advice review

In October 2015, NAB began contacting certain groups of customers where there was a concern that they may have received non-compliant financial advice since 2009 to: (a) assess the appropriateness of that advice; and (b) identify whether customers had suffered loss as a result of non-compliant advice that would warrant compensation. These cases are progressing through the Customer Response Initiative review program, the scope of which includes the advice businesses of MLC Advice, NAB Advice Partnerships and JBWere, with compensation offered and paid in a number of cases. Where customer compensation is able to be reliably estimated, provisions have been taken. The final outcome and total costs associated with this work remain uncertain.

Further, a number of other investigations into the historic activities of the advice business are being carried out by the Group.

While the MLC Advice and NAB Advice Partnerships businesses relevant to these matters have been sold to Insignia Financial pursuant to the MLC Wealth Transaction discussed below, NAB has retained the companies that operated the advice business, such that the Group has retained all liabilities associated with the conduct of these businesses pre-completion of the MLC Wealth Transaction. The potential outcomes and total costs associated with these matters remain uncertain.

Contractual commitments

MLC Wealth Transaction

On 31 May 2021, NAB completed the sale of MLC Wealth, comprising its advice, platforms, superannuation and investments, and asset management businesses to Insignia Financial. As part of the MLC Wealth Transaction, NAB has provided Insignia Financial with indemnities relating to certain pre-completion matters, including:

- a remediation program relating to workplace superannuation (including matters where some employer superannuation plans and member entitlements were not correctly set up in the administration systems, and matters relating to disclosure and administration of certain features of the super product such as insurance and fees)
- breaches of anti-money laundering laws and regulations
- regulatory fines and penalties; and
- certain litigation and regulatory investigations (including the NULIS and MLCN class actions described below).

NAB also provided covenants and warranties in favour of Insignia Financial. A breach or triggering of these contractual protections may result in NAB being liable to Insignia Financial.

As part of the MLC Wealth Transaction, the Group retained the companies that operated the advice business, such that the Group has retained all liabilities associated with the conduct of that business pre-completion.

NAB has also agreed to provide Insignia Financial with certain transitional services and continuing access to records, as well as support for data migration activities. NAB may be liable to Insignia Financial if it fails to perform its obligations under these agreements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Note 13 Contingent liabilities and other commitments (continued)

The final financial impact associated with the MLC Wealth Transaction remains uncertain and subject to finalisation of the completion accounts process and other contingencies outlined.

NULIS and MLCN - class actions

In October 2019, litigation funder Omni Bridgeway (formerly IMF Bentham) and William Roberts Lawyers commenced a class action against NULIS Nominees (Australia) Limited (NULIS) alleging breaches of NULIS's trustee obligations to act in the best interests of the former members of The Universal Super Scheme in deciding to maintain grandfathered commissions on their transfer into the MLC Super Fund on 1 July 2016. NULIS filed its first defence in the proceeding in February 2020. The proceeding is listed for trial commencing on 17 October 2022.

In January 2020, Maurice Blackburn commenced a class action in the Supreme Court of Victoria against NULIS and MLC Nominees Pty Ltd (MLCN) alleging breaches of NULIS's trustee obligations in connection with the speed with which NULIS and MLCN effected transfers of members' accrued default amounts to the MySuper product (Supreme Court Class Action). NULIS and MLCN filed their joint defence in the proceeding in April 2020.

On 26 March 2021, Maurice Blackburn commenced a class action in the Federal Court against NULIS and MLCN alleging breaches of NULIS's trustee obligations which mirror those made in the Supreme Court Class Action referred to above. The action has now been cross-vested back to the Victorian Supreme Court for consolidation with the Supreme Court Class Action, following the determination of an appeal in the Supreme Court Class Action holding that the Court has jurisdiction to hear the action.

The potential outcomes and total costs associated with these matters remain uncertain. While NULIS and MLCN are no longer part of the Group following completion of the MLC Wealth Transaction, NAB remains liable for the costs associated with, and retains conduct of, these matters pursuant to the terms of the MLC Wealth Transaction.

MLC Life insurance transaction

In connection with the sale of 80% of MLC Life to Nippon Life Insurance Company (Nippon Life) in October 2016, NAB gave certain covenants, warranties and indemnities in favour of Nippon Life and MLC Life. MLC Life have made an indemnity claim against NAB in connection with ASIC proceedings against MLC Life concerning consumer credit insurance. The potential outcome and total costs associated with the claim by MLC Life remain uncertain.

Other commitments

Acquisition of Citigroup's Australian consumer business

On 9 August 2021, NAB announced it has entered into a Sale and Purchase Agreement with Citigroup to purchase Citigroup's Australian consumer business. The proposed acquisition, which remains subject to regulatory approvals, is structured primarily as an asset and liability transfer, with NAB to pay Citigroup cash for the net assets of Citigroup's Australian consumer business plus a premium of $250 million. Subject to the timing of regulatory approvals, completion is expected to occur during the September 2022 half year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Note 14 Discontinued operations

MLC Wealth discontinued operation

On 31 May 2021, the sale of MLC Wealth was completed. The final financial outcome of the sale remains subject to the finalisation of the completion accounts process and other contingencies associated with the sale. Refer to *Note 13 Contingent liabilities and other commitments* for further information.

The March 2022 half year primarily relates to costs associated with managing the run-off of the MLC Wealth retained entities and operational risk event losses. Prior periods include the results of MLC Wealth prior to the sale, loss on sale of MLC Wealth, as well as changes in customer-related and payroll remediation, amortisation of software, provision for litigation.

MLC Life discontinued operation

Amounts presented in the life insurance discontinued operation related to the Group's life insurance business. The Group disposed of 80% of its investment in MLC Life to Nippon Life Insurance Company in 2016. The amounts presented in the March 2021 half year relate to a re-assessment of customer-related remediation provisions associated with the MLC Life business.

