# Half Year Results

2024

**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 2023 Annual Report.

National Australia Bank Limited ABN 12 004 044 937

## Acknowledgement of Country

NAB acknowledges Australia's First Nations people as the Traditional Custodians of the land and their continuing connection to country, sea and water. We pay respect to their Elders past and present.

We make this acknowledgement with the ambition to continue supporting a reconciled Australia through our actions and voice. This is backed by why we are here: to serve customers well and help our communities prosper.

# Appendix 4D

**Preliminary financial statements for the half year ended 31 March 2024 as required by ASX listing rule 4.2A**

**Results for announcement to the market**

| | |
|---|---|
| Current period: | 1 October 2023 to 31 March 2024 |
| Prior corresponding period: | 1 October 2022 to 31 March 2023 |

| | | | | Half Year to |
|---|---|---|---|---|
| | | | | 31 March 2024 |
| | | | | $m |
| Revenue from ordinary activities[1] | down | 3.8% | to | **10,170** |
| Net profit after tax from ordinary activities attributable to owners of the Company | down | 11.9% | to | **3,494** |
| Net profit attributable to owners of the Company | down | 11.9% | to | **3,494** |

(1) Reported as the sum of the following from the Group's consolidated income statement: Net interest income $8,398 million and total other income $1,772 million.

| | Amount per share | Franked amount per share |
|---|---|---|
| | cents | % |
| **Dividends and Dividend Reinvestment Plan** | | |
| Final 2023 dividend | 84 | 100 |
| Interim 2024 dividend | 84 | 100 |

| | |
|---|---|
| **Interim dividend dates** | |
| Ex-dividend date | 7 May 2024 |
| Record date | 8 May 2024 |
| Payment date | 3 July 2024 |

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 9 May 2024 at 5pm (Australian Eastern Standard time).

| | As at | |
|---|---|---|
| | 31 March 2024 | 31 March 2023 |
| | $ | $ |
| **Net tangible assets** | | |
| Net tangible assets per ordinary share | **18.16** | **18.04** |

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

The Group has not gained or lost control over any material entities during the half year ended 31 March 2024.

The Group held no material investments in associates or joint venture entities as at 31 March 2024.

Additional information supporting the Appendix 4D disclosure requirements can be found in the accompanying 2024 Half Year Results.

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

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

This announcement has been authorised for release by the Board.

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# Half year results 2024


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# Half Year Results Summary 2024

National Australia Bank Limited ABN 12 004 044 937 AFSL and Australian Credit Licence 230686, 2 May 2024.

## 1H24 KEY FINANCIAL INFORMATION

**$3,494m**
Statutory net profit

**$3,548m**
Cash earnings (i)
Down 3.1% v 2H23
Down 12.8% v 1H23

**11.7%**
Cash ROE

**12.15%**
Group Common Equity Tier 1 (CET1) ratio

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

"Our 1H24 financial performance has benefited from the disciplined execution of our strategy in a challenging environment. This has helped us manage the impacts of slowing economic growth and competitive pressures while also absorbing a higher effective tax rate. Compared with a very strong 1H23 result, cash earnings were 12.8% lower, but the decline was more modest versus 2H23, down 3.1%.

Consistent investment in our better returning segments is supporting good growth over the 12 months to March 2024. This includes 8.6% growth in Australian SME(1) business lending and 6.4% growth in Personal Banking and Business and Private Banking customer deposits. In other areas where returns are less attractive, a selective approach has resulted in more subdued growth including 3.7% in Australian home lending.

Staying safe and having prudent settings are non-negotiables for us. Our CET1 ratio is above our target range, supporting a $1.5 billion increase in our on-market share buy-back(2). Liquidity and provisions remain strong and our FY24 term funding task is well progressed with $23 billion raised in 1H24.

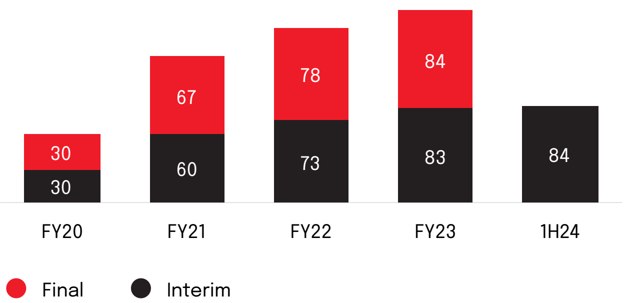
Our strategy, in place since April 2020, has positioned us strongly as a simpler bank with a clear focus on driving better outcomes for colleagues and customers and delivering sustainable growth and returns for shareholders. We are proud of our progress but there is more to do. We need to do better for customers and become even simpler while continuing to remove complexity across our Bank. While our strategic priorities will evolve, customers will remain at the centre of everything we do and there will be no change to our unwavering focus on accountability and execution.

We remain optimistic. Our Bank and most customers are in good shape and the outlook for the Australian economy remains resilient. We are well placed to continue managing our business for the long term."

**- Andrew Irvine NAB CEO**

## Dividends

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




## Supporting our customers and communities

- Helping small businesses reduce time spent on administration tasks with the launch of NAB Bookkeeper which leverages AI to provide customers with real-time insights, automated accounting, invoicing, and tax calculations all in the one place via NAB's internet banking.
- Supporting commercial real estate (CRE) customers fund investments in eligible green buildings, or eligible retrofit projects intended to reduce greenhouse gas emissions, with the launch of NAB's Green Finance for CRE.
- Continuing to enhance fraud and scam protections for customers including the introduction of behavioural biometrics to detect more suspicious and anomalous behaviour on NAB Connect internet banking for business.
- Supporting communities with disaster relief grants to customers impacted by floods, fires and storms across 18 locations in Australia during 1H24, together with loan deferrals, reduced repayment arrangements and hardship support for eligible customers.

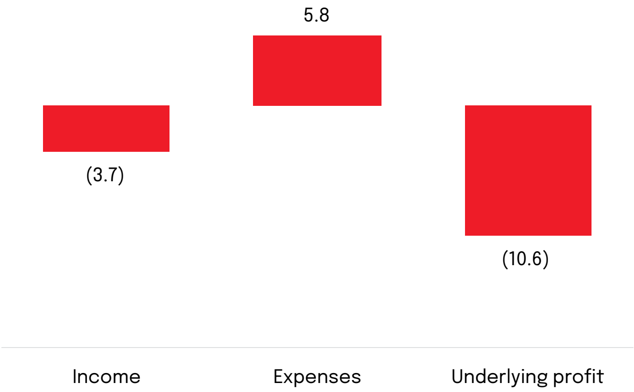
(1) SME refers to small and medium sized enterprise.
(2) On 15 August 2023 the Group announced its intention to acquire up to $1.5 billion ordinary shares via an on-market buy-back. NAB commenced the buy-back on 29 August 2023 and has bought back and cancelled 41,673,065 ordinary shares ($1.3 billion) up to 31 March 2024, including 31,110,882 ordinary shares ($1.0 billion) in the March 2024 half year. NAB has today announced an increase to the on-market buy-back by $1.5 billion with this additional buy-back activity expected to be undertaken over approximately 12 months from today.

*The March 2024 half year results are compared with the March 2023 half year results for continuing operations unless otherwise stated. Operating performance and Asset quality are expressed on a cash earnings basis.*

## Operating performance 1H24 v 1H23

- Revenue decreased by 3.7% mainly reflecting lower margins and lower Markets and Treasury (M&T) income, partially offset by volume growth.
- Gross loans and advances (GLAs) increased by 3.5% and deposits rose 3.8%.
- Net Interest Margin (NIM) decreased by 5 basis points (bps) to 1.72%. Excluding a 5 bps increase from M&T, NIM declined 10 bps. This mainly reflects lending margin competitive pressures primarily relating to housing lending, along with higher term deposit costs and deposit mix impacts, partially offset by higher earnings on deposits and capital as a result of the rising interest rate environment.
- Expenses increased by 5.8% mainly reflecting continued uplift in technology and compliance capabilities including fraud and cyber security with associated higher average FTE and salary-related expenses. These impacts were partially offset by productivity benefits. Compared with 2H23, expense growth moderated to 1.6% or 2.5% excluding the impact of the one-off Compensation Scheme of Last Resort (CSLR) levy provision in 2H23.

1H24 v 1H23 drivers of cash earnings change (%)

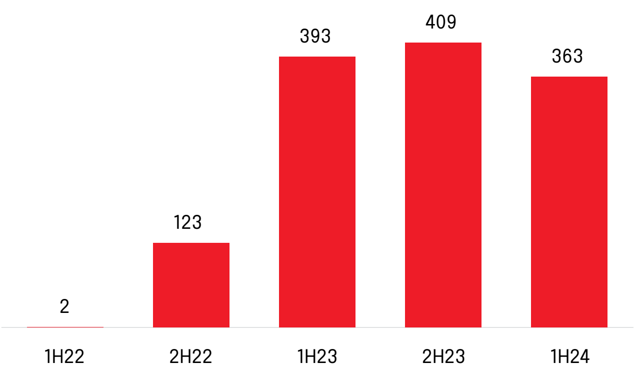



**Revenue has softened from strong 1H23 levels as the benefits of a higher interest rate environment have been more than offset by competition. At the same time, cost pressures remained elevated. Disciplined execution of our strategy is helping us manage these impacts including continued delivery of productivity benefits along with good growth in Business and Private Banking while adopting a more selective approach to growth in sectors where returns are more challenged.**

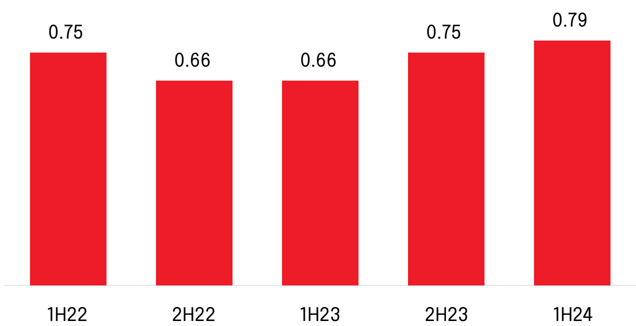
## Asset quality 1H24 v 1H23

- Credit impairment charge (CIC) was $363 million, versus a 1H23 charge of $393 million. The 1H24 charge includes a $40 million release from forward looking provisions. Underlying charges primarily reflect volume growth, higher arrears and a modest increase in specific charges, partially offset by the impact of higher house prices.
- The $40 million release from forward looking provisions includes a net release of $93 million from provisions for target sector forward looking adjustments. This has been partially offset by a $53 million top-up to the economic adjustment.
- The ratio of 90+ days past due and gross impaired assets to gross loans and acceptances increased 13 bps to 0.79%. This mainly reflects higher arrears across the Australian home lending and business lending portfolios, partially offset by lower impaired assets.

Credit impairment charge ($m)



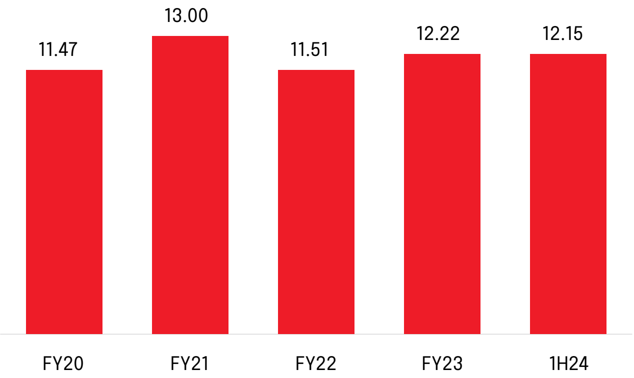

90+ days past due and gross impaired assets / gross loans and acceptances (%)




**Our collective provisions remain prudently set at 1.47% of credit risk-weighted assets. The Australian economy is proving resilient and most customers are faring well in the current more challenging environment. However, there remains continued uncertainty in the outlook including the impacts of global instability and the ability of customers to manage the full extent of higher interest rates and elevated cost of living pressures.**

## Capital, funding and liquidity

Group CET1 ratio[(i)] (%)




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

### Key ratios as at 31 March 2024

- Group Common Equity Tier 1 (CET1) ratio of 12.15%, down 7 bps from September 2023. This includes the benefit of lower IRRBB RWA (23 bps) and removal of APRA's Operational Risk overlay (17 bps) partially offset by $1.0 billion of shares bought back in 1H24 (23 bps)[(1)] along with volume growth and asset quality deterioration.
- Leverage ratio of 5.10%.
- Liquidity coverage ratio (LCR) quarterly average of 139%.
- Net Stable Funding Ratio (NSFR) of 118%.



## Key divisional performance - Cash earnings

| | 1H24 ($m) | % change 1H24 v 1H23 | Key drivers 1H24 v 1H23 |
|---|---|---|---|
| Business and Private Banking | 1,673 | (2.4) | Modestly lower earnings with a decline in underlying profit partially offset by a reduction in credit impairment charges. Revenue decreased from strong 1H23 levels with strong volume growth but lower margins including the impact of competitive lending pressures, primarily relating to home lending. Expenses were higher including continued planned investment in the franchise. |
| Personal Banking | 553 | (29.6) | Lower earnings reflecting a decline in underlying profit. Revenue was weaker compared with strong 1H23 levels as competitive pressures more than offset disciplined volume growth and benefits from the higher interest rate environment. Cost growth was well managed. |
| Corporate and Institutional Banking | 899 | (2.8) | Modestly lower earnings reflecting a decrease in underlying profit and a higher effective tax rate due to the repeal of the offshore banking unit tax concession. This was partially offset by a write-back in credit impairment charges compared with a charge in the prior period. Revenue declined slightly as a result of lower Markets income partially offset by stronger margins. |
| New Zealand Banking (NZ $m) | 750 | (7.7) | Lower underlying profit as a result of increased expenses including higher salary and technology related costs and compliance obligations. Revenue was slightly lower with growth in volumes offset by a decline in margins. Credit impairment charges were broadly stable. |

(1) On 15 August 2023 the Group announced its intention to acquire up to $1.5 billion ordinary shares via an on-market buy-back. NAB commenced the buy-back on 29 August 2023 and has bought back and cancelled 41,673,065 ordinary shares ($1.3 billion) up to 31 March 2024, including 31,110,882 ordinary shares ($1.0 billion) in the March 2024 half year.

# 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**
Personal & SME

**ubank**
Customer acquisition

## How we work

Excellence for customers

Grow together

Be respectful

Own it

## Measures for success

Engagement

NPS growth

Cash EPS growth

Return on Equity

## Economic outlook[1]

**In Australia, household consumption growth slowed sharply in the second half of 2023, impacted by interest rates and cost of living pressures. This is weighing on real GDP growth which is expected to remain below-trend over the near term. However, some relief is anticipated later this year with expected tax cuts and a forecast easing in monetary policy from November should inflation continue to moderate. Following 1.5% GDP growth over 2023, growth of 1.7% is forecast over 2024, before improving to around 2.25 % in 2025. Pressure has eased in the labour market and wage growth is expected to slow from elevated rates in 2023. The unemployment rate is expected to continue to drift higher, peaking at around 4.5% by end 2024, but most indicators of labour demand remain healthy suggesting employment will continue to grow.**

**In New Zealand, the impacts of significant monetary policy tightening and slower global economic growth are continuing to weigh on economic activity. Real GDP growth has contracted, falling 0.3% over 2023, and there is a risk of a further decline in the first half of 2024. Strong population growth is contributing to an easing in supply side and inflationary pressures and a softening in the labour market, with the unemployment rate forecast to peak near 5.5% in 2025. If sustained, this provides scope for monetary policy easing - currently expected towards the end of 2024 - and improved economic growth in 2025.**

(1) References to years relate to calendar years. References to growth over a year relate to Dec quarter versus Dec quarter of previous year.

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## Strategic overview

While 1H24 has been a challenging time with significant competitive pressures and slowing growth, it is pleasing that all our divisions are continuing to execute well and in line with their strategic focus. This has delivered good balance sheet momentum in our targeted, higher returning sectors.

In Business and Private Banking (B&PB), our relationship-based approach increasingly enabled by digital, data and analytics continues to support good growth across our franchise. Despite a softer economic environment, business lending remained strong, up 8.6% over the year to March 2024, aided by increasing simplification and digitisation of our lending process. Deposit growth was also strong, up 6.4% over the year to March 2024, with continued focus on new transaction account openings. The rollout of innovative and enhanced solutions to help customers manage payments and cashflows remained a priority in 1H24 with key initiatives including enhancements to our ecommerce offering NAB Gateway and the launch of NAB Bookkeeper to reduce administration time for small business customers.

In Personal Banking we remained focused on providing simpler, more digital banking experiences. Simple everyday banking products opened digitally increased to 75% in 1H24, well up from 62% in FY20. This has supported good deposit growth of 6.4% over the year to March 2024. Our digital home lending platform continues to deliver faster turnaround times and better banker productivity. Rollout is progressing well across the broker channel with almost a quarter of broker home loans now submitted via the platform (up from 15% in 2H23). However, competitive dynamics in the Australian home lending market have been challenging. This has seen us adopt a selective approach to growth over the 12 months to March 2024 with balances rising 3.7% (representing 0.8x system growth levels[(1)]) and a deliberate skew to our B&PB channel where returns are stronger.

We are leveraging capability from recent acquisitions to drive growth in unsecured lending and ubank through better, more targeted customer propositions. Over 1H24, our credit card balances and market share increased and ubank recorded continued customer acquisition weighted towards its target segment of under 35-year-olds.

Corporate and Institutional Banking (C&IB) has maintained its returns-focused strategy. A disciplined approach to growth, combined with a focus on simplification and leveraging transactional banking capability has driven a 520 bps improvement in C&IB's returns over the three years to March 2024 despite only modest growth in lending balances.

New Zealand Banking (NZB) is making good progress against its strategic priorities of becoming a simpler, more digital bank and tilting to less capital intensive sectors over time. This is helping support returns in continued challenging economic conditions. Over the year to March 2024 NZB achieved good growth in the household sector, which remains a focus.