Analysis of net loss from discontinued operations

	Half Year to		
	Mar 22	**Sep 21**	**Mar 21**
	$m	**$m**	**$m**
Discontinued operations			
Net loss from MLC Wealth discontinued operation	**(20)**	(84)	(34)
Net profit from life insurance discontinued operation	**-**	-	14
Net loss from discontinued operations	**(20)**	(84)	(20)
Attributable to owners of NAB	**(20)**	(85)	(22)
Attributable to non-controlling interests	**-**	1	2

Note 15 Events subsequent to reporting date

On 2 May 2022, NAB announced that it had entered into an enforceable undertaking (EU) with AUSTRAC. This follows an enforcement investigation undertaken by AUSTRAC, which commenced in June 2021, in relation to the NAB Group's compliance with certain requirements under AML / CTF laws. Under the terms of the EU, NAB and certain subsidiaries are required to, amongst other things, complete a Remedial Action Plan (RAP) approved by AUSTRAC by 31 December 2024.

The Group expects to incur expenditure between $80 million and $120 million per annum over 3 years to execute the RAP and comply with the EU. This is in addition to amounts already incurred in supporting the Group's financial crime activities.

There are no other items, transactions or events of a material or unusual nature that have arisen in the interval between 31 March 2022 and the date of this report that, in the opinion of the Directors, have significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in future years.

DIRECTORS' DECLARATION

The directors of National Australia Bank Limited declare that:

(a) in the opinion of the directors, as at the date of this declaration, there are reasonable grounds to believe that NAB will be able to pay its debts as and when they become due and payable; and
(b) in the opinion of the directors, the consolidated financial statements and the notes to the consolidated financial statements as set out on pages 47 to 76 are in accordance with the *Corporations Act 2001* (Cth), including:
   (i) section 304, which requires that the half year financial report comply with Accounting Standards made by the Australian Accounting Standards Board for the purposes of the *Corporations Act 2001* (Cth) and any further requirements in the *Corporations Regulations 2001* (Cth); and
   (ii) section 305, which requires that the financial statements and notes give a true and fair view of the financial position of the Group as at 31 March 2022, and of the performance of the Group for the six months ended 31 March 2022.

Dated this 5th day of May 2022 and signed in accordance with a resolution of the directors.

Philip Chronican
Chair

Ross McEwan
Group Chief Executive Officer

Ernst & Young
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Independent Auditor's Review Report to the Members of National Australia Bank Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of National Australia Bank Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated balance sheet as at 31 March 2022, the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated condensed statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Group is not in accordance with the *Corporations Act 2001*, including:

a. Giving a true and fair view of the consolidated financial position of the Group as at 31 March 2022 and of its consolidated financial performance for the half-year ended on that date; and

b. Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410). Our responsibilities are further described in the *Auditor's responsibilities for the review of the half-year financial report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Directors' responsibilities for the Half-Year Financial Report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 March 2022 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Building a better working world

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Ernst & Young

Ernst & Young

Sarah Lowe

Sarah Lowe
Partner
Melbourne

5 May 2022

INDEPENDENT AUDITOR'S REVIEW REPORT (CONTINUED)

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SECTION 5

AVERAGE BALANCE SHEET AND RELATED INTEREST

Average assets and interest income

	Half Year to Mar 22[1]			Half Year to Sep 21[1]			Half Year to Mar 21[1]		
	Average balance $m	Interest $m	Average rate %	Average balance $m	Interest $m	Average rate %	Average balance $m	Interest $m	Average rate %
Average interest earning assets									
Due from other banks									
Australia	**83,931**	**7**	**-**	66,800	7	-	27,956	12	0.1
New Zealand	**10,004**	**35**	**0.7**	10,197	13	0.3	6,704	9	0.3
Other International	**29,078**	**23**	**0.2**	20,581	6	0.1	23,660	13	0.1
Total due from other banks	**123,013**	**65**	**0.1**	97,578	26	0.1	58,320	34	0.1
Marketable debt securities									
Australia	**72,488**	**383**	**1.1**	75,796	391	1.0	83,099	463	1.1
New Zealand	**7,403**	**32**	**0.9**	7,329	19	0.5	8,807	24	0.5
Other International	**10,552**	**15**	**0.3**	9,706	13	0.3	10,023	14	0.3
Total marketable debt securities	**90,443**	**430**	**1.0**	92,831	423	0.9	101,929	501	1.0
Loans and advances - housing									
Australia[2]	**279,518**	**3,591**	**2.6**	270,482	3,744	2.8	265,050	3,956	3.0
New Zealand[2]	**48,578**	**727**	**3.0**	46,190	682	2.9	42,555	712	3.4
Total loans and advances - housing	**328,096**	**4,318**	**2.6**	316,672	4,426	2.8	307,605	4,668	3.0
Loans and advances - non-housing									
Australia	**214,614**	**3,133**	**2.9**	200,020	3,068	3.1	194,852	3,082	3.2
New Zealand	**40,988**	**736**	**3.6**	39,968	647	3.2	39,244	639	3.3
Other International	**21,445**	**226**	**2.1**	18,879	201	2.1	17,280	176	2.0
Total loans and advances - non-housing	**277,047**	**4,095**	**3.0**	258,867	3,916	3.0	251,376	3,897	3.1
Other interest earning assets									
Australia	**11,551**	**32**	**n/a**	10,750	12	n/a	23,012	26	n/a
New Zealand	**1,069**	**5**	**n/a**	801	19	n/a	1,131	26	n/a
Other International	**41,219**	**49**	**n/a**	45,238	18	n/a	43,752	42	n/a
Total other interest earning assets	**53,839**	**86**	**n/a**	56,789	49	n/a	67,895	94	n/a
Total average interest earning assets and interest income by:									
Australia	**662,102**	**7,146**	**2.2**	623,848	7,222	2.3	593,969	7,539	2.5
New Zealand	**108,042**	**1,535**	**2.8**	104,485	1,380	2.6	98,441	1,410	2.9
Other International	**102,294**	**313**	**0.6**	94,404	238	0.5	94,715	245	0.5
Total average interest earning assets and interest income	**872,438**	**8,994**	**2.1**	822,737	8,840	2.1	787,125	9,194	2.3

(1) Information is presented on a continuing operations basis, unless otherwise stated.
(2) Net of mortgage offset accounts of $36,978 million (September 2021: $33,745 million, March 2021: $33,312 million) in Australia and $2,177 million (September 2021: $2,067 million, March 2021: $1,920 million) in New Zealand which are included in non-interest earning assets.

Average assets

	Half Year to		
	Mar 22 $m	Sep 21 $m	Mar 21 $m
Average non-interest earning assets			
Other assets[1]	**89,008**	87,653	92,875
Average provision for credit impairment			
Australia	**(4,305)**	(4,596)	(5,112)
New Zealand	**(702)**	(741)	(786)
Other International	**(55)**	(71)	(69)
Total average provision for credit impairment	**(5,062)**	(5,408)	(5,967)
Total average assets	**956,384**	904,982	874,033

(1) Includes mortgage offset accounts of $36,978 million (September 2021: $33,745 million, March 2021: $33,312 million) in Australia and $2,177 million (September 2021: $2,067 million, March 2021: $1,920 million) in New Zealand.

AVERAGE BALANCE SHEET AND RELATED INTEREST (CONTINUED)

Average liabilities and interest expense

	Half Year to Mar 22[1]			Half Year to Sep 21[1]			Half Year to Mar 21[1]		
	Average balance $m	Interest $m	Average rate %	Average balance $m	Interest $m	Average rate %	Average balance $m	Interest $m	Average rate %
Average interest bearing liabilities									
Due to other banks									
Australia	**46,331**	**32**	**0.1**	41,295	28	0.1	28,813	21	0.1
New Zealand	**4,836**	**8**	**0.3**	4,965	3	0.1	3,219	2	0.1
Other International	**15,409**	**25**	**0.3**	16,881	19	0.2	12,088	18	0.3
Total due to other banks	**66,576**	**65**	**0.2**	63,141	50	0.2	44,120	41	0.2
On-demand and short-term deposits									
Australia	**271,066**	**217**	**0.2**	254,728	236	0.2	236,234	304	0.3
New Zealand	**33,828**	**45**	**0.3**	32,769	21	0.1	29,802	26	0.2
Other International	**6,004**	**1**	**-**	4,770	1	-	4,705	-	-
Total on-demand and short-term deposits	**310,898**	**263**	**0.2**	292,267	258	0.2	270,741	330	0.2
Certificates of deposit									
Australia	**31,527**	**16**	**0.1**	29,195	8	0.1	25,312	12	0.1
New Zealand	**2,464**	**11**	**0.9**	1,755	-	-	789	1	0.3
Other International	**24,565**	**32**	**0.3**	14,384	10	0.1	11,353	13	0.2
Total certificates of deposit	**58,556**	**59**	**0.2**	45,334	18	0.1	37,454	26	0.1
Term deposits									
Australia	**84,832**	**146**	**0.3**	84,216	173	0.4	95,354	346	0.7
New Zealand	**23,188**	**155**	**1.3**	23,351	136	1.2	25,654	207	1.6
Other International	**3,615**	**7**	**0.4**	3,269	6	0.4	5,014	11	0.4
Total term deposits	**111,635**	**308**	**0.6**	110,836	315	0.6	126,022	564	0.9
Other borrowings									
Australia	**34,337**	**63**	**0.4**	24,772	53	0.4	18,927	64	0.7
New Zealand	**4,183**	**20**	**1.0**	4,112	7	0.3	3,546	3	0.2
Other International	**32,251**	**22**	**0.1**	32,999	8	-	30,020	28	0.2
Total other borrowings	**70,771**	**105**	**0.3**	61,883	68	0.2	52,493	95	0.4
Bonds, notes and subordinated debt									
Australia	**95,468**	**433**	**0.9**	95,960	452	0.9	106,117	502	0.9
New Zealand	**18,699**	**160**	**1.7**	18,574	125	1.3	18,748	130	1.4
Other International	**9,042**	**128**	**2.8**	11,952	167	2.8	14,183	196	2.8
Total bonds, notes and subordinated debt	**123,209**	**721**	**1.2**	126,486	744	1.2	139,048	828	1.2
Other interest bearing liabilities									
Australia	**12,700**	**389**	**n/a**	12,303	428	n/a	11,996	463	n/a
New Zealand	**1,100**	**5**	**n/a**	848	3	n/a	1,089	3	n/a
Other International	**337**	**3**	**n/a**	147	3	n/a	254	4	n/a
Total other interest bearing liabilities	**14,137**	**397**	**n/a**	13,298	434	n/a	13,339	470	n/a
Total average interest bearing liabilities and interest expense by:									
Australia	**576,261**	**1,296**	**0.5**	542,469	1,378	0.5	522,753	1,712	0.7
New Zealand	**88,298**	**404**	**0.9**	86,374	295	0.7	82,847	372	0.9
Other International	**91,223**	**218**	**0.5**	84,402	214	0.5	77,617	270	0.7
Total average interest bearing liabilities and interest expense	**755,782**	**1,918**	**0.5**	713,245	1,887	0.5	683,217	2,354	0.7

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

AVERAGE BALANCE SHEET AND RELATED INTEREST (CONTINUED)

Average liabilities and equity

	Half Year to		
	Mar 22 $m	Sep 21 $m	Mar 21 $m
Average non-interest bearing liabilities			
Deposits not bearing interest			
Australia[1]	**83,078**	73,267	67,597
New Zealand[1]	**12,116**	10,827	9,063
Other International	**9**	7	-
Total deposits not bearing interest	**95,203**	84,101	76,660
Other liabilities	**43,524**	45,652	52,304
Total average non-interest bearing liabilities	**138,727**	129,753	128,964
Total average liabilities	**894,509**	842,998	812,181
Average equity			
Total equity (parent entity interest)	**61,875**	61,984	61,851
Non-controlling interest in controlled entities	**-**	-	1
Total average equity	**61,875**	61,984	61,852
Total average liabilities and equity	**956,384**	904,982	874,033

(1) Includes mortgage offset accounts of $36,978 million (September 2021: $33,745 million, March 2021: $33,312 million) in Australia and $2,177 million (September 2021: $2,067 million, March 2021: $1,920 million) in New Zealand.