Having a healthy customer franchise and engaged colleagues are key to our ability to grow sustainably. This is supported by our consistent focus on improving customer and colleague experiences. Our most recent colleague engagement score of 77 is stable over 12 months and in line with the top quartile global benchmark[(2)]. Customer NPS[(3)] outcomes have been mixed over the 12 months to March 2024. Business NPS declined 8 points to +2 with NAB's ranking slipping from second to fourth of major banks. Over the same period, Mass Consumer NPS improved 1 point with NAB continuing to rank second of major banks, and High Net Worth and Mass Affluent NPS improved 6 points with NAB continuing to rank first of major banks. Delivering more consistent service experiences to all NAB customers is a priority and we clearly have work to do to achieve this.

Our investment to simplify and digitise our business is allowing our bankers to spend more time with customers and provide quicker responses, while letting customers increasingly self-serve when they want to. This is also making us more efficient, supporting productivity benefits of $189 million in 1H24, and helping us manage costs while continuing to invest. In FY24 we continue to target productivity benefits of approximately $400 million[(4)].

Constant and evolving threats from financial crime require ongoing vigilance. Since September 2021 we have prevented or recovered more than $260 million in scam losses for customers. We will continue to enhance our defences to keep our Bank and customers safe. Staying safe also requires that we maintain prudent balance sheet settings and consistently manage risk with discipline. As at 31 March 2024, collective provisions as a ratio of credit risk-weighted assets were 1.47% and the share of lending funded by customer deposits is 82% - both well above pre-COVID 19 levels. The removal of APRA's $500 million Operational Risk capital add-on, reflecting improvements to our governance, risk and culture since 2019, has been an important milestone this period adding to our strong capital position. Our CET1 ratio of 12.15% compares with a target range of 11.0-11.5%, supporting a $1.5 billion increase in our on-market share buy-back[(5)].

Our strategy, in place since April 2020, has served us well over four years. Despite significant shifts in our operating environment during this period, we have maintained a clear focus on delivering better outcomes for customers and colleagues while keeping our bank safe. This has been supported by disciplined execution and persistent investment, and seen our return on equity improve from 9.0% in 1H20 to 11.7% in 1H24. With our new Executive Leadership Team in place, we are considering how we evolve our strategic priorities. We start in a great place with strong, safe balance sheet settings and attractive growth options. While no major strategic pivots are needed, we are excited about opportunities to leverage the good work of the past several years to allow us to become even simpler and drive better outcomes for customers and colleagues while maintaining a disciplined approach. This will remain at the core of everything we do and underpin our ability to deliver sustainable growth and returns.

(1) APRA Monthly Authorised Deposit-taking Institution statistics. Latest data as at March 2024.
(2) Engagement scores refer to Glint 'Heartbeat' outcomes. Top quartile comparison is based on Glint's client group (domestic and global, from all industries).
(3) Net Promoter® and NPS® are registered trademarks and Net Promoter Score and Net Promoter System are trademarks of Bain & Company, Inc., NICE Systems, Inc., and Fred Reichheld. Sourced from DBM Business and Consumer Atlas (part of RFI Global), measured on 6 month rolling average. 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 (25:25:50) combined weighting of NAB turnover segments: Nano/Micro (Up to $1m turnover OR $1m to $5m turnover with no relationship management), Small ($1m-$5m turnover with relationship management), Medium & Large ($5m -$200m turnover). Mass Consumer NPS now excludes HNW&MA (consumers with Personal income of $260k+ and/or investible assets $2.5m+ and/or footings of over $850k). Ranking based on absolute scores, not statistically significant differences.
(4) Refer to key risks, qualifications and assumptions in relation to forward looking statements on page 8.
(5) On 15 August 2023 the Group announced its intention to acquire up to $1.5 billion ordinary shares via an on-market buy-back. NAB commenced the buy-back on 29 August 2023 and has bought back and cancelled 41,673,065 ordinary shares ($1.3 billion) up to 31 March 2024, including 31,110,882 ordinary shares ($1.0 billion) in the March 2024 half year. NAB has today announced an increase to the on-market buy-back by $1.5 billion with this additional buy-back activity expected to be undertaken over approximately 12 months from today.

## 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 2024 Half Year Results provides details of how cash earnings is defined on page 10 and a discussion of non-cash earnings items and full reconciliation of statutory net profit attributable to owners of the Company on pages 96 to 98.

| | Half Year to | | | | |
|---|---|---|---|---|---|
| | Mar 24 $m | Sep 23 $m | Mar 23 $m | Mar 24 v Sep 23 % | Mar 24 v Mar 23 % |
| Net interest income | **8,397** | 8,331 | 8,476 | 0.8 | (0.9) |
| Other operating income | **1,741** | 1,794 | 2,053 | (3.0) | (15.2) |
| **Net operating income** | **10,138** | 10,125 | 10,529 | 0.1 | (3.7) |
| Operating expenses | **(4,677)** | (4,602) | (4,421) | 1.6 | 5.8 |
| **Underlying profit** | **5,461** | 5,523 | 6,108 | (1.1) | (10.6) |
| Credit impairment charge | **(363)** | (409) | (393) | (11.2) | (7.6) |
| **Cash earnings before income tax** | **5,098** | 5,114 | 5,715 | (0.3) | (10.8) |
| Income tax expense | **(1,541)** | (1,448) | (1,645) | 6.4 | (6.3) |
| **Cash earnings before non-controlling interests** | **3,557** | 3,666 | 4,070 | (3.0) | (12.6) |
| Non-controlling interests | **(9)** | (5) | - | 80.0 | large |
| **Cash earnings** | **3,548** | 3,661 | 4,070 | (3.1) | (12.8) |
| Non-cash earnings items (after tax) | **(4)** | (178) | (88) | (97.8) | (95.5) |
| **Net profit attributable to owners of the Company from continuing operations** | **3,544** | 3,483 | 3,982 | 1.8 | (11.0) |
| Net loss attributable to owners of the Company from discontinued operations | **(50)** | (36) | (15) | 38.9 | large |
| **Net profit attributable to owners of the Company** | **3,494** | 3,447 | 3,967 | 1.4 | (11.9) |
| **Represented by:** | | | | | |
| Business and Private Banking | **1,673** | 1,604 | 1,714 | 4.3 | (2.4) |
| Personal Banking | **553** | 661 | 785 | (16.3) | (29.6) |
| Corporate and Institutional Banking | **899** | 915 | 925 | (1.7) | (2.8) |
| New Zealand Banking | **697** | 647 | 747 | 7.7 | (6.7) |
| Corporate Functions and Other | **(274)** | (166) | (101) | 65.1 | large |
| **Cash earnings** | **3,548** | 3,661 | 4,070 | (3.1) | (12.8) |

## Shareholder summary

| | Half Year to | | | | |
|---|---|---|---|---|---|
| | Mar 24 | Sep 23 | Mar 23 | Mar 24 v Sep 23 | Mar 24 v Mar 23 |
| **Group - Including discontinued operations** | | | | | |
| Dividend per share (cents) | **84** | 84 | 83 | - | 1 |
| Statutory dividend payout ratio | **74.9%** | 76.3% | 65.7% | (140 bps) | 920 bps |
| Statutory earnings per share (cents) - basic | **112.2** | 110.1 | 126.3 | 2.1 | (14.1) |
| Statutory earnings per share (cents) - diluted | **110.4** | 107.3 | 121.2 | 3.1 | (10.8) |
| Statutory return on equity | **11.5%** | 11.3% | 13.3% | 20 bps | (180 bps) |
| Net tangible assets per ordinary share ($) | **18.16** | 17.96 | 18.04 | 1.1% | 0.7% |
| **Group - Continuing operations** | | | | | |
| Cash dividend payout ratio | **73.7%** | 71.8% | 64.1% | 190 bps | 960 bps |
| Statutory dividend payout ratio from continuing operations | **73.8%** | 75.5% | 65.5% | (170 bps) | 830 bps |
| Statutory earnings per share from continuing operations (cents) - basic | **113.8** | 111.3 | 126.7 | 2.5 | (12.9) |
| Statutory earnings per share from continuing operations (cents) - diluted | **111.9** | 108.3 | 121.7 | 3.6 | (9.8) |
| Cash earnings per share (cents) - basic | **114.0** | 117.0 | 129.5 | (3.0) | (15.5) |
| Cash earnings per share (cents) - diluted | **112.0** | 113.6 | 124.3 | (1.6) | (12.3) |
| Cash return on equity | **11.7%** | 12.0% | 13.7% | (30 bps) | (200 bps) |

## For further information

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



## Disclaimer - Forward looking statements

This Result Summary and the 2024 Half Year Results contain statements that are, or may be deemed to be, forward looking statements. These forward looking statements may be identified by the use of forward looking terminology, including the terms "believe", "estimate", "plan", "project", "anticipate", "expect", "target", "intend", "likely", "may", "will", "could" or "should" or, in each case, their negative or other variations or other similar expressions, or by discussions of strategy, plans, objectives, targets, goals, future events or intentions. Indications of, and guidance on, future earnings and financial position and performance are also forward looking statements. You are cautioned not to place undue reliance on such forward looking statements. Such forward looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of the Group, which may cause actual results to differ materially from those expressed or implied in such statements. There can be no assurance that actual outcomes will not differ materially from these statements.

There are many factors that could cause actual results to differ materially from those projected in such statements, including (without limitation) a significant change in the Group's financial performance or operating environment; a material change to law or regulation or changes to regulatory policy or interpretation; and risks and uncertainties associated with the ongoing impacts of the Russia-Ukraine and Israeli-Palestinian conflicts and other geopolitical tensions, the Australian and global economic environment and capital market conditions. Further information is contained in the Group's Luxembourg Transparency Law disclosures released to ASX on 2 May 2024 and the Group's Annual Report for the 2023 financial year, available at nab.com.au.

# Half year results 2024


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# Information about cash earnings and other non-IFRS measures

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

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

Certain financial measures detailed in this 2024 Half Year Results are not accounting measures within the scope of International Financial Reporting Standards (IFRS). Management use these financial measures to evaluate the Group's overall financial performance and position and believe the presentation of these financial measures provides useful information to analysts and investors regarding the results of the Group's operations.

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

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

## Information about cash earnings

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

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

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

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

Cash earnings for the March 2024 half year has been adjusted for the following:

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

## Reconciliation to statutory net profit

*Section 4 Financial Report* of this 2024 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 2024 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 11, and full reconciliations between statutory net profit and cash earnings are included in *Section 5 Supplementary information* on pages 97 to 98.

Page 96 contains a description of non-cash earnings items for the March 2024 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 2024 half year are references to the six months ended 31 March 2024. Other six month periods referred to in this document are referred to in a corresponding manner.

# Group performance results

| | Half Year to | | | | |
|---|---|---|---|---|---|
| | Mar 24 $m | Sep 23 $m | Mar 23 $m | Mar 24 v Sep 23 % | Mar 24 v Mar 23 % |
| Net interest income | **8,397** | 8,331 | 8,476 | 0.8 | (0.9) |
| Other operating income | **1,741** | 1,794 | 2,053 | (3.0) | (15.2) |
| **Net operating income** | **10,138** | 10,125 | 10,529 | 0.1 | (3.7) |
| Operating expenses | **(4,677)** | (4,602) | (4,421) | 1.6 | 5.8 |
| **Underlying profit** | **5,461** | 5,523 | 6,108 | (1.1) | (10.6) |
| Credit impairment charge | **(363)** | (409) | (393) | (11.2) | (7.6) |
| **Cash earnings before income tax** | **5,098** | 5,114 | 5,715 | (0.3) | (10.8) |
| Income tax expense | **(1,541)** | (1,448) | (1,645) | 6.4 | (6.3) |
| **Cash earnings before non-controlling interests** | **3,557** | 3,666 | 4,070 | (3.0) | (12.6) |
| Non-controlling interests | **(9)** | (5) | - | 80.0 | large |
| **Cash earnings** | **3,548** | 3,661 | 4,070 | (3.1) | (12.8) |
| *Non-cash earnings items (after tax):* | | | | | |
| Hedging and fair value volatility | **14** | (24) | (5) | large | large |
| Amortisation of acquired intangible assets | **(15)** | (15) | (15) | - | - |
| Acquisitions, disposals and business closures | **(3)** | (139) | (68) | (97.8) | (95.6) |
| **Net profit attributable to owners of the Company from continuing operations** | **3,544** | 3,483 | 3,982 | 1.8 | (11.0) |
| Net loss attributable to owners of the Company from discontinued operations | **(50)** | (36) | (15) | 38.9 | large |
| **Net profit attributable to owners of the Company** | **3,494** | 3,447 | 3,967 | 1.4 | (11.9) |
| | | | | | |
| **Cash earnings / (loss) by division:** | | | | | |
| Business and Private Banking | **1,673** | 1,604 | 1,714 | 4.3 | (2.4) |
| Personal Banking | **553** | 661 | 785 | (16.3) | (29.6) |
| Corporate and Institutional Banking | **899** | 915 | 925 | (1.7) | (2.8) |
| New Zealand Banking | **697** | 647 | 747 | 7.7 | (6.7) |
| Corporate Functions and Other | **(274)** | (166) | (101) | 65.1 | large |
| **Cash earnings** | **3,548** | 3,661 | 4,070 | (3.1) | (12.8) |

## Shareholder summary

| | Half Year to | | | | |
|---|---|---|---|---|---|
| | Mar 24 | Sep 23 | Mar 23 | Mar 24 v Sep 23 | Mar 24 v Mar 23 |
| **Group - Including discontinued operations** | | | | | |
| Dividend per share (cents) | **84** | 84 | 83 | - | 1 |
| Statutory dividend payout ratio | **74.9%** | 76.3% | 65.7% | (140 bps) | 920 bps |
| Statutory earnings per share (cents) - basic | **112.2** | 110.1 | 126.3 | 2.1 | (14.1) |
| Statutory earnings per share (cents) - diluted | **110.4** | 107.3 | 121.2 | 3.1 | (10.8) |
| Statutory return on equity | **11.5%** | 11.3% | 13.3% | 20 bps | (180 bps) |
| Net tangible assets per ordinary share ($) | **18.16** | 17.96 | 18.04 | 1.1% | 0.7% |
| **Group - Continuing operations** | | | | | |
| Cash dividend payout ratio | **73.7%** | 71.8% | 64.1% | 190 bps | 960 bps |
| Statutory dividend payout ratio from continuing operations | **73.8%** | 75.5% | 65.5% | (170 bps) | 830 bps |
| Statutory earnings per share from continuing operations (cents) - basic | **113.8** | 111.3 | 126.7 | 2.5 | (12.9) |
| Statutory earnings per share from continuing operations (cents) - diluted | **111.9** | 108.3 | 121.7 | 3.6 | (9.8) |
| Cash earnings per share (cents) - basic | **114.0** | 117.0 | 129.5 | (3.0) | (15.5) |
| Cash earnings per share (cents) - diluted | **112.0** | 113.6 | 124.3 | (1.6) | (12.3) |
| Cash return on equity | **11.7%** | 12.0% | 13.7% | (30 bps) | (200 bps) |

## Review of Group performance results

### March 2024 v March 2023

**Statutory net profit** decreased by $473 million or 11.9%. Excluding the impact of discontinued operations, statutory net profit decreased by $438 million or 11.0%[1].

**Cash earnings** decreased by $522 million or 12.8%.

**Net interest income** decreased by $79 million or 0.9%. This includes an increase of $130 million due to movements in economic hedges, offset in other operating income. Excluding this movement, the underlying decrease of $209 million or 2.4% was primarily due to lower lending margins, higher term deposit costs and deposit mix impacts. These decreases were partially offset by higher earnings on deposits and capital driven by the rising interest rate environment and higher average interest earning assets.

**Other operating income** decreased by $312 million or 15.2%. This includes a decrease of $130 million due to movements in economic hedges, offset in net interest income. Excluding this movement, the underlying decrease of $182 million or 8.9% was primarily due to lower NAB risk management income in Markets, a lower derivative valuation adjustment, realised losses on bond sales in Treasury and lower equity accounted earnings from the investment in MLC Life. These decreases were partially offset by higher fee income in business lending and capital markets.

**Operating expenses** increased by $256 million or 5.8%. The increase was primarily driven by continued uplift in technology and compliance capabilities including fraud and cyber security with associated higher average full-time equivalent employees (FTE) and salary-related expenses. These impacts were partially offset by productivity benefits achieved through process improvements and simplification of the Group's operations.

**Credit impairment charge** decreased by $30 million driven by a lower level of collective credit impairment charge, partially offset by a higher level of specific credit impairment charge.

### March 2024 v September 2023

**Statutory net profit** increased by $47 million or 1.4%. Excluding the impact of discontinued operations, statutory net profit increased by $61 million or 1.8%[1].

**Cash earnings** decreased by $113 million or 3.1%.

**Net interest income** increased by $66 million or 0.8%. This includes an increase of $61 million due to movements in economic hedges, offset in other operating income. Excluding this movement, the underlying increase of $5 million or 0.1% was primarily due to higher earnings on deposits and capital driven by the impact of higher interest rates. These increases were partially offset by lower lending margins.

**Other operating income** decreased by $53 million or 3.0%. This includes a decrease of $61 million due to movements in economic hedges, offset in net interest income. Excluding this movement, the underlying increase of $8 million or 0.4% was primarily due to higher fee income in capital markets and business lending. These increases were partially offset by realised losses on bond sales in Treasury combined with lower equity accounted earnings from the investment in MLC Life.

**Operating expenses** increased by $75 million or 1.6%. Excluding the provision of $40 million in respect of the one-off levy for the Compensation Scheme of Last Resort (CSLR) in the September 2023 half year, the underlying increase was $115 million or 2.5%. This was primarily driven by continued uplift in technology and compliance capabilities including fraud and cyber security and higher personnel expenses due to an increase in salary and related expenses, combined with higher remediation charges. These impacts were partially offset by productivity benefits achieved through process improvements and simplification of the Group's operations.

**Credit impairment charge** decreased by $46 million driven by a lower level of both collective credit impairment charge and specific credit impairment charge.

(1) Discontinued operations in the March 2023 half year primarily related to costs associated with managing the run-off of the MLC Wealth retained entities. Discontinued operations in the September 2023 and March 2024 half years included higher charges for MLC Wealth customer-related remediation.

## Key performance indicators

| | Half Year to | | | Mar 24 v | Mar 24 v |
|---|---|---|---|---|---|
| | Mar 24 | Sep 23 | Mar 23 | Sep 23 | Mar 23 |
| **Group performance - cash earnings basis** | | | | | |
| Cash earnings on average assets | **0.66%** | 0.68% | 0.77% | (2 bps) | (11 bps) |
| Cash earnings on average risk-weighted assets | **1.64%** | 1.68% | 1.82% | (4 bps) | (18 bps) |
| Cash earnings per average FTE ($'000) | **185** | 194 | 226 | (4.6%) | (18.1%) |
| Cost to income ratio | **46.1%** | 45.5% | 42.0% | 60 bps | 410 bps |
| Net interest margin | **1.72%** | 1.71% | 1.77% | 1 bp | (5 bps) |
| **Group performance - statutory basis** | | | | | |
| Statutory earnings on average assets | **0.65%** | 0.64% | 0.75% | 1 bp | (10 bps) |
| Statutory earnings on average risk-weighted assets | **1.61%** | 1.58% | 1.78% | 3 bps | (17 bps) |
| Statutory earnings per average FTE ($'000) | **182** | 183 | 220 | (0.5%) | (17.3%) |
| Cost to income ratio | **47.4%** | 47.7% | 43.3% | (30 bps) | 410 bps |
| Net interest margin | **1.72%** | 1.71% | 1.77% | 1 bp | (5 bps) |
| **Total group capital** | | | | | |
| CET1 capital ratio | **12.15%** | 12.22% | 12.21% | (7 bps) | (6 bps) |
| Tier 1 capital ratio | **14.13%** | 14.19% | 13.89% | (6 bps) | 24 bps |
| Total capital ratio | **20.27%** | 19.88% | 19.76% | 39 bps | 51 bps |
| Risk-weighted assets ($bn) | **432.6** | 435.0 | 436.2 | (0.6%) | (0.8%) |
| **Volumes ($bn)** | | | | | |
| Gross loans and acceptances (GLAs) | **725.3** | 708.5 | 700.5 | 2.4% | 3.5% |
| Average interest earning assets | **976.4** | 973.6 | 959.1 | 0.3% | 1.8% |
| Total average assets | **1,073.4** | 1,069.4 | 1,060.7 | 0.4% | 1.2% |
| Total customer deposits | **596.5** | 587.4 | 574.9 | 1.5% | 3.8% |
| **Asset quality** | | | | | |
| 90+ days past due (DPD) and gross impaired assets to GLAs | **0.79%** | 0.75% | 0.66% | 4 bps | 13 bps |
| Collective provision to credit risk-weighted assets | **1.47%** | 1.47% | 1.42% | - | 5 bps |
| Total provision to credit risk-weighted assets | **1.62%** | 1.62% | 1.57% | - | 5 bps |
| **Full-time equivalent employees (FTE)** | | | | | |
| Group - Continuing operations (spot) | **38,499** | 38,128 | 36,963 | 1.0% | 4.2% |
| Group - Continuing operations (average) | **38,409** | 37,659 | 36,140 | 2.0% | 6.3% |
| Group - Including discontinued operations (spot) | **38,879** | 38,516 | 37,346 | 0.9% | 4.1% |
| Group - Including discontinued operations (average) | **38,798** | 38,045 | 36,542 | 2.0% | 6.2% |

| | As at | | |
|---|---|---|---|
| | 31 Mar 24 | 30 Sep 23 | 31 Mar 23 |
| **Market share** | | | |
| **Australia**[1] | | | |
| Business lending[2] | **22.0%** | 21.7% | 21.6% |
| Business deposits | **20.3%** | 20.4% | 19.9% |
| Housing lending | **14.6%** | 14.6% | 14.7% |
| Household deposits | **13.9%** | 13.8% | 13.8% |
| **New Zealand**[3] | | | |
| Housing lending | **16.7%** | 16.6% | 16.5% |
| Agribusiness | **21.6%** | 21.5% | 21.4% |
| Business lending | **22.5%** | 22.4% | 22.5% |
| Total deposits | **18.2%** | 18.1% | 17.7% |

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

| | As at | | |
|---|---|---|---|
| | 31 Mar 24 | 30 Sep 23 | 31 Mar 23 |
| **Distribution** | | | |
| **Number of retail branches and business banking centres** | | | |
| Australia | **493** | 513 | 546 |
| New Zealand | **127** | 130 | 134 |

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# Half year results 2024


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# Net interest income

| | Half Year to | | | | |
|---|---|---|---|---|---|
| | Mar 24 | Sep 23 | Mar 23 | Mar 24 v Sep 23 % | Mar 24 v Mar 23 % |
| Net interest income ($m) | **8,397** | 8,331 | 8,476 | 0.8 | (0.9) |
| Average interest earning assets ($bn) | **976.4** | 973.6 | 959.1 | 0.3 | 1.8 |
| Net interest margin (%) | **1.72** | 1.71 | 1.77 | 1 bp | (5 bps) |

## March 2024 v March 2023

**Net interest income** decreased by $79 million or 0.9%. This includes an increase of $130 million due to movements in economic hedges, offset in other operating income. Excluding this movement, the underlying decrease of $209 million or 2.4% was due to:

- Lending margin compression primarily driven by competitive pressures impacting the housing lending portfolio.
- Higher term deposit costs and deposit mix impacts.
- Higher wholesale funding costs.

These decreases were partially offset by:

- Higher earnings on deposits and capital driven by the rising interest rate environment.
- Higher average interest earning assets.
- Higher NAB risk management income mainly in Markets.

## March 2024 v September 2023

**Net interest income** increased by $66 million or 0.8%. This includes an increase of $61 million due to movements in economic hedges, offset in other operating income. Excluding this movement, the underlying increase of $5 million or 0.1% was due to:

- Higher earnings on deposits and capital driven by the impact of higher interest rates.
- Higher average interest earning assets from increase in average balance of gross loans and advances, partially offset by lower average interest earning assets in Markets and Treasury.
- Higher NAB risk management income in Markets and Treasury.

These increases were partially offset by:

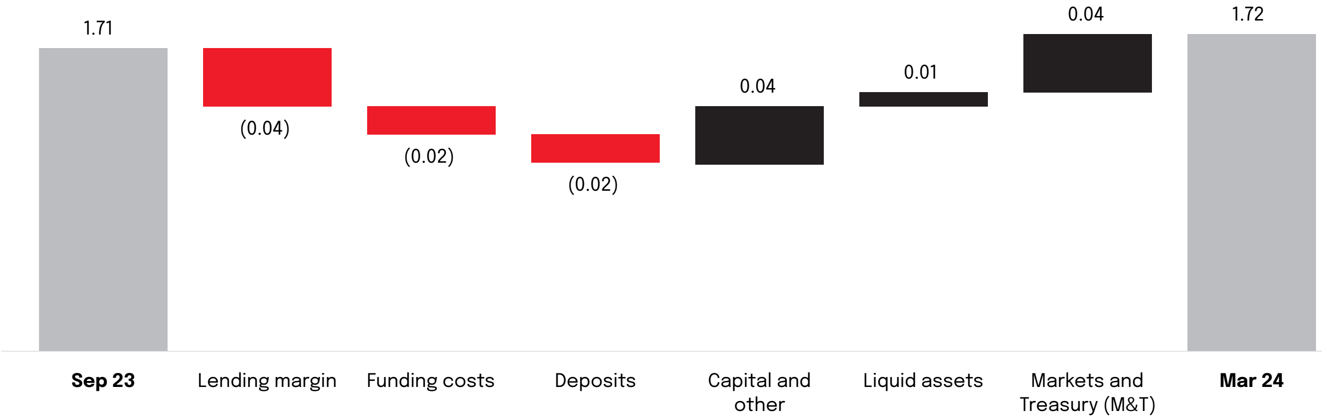
- Lending margin compression primarily driven by competitive pressures impacting the housing lending portfolio.
- Higher wholesale funding costs.
- Higher term deposit costs and deposit mix impacts.

# Net interest margin

| | Half Year to | | | | |
|---|---|---|---|---|---|
| | Mar 24 % | Sep 23 % | Mar 23 % | Mar 24 v Sep 23 | Mar 24 v Mar 23 |
| Group net interest margin | **1.72** | 1.71 | 1.77 | 1 bp | (5 bps) |
| | | | | | |
| Business and Private Banking | **3.00** | 3.09 | 3.27 | (9 bps) | (27 bps) |
| Personal Banking | **1.79** | 1.87 | 2.08 | (8 bps) | (29 bps) |
| Corporate and Institutional Banking[1] | **1.04** | 0.97 | 0.87 | 7 bps | 17 bps |
| New Zealand Banking[1] | **2.37** | 2.36 | 2.45 | 1 bp | (8 bps) |

(1) From 1 October 2023, the Bank of New Zealand's Markets Trading operations and enabling units are reported within New Zealand Banking. Previously the Bank of New Zealand's Markets Trading operations were reported in Corporate and Institutional Banking and the enabling units within Corporate Functions and Other. Comparative information has been restated accordingly.

## Group net interest margin movement




## March 2024 v March 2023

The Group's **net interest margin** decreased by 5 basis points. Excluding an increase of 5 basis points in Markets and Treasury, the underlying margin was down 10 basis points due to:

- A decrease of 12 basis points in lending margin primarily driven by competitive pressures in the housing lending portfolio.
- A decrease of 6 basis points driven by higher term deposit costs and deposit mix impacts, partially offset by higher earnings on deposits due to the rising interest rate environment.
- A decrease of 2 basis points driven by higher wholesale funding costs.

These decreases were partially offset by:

- An increase of 10 basis points driven by higher earnings on capital due to the rising interest rate environment.

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

- An increase of 3 basis points driven by economic hedges offset in other operating income.
- An increase of 1 basis point driven by higher NAB risk management income mainly in Markets.
- An increase of 1 basis point driven by favourable change in asset mix.

## March 2024 v September 2023

The Group's **net interest margin** increased by 1 basis point. Excluding an increase of 4 basis points in Markets and Treasury, the underlying margin was down 3 basis points due to:

- A decrease of 4 basis points in lending margin primarily driven by competitive pressures in the housing lending portfolio.
- A decrease of 2 basis points driven by higher wholesale funding costs.
- A decrease of 2 basis points driven by higher term deposit costs and deposit mix impacts, partially offset by higher earnings on deposits due to the impact of higher interest rates.

These decreases were partially offset by:

- An increase of 4 basis points driven by higher earnings on capital due to the impact of higher interest rates.
- An increase of 1 basis point driven by lower average volumes of lower yielding high-quality liquid assets (HQLA).

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

- An increase of 2 basis points driven by higher NAB risk management income in Markets and Treasury.
- An increase of 1 basis point driven by economic hedges offset in other operating income.
- An increase of 1 basis point driven by favourable change in asset mix.

# Other operating income

| | Half Year to | | | | |
|---|---|---|---|---|---|
| | Mar 24 $m | Sep 23 $m | Mar 23 $m | Mar 24 v Sep 23 % | Mar 24 v Mar 23 % |
| Net fees and commissions | **1,143** | 1,081 | 1,102 | 5.7 | 3.7 |
| Trading income | **612** | 674 | 868 | (9.2) | (29.5) |
| Other | **(14)** | 39 | 83 | large | large |
| **Total other operating income** | **1,741** | 1,794 | 2,053 | (3.0) | (15.2) |

## March 2024 v March 2023

**Other operating income** decreased by $312 million or 15.2%.

**Fees and commissions** increased by $41 million or 3.7%. Included in the March 2024 half year is a charge of $7 million (March 2023 half year: $23 million) for customer-related remediation. Excluding the impact of lower customer-related remediation charges, the underlying increase of $25 million was primarily driven by higher fee income in business lending and capital markets, partially offset by lower fee income in merchant acquiring and housing lending.

**Trading income** decreased by $256 million or 29.5%. This includes a decrease of $130 million due to movements in economic hedges, offset in net interest income. Excluding this movement, the underlying decrease of $126 million was primarily due to lower NAB risk management income in Markets combined with a lower derivative valuation adjustment.

**Other income** decreased by $97 million primarily due to realised losses on bond sales in Treasury (high-quality liquids portfolio) combined with lower equity accounted earnings from the investment in MLC Life.

## March 2024 v September 2023

**Other operating income** decreased by $53 million or 3.0%.

**Fees and commissions** increased by $62 million or 5.7%. Included in the March 2024 half year is a charge of $7 million (September 2023 half year: $6 million) for customer-related remediation. Excluding the impact of customer-related remediation charges, the underlying increase of $63 million was primarily driven by higher fee income in capital markets and business lending, partially offset by lower fee income in housing lending.

**Trading income** decreased by $62 million or 9.2%. This includes a decrease of $61 million due to movements in economic hedges, offset in net interest income. Excluding this movement, trading income was flat primarily due to higher NAB risk management income in Treasury, offset by a lower derivative valuation adjustment.

**Other income** decreased by $53 million primarily due to realised losses on bond sales in Treasury (high-quality liquids portfolio) combined with lower equity accounted earnings from the investment in MLC Life.

# Markets and Treasury income

| | Half Year to | | | | |
|---|---|---|---|---|---|
| | Mar 24 $m | Sep 23 $m | Mar 23 $m | Mar 24 v Sep 23 % | Mar 24 v Mar 23 % |
| Net interest income | **259** | 83 | 9 | large | large |
| Other operating income | **597** | 679 | 902 | (12.1) | (33.8) |
| **Total Markets and Treasury income** | **856** | 762 | 911 | 12.3 | (6.0) |
| | | | | | |
| Customer risk management[1] | | | | | |
| Foreign exchange | **267** | 268 | 285 | (0.4) | (6.3) |
| Rates | **136** | 120 | 122 | 13.3 | 11.5 |
| **Total customer risk management income** | **403** | 388 | 407 | 3.9 | (1.0) |
| NAB risk management[2] | | | | | |
| Markets | **180** | 148 | 211 | 21.6 | (14.7) |
| Treasury | **265** | 197 | 267 | 34.5 | (0.7) |
| **Total NAB risk management income** | **445** | 345 | 478 | 29.0 | (6.9) |
| **Derivative valuation adjustment**[3] | **8** | 29 | 26 | (72.4) | (69.2) |
| **Total Markets and Treasury income** | **856** | 762 | 911 | 12.3 | (6.0) |
| | | | | | |
| **Average Markets traded market risk Value at Risk (VaR)**[4] | **9.4** | 8.0 | 8.7 | 17.5 | 8.0 |

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

## March 2024 v March 2023

**Markets and Treasury income** decreased by $55 million or 6.0% primarily due to lower NAB risk management income and lower derivative valuation adjustment.

**Customer risk management income** decreased by $4 million or 1.0%, due to lower foreign exchange sales, partially offset by higher rates sales.

**NAB risk management income** decreased by $33 million or 6.9% primarily due to lower interest rate risk management income in Markets.

**Derivative valuation adjustment** decreased by $18 million primarily due to an unfavourable movement in the credit valuation adjustment.

## March 2024 v September 2023

**Markets and Treasury income** increased by $94 million or 12.3% primarily due to higher NAB risk management income.

**Customer risk management income** increased by $15 million or 3.9% primarily due to higher rates sales.

**NAB risk management income** increased by $100 million or 29.0% primarily due to higher interest rate risk management income in Markets and Treasury.

**Derivative valuation adjustment** decreased by $21 million primarily due to an unfavourable movement in the credit valuation adjustment.

# Operating expenses

| | Half Year to | | | | |
|---|---|---|---|---|---|
| | Mar 24 $m | Sep 23 $m | Mar 23 $m | Mar 24 v Sep 23 % | Mar 24 v Mar 23 % |
| Personnel expenses | **2,788** | 2,729 | 2,629 | 2.2 | 6.0 |
| Occupancy and depreciation expenses | **374** | 385 | 366 | (2.9) | 2.2 |
| General expenses | **1,515** | 1,488 | 1,426 | 1.8 | 6.2 |
| **Total operating expenses** | **4,677** | 4,602 | 4,421 | 1.6 | 5.8 |

## March 2024 v March 2023

**Operating expenses** increased by $256 million or 5.8%.

**Personnel expenses** increased by $159 million or 6.0%. The increase was primarily driven by continued uplift in technology and compliance capabilities including fraud and cyber security with associated higher average FTE and salary-related expenses. These impacts were partially offset by productivity benefits achieved through process improvements and simplification of the Group's operations.

**Occupancy and depreciation expenses** increased by $8 million or 2.2%. The increase was primarily driven by lease and facility costs associated with a new commercial building in New Zealand.

**General expenses** increased by $89 million or 6.2%. This was primarily due to additional software and technology costs related to compliance including fraud and cyber security, combined with higher depreciation and amortisation associated with new software assets. This was partially offset by productivity benefits achieved through continued process improvements and simplification of the Group's operations.

## March 2024 v September 2023

**Operating expenses** increased by $75 million or 1.6%. Excluding the provision of $40 million in respect of the one-off levy for the CSLR in the September 2023 half year, the underlying increase was $115 million or 2.5%.

**Personnel expenses** increased by $59 million or 2.2%. The increase was primarily driven by continued uplift in technology and compliance capabilities including fraud and cyber security and higher personnel expenses due to an increase in salary and related expenses. These impacts were partially offset by productivity benefits achieved through process improvements and simplification of the Group's operations.

**Occupancy and depreciation expenses** decreased by $11 million or 2.9%. The decrease was driven by lower depreciation and savings associated with the exit of commercial and network properties.

**General expenses** increased by $27 million or 1.8%. Excluding the provision of $40 million in respect of the one-off levy for the CSLR in the September 2023 half year, the underlying increase was $67 million or 4.5%. This was primarily due to additional software and technology costs related to compliance including fraud and cyber security, combined with higher depreciation and amortisation associated with new software assets and higher remediation charges. This was partially offset by productivity benefits achieved through continued process improvements and simplification of the Group's operations.