NET INTEREST MARGINS AND SPREADS

	Half Year to				
	Mar 22 %	Sep 21 %	Mar 21 %	Mar 22 v Sep 21	Mar 22 v Mar 21
Net interest spread	**1.56**	1.62	1.65	(6 bps)	(9 bps)
Benefit of net free liabilities, provisions and equity	**0.07**	0.07	0.09	-	(2 bps)
Net interest margin - statutory basis[1]	**1.63**	1.69	1.74	(6 bps)	(11 bps)

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

CAPITAL ADEQUACY

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

	As at		
	31 Mar 22 $m	**30 Sep 21 $m**	**31 Mar 21 $m**
Contributed equity	**41,291**	43,247	43,713
Reserves	**(702)**	550	91
Retained profits	**20,440**	18,982	17,772
Non-controlling interest in controlled entities	**-**	-	1
Total equity per consolidated balance sheet	**61,029**	62,779	61,577
Adjustments between the Group and Level 2 regulatory group balance sheets	**(69)**	(70)	(185)
CET1 capital before regulatory adjustments	**60,960**	62,709	61,392
Goodwill and other intangible assets, net of tax	**(2,038)**	(2,045)	(2,676)
Investment in non-consolidated controlled entities	**(20)**	(20)	(432)
Deferred tax assets in excess of deferred tax liabilities	**(2,082)**	(2,555)	(2,792)
Capitalised expenses and deferred fee income	**(847)**	(801)	(785)
Software, net of tax	**(2,377)**	(2,339)	(2,301)
Defined benefit superannuation plan asset, net of tax	**(28)**	(27)	(31)
Change in own creditworthiness, net of tax	**35**	121	134
Cash flow hedge reserve	**1,056**	(86)	(69)
Equity exposures	**(678)**	(670)	(689)
Expected loss in excess of eligible provisions	**(29)**	(19)	(58)
Other	**(28)**	(34)	(45)
CET1 capital	**53,924**	54,234	51,648
Basel III eligible Additional Tier 1 capital instruments	**6,859**	6,859	6,859
Regulatory adjustments to Additional Tier 1 capital	**(24)**	(20)	(20)
Additional Tier 1 capital	**6,835**	6,839	6,839
Tier 1 capital	**60,759**	61,073	58,487
Basel III eligible Tier 2 capital instruments	**17,611**	16,051	13,937
Transitional Tier 2 capital instruments	**-**	44	44
Basel III eligible Tier 2 capital instruments issued by subsidiaries and held by third parties	**-**	-	363
Eligible provisions held against non-defaulted exposures under the IRB approach	**1,790**	1,766	1,943
Eligible provisions held against exposures under the standardised approach	**67**	61	69
Regulatory adjustments to Tier 2 capital	**(117)**	(96)	(98)
Tier 2 capital	**19,351**	17,826	16,258
Total capital	**80,110**	78,899	74,745

CAPITAL ADEQUACY (CONTINUED)

	As at		
	31 Mar 22 $m	30 Sep 21 $m	31 Mar 21 $m
Risk-weighted assets			
Credit risk			
Subject to the internal ratings-based approach			
Corporate (including SME)	**133,619**	128,615	126,791
Sovereign	**1,625**	1,608	1,720
Bank	**6,426**	6,404	8,026
Retail SME	**6,916**	6,330	6,168
Residential mortgage	**112,447**	110,557	111,366
Qualifying revolving retail	**2,266**	2,206	2,438
Other retail	**2,060**	2,030	2,178
Total internal ratings-based approach	**265,359**	257,750	258,687
Specialised lending	**61,242**	58,870	57,471
Subject to standardised approach			
Corporate	**4,724**	4,445	4,241
Residential mortgage	**1,211**	979	1,255
Other	**421**	419	432
Total standardised approach	**6,356**	5,843	5,928
Other			
Securitisation exposures	**6,268**	5,602	5,028
Credit valuation adjustment	**5,951**	7,619	10,189
Central counterparty default fund contribution guarantee	**100**	108	82
Other[1]	**9,826**	12,249	10,807
Total other	**22,145**	25,578	26,106
Total credit risk	**355,102**	348,041	348,192
Market risk	**8,958**	9,644	12,626
Operational risk[2]	**41,124**	47,866	48,627
Interest rate risk in the banking book	**26,756**	11,612	8,165
Total risk-weighted assets	**431,940**	417,163	417,610

(1) Other consists of other assets, claims and exposures and overlay adjustments for regulatory prescribed methodology requirements.
(2) Risk-weighted assets for operational risk as at 31 March 2022 are measured under the SMA to operational risk. Comparative period risk-weighted assets are measured under the AMA.

	As at		
	31 Mar 22 %	30 Sep 21 %	31 Mar 21 %
Capital ratios			
CET1	**12.48**	13.00	12.37
Tier 1	**14.07**	14.64	14.01
Total capital	**18.55**	18.91	17.90

EARNINGS PER SHARE

	Half Year to[1]					
	Basic			Diluted		
	Mar 22	Sep 21	Mar 21	Mar 22	Sep 21	Mar 21
Statutory earnings per share						
Earnings ($m)						
Net profit attributable to owners of NAB	**3,551**	3,156	3,208	**3,551**	3,156	3,208
Distributions on other equity instruments	**-**	-	(13)	**-**	-	(13)
Potential dilutive adjustments (after tax)						
Interest expense on convertible notes	**-**	-	-	**104**	104	90
Interest expense on convertible preference shares[2]	**-**	-	-	**-**	-	9
Adjusted earnings	**3,551**	3,156	3,195	**3,655**	3,260	3,294
Net loss attributable to owners of NAB from discontinued operations	**20**	85	22	**20**	85	22
Adjusted earnings from continuing operations	**3,571**	3,241	3,217	**3,675**	3,345	3,316
Weighted average number of ordinary shares (millions)						
Weighted average number of ordinary shares (net of treasury shares)	**3,254**	3,290	3,289	**3,254**	3,290	3,289
Potential dilutive weighted average number of ordinary shares						
Convertible notes	**-**	-	-	**227**	247	226
Convertible preference shares[2]	**-**	-	-	**-**	-	32
Share-based payments	**-**	-	-	**6**	4	5
Total weighted average number of ordinary shares	**3,254**	3,290	3,289	**3,487**	3,541	3,552
Earnings per share (cents) attributable to owners of NAB	**109.1**	95.9	97.1	**104.8**	92.1	92.7
Earnings per share (cents) from continuing operations	**109.7**	98.5	97.8	**105.4**	94.5	93.4