# Investment spend

| | Half Year to | | | | |
|---|---|---|---|---|---|
| | Mar 24 $m | Sep 23 $m | Mar 23 $m | Mar 24 v Sep 23 % | Mar 24 v Mar 23 % |
| Expensed | **322** | 335 | 314 | (3.9) | 2.5 |
| Capitalised software and fixed assets | **316** | 434 | 330 | (27.2) | (4.2) |
| **Total investment spend** | **638** | 769 | 644 | (17.0) | (0.9) |
| *Represented by:* | | | | | |
| Infrastructure | **199** | 248 | 189 | (19.8) | 5.3 |
| Compliance and risk | **220** | 261 | 228 | (15.7) | (3.5) |
| Customer experience, efficiency and sustainable revenue | **219** | 260 | 227 | (15.8) | (3.5) |
| **Total investment spend** | **638** | 769 | 644 | (17.0) | (0.9) |

**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 $638 million for the March 2024 half year.

## March 2024 v March 2023

**Investment spend** decreased by $6 million or 0.9%.

Investment in **infrastructure** initiatives increased by $10 million or 5.3%. The increase was primarily driven by investment in business and home lending initiatives, and increased spend on the Group's branch network including frontline technology.

Investment in **compliance and risk** initiatives decreased by $8 million or 3.5%. There is continued investment in financial crime capabilities to meet regulatory commitments, including strengthening controls and managing risk across the Group.

Investment in **customer experience, efficiency and sustainable revenue** initiatives decreased by $8 million or 3.5%. There is continued investment in core strategic priorities, such as personal banking, merchant services capabilities and a simplified customer onboarding experience.

## March 2024 v September 2023

**Investment spend** decreased by $131 million or 17.0%.

Investment in **infrastructure** initiatives decreased by $49 million or 19.8%, primarily driven by timing of spend in technology simplification, refresh activity and the Group's branch network including frontline technology combined with lower spend across cloud migration.

Investment in **compliance and risk** initiatives decreased by $41 million or 15.7% due to timing of spend. There is continued investment in financial crime capabilities to meet regulatory commitments, including strengthening controls and managing risk across the Group.

Investment in **customer experience, efficiency and sustainable revenue** initiatives decreased by $41 million or 15.8% due to timing of spend.

# Taxation

| | Half Year to | | | Mar 24 v | Mar 24 v |
|---|---|---|---|---|---|
| | Mar 24 | Sep 23 | Mar 23 | Sep 23 | Mar 23 |
| Income tax expense ($m) | **1,541** | 1,448 | 1,645 | 6.4% | (6.3%) |
| Effective tax rate (%) | **30.2** | 28.3 | 28.8 | 190 bps | 140 bps |

## March 2024 v March 2023

**Income tax expense** decreased by $104 million or 6.3% mainly due to lower cash earnings before income tax, partially offset by the higher effective tax rate.

The **effective tax rate** increased by 140 basis points to 30.2% due to:

- The repeal of the offshore banking unit tax concession from 1 October 2023, which reduced the effective tax rate in the March 2023 half year.
- An increase in the amount of non-deductible interest on convertible instruments, due to higher interest rates, and increased volumes.

## March 2024 v September 2023

**Income tax expense** increased by $93 million or 6.4% due to the higher effective tax rate.

The **effective tax rate** increased by 190 basis points to 30.2% due to:

- The repeal of the offshore banking unit tax concession from 1 October 2023, which reduced the effective tax rate in the September 2023 half year.
- A decrease in the amount recognised as a deferred tax asset for U.S. tax losses.
- An increase in the amount of non-deductible interest on convertible instruments, mainly due to increased volumes.

# Lending

| | As at | | | | |
|---|---|---|---|---|---|
| | 31 Mar 24 $bn | 30 Sep 23 $bn | 31 Mar 23 $bn | Mar 24 v Sep 23 % | Mar 24 v Mar 23 % |
| **Housing** | | | | | |
| Business and Private Banking | **112.5** | 109.2 | 105.6 | 3.0 | 6.5 |
| Personal Banking | **233.2** | 230.6 | 229.4 | 1.1 | 1.7 |
| New Zealand Banking | **53.9** | 53.7 | 52.8 | 0.4 | 2.1 |
| Corporate Functions and Other | **13.5** | 12.8 | 11.4 | 5.5 | 18.4 |
| **Total housing** | **413.1** | 406.3 | 399.2 | 1.7 | 3.5 |
| **Non-housing** | | | | | |
| Business and Private Banking | **152.5** | 147.1 | 140.7 | 3.7 | 8.4 |
| Personal Banking | **9.6** | 9.4 | 9.0 | 2.1 | 6.7 |
| Corporate and Institutional Banking | **107.7** | 104.1 | 109.3 | 3.5 | (1.5) |
| New Zealand Banking | **42.4** | 41.6 | 42.3 | 1.9 | 0.2 |
| **Total non-housing** | **312.2** | 302.2 | 301.3 | 3.3 | 3.6 |
| **Gross loans and advances** | **725.3** | 708.5 | 700.5 | 2.4 | 3.5 |

## March 2024 v March 2023

**Lending** increased by $24.8 billion or 3.5% including a decrease of $1.2 billion driven by exchange rate movements.

**Housing** lending increased by $13.9 billion or 3.5% mainly due to:

- An increase of $6.9 billion or 6.5% in Business and Private Banking due to growth in both owner occupier and investor lending.
- An increase of $3.8 billion or 1.7% in Personal Banking driven by growth in both owner occupier and investor lending.
- An increase of $2.1 billion or 18.4% in Corporate Functions and Other reflecting growth in ubank.
- An increase of $1.1 billion or 2.1% in New Zealand Banking, including a decrease of $1.1 billion driven by exchange rate movements. The underlying increase of $2.2 billion is primarily driven by growth in owner occupier lending.

**Non-housing** lending increased by $10.9 billion or 3.6% mainly due to:

- An increase of $11.8 billion or 8.4% in Business and Private Banking driven by growth in business lending across a broad range of sectors.
- An increase of $0.6 billion or 6.7% in Personal Banking driven by growth in unsecured lending.
- An increase of $0.1 billion or 0.2% in New Zealand Banking, including a decrease of $0.9 billion driven by exchange rate movements. The underlying increase of $1.0 billion is driven by growth in business lending.
- A decrease of $1.6 billion or 1.5% in Corporate and Institutional Banking, including an increase of $0.8 billion driven by exchange rate movements. The underlying decrease of $2.4 billion was primarily due to lower utilisation in funds and disciplined portfolio management partially offset by higher securitisation exposures and infrastructure lending.

## March 2024 v September 2023

**Lending** increased by $16.8 billion or 2.4% including a decrease of $1.3 billion driven by exchange rate movements.

**Housing** lending increased by $6.8 billion or 1.7% mainly due to:

- An increase of $3.3 billion or 3.0% in Business and Private Banking due to growth in both owner occupier and investor lending.
- An increase of $2.6 billion or 1.1% in Personal Banking due to growth in both owner occupier and investor lending.
- An increase of $0.7 billion or 5.5% in Corporate Functions and Other reflecting growth in ubank.
- An increase of $0.2 billion or 0.4% in New Zealand Banking, including a decrease of $0.8 billion driven by exchange rate movements. The underlying increase of $1.0 billion is primarily driven by growth in owner occupier lending.

**Non-housing** lending increased by $10.0 billion or 3.3% mainly due to:

- An increase of $5.4 billion or 3.7% in Business and Private Banking driven by growth in business lending across a broad range of sectors.
- An increase of $3.6 billion or 3.5% in Corporate and Institutional Banking, including an increase of $0.1 billion driven by exchange rate movements. The underlying increase of $3.5 billion was primarily due to higher securitisation exposures and infrastructure lending combined with disciplined portfolio management.
- An increase of $0.8 billion or 1.9% in New Zealand Banking, including a decrease of $0.6 billion driven by exchange rate movements. The underlying increase of $1.4 billion was driven by growth in business lending.
- An increase of $0.2 billion or 2.1% in Personal Banking driven by growth in unsecured lending.

# Goodwill and other intangible assets

## Goodwill

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

The movement in goodwill is as follows:

| | Half Year to | | |
|---|---|---|---|
| | Mar 24 | Sep 23 | Mar 23 |
| | $m | $m | $m |
| Balance at beginning of period | **2,070** | 2,089 | 2,089 |
| Acquisition of controlled entities and business combinations | **-** | (19) | - |
| **Goodwill** | **2,070** | 2,070 | 2,089 |

## Other intangible assets

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

The movement in capitalised software is as follows:

| | Half Year to | | |
|---|---|---|---|
| | Mar 24 | Sep 23 | Mar 23 |
| | $m | $m | $m |
| Balance at beginning of period | **2,722** | 2,518 | 2,382 |
| Additions | **434** | 521 | 414 |
| Disposals and write-offs | **(2)** | (4) | (9) |
| Amortisation | **(342)** | (311) | (291) |
| Foreign currency translation adjustments | **(3)** | (2) | 22 |
| **Capitalised software** | **2,809** | 2,722 | 2,518 |

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

- Additions include *Investment spend* on page 21 and $42 million for the half year ended 31 March 2024 (September 2023: $43 million, March 2023: $37 million) in respect of the new unsecured lending platform.
- Amortisation is included as part of operating expenses.

The movement in other intangible assets is as follows:

| | Half Year to | | |
|---|---|---|---|
| | Mar 24 | Sep 23 | Mar 23 |
| | $m | $m | $m |
| Balance at beginning of period | **160** | 171 | 181 |
| Acquisition of controlled entities and business combinations | **-** | (3) | - |
| Amortisation | **(9)** | (7) | (10) |
| Foreign currency translation adjustments | **-** | (1) | - |
| **Other intangible assets** | **151** | 160 | 171 |

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

# Customer deposits

| | As at | | | | |
|---|---|---|---|---|---|
| | 31 Mar 24 $bn | 30 Sep 23 $bn | 31 Mar 23 $bn | Mar 24 v Sep 23 % | Mar 24 v Mar 23 % |
| Business and Private Banking | **214.3** | 206.1 | 201.4 | 4.0 | 6.4 |
| Personal Banking | **156.8** | 151.3 | 147.4 | 3.6 | 6.4 |
| Corporate and Institutional Banking[1] | **131.6** | 137.4 | 136.7 | (4.2) | (3.7) |
| New Zealand Banking[1] | **73.5** | 73.0 | 69.8 | 0.7 | 5.3 |
| Corporate Functions and Other | **20.3** | 19.6 | 19.6 | 3.6 | 3.6 |
| **Total customer deposits** | **596.5** | 587.4 | 574.9 | 1.5 | 3.8 |

(1) From 1 October 2023, the Bank of New Zealand's Markets Trading operations and enabling units are reported within New Zealand Banking. Previously the Bank of New Zealand's Markets Trading operations were reported in Corporate and Institutional Banking and the enabling units within Corporate Functions and Other. Comparative information has been restated accordingly.

## March 2024 v March 2023

**Customer deposits** increased by $21.6 billion or 3.8% including a decrease of $1.2 billion driven by exchange rate movements. The increase is due to:

- An increase of $12.9 billion or 6.4% in Business and Private Banking driven by growth in term deposits of $13.8 billion and on-demand deposits of $0.1 billion, offset by a reduction in non-interest bearing accounts of $1.0 billion.
- An increase of $9.4 billion or 6.4% in Personal Banking driven by growth in on-demand deposits of $5.3 billion, term deposits of $3.3 billion and non-interest bearing accounts of $0.8 billion.
- An increase of $3.7 billion or 5.3% in New Zealand Banking, including a decrease of $1.5 billion driven by exchange rate movements. The underlying increase of $5.2 billion was driven by growth in term deposits of $6.0 billion, and on-demand deposits of $0.7 billion, partially offset by a reduction in non-interest bearing accounts of $1.5 billion.
- An increase of $0.7 billion or 3.6% in Corporate Functions and Other driven by growth in on-demand deposits of $1.7 billion and non-interest bearing accounts of $0.4 billion in ubank, partially offset by a reduction in wholesale deposits of $1.4 billion reflecting Treasury funding and liquidity management activities.
- A decrease of $5.1 billion or 3.7% in Corporate and Institutional Banking, including an increase of $0.3 billion driven by exchange rate movements. The underlying decrease of $5.4 billion was primarily driven by the anticipated run-off in custody deposits and Hong Kong deposits.

## March 2024 v September 2023

**Customer deposits** increased by $9.1 billion or 1.5% including a decrease of $1.0 billion driven by exchange rate movements. The increase is due to:

- An increase of $8.2 billion or 4.0% in Business and Private Banking driven by growth in term deposits of $6.1 billion, on-demand deposits of $1.6 billion and non-interest bearing accounts of $0.5 billion.
- An increase of $5.5 billion or 3.6% in Personal Banking driven by growth in on-demand deposits of $3.5 billion, term deposits of $1.6 billion and non-interest bearing accounts of $0.4 billion.
- An increase of $0.7 billion or 3.6% in Corporate Functions and Other driven by growth in on-demand deposits of $0.5 billion and non-interest bearing accounts of $0.1 billion in ubank, combined with an increase in wholesale deposits of $0.1 billion reflecting Treasury funding and liquidity management activities.
- An increase of $0.5 billion or 0.7% in New Zealand Banking, including a decrease of $1.0 billion driven by exchange rate movements. The underlying increase of $1.5 billion was driven by growth in term deposits of $1.9 billion partially offset by a reduction in on-demand deposits of $0.3 billion and non-interest bearing accounts of $0.1 billion.
- A decrease of $5.8 billion or 4.2% in Corporate and Institutional Banking, primarily driven by the anticipated run-off in custody deposits and Hong Kong deposits.

# Asset quality

## Credit impairment charge

| | Half Year to | | | | |
|---|---|---|---|---|---|
| | Mar 24 $m | Sep 23 $m | Mar 23 $m | Mar 24 v Sep 23 % | Mar 24 v Mar 23 % |
| Specific credit impairment charge - new and increased | **319** | 298 | 262 | 7.0 | 21.8 |
| Specific credit impairment charge - write-backs | **(72)** | (58) | (90) | 24.1 | (20.0) |
| Specific credit impairment charge - recoveries | **(58)** | (33) | (46) | 75.8 | 26.1 |
| Specific credit impairment charge | **189** | 207 | 126 | (8.7) | 50.0 |
| Collective credit impairment charge | **174** | 202 | 267 | (13.9) | (34.8) |
| **Total credit impairment charge** | **363** | 409 | 393 | (11.2) | (7.6) |

| | Half Year to | | | | |
|---|---|---|---|---|---|
| | Mar 24 % | Sep 23 % | Mar 23 % | Mar 24 v Sep 23 | Mar 24 v Mar 23 |
| Credit impairment charge to GLAs - annualised | **0.10** | 0.12 | 0.11 | (2 bps) | (1 bp) |
| Net write-offs to GLAs - annualised | **0.05** | 0.05 | 0.04 | - | 1 bp |

### March 2024 v March 2023

**Credit impairment charge** decreased by $30 million driven by a lower level of collective credit impairment charge, partially offset by a higher level of specific credit impairment charge.

**Specific credit impairment charge** increased by $63 million or 50.0% mainly due to:

- Increased charge in Personal Banking for the Australian unsecured retail portfolio due to increased delinquencies.
- Increased charge in Business and Private Banking due to a small number of individual impairments.
- Increased charge in New Zealand Banking, including the non-recurrence of write-backs for a small number of larger exposures in the March 2023 half year.

This was partially offset by a lower charge in Corporate and Institutional Banking due to write-backs and recoveries for a small number of larger exposures.

**Collective credit impairment charge** decreased by $93 million.

The charge for the March 2024 half year was $174 million mainly due to volume growth in Business and Private Banking, combined with deterioration in asset quality in the Australian retail portfolio. This was partially offset by the impact of house price increases and a net release of forward looking provisions, including releases from the Australian mortgage and Australian energy forward looking adjustments (FLAs) reflecting the improved outlook for these sectors.

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

The Group ratio of **net write-offs to GLAs** increased by 1 basis point to 0.05% mainly due to increased write-offs for the Australian unsecured retail portfolio.

### March 2024 v September 2023

**Credit impairment charge** decreased by $46 million driven by a lower level of both collective credit impairment charge and specific credit impairment charge.

**Specific credit impairment charge** decreased by $18 million or 8.7% mainly due to a lower charge in Corporate and Institutional Banking due to write-backs and recoveries for a small number of larger exposures, partially offset by an increased charge in Personal Banking for the Australian unsecured retail portfolio due to increased delinquencies.

**Collective credit impairment charge** decreased by $28 million.

The charge for the March 2024 half year was $174 million mainly due to volume growth in Business and Private Banking, combined with deterioration in asset quality in the Australian retail portfolio. This was partially offset by the impact of house price increases and a net release of forward looking provisions, including releases from the Australian mortgage and Australian energy FLAs reflecting the improved outlook for these sectors.

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

The Group ratio of **net write-offs to GLAs** was flat at 0.05% mainly due to a lower level of write-off activity for the Group's business lending portfolio, including recoveries for a small number of larger exposures in Corporate and Institutional Banking. This was offset by increased write-offs for the Australian unsecured retail portfolio.

## Provision for credit impairment

| | As at | | | | |
|---|---|---|---|---|---|
| | 31 Mar 24 $m | 30 Sep 23 $m | 31 Mar 23 $m | Mar 24 v Sep 23 % | Mar 24 v Mar 23 % |
| Collective provision on loans at amortised cost | **5,221** | 5,046 | 4,849 | 3.5 | 7.7 |
| Collective provision on loans at fair value | **25** | 33 | 32 | (24.2) | (21.9) |
| Collective provision on derivatives at fair value | **105** | 135 | 175 | (22.2) | (40.0) |
| Total collective provision for credit impairment | **5,351** | 5,214 | 5,056 | 2.6 | 5.8 |
| Total specific provision for credit impairment | **546** | 539 | 521 | 1.3 | 4.8 |
| **Total provision for credit impairment** | **5,897** | 5,753 | 5,577 | 2.5 | 5.7 |

| | As at | | | | |
|---|---|---|---|---|---|
| | 31 Mar 24 % | 30 Sep 23 % | 31 Mar 23 % | Mar 24 v Sep 23 | Mar 24 v Mar 23 |
| Total provision to GLAs | **0.81** | 0.81 | 0.80 | - | 1 bp |
| Total provision to credit risk-weighted assets | **1.62** | 1.62 | 1.57 | - | 5 bps |
| Specific provision to gross impaired assets(1) | **49.4** | 42.8 | 42.9 | 660 bps | 650 bps |
| Collective provision to credit risk-weighted assets | **1.47** | 1.47 | 1.42 | - | 5 bps |
| Collective provision to GLAs | **0.74** | 0.74 | 0.72 | - | 2 bps |

(1) Increase in Specific provision to gross impaired assets ratio during the half year to March 2024 is due to a reduction in restructured loans impacted by severe weather events in New Zealand. Collective provisions were held against these loans.

### March 2024 v March 2023

**Provision for credit impairment** increased by $320 million or 5.7% to $5,897 million.

**Specific provision** increased by $25 million or 4.8% primarily driven by new and increased provisions raised in the Business and Private Banking business lending portfolio, partially offset by a reduction in provisions for a small number of larger exposures in Corporate and Institutional Banking.

**Collective provision** increased by $295 million or 5.8%. This was mainly due to:

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

This was partially offset by:

- A decrease of $190 million in net forward looking provisions.
- A decrease in provisions held for the derivatives portfolio.

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

### March 2024 v September 2023

**Provision for credit impairment** increased by $144 million or 2.5% to $5,897 million.

**Specific provision** increased by $7 million or 1.3% primarily driven by new and increased provisions raised in the Business and Private Banking business lending portfolio, partially offset by write-backs for a small number of larger exposures in Corporate and Institutional Banking.

**Collective provision** increased by $137 million or 2.6%. This was mainly due to:

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

This was partially offset by a decrease of $40 million in net forward looking provisions, including releases from the Australian mortgage and Australian energy FLAs reflecting improved outlook for these sectors.

The **collective provision to credit risk-weighted assets** ratio was flat at 1.47% due to an increase in provisions offset by an increase in credit risk-weighted assets.

## Non-performing exposures

| | As at | | | | |
|---|---|---|---|---|---|
| | 31 Mar 24 $m | 30 Sep 23 $m | 31 Mar 23 $m | Mar 24 v Sep 23 % | Mar 24 v Mar 23 % |
| 90+ DPD assets | **4,651** | 4,033 | 3,409 | 15.3 | 36.4 |
| Gross impaired assets | **1,106** | 1,260 | 1,215 | (12.2) | (9.0) |
| **90+ DPD and gross impaired assets** | **5,757** | 5,293 | 4,624 | 8.8 | 24.5 |
| Default <90 DPD but not impaired assets | **2,934** | 2,699 | 2,104 | 8.7 | 39.4 |
| **Non-performing exposures** | **8,691** | 7,992 | 6,728 | 8.7 | 29.2 |

| | As at | | | | |
|---|---|---|---|---|---|
| | 31 Mar 24 % | 30 Sep 23 % | 31 Mar 23 % | Mar 24 v Sep 23 | Mar 24 v Mar 23 |
| 90+ DPD assets to GLAs | **0.64** | 0.57 | 0.49 | 7 bps | 15 bps |
| Gross impaired assets to GLAs | **0.15** | 0.18 | 0.17 | (3 bps) | (2 bps) |
| **90+ DPD and gross impaired assets to GLAs** | **0.79** | 0.75 | 0.66 | 4 bps | 13 bps |
| Default <90 DPD but not impaired assets to GLAs | **0.41** | 0.38 | 0.30 | 3 bps | 11 bps |
| **Non-performing exposures to GLAs** | **1.20** | 1.13 | 0.96 | 7 bps | 24 bps |

## March 2024 v March 2023

**Non-performing exposures** increased by $1,963 million or 29.2% to $8,691 million. This reflects broad-based deterioration across the Group's home loan and business lending portfolios.

The Group ratio of **90+ DPD assets to GLAs** increased by 15 basis points to 0.64%. This was primarily driven by an increase in delinquencies across the Group's mortgage portfolio and the Business and Private Banking business lending portfolio.

The Group ratio of **gross impaired assets to GLAs** decreased by 2 basis points to 0.15%. This was primarily driven by a decrease in the portfolio of restructured loans relating to customers affected by severe weather events in New Zealand, combined with work-outs for a small number of larger exposures in Corporate and Institutional Banking. This was partially offset by a small number of individual impairments in the Business and Private Banking business lending portfolio.

The Group ratio of **default <90 DPD but not impaired assets to GLAs** increased by 11 basis points to 0.41%, This was primarily driven by an increase across the Business and Private Banking and New Zealand Banking business lending portfolios.

## March 2024 v September 2023

**Non-performing exposures** increased by $699 million or 8.7% to $8,691 million. This reflects continued broad-based deterioration across the Group's home loan and business lending portfolios, albeit at a slower pace compared to the September 2023 half year.

The Group ratio of **90+ DPD assets to GLAs** increased by 7 basis points to 0.64%. This was primarily driven by an increase in delinquencies across the Group's mortgage portfolio and the Business and Private Banking business lending portfolio.

The Group ratio of **gross impaired assets to GLAs** decreased by 3 basis points to 0.15%. This was primarily driven by a decrease in the portfolio of restructured loans relating to customers affected by severe weather events in New Zealand, combined with work-outs for a small number of larger exposures in Corporate and Institutional Banking. This was partially offset by a small number of individual impairments in the Business and Private Banking and New Zealand Banking business lending portfolios.

The Group ratio of **default <90 DPD but not impaired assets to GLAs** increased by 3 basis points to 0.41%. This was primarily driven by an increase across the Business and Private Banking and New Zealand Banking business lending portfolios.

# Capital management and funding

## Balance sheet management overview and regulatory reform

### Balance sheet management overview

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

### 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's revisions to APS 117 *Capital Adequacy: Interest Rate Risk in the Banking Book* will come into effect on 1 October 2025.
- APRA plans to consult on revisions to the market risk capital standards over 2024. The process will implement the Basel Committee on Banking Supervision's (BCBS's) fundamental review of the trading book, effective from 2026.
- APRA has also deferred the implementation date for the Basel III reforms to APS 180 *Capital Adequacy: Counterparty Credit Risk* to 2026.

***Increased loss-absorbing capacity for ADIs***

Under their loss-absorbing capacity framework, APRA required domestic systemically important banks (D-SIBs) to hold incremental Total capital equal to 3% of risk-weighted assets (RWA) from 1 January 2024. The requirement increases by 1.5% (to a total of 4.5%) of RWA on 1 January 2026. NAB has met the 3% of RWA Total capital requirement.

***Reserve Bank of New Zealand capital review***

In December 2019, the RBNZ finalised its review of the capital adequacy framework. The RBNZ amendments included an increase in the Tier 1 capital requirement to 16% of RWA, and an increase in the Total capital requirement to 18% of RWA, to be phased in by 2028.

***Additional Tier 1 capital discussion paper***

In September 2023, APRA released a discussion paper outlining potential options for, and seeking feedback from stakeholders on, improving the effectiveness of Additional Tier 1 (AT1) capital in Australia. APRA intends to formally consult on any proposed amendments to prudential standards in the first half of the 2024 calendar year.

***Liquidity requirements***

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

## Capital management

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

The Group's capital ratio operating targets are regularly reviewed in the context of the external economic and regulatory outlook with the objective of maintaining balance sheet strength. The Group's CET1 capital ratio operating target range remains unchanged in the half at 11.0% to 11.5%.

On 15 August 2023, the Group announced its intention to buy back up to $1.5 billion of NAB ordinary shares on-market to progressively manage its CET1 capital ratio towards its target range. NAB commenced the buy-back on 29 August 2023 and has bought back and cancelled 41,673,065 ordinary shares ($1.3 billion) up to 31 March 2024, including 31,110,882 ordinary shares ($1.0 billion) in the March 2024 half year.

On 2 May 2024, the Group announced it has increased its on-market buy-back of ordinary shares by $1.5 billion, resulting in a total combined size of up to $3 billion. The additional $1.5 billion on-market buy-back will reduce the Group's CET1 capital ratio by approximately 35 basis points.

### Pillar 3 disclosures

Further disclosures with respect to capital adequacy and risk management are included in the March 2024 Pillar 3 Report as required by APRA Prudential Standard APS 330 *Public Disclosure*.

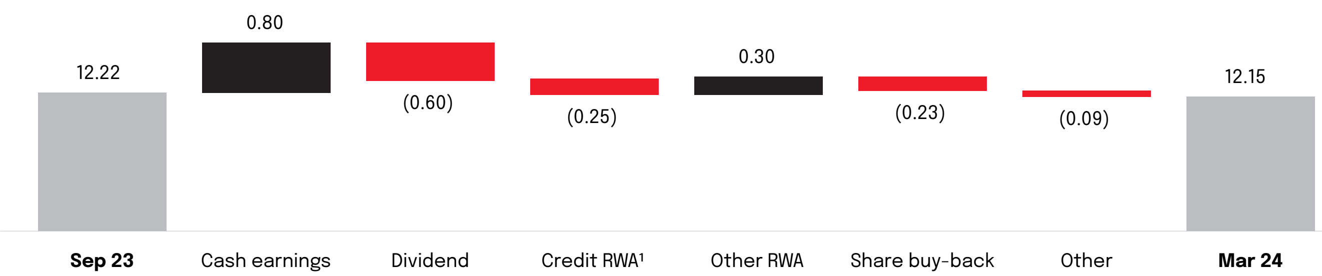
## Capital ratios

| | As at | | | | |
|---|---|---|---|---|---|
| | 31 Mar 24 % | 30 Sep 23 % | 31 Mar 23 % | Mar 24 v Sep 23 | Mar 24 v Mar 23 |
| **Capital ratios** | | | | | |
| CET1 | **12.15** | 12.22 | 12.21 | (7 bps) | (6 bps) |
| Tier 1 | **14.13** | 14.19 | 13.89 | (6 bps) | 24 bps |
| Total capital | **20.27** | 19.88 | 19.76 | 39 bps | 51 bps |

| | As at | | | | |
|---|---|---|---|---|---|
| | 31 Mar 24 $m | 30 Sep 23 $m | 31 Mar 23 $m | Mar 24 v Sep 23 % | Mar 24 v Mar 23 % |
| **Risk-weighted assets** | | | | | |
| Credit risk | **363,873** | 355,554 | 356,307 | 2.3 | 2.1 |
| Market risk | **11,171** | 8,811 | 8,496 | 26.8 | 31.5 |
| Operational risk | **36,102** | 41,178 | 41,178 | (12.3) | (12.3) |
| Interest rate risk in the banking book | **21,407** | 29,463 | 30,192 | (27.3) | (29.1) |
| **Total risk-weighted assets** | **432,553** | 435,006 | 436,173 | (0.6) | (0.8) |

| | As at | | | | |
|---|---|---|---|---|---|
| | 31 Mar 24 | 30 Sep 23 | 31 Mar 23 | Mar 24 v Sep 23 | Mar 24 v Mar 23 |
| **Leverage ratios** | | | | | |
| Tier 1 capital ($m) | **61,133** | 61,726 | 60,595 | (1.0%) | 0.9% |
| Total exposures ($m) | **1,198,406** | 1,183,323 | 1,189,150 | 1.3% | 0.8% |
| Leverage ratio (%) | **5.10** | 5.22 | 5.10 | (12 bps) | - |

## Movements in CET1 capital ratio




(1) Excludes foreign exchange (FX) translation

## Capital movements during the March 2024 half year

The Group's CET1 capital ratio was 12.15% as at 31 March 2024. The key movements in capital over the March 2024 half year included:

- Cash earnings less the 2023 final dividend resulting in an increase of 20 basis points.
- An increase in credit RWA decreasing the CET1 capital ratio by 25 basis points, driven by:
  - Volume growth contributing to a decrease of 22 basis points.
  - Asset quality contributing to a decrease of 13 basis points.
  - Model and methodology changes, contributing to an increase of 6 basis points.
  - Derivatives (excluding foreign exchange translation) contributing to an increase of 4 basis points.
- A decrease in other (non-credit) RWA increasing the CET1 capital ratio by 30 basis points, driven mainly by:
  - Interest rate risk in the banking book contributing to an increase of 23 basis points.
  - Operational risk contributing to an increase of 14 basis points, including an increase of 17 basis points due to APRA's removal of NAB's Operational Risk capital add-on in March 2024.
  - Traded market risk contributing to a decrease of 7 basis points.
- The impact of $1.0 billion of the on-market buy-back completed in the March 2024 half year resulting in a decrease of 23 basis points.
- Other items decreasing the CET1 capital ratio by 9 basis points, including capitalised expenses, deferred tax assets, capitalised software, reserves and other miscellaneous items.

## Dividend and Dividend Reinvestment Plan (DRP)

The interim dividend in respect of the March 2024 half year has been determined at 84 cents, 100% franked, payable on 3 July 2024.

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

The Group periodically adjusts its DRP to reflect its capital position and outlook. The DRP discount for the 2024 interim dividend is nil. Eligible shareholders have the ability to participate in the DRP for the 2024 interim dividend for up to 5 million NAB ordinary shares per participant. The Group expects to satisfy the DRP in full by an on-market purchase of shares.

## Tier 2 capital initiatives

The Group's Tier 2 capital initiatives during the March 2024 half year included the following:

- On 6 December 2023, NAB issued $300 million of Subordinated Notes.
- On 9 February 2024, NAB issued $1.75 billion of Subordinated Notes.
- On 18 March 2024, NAB issued a redemption notice to holders of $1 billion of Subordinated Notes, to be redeemed on 17 May 2024.

Further detail on the Group's subordinated notes issuance is available at nabcapital.com.au.

# Funding and liquidity

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

## Funding

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

At 31 March 2024, the Group's NSFR was 118%, up 2% compared to 30 September 2023. Increases in available stable funding (ASF) from wholesale funding were partially offset by increases in required stable funding (RSF) from lending and reduced ASF from the Term Funding Facility (TFF) drawdowns. The NSFR remains well above regulatory minimums.

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

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

Over the March 2024 half year, the SFI increased to 103%.

## Group funding metrics

| | As at | | |
|---|---|---|---|
| | 31 Mar 24 | 30 Sep 23 | 31 Mar 23 |
| | % | % | % |
| CFI | **82** | 82 | 81 |
| TFI | **21** | 20 | 21 |
| **SFI** | **103** | 102 | 102 |
| **NSFR** | **118** | 116 | 117 |

## Term wholesale funding

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

In the March 2024 half year, NAB accessed term wholesale funding markets across a range of products and currencies - against a backdrop of reduced volatility driven by favourable economic data, decreasing inflation and the prospect of central bank interest rate cuts.

The Group raised $23.2 billion of term wholesale funding during the March 2024 half year. NAB raised $21.4 billion of term wholesale funding, including $2.1 billion of Tier 2 subordinated debt, and BNZ raised $1.8 billion of senior unsecured debt.

The weighted average maturity of term wholesale funding issued by the Group in the March 2024 half year was approximately 5.0[1] years.

The weighted average remaining maturity of the Group's term wholesale funding portfolio is approximately 3.5[1] years.

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

## Term wholesale funding issuance by deal type

| | As at | | |
|---|---|---|---|
| | 31 Mar 24 | 30 Sep 23 | 31 Mar 23 |
| | % | % | % |
| Senior unsecured | **70** | 68 | 61 |
| Subordinated debt | **9** | 8 | 14 |
| Covered bonds | **21** | 24 | 25 |
| **Total** | **100** | 100 | 100 |

## Term wholesale funding issuance by currency

| | As at | | |
|---|---|---|---|
| | 31 Mar 24 | 30 Sep 23 | 31 Mar 23 |
| | % | % | % |
| USD | **40** | 41 | 53 |
| AUD | **47** | 33 | 28 |
| EUR | **10** | 9 | 11 |
| GBP | **-** | 6 | - |
| NZD | **3** | 4 | 3 |
| Other | **-** | 7 | 5 |
| **Total** | **100** | 100 | 100 |

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

## Short-term wholesale funding

During the March 2024 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.

## Liquidity Coverage Ratio

The LCR measures the adequacy of high-quality liquid assets (HQLA) available to meet net cash outflows over a 30-day period, during a severe liquidity stress scenario. HQLA consist of cash, central bank reserves as well as highly rated government and central bank issuance.

In addition to HQLA, other regulatory liquid assets include Alternative Liquid Assets (ALA). ALA are comprised of 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. Liquid assets are measured at fair value with valuation changes recognised immediately through profit or loss or other comprehensive income. The average value of regulatory liquid assets held through the March 2024 quarter was $207 billion and included $205 billion of HQLA and $2 billion of ALA, primarily RBNZ securities.

A detailed breakdown of quarterly average net cash outflows is provided in the March 2024 Pillar 3 Report.

## Quarterly average net cash outflows

| | Quarterly average | | |
|---|---|---|---|
| | 31 Mar 24 $bn | 30 Sep 23 $bn | 31 Mar 23 $bn |
| **Liquidity Coverage Ratio** | | | |
| High-quality liquid assets | **205** | 209 | 200 |
| Alternative liquid assets | **2** | 1 | 2 |
| Total LCR liquid assets | **207** | 210 | 202 |
| Net cash outflows | **149** | 150 | 155 |
| Quarterly average LCR (%) | **139** | 140 | 130 |

## Credit ratings

NAB is 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 | Aa2 | P-1 | (Stable) |
| Fitch Ratings | A+ | F1 | (Stable) |

On 6 March 2024, Moody's revised NAB's Long Term rating from Aa3 to Aa2 as a result of the application of Moody's Advanced Loss Given Failure analysis.