	Half Year to[1]					
	Basic			Diluted		
	Mar 22	Sep 21	Mar 21	Mar 22	Sep 21	Mar 21
Cash earnings per share						
Earnings ($m)						
Cash earnings[3]	**3,480**	3,215	3,343	**3,480**	3,215	3,343
Potential dilutive adjustments (after tax)						
Interest expense on convertible notes	**-**	-	-	**104**	104	90
Interest expense on convertible preference shares[2]	**-**	-	-	**-**	-	9
Adjusted cash earnings	**3,480**	3,215	3,343	**3,584**	3,319	3,442
Weighted average number of ordinary shares (millions)						
Weighted average number of ordinary shares (net of treasury shares)	**3,254**	3,290	3,289	**3,254**	3,290	3,289
Potential dilutive weighted average number of ordinary shares						
Convertible notes	**-**	-	-	**227**	247	226
Convertible preference shares[2]	**-**	-	-	**-**	-	32
Share-based payments	**-**	-	-	**6**	4	5
Total weighted average number of ordinary shares	**3,254**	3,290	3,289	**3,487**	3,541	3,552
Cash earnings per share (cents)	**106.9**	97.7	101.6	**102.8**	93.7	96.9

(1) Information is presented on a continuing operations basis, unless otherwise stated.
(2) On 17 December 2020, the Group redeemed the $1,717 million Convertible Preference Shares II issued on 17 December 2013, in accordance with the redemption notice issued on 5 November 2020.
(3) Refer to Section 5 Reconciliation between statutory net profit (after tax) from continuing operations and cash earnings for further information.

RETURN ON EQUITY

	Half Year to		
	Mar 22	**Sep 21**	**Mar 21**
Statutory return on equity			
Earnings ($m)			
Net profit attributable to owners of NAB	**3,551**	3,156	3,208
Distributions on other equity instruments	**-**	-	(13)
Adjusted earnings	**3,551**	3,156	3,195
Average equity ($m)			
Average equity	**61,875**	61,984	61,852
Less: Average non-controlling interest in controlled entities	**-**	-	(1)
Less: Average National Income Securities	**-**	-	(1,470)
Average equity (adjusted)	**61,875**	61,984	60,381
Statutory return on equity	**11.5%**	10.2%	10.6%

	Half Year to		
	Mar 22	**Sep 21**	**Mar 21**
Cash return on equity			
Earnings ($m)			
Cash earnings	**3,480**	3,215	3,343
Average equity (adjusted) ($m)	**61,875**	61,984	60,381
Cash return on equity	**11.3%**	10.3%	11.1%

FUNDED BALANCE SHEET

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

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

	As at				
	31 Mar 22 $m	30 Sep 21 $m	31 Mar 21 $m	Mar 22 v Sep 21 %	Mar 22 v Mar 21 %
Funding sources[1]					
Stable customer deposits[2]	**495,431**	461,841	436,633	7.3	13.5
Term wholesale funding with greater than 12 months to maturity	**106,614**	102,252	102,202	4.3	4.3
Central bank funding facilities[3]	**34,904**	34,409	15,998	1.4	large
Equity	**61,029**	62,779	61,577	(2.8)	(0.9)
Total stable funding	**697,978**	661,281	616,410	5.5	13.2
Short-term wholesale funding	**116,188**	105,994	92,520	9.6	25.6
Term wholesale funding with less than 12 months to maturity	**22,564**	31,773	35,638	(29.0)	(36.7)
Other deposits[4]	**35,006**	38,417	39,181	(8.9)	(10.7)
Other liabilities[5]	**5,419**	-	-	large	large
Total funding	**877,155**	837,465	783,749	4.7	11.9
Funded assets					
Liquid assets[6]	**202,183**	194,498	170,176	4.0	18.8
Other short-term assets[7][8]	**21,679**	14,718	16,364	47.3	32.5
Total short-term assets	**223,862**	209,216	186,540	7.0	20.0
Business and other lending[7]	**279,486**	264,489	249,275	5.7	12.1
Housing lending	**373,807**	360,000	345,172	3.8	8.3
Other assets[5][8]	**-**	3,760	2,762	large	large
Total long-term assets	**653,293**	628,249	597,209	4.0	9.4
Total funded assets	**877,155**	837,465	783,749	4.7	11.9

(1) Excludes repurchase agreements as they do not provide net funding.
(2) Includes operational deposits, non-financial corporate deposits and retail / SME deposits and excludes certain offshore deposits as defined in APRA Prudential Standard APS 210 *Liquidity*.
(3) Includes Term Funding Facility provided by the Reserve Bank of Australia, and the Term Lending Facility and Funding for Lending Programme provided by the Reserve Bank of New Zealand.
(4) Includes non-operational financial institution deposits and certain offshore deposits as defined in APRA Prudential Standard APS 210 *Liquidity*.
(5) The net position includes derivative assets and derivative liabilities, property, plant and equipment, all net of accruals, receivables and payables.
(6) Market value of marketable securities including HQLA, non-HQLA securities and commodities.
(7) Trade finance loans are included in other short-term assets, instead of business and other lending.
(8) Comparative information has been restated to align to the disclosure in the current period.

BONDS, NOTES AND SUBORDINATED DEBT

	As at		
	31 Mar 22 $m	30 Sep 21 $m	31 Mar 21 $m
Bonds, notes and subordinated debt			
Medium-term notes	**66,729**	67,278	72,284
Securitisation notes	**1,966**	2,264	2,739
Covered bonds	**22,026**	23,715	22,317
Subordinated medium-term notes	**16,564**	15,897	13,620
Other subordinated notes[1]	**-**	-	504
Total bonds, notes and subordinated debt	**107,285**	109,154	111,464

(1) On 17 December 2015, BNZ issued NZ $550 million of subordinated unsecured notes in New Zealand (BNZ Subordinated Notes), treated as Tier 2 capital, subject to an adjustment as the notes were issued by a subsidiary to third parties. On 17 June 2021, having received APRA and RBNZ approval, BNZ exercised its option to repay all of the BNZ Subordinated Notes in accordance with their terms.

NUMBER OF ORDINARY SHARES

	Half Year to		
	Mar 22 No. '000	Sep 21 No. '000	Mar 21 No. '000
Ordinary shares, fully paid			
Balance at beginning of period	**3,281,991**	3,298,602	3,290,093
Shares issued:			
Dividend reinvestment plan	**8,547**	6,173	4,776
Bonus share plan	**635**	608	450
Share-based payments	**5,220**	157	3,277
Paying up of partly paid shares	**-**	1	6
On-market purchase of shares for dividend reinvestment plan neutralisation	**(8,547)**	(6,173)	-
Shares bought back	**(69,548)**	(17,377)	-
Total ordinary shares, fully paid	**3,218,298**	3,281,991	3,298,602
Ordinary shares, partly paid to 25 cents			
Balance at beginning of period	**12**	13	19
Paying up of partly paid shares	**-**	(1)	(6)
Total ordinary shares, partly paid to 25 cents	**12**	12	13
Total ordinary shares (including treasury shares)	**3,218,310**	3,282,003	3,298,615
Less: Treasury shares	**(6,410)**	(6,005)	(6,229)
Total ordinary shares (excluding treasury shares)	**3,211,900**	3,275,998	3,292,386

NON-CASH EARNINGS ITEMS

Distributions

Distributions relating to hybrid equity instruments were treated as an expense for cash earnings purposes and as a reduction in equity (dividend) for statutory reporting purposes. The distributions on other equity instruments are set out in *Note 6 Dividends and distributions*. In the March 2022 half year, the effect on cash earnings is nil.

Hedging and fair value volatility

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

In the March 2022 half year, there was an increase in statutory profit of $247 million ($183 million after tax) from hedging and fair value volatility.

Amortisation of acquired intangible assets

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

In the March 2022 half year, there was a decrease in statutory profit of $9 million ($6 million after tax) due to the amortisation of acquired intangible assets.

Acquisition, integration and transaction costs

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

In the March 2022 half year, there was a decrease in statutory profit of $100 million ($86 million after tax) related to acquisition, integration and transaction costs.

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

	Half Year to March 2022				
	Statutory net profit from continuing operations $m	Hedging and fair value volatility $m	Amortisation of acquired intangible assets $m	Acquisition, integration and transaction costs $m	Cash earnings $m
Statutory net profit reconciliation[1]					
Net interest income	**7,076**	**9**	**-**	**-**	**7,085**
Other operating income	**1,995**	**(252)**	**-**	**-**	**1,743**
Net operating income	**9,071**	**(243)**	**-**	**-**	**8,828**
Operating expenses	**(4,072)**	**-**	**9**	**100**	**(3,963)**
Profit / (loss) before credit impairment charge	**4,999**	**(243)**	**9**	**100**	**4,865**
Credit impairment (charge) / write-back	**2**	**(4)**	**-**	**-**	**(2)**
Profit / (loss) before income tax	**5,001**	**(247)**	**9**	**100**	**4,863**
Income tax (expense) / benefit	**(1,430)**	**64**	**(3)**	**(14)**	**(1,383)**
Net profit / (loss) attributable to owners of NAB from continuing operations	**3,571**	**(183)**	**6**	**86**	**3,480**

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

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

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

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

(1) In the March 2021 half year, operational enhancements were implemented to reduce future volatility in statutory earnings related to hedge accounting. This resulted in a one-off $245 million charge to other operating income in the March 2021 half year.
(2) Information is presented on a continuing operations basis, unless otherwise stated.

IMPACT OF EXCHANGE RATE MOVEMENTS ON GROUP RESULTS

The table below represents the foreign exchange rate differences arising on translation of the Group's foreign operations. The foreign exchange rate differences are calculated by translating into Australian dollars the cash earnings of Group entities that have a functional currency other than Australian dollars. The March 2022 half year is translated at average foreign exchange rates for the September 2021 and March 2021 half years.

	Half Year to					
	Mar 22 v Sep 21 %	FX $m	Mar 22 v Sep 21 ex FX %	Mar 22 v Mar 21 %	FX $m	Mar 22 v Mar 21 ex FX %
Impact of exchange rate movements on Group results						
Net interest income	1.8	9	**1.7**	3.6	18	**3.3**
Other operating income	23.7	5	**23.3**	8.9	11	**8.3**
Net operating income	5.5	14	**5.3**	4.6	29	**4.3**
Operating expenses	0.2	(5)	**0.1**	2.6	(10)	**2.3**
Underlying profit	10.2	9	**10.0**	6.3	19	**5.9**
Credit impairment charge / (write-back)	large	-	**large**	large	(1)	**large**
Cash earnings before tax and distributions	8.0	9	**7.8**	3.4	18	**3.0**
Income tax expense	7.5	(1)	**7.4**	2.6	(4)	**2.3**
Cash earnings before distributions	8.2	8	**8.0**	3.7	14	**3.3**
Distributions	-	-	**-**	(100.0)	-	**(100.0)**
Cash earnings	8.2	8	**8.0**	4.1	14	**3.7**

EXCHANGE RATES

	Half Year to			As at		
	Income statement - average			Balance sheet - spot		
	Mar 22	Sep 21	Mar 21	31 Mar 22	30 Sep 21	31 Mar 21
One Australian dollar equals						
British pounds	**0.5401**	0.5419	0.5569	**0.5707**	0.5360	0.5538
Euros	**0.6412**	0.6312	0.6268	**0.6708**	0.6216	0.6491
United States dollars	**0.7262**	0.7524	0.7515	**0.7486**	0.7212	0.7601
New Zealand dollars	**1.0593**	1.0628	1.0698	**1.0760**	1.0476	1.0897