# Half year results 2024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# Business and Private Banking

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

| | Half Year to | | | | |
|---|---|---|---|---|---|
| | Mar 24 | Sep 23 | Mar 23 | Mar 24 v | Mar 24 v |
| | $m | $m | $m | Sep 23 % | Mar 23 % |
| Net interest income | **3,609** | 3,617 | 3,653 | (0.2) | (1.2) |
| Other operating income | **507** | 477 | 499 | 6.3 | 1.6 |
| **Net operating income** | **4,116** | 4,094 | 4,152 | 0.5 | (0.9) |
| Operating expenses | **(1,517)** | (1,479) | (1,452) | 2.6 | 4.5 |
| **Underlying profit** | **2,599** | 2,615 | 2,700 | (0.6) | (3.7) |
| Credit impairment charge | **(200)** | (316) | (252) | (36.7) | (20.6) |
| **Cash earnings before income tax** | **2,399** | 2,299 | 2,448 | 4.3 | (2.0) |
| Income tax expense | **(726)** | (695) | (734) | 4.5 | (1.1) |
| **Cash earnings** | **1,673** | 1,604 | 1,714 | 4.3 | (2.4) |

| | | | | | |
|---|---|---|---|---|---|
| **Volumes ($bn)** | | | | | |
| Housing lending | **112.5** | 109.2 | 105.6 | 3.0 | 6.5 |
| Business lending | **148.9** | 143.3 | 137.1 | 3.9 | 8.6 |
| Other lending | **3.6** | 3.8 | 3.6 | (5.3) | - |
| Gross loans and acceptances | **265.0** | 256.3 | 246.3 | 3.4 | 7.6 |
| Average interest earning assets | **240.6** | 233.7 | 223.9 | 3.0 | 7.5 |
| Total assets | **264.1** | 255.5 | 245.9 | 3.4 | 7.4 |
| Customer deposits | **214.3** | 206.1 | 201.4 | 4.0 | 6.4 |
| Total risk-weighted assets | **157.9** | 150.7 | 149.1 | 4.8 | 5.9 |

| | Half Year to | | | | |
|---|---|---|---|---|---|
| | | | | Mar 24 v | Mar 24 v |
| | Mar 24 | Sep 23 | Mar 23 | Sep 23 | Mar 23 |
| **Performance Measures** | | | | | |
| Cash earnings on average assets (%) | **1.30** | 1.28 | 1.43 | 2 bps | (13 bps) |
| Cash earnings on average risk-weighted assets (%) | **2.17** | 2.15 | 2.35 | 2 bps | (18 bps) |
| Net interest margin (%) | **3.00** | 3.09 | 3.27 | (9 bps) | (27 bps) |
| Cost to income ratio (%) | **36.9** | 36.1 | 35.0 | 80 bps | 190 bps |
| Funds under management (spot) ($m) | **52,880** | 47,430 | 45,600 | 11.5% | 16.0% |
| **Asset Quality (%)** | | | | | |
| 90+ DPD and gross impaired assets to GLAs | **0.99** | 0.96 | 0.87 | 3 bps | 12 bps |
| Credit impairment charge to GLAs - annualised | **0.15** | 0.25 | 0.21 | (10 bps) | (6 bps) |

## March 2024 v March 2023

Cash earnings decreased by $41 million or 2.4%, primarily driven by higher operating expenses and lower net interest income, partially offset by lower credit impairment charges.

| Key movements | Key drivers |
|---|---|
| **Net interest income down $44m, 1.2%** | • Net interest margin decreased by 27 basis points reflecting competitive lending pressures, mainly due to housing lending, deposit mix impacts and higher wholesale funding costs. This was partially offset by higher earnings on deposits and capital due to the rising interest rate environment.<br>• Average interest earning assets increased by $16.7 billion or 7.5% reflecting growth in both business lending and housing lending.<br>• Customer deposits increased by $12.9 billion or 6.4% mainly driven by growth in term deposits, partially offset by a decline in non-interest bearing accounts. |
| **Other operating income up $8m, 1.6%** | • Higher foreign exchange revenue and higher fee income reflecting volume growth across the business lending portfolio and funds under management, combined with higher HICAPS revenue.<br>• Partially offset by lower merchant acquiring fee revenue from higher scheme fees. |
| **Operating expenses up $65m, 4.5%** | • Increase primarily driven by higher personnel expenses due to an increase in salary and related costs, combined with continued uplift in technology and compliance capabilities including fraud and cyber security.<br>• This was partially offset by productivity benefits achieved through continued process improvement and simplification of the business's operations. |
| **Credit impairment charge down $52m, 20.6%** | • Lower collective provision charges for the mortgage portfolio due to the impact of house price increases, combined with lower levels of volume growth in the mortgage portfolio.<br>• Specific provision charges increased due to a small number of individual business lending impairments.<br>• 90+ DPD and gross impaired assets to GLAs increased by 12 basis points to 0.99% primarily driven by an increase in 90+ DPD assets in the business lending portfolio. |
| **Risk-weighted assets up $8.8bn, 5.9%** | • Increase in risk-weighted assets due to growth in business lending volumes, combined with deterioration of asset quality in the mortgage portfolio, partially offset by model methodology changes. |

## March 2024 v September 2023

Cash earnings increased by $69 million or 4.3%, primarily driven by lower credit impairment charges and higher operating income, partially offset by higher operating expenses.

| Key movements | Key drivers |
|---|---|
| **Net interest income down $8m, 0.2%** | • Net interest margin decreased by 9 basis points reflecting competitive lending pressures and higher wholesale funding costs, combined with deposit mix impacts. This was partially offset by higher earnings on deposits and capital due to the impact of higher interest rates.<br>• Average interest earning assets increased by $6.9 billion or 3.0% reflecting growth in both business lending and housing lending.<br>• Customer deposits increased by $8.2 billion or 4.0% mainly driven by growth in term deposits, combined with growth in on-demand deposits and non-interest bearing accounts. |
| **Other operating income up $30m, 6.3%** | • Higher foreign exchange and rates revenue, combined with higher fee income reflecting volume growth across the business lending portfolio and funds under management and higher HICAPS revenue. |
| **Operating expenses up $38m, 2.6%** | • Increase primarily driven by higher personnel costs due to an increase in salary and related expenses, combined with continued uplift in technology and compliance capabilities including fraud and cyber security.<br>• This was partially offset by productivity benefits achieved through continued process improvement and simplification of the business's operations. |
| **Credit impairment charge down $116m, 36.7%** | • Lower collective provision charges due to lower levels of asset quality deterioration in the business lending portfolio, combined with lower levels of volume growth in the business lending and mortgage portfolios.<br>• 90+ DPD and gross impaired assets to GLAs increased by 3 basis points to 0.99% primarily driven by an increase in 90+ DPD assets in the business lending portfolio. |
| **Risk-weighted assets up $7.2bn, 4.8%** | • Increase in risk-weighted assets due to growth in business lending volumes, combined with deterioration of asset quality in the mortgage portfolio. |

# Personal Banking

Personal Banking provides banking products and services to customers including securing a home loan and managing personal finances through deposits, credit card or personal loan facilities. Customers are supported through a network of branches and ATMs, call centres, digital capabilities as well as through proprietary lenders and mortgage brokers.

| | Half Year to | | | | |
|---|---|---|---|---|---|
| | **Mar 24 $m** | **Sep 23 $m** | **Mar 23 $m** | **Mar 24 v Sep 23 %** | **Mar 24 v Mar 23 %** |
| Net interest income | **1,965** | 2,047 | 2,282 | (4.0) | (13.9) |
| Other operating income | **294** | 276 | 291 | 6.5 | 1.0 |
| **Net operating income** | **2,259** | 2,323 | 2,573 | (2.8) | (12.2) |
| Operating expenses | **(1,308)** | (1,274) | (1,287) | 2.7 | 1.6 |
| **Underlying profit** | **951** | 1,049 | 1,286 | (9.3) | (26.0) |
| Credit impairment charge | **(162)** | (122) | (165) | 32.8 | (1.8) |
| **Cash earnings before income tax** | **789** | 927 | 1,121 | (14.9) | (29.6) |
| Income tax expense | **(236)** | (266) | (336) | (11.3) | (29.8) |
| **Cash earnings** | **553** | 661 | 785 | (16.3) | (29.6) |

| | | | | | |
|---|---|---|---|---|---|
| **Volumes ($bn)** | | | | | |
| Housing lending | **233.2** | 230.6 | 229.4 | 1.1 | 1.7 |
| Other lending | **9.6** | 9.4 | 9.0 | 2.1 | 6.7 |
| Gross loans and acceptances | **242.8** | 240.0 | 238.4 | 1.2 | 1.8 |
| Average interest earning assets | **219.5** | 217.9 | 219.7 | 0.7 | (0.1) |
| Total assets | **249.9** | 247.9 | 248.0 | 0.8 | 0.8 |
| Customer deposits | **156.8** | 151.3 | 147.4 | 3.6 | 6.4 |
| Total risk-weighted assets | **79.5** | 78.2 | 76.7 | 1.7 | 3.7 |

| | Half Year to | | | | |
|---|---|---|---|---|---|
| | **Mar 24 %** | **Sep 23 %** | **Mar 23 %** | **Mar 24 v Sep 23** | **Mar 24 v Mar 23** |
| **Performance Measures** | | | | | |
| Cash earnings on average assets | **0.44** | 0.54 | 0.64 | (10 bps) | (20 bps) |
| Cash earnings on average risk-weighted assets | **1.41** | 1.70 | 1.92 | (29 bps) | (51 bps) |
| Net interest margin | **1.79** | 1.87 | 2.08 | (8 bps) | (29 bps) |
| Cost to income ratio | **57.9** | 54.8 | 50.0 | 310 bps | 790 bps |
| **Asset Quality** | | | | | |
| 90+ DPD and gross impaired assets to GLAs | **0.99** | 0.81 | 0.71 | 18 bps | 28 bps |
| Credit impairment charge to GLAs - annualised | **0.13** | 0.10 | 0.14 | 3 bps | (1 bp) |

## March 2024 v March 2023

Cash earnings decreased by $232 million or 29.6%, primarily driven by lower net interest income and higher operating expenses.

| Key movements | Key drivers |
|---|---|
| **Net interest income down $317m, 13.9%** | • Net interest margin decreased by 29 basis points due to housing lending and deposits competitive pressures, combined with deposit mix impacts and higher wholesale funding costs. This was partially offset by higher earnings on deposits and capital due to the rising interest rate environment.<br>• Average interest earning assets decreased by $0.2 billion or 0.1%. This reflected a disciplined approach to growth in home lending due to continuation of strong competition and a focus on sustainable returns.<br>• Customer deposits increased by $9.4 billion or 6.4% driven by growth in on-demand deposits, term deposits and non-interest bearing accounts. |
| **Other operating income up $3m, 1.0%** | • Higher cards annual fees and foreign exchange revenue, partially offset by higher loyalty costs and lower housing lending fee income. |
| **Operating expenses up $21m, 1.6%** | • The increase was primarily driven by higher personnel costs due to an increase in salary and related expenses, combined with continued uplift in technology and compliance capabilities including fraud and cyber security.<br>• Partially offset by productivity benefits achieved through simplification of the business's operations. |
| **Credit impairment charge down $3m, 1.8%** | • Lower collective provision charges for the mortgage portfolio due to the impact of house price increases, partially offset by higher specific provision charges for the unsecured retail portfolio due to increased delinquencies.<br>• 90+ DPD and gross impaired assets to GLAs increased 28 basis points to 0.99% primarily driven by an increase in 90+ DPD assets for the mortgage and unsecured retail portfolios. |
| **Risk-weighted assets up $2.8bn, 3.7%** | • Increase in risk-weighted assets due to volume growth and deterioration of asset quality in the mortgage portfolio, partially offset by model and methodology changes. |

## March 2024 v September 2023

Cash earnings decreased by $108 million or 16.3%, primarily driven by lower net interest income, combined with higher credit impairment charges and operating expenses.

| Key movements | Key drivers |
|---|---|
| **Net interest income down $82m, 4.0%** | • Net interest margin decreased by 8 basis points, due to housing lending competitive pressures combined with higher wholesale funding costs. This was partially offset by higher earnings on deposits and capital due to the impact of higher interest rates.<br>• Average interest earning assets increased by $1.6 billion or 0.7%. This reflected a disciplined approach to growth in home lending due to continuation of strong competition and a focus on sustainable returns.<br>• Customer deposits increased by $5.5 billion or 3.6% driven by growth in on-demand deposits, term deposits and non-interest bearing accounts. |
| **Other operating income up $18m, 6.5%** | • Higher cards income due to a seasonal uplift in spending volumes, higher cards annual fees, increase in foreign exchange revenue and lower loyalty costs due to timing, partially offset by lower housing lending fee income. |
| **Operating expenses up $34m, 2.7%** | • Increase primarily driven by higher personnel costs due to an increase in salary and related expenses, combined with continued uplift in technology and compliance capabilities including fraud and cyber security.<br>• Partially offset by productivity benefits achieved through simplification of the business's operations. |
| **Credit impairment charge up $40m, 32.8%** | • Higher specific provision charges for the unsecured retail portfolio due to increased delinquencies. Higher collective provision charges driven by deterioration in asset quality, partially offset by the impact of house price increases.<br>• 90+ DPD and gross impaired assets to GLAs increased 18 basis points to 0.99% primarily driven by an increase in 90+ DPD assets for the mortgage and unsecured lending portfolios. |
| **Risk-weighted assets up $1.3bn, 1.7%** | • Increase in risk-weighted assets due to volume growth and deterioration of asset quality in the mortgage portfolio, partially offset by model and methodology changes. |

# Corporate and Institutional Banking

Corporate and Institutional Banking provides a range of products and services including client coverage, corporate finance, markets, transactional banking, enterprise payments and asset servicing which is being wound down over approximately three years from November 2022. The division serves its customers across Australia, US, Europe and Asia, with specialised industry relationships and product teams. Corporate and Institutional Banking included the Bank of New Zealand's Markets Trading operations up to 30 September 2023. From 1 October 2023, these operations are reported within New Zealand Banking. Comparative information has been restated accordingly.

| | Half Year to(1) | | | | |
|---|---|---|---|---|---|
| | Mar 24 $m | Sep 23 $m | Mar 23 $m | Mar 24 v Sep 23 % | Mar 24 v Mar 23 % |
| Net interest income | **1,279** | 1,210 | 1,094 | 5.7 | 16.9 |
| Other operating income | **670** | 715 | 869 | (6.3) | (22.9) |
| **Net operating income** | **1,949** | 1,925 | 1,963 | 1.2 | (0.7) |
| Operating expenses | **(735)** | (716) | (712) | 2.7 | 3.2 |
| **Underlying profit** | **1,214** | 1,209 | 1,251 | 0.4 | (3.0) |
| Credit impairment (charge) / write-back | **37** | (7) | (25) | large | large |
| **Cash earnings before income tax** | **1,251** | 1,202 | 1,226 | 4.1 | 2.0 |
| Income tax expense | **(352)** | (287) | (301) | 22.6 | 16.9 |
| **Cash earnings** | **899** | 915 | 925 | (1.7) | (2.8) |
| **Net operating income** | | | | | |
| Lending and deposits income | **1,463** | 1,478 | 1,426 | (1.0) | 2.6 |
| Markets income (ex derivative valuation adjustment) | **294** | 259 | 345 | 13.5 | (14.8) |
| Derivative valuation adjustment(2) | **9** | 29 | 26 | (69.0) | (65.4) |
| Other income | **183** | 159 | 166 | 15.1 | 10.2 |
| **Total net operating income** | **1,949** | 1,925 | 1,963 | 1.2 | (0.7) |
| **Volumes ($bn)** | | | | | |
| Business lending | **107.3** | 103.7 | 108.9 | 3.5 | (1.5) |
| Other lending | **0.4** | 0.4 | 0.4 | - | - |
| Gross loans and acceptances | **107.7** | 104.1 | 109.3 | 3.5 | (1.5) |
| Average interest earning assets | **245.2** | 249.1 | 252.1 | (1.6) | (2.7) |
| Total assets | **266.5** | 276.7 | 273.5 | (3.7) | (2.6) |
| Customer deposits | **131.6** | 137.4 | 136.7 | (4.2) | (3.7) |
| Total risk-weighted assets | **100.0** | 97.1 | 100.6 | 3.0 | (0.6) |

| | Half Year to(1) | | | | |
|---|---|---|---|---|---|
| | Mar 24 % | Sep 23 % | Mar 23 % | Mar 24 v Sep 23 | Mar 24 v Mar 23 |
| **Performance Measures** | | | | | |
| Cash earnings on average assets | **0.64** | 0.64 | 0.63 | - | 1 bp |
| Cash earnings on average risk-weighted assets | **1.83** | 1.85 | 1.69 | (2 bps) | 14 bps |
| Net interest margin | **1.04** | 0.97 | 0.87 | 7 bps | 17 bps |
| Net interest margin (ex Markets) | **2.08** | 2.14 | 1.98 | (6 bps) | 10 bps |
| Cost to income ratio | **37.7** | 37.2 | 36.3 | 50 bps | 140 bps |
| **Asset Quality** | | | | | |
| 90+ DPD and gross impaired assets to GLAs | **0.12** | 0.13 | 0.15 | (1 bp) | (3 bps) |
| Credit impairment charge / (write-back) to GLAs - annualised | **(0.07)** | 0.01 | 0.05 | (8 bps) | (12 bps) |

(1) Corporate and Institutional Banking included the Bank of New Zealand's Markets Trading operations up to 30 September 2023. From 1 October 2023, these operations are reported within New Zealand Banking. Comparative information has been restated accordingly.
(2) Derivative valuation adjustment is shown net of hedging costs or benefits and includes credit valuation adjustments and funding valuation adjustments.