Terms	Description
12-month expected credit losses (ECL)	The portion of lifetime expected credit losses that represent the expected losses arising from default events that could occur within 12 months of the reporting date.
86 400	86 400 refers to 86 400 Holdings Limited, the holding company of the 86 400 banking business, acquired by the Group in May 2021.
90+ days past due (DPD) and gross impaired assets to GLAs	Calculated as the sum of '90+ DPD assets' and 'Gross impaired assets', divided by gross loans and acceptances.
90+ DPD assets	90+ DPD assets consist of assets that are contractually 90 days or more past due, but not impaired.
AASB	Australian Accounting Standards Board.
Additional regulatory specific provisions	In line with APRA's July 2017 guidance "*Provisions for regulatory purposes and* AASB 9 *Financial Instruments*", regulatory specific provisions include collective provisions for facilities in Stage 2 with identified deterioration (that do not meet the two exception clauses per the APRA guidance), and Stage 3 in default. Additional regulatory specific provisions are not calculated from 1 January 2022 under the revised APS 220 *Credit Risk Management*.
ADI	Authorised Deposit-taking Institution.
Advanced Measurement Approach (AMA)	An approach used to calculate the capital requirement for operational risk using a risk-based internal model designed to measure the scope of operational risk. This approach was applied by the Group until 31 December 2021.
AML	Anti-Money Laundering.
APRA	Australian Prudential Regulation Authority.
APS	Prudential Standards issued by APRA applicable to ADIs.
ASX	Australian Securities Exchange Limited (or the market operated by it).
AUSTRAC	Australian Transaction Reports and Analysis Centre.
Available stable funding (ASF)	The portion of an ADI's capital and liabilities expected to be reliably provided over a one-year time horizon.
Average equity (adjusted)	Average equity adjusted to exclude non-controlling interests and other equity instruments.
Average interest earning assets	The average balance of assets held by the Group over the period that generate interest income.
Basel III	Basel III is a global regulatory framework designed to increase the resilience of banks and banking systems and was effective for ADIs from 1 January 2013.
BNZ	Bank of New Zealand.
Broker aggregation businesses	PLAN Australia, Choice and FAST.
Business lending	Lending to non-retail customers including overdrafts, asset and lease financing, term lending, bill acceptances, foreign currency loans, international and trade finance, securitisation and specialised finance.
Cash earnings	Cash earnings is defined as net profit attributable to owners of NAB from continuing operations, adjusted for the items NAB considers appropriate to better reflect the underlying performance of the Group. Cash earnings for the March 2022 half year has been adjusted for the following: • hedging and fair value volatility • amortisation of acquired intangible assets • acquisition, integration and transaction costs.
Cash earnings on average risk-weighted assets	Calculated as cash earnings (annualised after tax) divided by average risk-weighted assets. Average risk-weighted assets are calculated as the average of the current and previous two quarter-end spot risk-weighted assets.
Cash return on equity	Cash earnings after tax expressed as a percentage of average equity (adjusted).
CGU	Cash-generating unit.
Citigroup	Citigroup Pty Limited and Citigroup Overseas Investment Corporation.
Committed liquidity facility (CLF)	A facility provided by the RBA to certain ADIs to assist them in meeting the Basel III liquidity requirements.
Common Equity Tier 1 (CET1) capital	CET1 capital ranks behind the claims of depositors and other creditors in the event of winding-up of the issuer, absorbs losses as and when they occur, has full flexibility of dividend payments and has no maturity date. CET1 capital consists of the sum of paid-up ordinary share capital, retained profits plus certain other items as defined in APS 111 *Capital Adequacy: Measurement of Capital*.

Terms	Description
Common Equity Tier 1 capital ratio	CET1 capital divided by risk-weighted assets.
Continuing operations	Continuing operations are the components of the Group which are not discontinued operations.
Core assets	Represents gross loans and advances including acceptances, financial assets at fair value, and other debt instruments at amortised cost.
Cost to income ratio (CTI)	Represents operating expenses as a percentage of operating revenue.
CTF	Counter-Terrorism Financing.
Customer deposits	The sum of interest bearing, non-interest bearing and term deposits (including retail and corporate deposits).
Customer funding index (CFI)	Customer deposits (excluding certain short dated institutional deposits used to fund liquid assets) divided by core assets.
Customer risk management	Activities to support customers to manage their financial risks (predominantly foreign exchange and interest rate risks).
CYBG	Virgin Money UK PLC (formerly CYBG PLC).
Dilutive potential ordinary share	A financial instrument or other contract that may entitle its holder to ordinary shares and which would have the effect of decreasing earnings per share. For the Group in the March 2022 half year, these include convertible notes and notes issued under employee incentive schemes. The March 2021 half year also includes convertible preference shares.
Discontinued operations	Discontinued operations are a component of the Group that either has been disposed of, or is classified as held for sale, and represents a separate major line of business or geographical area of operations, which is part of a single coordinated plan for disposal.
Distributions	Payments to holders of equity instruments other than ordinary shares, including National Income Securities.
Dividend payout ratio	Dividends paid on ordinary shares divided by cash earnings per share.
Earnings per share (EPS) - basic	Calculated as net profit attributable to ordinary equity holders of the parent (statutory basis) or cash earnings (cash earnings basis), divided by the weighted average number of ordinary shares.
Earnings per share (EPS) - diluted	Calculated as net profit attributable to ordinary equity holders of the parent (statutory basis) or cash earnings (cash earnings basis), divided by the weighted average number of ordinary shares, after adjusting both earnings and the weighted average number of ordinary shares for the impact of dilutive potential ordinary shares.
Economic adjustments (EA)	The economic adjustment forms part of the provision for credit impairment derived from reasonable and supportable forecasts of potential future conditions (forward looking information) that is not captured within the underlying credit provision. It incorporates general macro-economic forward looking information (for example, GDP, unemployment and interest rates).
Effective tax rate	Income tax expense divided by profit before income tax expense.
Fair value	The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at measurement date.
Forward looking adjustment (FLA)	Forward looking adjustments reflect part of the provision for credit impairment derived from reasonable and supportable forecasts of potential future conditions (forward looking information) that are not otherwise captured within the underlying credit provision or the EA. They incorporate more targeted sector-specific forward looking information.
Full-time equivalent employees (FTEs)	Includes all full-time, part-time, temporary, fixed term and casual employee equivalents, as well as agency temporary employees and external contractors either self-employed or employed by a third party agency. Note: this excludes consultants, IT professional services, outsourced service providers and non-executive directors.
General reserve for credit losses (GRCL)	An estimate of the reasonable and prudent expected credit losses over the remaining life of the portfolio of non-defaulted assets, as set out under the former APS 220 *Credit Quality*. The GRCL is calculated as a collective provision for credit impairment, excluding securitisation exposures and provisions for facilities in default but for which no loss is expected (which are reported as additional regulatory specific provisions). The GRCL is not calculated from 1 January 2022 under the revised APS 220 *Credit Risk Management*.
Gross domestic product (GDP)	GDP is the market value of finished goods and services produced within a country in a given period of time.
Gross loans and acceptances (GLAs)	Total loans, advances and acceptances, including unearned and deferred fee income, excluding associated provisions for expected credit losses. Calculated as the sum of 'Acceptances', 'Loans and advances at fair value' and 'Loans and advances at amortised cost'.
Group	NAB and its controlled entities.

Terms	Description
Hedging and fair value volatility	This volatility represents timing differences between the unrealised gains or losses recognised over the term of the transactions and the ultimate economic outcome which will only be realised in future. This volatility arises primarily from fair value movements relating to trading derivatives held for risk management purposes; fair value movements relating to assets, liabilities and derivatives designated in hedge relationships; and fair value movements relating to assets and liabilities designated at fair value.
High-quality liquid assets (HQLA)	Consists primarily of cash, deposits with central banks, Australian government and semi-government securities and securities issued by foreign sovereigns as defined in APS 210 *Liquidity*.
Housing lending	Mortgages secured by residential properties as collateral.
IFRS	International Financial Reporting Standards as issued by the International Accounting Standards Board (IASB).
Impaired assets	Consists of: • Retail loans (excluding unsecured portfolio managed facilities) which are contractually 90 days or more past due with security insufficient to cover principal and interest or where sufficient doubt exists about the ability to collect principal and interest in a timely manner. • Non-retail loans which are contractually past due and / or where there is sufficient doubt the ability to collect principal and interest. • Off-balance sheet credit exposures where current circumstances indicate that losses may be incurred. • Unsecured portfolio managed facilities that are 180 days or more past due (if not written off).
Internal ratings-based (IRB)	The process used to estimate credit risk through the use of internally developed models to assess potential credit losses using the outputs from the probability of default, loss given default and exposure at default models.
Leverage ratio	Tier 1 capital divided by exposures as defined by APS 110 *Capital Adequacy*. It is a simple, non-risk based measure to supplement the risk-weighted assets based capital requirements. Exposures include on-balance sheet exposures, derivative exposures, securities financing transaction exposures and other off-balance sheet exposures.
Lifetime expected credit losses (ECL)	The ECL that result from all possible default events over the expected life of a financial instrument.
Liquidity coverage ratio (LCR)	A metric that measures the adequacy of HQLA available to meet net cash outflows over a 30-day period during a severe liquidity stress scenario.
Marketable debt securities	Comprises trading securities and debt instruments.
MLC Life	MLC Limited.
MLC Wealth	MLC Wealth was the Group's Wealth division which provided superannuation, investments, asset management and financial advice to retail, corporate and institutional clients, supported by several brands including MLC, Plum and investment brands under MLC Asset Management. The sale of MLC Wealth to Insignia Financial Ltd completed on 31 May 2021.
NAB	National Australia Bank Limited ABN 12 004 044 937.
NAB risk management	Management of interest rate risk in the banking book, wholesale funding and liquidity requirements and trading market risk to support the Group's franchises.
nabtrade	National Australia Bank's online investing platform.
Net interest margin (NIM)	Net interest income derived on a cash earnings basis expressed as a percentage of average interest earning assets.
Net stable funding ratio (NSFR)	A ratio of the amount of available stable funding (ASF) to the amount of required stable funding (RSF).
Payment systems merger	The amalgamation of Australia's three domestic payments organisations, BPAY Group Holding Pty Ltd and its subsidiaries (collectively referred to as BPAY), eftpos Payments Australia Limited (EPAL) and NPP Australia Limited (NPPA) as Australian Payments Plus.
RBA	Reserve Bank of Australia.
RBNZ	Reserve Bank of New Zealand.
Required stable funding (RSF)	The amount of stable funding an ADI is required to hold measured as a function of the liquidity characteristics and residual maturities of the various assets held by an ADI, including off-balance sheet exposures.
Risk-weighted assets	A quantitative measure of risk required by the APRA risk-based capital adequacy framework, covering credit risk for on and off-balance sheet exposures, market risk, operational risk and interest rate risk in the banking book.
Securitisation	Structured finance technique which involves pooling, packaging cash flows and converting financial assets into securities that can be sold to investors.

Terms	Description
SME	Small and medium-sized enterprises.
Stable funding index (SFI)	Term funding index (TFI) plus Customer funding index (CFI).
Standardised approach	An alternative approach to the assessment of credit risk which utilises regulatory prescribed risk-weights based on external ratings and / or the application of specific regulator defined metrics to determine risk-weighted assets.
Standardised Measurement Approach (SMA)	An approach used to calculate the capital requirement for operational risk based on a business indicator, a financial statement proxy of operational risk exposure. This approach was applied by the Group from 1 January 2022.
Statutory net profit	Net profit attributable to owners of NAB.
Statutory return on equity	Statutory earnings after tax expressed as a percentage of average equity (adjusted), calculated on a statutory basis.
Term funding index (TFI)	Term wholesale funding with remaining maturity to first call date greater than 12 months, including Term Funding Facility (TFF) drawdowns divided by core assets.
Tier 1 capital	Tier 1 capital comprises CET1 capital and instruments that meet the criteria for inclusion as Additional Tier 1 capital set out in APS 111 *Capital Adequacy: Measurement of Capital*.
Tier 1 capital ratio	Tier 1 capital divided by risk-weighted assets.
Tier 2 capital	Tier 2 capital comprises other components of capital that, to varying degrees, do not meet the requirements as Tier 1 capital but nonetheless contribute to the overall strength of an ADI and its capacity to absorb losses.
Total average assets	The average balance of assets held by the Group over the period, adjusted for discontinued operations.
Total capital	Tier 1 capital plus Tier 2 capital.
Total capital ratio	Total capital divided by risk-weighted assets.
Treasury shares	Shares issued to meet the requirements of employee incentive schemes which have not yet been distributed.
Underlying profit / loss	Underlying profit / loss is a performance measure used by NAB. It represents cash earnings / loss before various items, including income tax expense and the credit impairment charge. It is not a statutory financial measure and is not presented in accordance with Australian Accounting Standards.
Weighted average number of ordinary shares	The number of ordinary shares outstanding at the beginning of the period, adjusted by the number of ordinary shares bought back or issued during the period multiplied by a time-weighting factor. The time-weighting factor is the number of days that the shares are outstanding as a proportion of the total number of days in the period.