## March 2024 v March 2023

Cash earnings decreased by $26 million or 2.8%, primarily driven by lower other operating income, combined with higher income tax expenses due to the repeal of the offshore banking unit tax concession resulting in changes to the effective tax rate and higher operating expenses. These were partially offset by higher net interest income and decreased credit impairment charges.

| Key movements | Key drivers |
|---|---|
| **Net interest income up $185m, 16.9%** | • Includes an increase of $79 million due to movements in economic hedges offset in other operating income.<br>• Underlying increase of $106 million is primarily due to higher net interest margins and Markets income, partially offset by lower lending and deposits average volumes.<br>• Net interest margin (ex Markets) increased by 10 basis points to 2.08% due to higher earnings on deposits and capital driven by the rising interest rate environment combined with higher asset pricing. This was partially offset by higher funding costs and the deposit mix impact of the anticipated run-off in custody deposits.<br>• Gross loans and acceptances decreased by $1.6 billion or 1.5%. The underlying decrease of $2.4 billion excluding exchange rate movements was primarily due to lower utilisation in funds and disciplined portfolio management partially offset by securitisation exposures and infrastructure lending.<br>• Customer deposits decreased by $5.1 billion or 3.7%. The underlying decrease of $5.4 billion excluding exchange rate movements was primarily driven by the anticipated run-off in custody and Hong Kong deposits. |
| **Other operating income down $199m, 22.9%** | • Includes a decrease of $79 million due to movements in economic hedges offset in net interest income.<br>• Underlying decrease of $120 million is primarily due to lower Markets income and lower derivative valuation adjustment, partially offset by higher fee income in business lending and capital markets. |
| **Operating expenses up $23m, 3.2%** | • Increase primarily driven by higher personnel costs due to an increase in salary and related expenses, combined with continued uplift in technology and compliance capabilities including fraud and cyber security.<br>• Partially offset by productivity benefits achieved through simplification of the business's operations. |
| **Credit impairment charge down $62m** | • Primarily due to lower specific charges reflecting higher recoveries and write-backs for a small number of larger exposures. |
| **Risk-weighted assets down $0.6bn, 0.6%** | • Decrease in risk-weighted assets is primarily due to model and methodology changes implemented in the September 2023 half period and a decrease in lending volumes, partially offset by foreign exchange movements and market movements. |

## March 2024 v September 2023

Cash earnings decreased by $16 million or 1.7%, primarily driven by higher income tax expenses due to the repeal of the offshore banking unit tax concession resulting in changes to the effective tax rate, partially offset by decreased credit impairment charges.

| Key movements | Key drivers |
|---|---|
| **Net interest income up $69m, 5.7%** | • Includes an increase of $37 million due to movements in economic hedges offset in other operating income.<br>• Underlying increase of $32 million is primarily due to higher Markets income partially offset by lower net interest margins and deposits average volumes.<br>• Net interest margin (ex Markets) decreased 6 basis points to 2.08% due to higher funding costs combined with lower deposits margin including the mix impact of the anticipated run-off in custody deposits. This was partially offset by higher asset pricing and higher earnings on capital driven by the impact of higher interest rates.<br>• Gross loans and acceptances increased by $3.6 billion or 3.5%. The underlying increase of $3.5 billion excluding exchange rate movements was primarily due to higher securitisation exposures and infrastructure lending combined with disciplined portfolio management.<br>• Customer deposits decreased by $5.8 billion or 4.2%. The underlying decrease was primarily driven by the anticipated run-off in custody and Hong Kong deposits. |
| **Other operating income down $45m, 6.3%** | • Includes a decrease of $37 million due to movements in economic hedges offset in net interest income.<br>• Underlying decrease of $8 million is primarily due to lower Markets income and derivative valuation adjustment partially offset by higher fee income in capital markets and business lending. |
| **Operating expenses up $19m, 2.7%** | • Increase primarily driven by higher personnel costs due to an increase in salary and related expenses, combined with continued uplift in technology and compliance capabilities including fraud and cyber security.<br>• Partially offset by productivity benefits achieved through simplification of the business's operations. |
| **Credit impairment charge down $44m** | • Primarily due to lower specific charges reflecting higher recoveries and write-backs for a small number of larger exposures. |
| **Risk-weighted assets up $2.9bn, 3.0%** | • Increase in risk-weighted assets is primarily driven by increase in lending volumes and market movements. |

# New Zealand Banking

New Zealand Banking provides banking and financial services across customer segments in New Zealand. It consists of Partnership Banking, servicing retail, business, and private customers; Corporate and Institutional Banking, servicing corporate and institutional customers, and includes Markets Sales operations in New Zealand. New Zealand Banking also includes the Wealth franchise operating under the 'Bank of New Zealand' brand. From 1 October 2023, the Bank of New Zealand's Markets Trading operations and enabling units are reported within New Zealand Banking. Previously the Bank of New Zealand's Markets Trading operations were reported in Corporate and Institutional Banking and the enabling units within Corporate Functions and Other. Comparative information has been restated accordingly.

*Results presented in New Zealand dollars. Refer to page 42 for results in Australian dollars and page 99 for FX rates.*

| | Half Year to(1) | | | | |
|---|---|---|---|---|---|
| | Mar 24 $m | Sep 23 $m | Mar 23 $m | Mar 24 v Sep 23 % | Mar 24 v Mar 23 % |
| Net interest income | **1,461** | 1,435 | 1,464 | 1.8 | (0.2) |
| Other operating income | **300** | 288 | 303 | 4.2 | (1.0) |
| **Net operating income** | **1,761** | 1,723 | 1,767 | 2.2 | (0.3) |
| Operating expenses | **(641)** | (647) | (577) | (0.9) | 11.1 |
| **Underlying profit** | **1,120** | 1,076 | 1,190 | 4.1 | (5.9) |
| Credit impairment charge | **(65)** | (92) | (61) | (29.3) | 6.6 |
| **Cash earnings before income tax** | **1,055** | 984 | 1,129 | 7.2 | (6.6) |
| Income tax expense | **(296)** | (279) | (316) | 6.1 | (6.3) |
| **Cash earnings before non-controlling interests** | **759** | 705 | 813 | 7.7 | (6.6) |
| Non-controlling interests | **(9)** | (5) | - | 80.0 | large |
| **Cash earnings** | **750** | 700 | 813 | 7.1 | (7.7) |
| **Volumes ($bn)** | | | | | |
| Housing lending | **58.8** | 57.7 | 56.4 | 1.9 | 4.3 |
| Business lending | **45.2** | 43.9 | 44.3 | 3.0 | 2.0 |
| Other lending | **0.9** | 0.8 | 0.9 | 12.5 | - |
| Gross loans and acceptances | **104.9** | 102.4 | 101.6 | 2.4 | 3.2 |
| Average interest earning assets | **123.4** | 121.1 | 120.0 | 1.9 | 2.8 |
| Total assets | **128.9** | 130.0 | 126.4 | (0.8) | 2.0 |
| Customer deposits | **80.0** | 78.5 | 74.6 | 1.9 | 7.2 |
| Total risk-weighted assets | **67.7** | 68.9 | 67.2 | (1.7) | 0.7 |

| | Half Year to(1) | | | | |
|---|---|---|---|---|---|
| | Mar 24 % | Sep 23 % | Mar 23 % | Mar 24 v Sep 23 | Mar 24 v Mar 23 |
| **Performance Measures** | | | | | |
| Cash earnings on average assets | **1.14** | 1.07 | 1.25 | 7 bps | (11 bps) |
| Cash earnings on average risk-weighted assets | **2.21** | 2.05 | 2.46 | 16 bps | (25 bps) |
| Net interest margin | **2.37** | 2.36 | 2.45 | 1 bp | (8 bps) |
| Cost to income ratio | **36.4** | 37.6 | 32.7 | (120 bps) | 370 bps |
| **Asset Quality** | | | | | |
| 90+ DPD and gross impaired assets to GLAs | **0.61** | 0.78 | 0.64 | (17 bps) | (3 bps) |
| Credit impairment charge to GLAs - annualised | **0.12** | 0.18 | 0.12 | (6 bps) | - |

(1) From 1 October 2023, the Bank of New Zealand's Markets Trading operations and enabling units are reported within New Zealand Banking. Previously the Bank of New Zealand's Markets Trading operations were reported in Corporate and Institutional Banking and the enabling units within Corporate Functions and Other. Comparative information has been restated accordingly.

## March 2024 v March 2023

Cash earnings decreased by $63 million or 7.7%, primarily driven by higher operating expenses.

| Key movements | Key drivers |
|---|---|
| **Net interest income down $3m, 0.2%** | • Net interest margin decreased by 8 basis points. This decrease was driven by lending and term deposit competitive pressures partially offset by higher earnings on capital driven by higher interest rates and increased capital volume.<br>• Average interest earning assets increased by $3.4 billion or 2.8%, driven by growth in housing and business lending.<br>• Customer deposits increased by $5.4 billion or 7.2% driven by growth in term deposits of $6.1 billion and on demand deposits of $0.7 billion, partially offset by a decrease in non-interest bearing accounts of $1.4 billion. |
| **Other operating income down $3m, 1.0%** | • The decrease was primarily due to lower fees and commissions due to lower activity levels and fee reductions. This was combined with lower cards and merchant acquiring fee income due to spending mix changes.<br>• Partially offset by higher markets and treasury income. |
| **Operating expenses up $64m, 11.1%** | • The increase was primarily driven by an increase in salary and related costs, higher software amortisation and technology infrastructure spend. This was combined with continued investment in strategic priorities and compliance obligations including BS11. |
| **Credit impairment charge up $4m, 6.6%** | • Higher specific provision charges due to the non repeat of write-backs for a small number of large corporate exposures partially offset by lower collective provision charges.<br>• 90+ DPD and gross impaired assets to GLAs decreased by 3 basis points driven by customers affected by 2023 severe weather events now returning to performing. This was partially offset by higher 90+ DPD across home lending and a small number of commercial real estate customers. |
| **Total risk-weighted assets up $0.5bn, 0.7%** | • Increase driven by growth in both housing and business lending.<br>• Partially offset by lower interest rate risk in the banking book. |

## March 2024 v September 2023

Cash earnings increased by $50 million or 7.1%, primarily driven by lower credit impairment charges and higher net interest income.

| Key movements | Key drivers |
|---|---|
| **Net interest income up $26m, 1.8%** | • Net interest margin increased by 1 basis point. This increase was due to higher earnings on capital driven by higher interest rates and increased capital volume partially offset by deposit competitive pressures and mix impacts.<br>• Average interest earning assets increased by $2.3 billion or 1.9%. driven by growth in housing and business lending.<br>• Customer deposits increased by $1.5 billion or 1.9% driven by growth in term deposits of $1.9 billion, partially offset by a decrease in on-demand deposits of $0.3 billion and non-interest bearing accounts of $0.1 billion. |
| **Other operating income up $12m, 4.2%** | • The increase was primarily due to higher markets and treasury income and higher cards income.<br>• Partially offset by lower fees and commissions due to lower activity levels, combined with lower merchant acquiring fee income driven by spending mix changes. |
| **Operating expenses down $6m, 0.9%** | • The decrease is driven by productivity benefits achieved and lower technology infrastructure costs.<br>• Partially offset by an increase in salary and related costs. This was combined with continued investment in strategic priorities and compliance obligations including BS11. |
| **Credit impairment charge down $27m, 29.3%** | • Lower collective provision charges partially offset by higher specific provision charges due to a small number of agribusiness exposures.<br>• 90+ DPD and gross impaired assets to GLAs decreased by 17 basis points driven by customers affected by 2023 severe weather events now returning to performing. This was partially offset by higher 90+ DPD across home lending |
| **Total risk-weighted assets down $1.2bn, 1.7%** | • Decrease driven by lower interest rate risk in the banking book.<br>• Partially offset by an increase in operational risk-weighted assets and credit growth. |

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

| | Half Year to(1) | | | | |
|---|---|---|---|---|---|
| | Mar 24 $m | Sep 23 $m | Mar 23 $m | Mar 24 v Sep 23 % | Mar 24 v Mar 23 % |
| Net interest income | **1,358** | 1,327 | 1,346 | 2.3 | 0.9 |
| Other operating income | **278** | 266 | 279 | 4.5 | (0.4) |
| **Net operating income** | **1,636** | 1,593 | 1,625 | 2.7 | 0.7 |
| Operating expenses | **(595)** | (598) | (531) | (0.5) | 12.1 |
| **Underlying profit** | **1,041** | 995 | 1,094 | 4.6 | (4.8) |
| Credit impairment charge | **(61)** | (85) | (56) | (28.2) | 8.9 |
| **Cash earnings before income tax** | **980** | 910 | 1,038 | 7.7 | (5.6) |
| Income tax expense | **(274)** | (258) | (291) | 6.2 | (5.8) |
| **Cash earnings non-controlling interests** | **706** | 652 | 747 | 8.3 | (5.5) |
| Non-controlling interests | **(9)** | (5) | - | 80.0 | large |
| **Cash earnings** | **697** | 647 | 747 | 7.7 | (6.7) |

(1) From 1 October 2023, the Bank of New Zealand's Markets Trading operations and enabling units are reported within New Zealand Banking. Previously the Bank of New Zealand's Markets Trading operations were reported in Corporate and Institutional Banking and the enabling units within Corporate Functions and Other. Comparative information has been restated accordingly.

## Impact of foreign exchange rate movements

| Favourable / (unfavourable) 31 March 2024 | Half Year since Sep 23 $m | Mar 24 v Sep 23 ex FX % | Year since Mar 23 $m | Mar 24 v Mar 23 ex FX % |
|---|---|---|---|---|
| Net interest income | **7** | 1.8 | **14** | (0.1) |
| Other operating income | **1** | 4.1 | **3** | (1.4) |
| Operating expenses | **(3)** | (1.0) | **(6)** | 10.9 |
| Credit impairment (charge) / write-back | - | (28.2) | **(1)** | 7.1 |
| Income tax expense | **(1)** | 5.8 | **(2)** | (6.5) |
| Non-controlling interests | - | 80.0 | - | large |
| **Cash earnings** | **4** | 7.1 | **8** | (7.8) |

# Corporate Functions and Other

Corporate Functions and Other includes ubank and enabling units that support all businesses including Treasury, Technology and Enterprise Operations, Strategy and Innovation, Data, Digital and Analytics, Support Units and eliminations. Corporate Functions and Other included the enabling units of the Bank of New Zealand up to 30 September 2023. From 1 October 2023, these enabling units are reported within New Zealand Banking. Comparative information has been restated accordingly.

| | Half Year to[1] | | | | |
|---|---|---|---|---|---|
| | Mar 24 $m | Sep 23 $m | Mar 23 $m | Mar 24 v Sep 23 % | Mar 24 v Mar 23 % |
| Net operating income | **178** | 190 | 216 | (6.3) | (17.6) |
| Operating expenses | **(522)** | (535) | (439) | (2.4) | 18.9 |
| **Underlying loss** | **(344)** | (345) | (223) | (0.3) | 54.3 |
| Credit impairment write-back | **23** | 121 | 105 | (81.0) | (78.1) |
| **Cash loss before income tax** | **(321)** | (224) | (118) | 43.3 | large |
| Income tax benefit | **47** | 58 | 17 | (19.0) | large |
| **Cash loss** | **(274)** | (166) | (101) | 65.1 | large |

(1) Corporate Functions and Other included the enabling units of the Bank of New Zealand up to 30 September 2023. From 1 October 2023, these enabling units are reported within New Zealand Banking. Comparative information has been restated accordingly.

## March 2024 v March 2023

Cash loss increased by $173 million, primarily driven by higher operating expenses, combined with lower credit impairment write-backs and lower net operating income.

| Key movements | Key drivers |
|---|---|
| **Net operating income down $38m, 17.6%** | • Includes no customer-related remediation charges in the March 2024 half year (March 2023 half year: $20 million).<br>• Excluding customer-related remediation, the underlying decrease of $58 million was primarily driven by lower Treasury income, combined with lower equity accounted earnings from the investment in MLC Life. |
| **Operating expenses up $83m, 18.9%** | • Includes customer-related remediation charges of $20 million in the March 2024 half year (March 2023 half year: $20 million).<br>• Includes $48 million in the March 2024 half year (March 2023 half year: $56 million) relating to costs of compliance activities under the terms of the Enforceable Undertaking (EU) with Australian Transaction Reports and Analysis Centre (AUSTRAC).<br>• Excluding these items, the underlying increase of $91 million was mainly driven by an increase in average FTE, and salary and related expenses primarily in Technology and Enterprise Operations. |
| **Credit impairment write-back down $82m, 78.1%** | • Higher level of charges for the forward looking economic adjustment, combined with a lower level of net releases of FLAs held for targeted sectors. |

## March 2024 v September 2023

Cash loss increased by $108 million, primarily driven by lower credit impairment write-backs and net operating income, partially offset by lower operating expenses.

| Key movements | Key drivers |
|---|---|
| **Net operating income down $12m, 6.3%** | • Includes no customer-related remediation charges in the March 2024 half year (September 2023 half year: $1 million).<br>• Excluding customer-related remediation, the underlying decrease of $13 million was primarily driven by lower equity accounted earnings from the investment in MLC Life combined with non-recurring items in the September 2023 half year, partially offset by higher Treasury income. |
| **Operating expenses down $13m, 2.4%** | • Includes customer-related remediation charges of $20 million in the March 2024 half year (September 2023 half year: $nil).<br>• Includes $48 million in the March 2024 half year (September 2023 half year: $49 million) relating to costs of compliance activities under the terms of the EU with AUSTRAC.<br>• Excluding these items and the non-recurrence of a provision of $40 million in the September 2023 half year in respect of the one-off levy for the CSLR, the underlying increase of $8 million was mainly driven by an increase in salary and related expenses primarily in Technology and Enterprise Operations. |
| **Credit impairment write-back down $98m, 81.0%** | • Higher level of charges for the forward looking economic adjustment, partially offset by a higher level of net releases of FLAs held for targeted sectors. |

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# Half year results 2024

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# 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 (Group) for the half year ended 31 March 2024.

## Directors

Directors who held office during or since the end of the March 2024 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. Mr McEwan retired on 2 April 2024.*

*Andrew Irvine succeeded Mr McEwan as Managing Director and Group Chief Executive Officer effective 2 April 2024.*

David Armstrong
*Director since August 2014. Mr Armstrong resigned from the Board in December 2023.*

Kathryn Fagg
*Director since December 2019*

Christine Fellowes
*Director since June 2023*

Peeyush Gupta
*Director since November 2014. Mr Gupta resigned from the Board in December 2023*

Carolyn Kay
*Director since July 2023*

Alison Kitchen
*Director since September 2023*

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 14 December 2023, NAB and Jarden Wealth and Asset Management Holdings Limited (Jarden Wealth) announced an agreement to combine their New Zealand wealth advice and asset management businesses into a newly formed entity FirstCape Limited (FirstCape) in which NAB, Jarden Wealth and Pacific Equity Partners (PEP) will be the shareholders (Proposed Transaction). The Proposed Transaction will bring together NAB's JBWere New Zealand and BNZ Investment Services Limited businesses, together with Jarden Wealth and Harbour Asset Management to create a leading advice and asset management business for clients in New Zealand.
  The transaction completed on 30 April 2024 after meeting certain conditions, including New Zealand regulatory approvals. Refer to *Events subsequent to reporting date* for further details.
- On 7 February 2024, NAB announced the appointment of Andrew Irvine as Managing Director and Group Chief Executive Officer. Mr Irvine, formerly NAB's Group Executive Business and Private Banking since 2020, succeeded Ross McEwan CBE effective 2 April 2024 following the retirement of Mr McEwan from executive roles after a distinguished career in financial services.
- On 10 April 2024 NAB announced changes to the composition of the Executive Leadership Team, namely;
  - Rachel Slade was appointed Group Executive Business and Private Banking, effective 29 April 2024. Ms Slade was formerly Group Executive Personal Banking.
  - Ana Marinkovic was appointed Group Executive Personal Banking, effective 29 April 2024. Ms Marinkovic was formerly Executive Business Direct and Small Business in Business and Private Banking.
  - Cathryn Carver was appointed Group Executive Corporate and Institutional Banking, effective 1 July 2024, replacing David Gall who has decided to leave NAB on 1 October 2024 after 16 years with NAB including 10 years as an Executive Leadership Team member. Ms Carver is currently Executive Client Coverage in Corporate and Institutional Banking.
- On 13 March 2024 NAB noted the APRA announcement outlining the removal of the $500 million Operational Risk capital add-on which was applied in 2019 in response to NAB's 2018 self-assessment into governance, accountability and culture. The removal of this requirement follows NAB's completion of its Governance & Risk Transformation program, which was established to address the 26 recommendations identified in NAB's 2018 self-assessment.

There have been no other significant changes in the Group's state of affairs during the March 2024 half year.

## Review of operations and financial performance

| | Half Year to | |
|---|---|---|
| | Mar 24 | Sep 23 |
| | $m | $m |
| Net interest income | **8,398** | 8,332 |
| Other income | **1,772** | 1,748 |
| **Net operating income** | **10,170** | 10,080 |
| Operating expenses | **(4,819)** | (4,807) |
| Credit impairment charge | **(376)** | (407) |
| **Profit before income tax** | **4,975** | 4,866 |
| Income tax expense | **(1,422)** | (1,378) |
| **Net profit for the period from continuing operations** | **3,553** | 3,488 |
| Net loss after tax for the period from discontinued operations | **(50)** | (36) |
| **Net profit for the period** | **3,503** | 3,452 |
| Profit attributable to non-controlling interests | **9** | 5 |
| **Net profit for the period attributable to owners of the Company** | **3,494** | 3,447 |

Net profit for the period attributable to owners of the Company increased by $47 million or 1.4% compared to the September 2023 half year. Net profit from continuing operations increased by $65 million or 1.9% compared to the September 2023 half year primarily due to higher net operating income and lower credit impairment charges, partially offset by higher income tax expense and operating expenses.

Net interest income increased by $66 million or 0.8%. This includes an increase of $61 million due to movements in economic hedges, offset in other operating income. Excluding this movement, the underlying increase of $5 million or 0.1% was primarily due to higher earnings on deposits and capital driven by the impact of higher interest rates. These increases were partially offset by lower lending margins.

Other income increased by $24 million or 1.4%. This includes a decrease of $61 million due to movements in economic hedges, offset in net interest income. Excluding this movement, the underlying increase of $85 million or 4.9% was primarily driven by higher fee income in capital markets and business lending, combined with favourable movements in hedging and fair value volatility. These were partially offset by realised losses on bond sales in Treasury (high-quality liquids portfolio) combined with lower equity accounted earnings from the investment in MLC Life.

Operating expenses increased by $12 million or 0.2%. Excluding the provision of $40m in respect of the one-off levy for the CSLR in the September 2023 half year, the underlying increase of $52 million or 1.1% was primarily driven by continued uplift in technology and compliance capabilities including fraud and cyber security and higher personnel expenses due to an increase in salary and related expenses, combined with higher remediation charges. These impacts were partially offset by productivity benefits achieved through process improvements and simplification of the Group's operations and lower costs associated with business acquisitions.

Credit impairment charge decreased by $31 million driven by a lower level of both collective credit impairment charge and specific credit impairment charge.

Discontinued operations are excluded from the individual account lines of the Group's results and are reported as a single net loss after tax line item. The results of discontinued operations primarily relate to a reassessment of the provisions for MLC Wealth customer-related remediation, combined with costs associated with managing the run-off of the MLC Wealth retained entities.

## Review of divisional results

### March 2024 v September 2023

#### *Group*

Net profit increased by $47 million or 1.4%.

#### *Business and Private Banking*

Net profit increased by $61 million or 3.8%, primarily driven by lower credit impairment charges and higher operating income, partially offset by higher operating expenses.

#### *Personal Banking*

Net profit decreased by $106 million or 16.2%, primarily driven by lower net interest income, combined with higher credit impairment charges and operating expenses.

#### *Corporate and Institutional Banking*

Net profit increased by $16 million or 1.8%, primarily driven by higher net interest income and lower credit impairment charges, partially offset by higher income tax expenses.

#### *New Zealand Banking*

Net profit increased by $51 million or 7.9%, primarily driven by lower credit impairment charges and higher net interest income.

#### *Corporate Functions and Other*

Net loss decreased by $25 million, primarily driven by lower operating expenses and higher income tax benefits due to the recognition of a deferred tax asset in respect of previously unrecognised capital losses, partially offset by lower credit impairment write-backs and lower net operating income.

## Group balance sheet review

| | As at | |
|---|---|---|
| | 31 Mar 24 $m | 30 Sep 23 $m |
| **Assets** | | |
| Cash and liquid assets | **4,992** | 24,699 |
| Due from other banks | **125,469** | 117,306 |
| Collateral placed | **7,413** | 11,286 |
| Trading assets | **122,796** | 101,168 |
| Derivative assets | **24,690** | 34,269 |
| Debt instruments | **45,161** | 46,357 |
| Other financial assets | **843** | 1,430 |
| Loans and advances | **719,877** | 702,702 |
| All other assets | **19,764** | 19,866 |
| **Total assets** | **1,071,005** | 1,059,083 |
| **Liabilities** | | |
| Due to other banks | **33,606** | 39,516 |
| Collateral received | **6,272** | 10,672 |
| Other financial liabilities | **72,535** | 66,352 |
| Deposits and other borrowings | **695,537** | 682,120 |
| Derivative liabilities | **24,450** | 35,633 |
| Bonds, notes and subordinated debt | **150,375** | 135,645 |
| Debt issues | **8,566** | 8,561 |
| All other liabilities | **17,954** | 19,081 |
| **Total liabilities** | **1,009,295** | 997,580 |
| **Total equity** | **61,710** | 61,503 |
| **Total liabilities and equity** | **1,071,005** | 1,059,083 |

#### *Assets*

Total assets increased by $11,922 million or 1.1% compared to 30 September 2023. The key movements are as follows:

- Cash and liquid assets decreased by $19,707 million or 79.8% primarily due to the commencement of measuring certain reverse repurchase agreements at fair value through profit or loss during the September 2023 half year, with new transactions now presented within trading assets.
- Due from other banks increased by $8,163 million or 7.0% primarily due to an increase in the Exchange Settlement Account (ESA) balance with the RBA and deposits with other central banks, partially offset by a decrease in reverse repurchase agreements.
- Collateral placed decreased by $3,873 million or 34.3% as a result of a decrease in derivative liabilities.
- Trading assets increased by $21,628 million or 21.4% primarily driven by the commencement of measuring certain reverse repurchase agreements at fair value through profit or loss during the September 2023 half year as well as volume growth, partially offset by a decrease in government bonds, notes and securities.
- Derivative assets decreased by $9,579 million or 28.0% primarily driven by foreign exchange rate and interest rate movements and contract maturities during the period.

- Loans and advances increased by $17,175 million or 2.4% due to growth in both non-housing and housing lending.

***Liabilities***

Total liabilities increased by $11,715 million or 1.2% compared to 30 September 2023. The key movements are as follows:

- Due to other banks decreased by $5,910 million or 15.0% primarily due to the commencement of measuring certain repurchase agreements at fair value through profit or loss during the September 2023 half-year, with new transactions now presented within other financial liabilities.
- Collateral received decreased by $4,400 million or 41.2% as a result of a decrease in derivative assets.
- Other financial liabilities increased by $6,183 million or 9.3% primarily due to an increase in repurchase agreements at fair value through profit or loss.
- Deposits and other borrowings increased by $13,417 million or 2.0% due to growth in both customer deposits and other borrowings.
- Derivative liabilities decreased by $11,183 million or 31.4% primarily driven by foreign exchange rate and interest rate movements and contract maturities during the period.
- Bonds, notes, and subordinated debt increased by $14,730 million or 10.9% mainly driven by net new issuances.

***Equity***

Total equity increased by $207 million or 0.3% compared to 30 September 2023. The key movements are as follows:

- Contributed equity decreased by $882 million or 2.3% primarily driven by share buy-backs during the period.
- Reserves increased by $512 million primarily due to movement in the cash flow hedge reserve.
- Retained profits increased by $582 million or 2.4% reflecting current period statutory profits, partially offset by dividends paid and a $271 million restatement of the opening balance on adoption of AASB 17 *Insurance Contracts*.

## Economic outlook

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

- The degree of further progress in reducing inflation, its implication for household income, business profitability, and central bank monetary policy settings.
- The impact on financial conditions and the economy from changes in monetary policy by central banks and from government fiscal and other policies.
- Geopolitical events and their impact on global growth, financial markets, domestic confidence, and key sectors for Australia.

## Events subsequent to reporting date

On 30 April 2024 the Group completed the sale of its New Zealand wealth management businesses to a newly established entity FirstCape in which the Group will hold a 45% stake. The transaction is expected to result in a pre-tax gain of approximately $400 million (before transaction costs). This gain will be included in the Group's statutory net profit for the half year ending 30 September 2024. The ultimate financial outcome of the transaction remains subject to the finalisation of the completion accounts process.

On 2 May 2024, the Group announced it has increased its on market buy-back of ordinary shares by $1.5 billion, resulting in a total combined size of up to $3 billion.

There are no other items, transactions or events of a material or unusual nature that have arisen in the interval between 31 March 2024 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.

## 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 2024.

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 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

Andrew Irvine
Group Chief Executive Officer

2 May 2024

## 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 Russia-Ukraine and Israeli-Palestinian conflicts and other geopolitical tensions, 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 2 May 2024 and the Group's Annual Report for the 2023 financial year, which is available at nab.com.au.

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Building a better working world

# 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 2024, 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

T M Dring
Partner
Melbourne
2 May 2024

# Consolidated financial statements

## Income statement

| | Note | Half Year to Mar 24 $m | Sep 23 $m | Mar 23 $m |
|---|---|---|---|---|
| Interest income | | | | |
| Effective interest rate method | | **25,837** | 25,527 | 20,831 |
| Fair value through profit or loss | | **2,851** | 1,033 | 681 |
| Interest expense | | **(20,290)** | (18,228) | (13,037) |
| **Net interest income** | | **8,398** | 8,332 | 8,475 |
| Other income | 3 | **1,772** | 1,748 | 2,093 |
| Operating expenses | 4 | **(4,819)** | (4,807) | (4,575) |
| Total credit impairment charge | 8 | **(376)** | (407) | (409) |
| **Profit before income tax** | | **4,975** | 4,866 | 5,584 |
| Income tax expense | 5 | **(1,422)** | (1,378) | (1,602) |
| **Net profit for the period from continuing operations** | | **3,553** | 3,488 | 3,982 |
| Net loss after tax for the period from discontinued operations | | **(50)** | (36) | (15) |
| **Net profit for the period** | | **3,503** | 3,452 | 3,967 |
| Attributable to non-controlling interests | | **9** | 5 | - |
| Attributable to owners of the Company | | **3,494** | 3,447 | 3,967 |
| | | | | |
| **Earnings per share** | | **cents** | **cents** | **cents** |
| Basic | | **112.2** | 110.1 | 126.3 |
| Diluted | | **110.4** | 107.3 | 121.2 |
| Basic from continuing operations | | **113.8** | 111.3 | 126.7 |
| Diluted from continuing operations | | **111.9** | 108.3 | 121.7 |

## Statement of comprehensive income

| | Note | Half Year to Mar 24 $m | Sep 23 $m | Mar 23 $m |
|---|---|---|---|---|
| **Net profit for the period from continuing operations** | | **3,553** | 3,488 | 3,982 |
| **Other comprehensive income** | | | | |
| **Items that will not be reclassified to profit or loss** | | | | |
| Fair value changes on financial liabilities designated at fair value attributable to the Group's own credit risk | | **(55)** | (23) | (44) |
| Revaluation of land and buildings | | **(2)** | - | (4) |
| Equity instruments at fair value through other comprehensive income reserve: | | | | |
| Revaluation gains | | **2** | 11 | 6 |
| Tax on items transferred directly to equity | | **17** | 6 | 14 |
| **Total items that will not be reclassified to profit or loss** | | **(38)** | (6) | (28) |
| **Items that will be reclassified subsequently to profit or loss** | | | | |
| Cash flow hedge reserve | | **1,307** | (1,114) | 1,180 |
| Cost of hedging reserve | | **(218)** | (70) | (90) |
| Foreign currency translation reserve: | | | | |
| Currency adjustments on translation of foreign operations, net of hedging | | **(144)** | 2 | 707 |
| Transfer to the income statement on disposal or partial disposal of foreign operations[1] | | **-** | - | (29) |
| Debt instruments at fair value through other comprehensive income reserve: | | | | |
| Revaluation gains / (losses) | | **(140)** | (32) | 18 |
| Gain / (loss) from sale transferred to the income statement | | **32** | 1 | (33) |
| Tax on items transferred directly to equity | | **(295)** | 361 | (323) |
| **Total items that will be reclassified subsequently to profit or loss** | | **542** | (852) | 1,430 |
| **Other comprehensive income for the period, net of income tax** | | **504** | (858) | 1,402 |
| **Total comprehensive income for the period from continuing operations** | | **4,057** | 2,630 | 5,384 |
| Net loss after tax for the period from discontinued operations | | **(50)** | (36) | (15) |
| **Total comprehensive income for the period** | | **4,007** | 2,594 | 5,369 |
| Attributable to non-controlling interests[2] | | **4** | 13 | - |
| **Total comprehensive income for the period attributable to owners of the Company** | | **4,003** | 2,581 | 5,369 |

(1) Partial disposals of foreign operations include returns of capital made by foreign branches.
(2) Includes a $5 million loss (September 2023: $8 million gain) relating to foreign currency translation of the non-controlling interests in BNZ.

## Balance sheet

| | Note | 31 Mar 24 $m | 30 Sep 23 $m | 31 Mar 23 $m |
|---|---|---|---|---|
| | | As at | | |
| **Assets** | | | | |
| Cash and liquid assets | | **4,992** | 24,699 | 57,279 |
| Due from other banks | | **125,469** | 117,306 | 138,679 |
| Collateral placed | | **7,413** | 11,286 | 10,752 |
| Trading assets | | **122,796** | 101,168 | 47,019 |
| Derivative assets | | **24,690** | 34,269 | 32,133 |
| Debt instruments | | **45,161** | 46,357 | 45,555 |
| Other financial assets | | **843** | 1,430 | 1,473 |
| Loans and advances | | **719,877** | 702,702 | 695,053 |
| Current tax assets | | **25** | 20 | 6 |
| Deferred tax assets | | **3,181** | 3,499 | 2,940 |
| Property, plant and equipment | | **2,935** | 3,016 | 2,930 |
| Goodwill and other intangible assets | | **5,030** | 4,952 | 4,778 |
| Other assets | | **8,593** | 8,379 | 9,691 |
| **Total assets** | | **1,071,005** | 1,059,083 | 1,048,288 |
| **Liabilities** | | | | |
| Due to other banks | | **33,606** | 39,516 | 75,265 |
| Collateral received | | **6,272** | 10,672 | 9,015 |
| Other financial liabilities | | **72,535** | 66,352 | 26,430 |
| Deposits and other borrowings | 10 | **695,537** | 682,120 | 689,020 |
| Derivative liabilities | | **24,450** | 35,633 | 32,033 |
| Current tax liabilities | | **514** | 1,012 | 557 |
| Provisions | | **1,437** | 1,852 | 1,595 |
| Bonds, notes and subordinated debt | | **150,375** | 135,645 | 131,469 |
| Debt issues | | **8,566** | 8,561 | 7,322 |
| Other liabilities | | **16,003** | 16,217 | 14,167 |
| **Total liabilities** | | **1,009,295** | 997,580 | 986,873 |
| **Net assets** | | **61,710** | 61,503 | 61,415 |
| **Equity** | | | | |
| Contributed equity | 11 | **37,664** | 38,546 | 38,845 |
| Reserves | 11 | **(680)** | (1,192) | (388) |
| Retained profits | | **24,382** | 23,800 | 22,958 |
| **Total equity (attributable to owners of the Company)** | | **61,366** | 61,154 | 61,415 |
| Non-controlling interests | | **344** | 349 | - |
| **Total equity** | | **61,710** | 61,503 | 61,415 |

## Condensed statement of cash flows

| | Half Year to | | |
|---|---|---|---|
| | Mar 24 | Sep 23 | Mar 23 |
| | $m | $m | $m |
| **Cash flows from operating activities** | | | |
| Interest received | **29,330** | 27,979 | 19,359 |
| Interest paid | **(19,937)** | (17,150) | (11,398) |
| Dividends received | **3** | (1) | 3 |
| Other cash flows from operating activities before changes in operating assets and liabilities | **(2,456)** | 59 | (108) |
| Income tax paid | **(1,864)** | (1,059) | (1,914) |
| Changes in operating assets and liabilities arising from cash flow movements | **(32,604)** | (50,284) | 7,815 |
| **Net cash provided by / (used in) operating activities** | **(27,528)** | (40,456) | 13,757 |
| **Cash flows from investing activities** | | | |
| Movement in debt instruments: | | | |
| Purchases | **(17,231)** | (18,332) | (16,123) |
| Proceeds from disposal and maturity | **19,880** | 16,857 | 14,439 |
| Net movement in controlled entities, associates and joint ventures, and other debt and equity instruments | **84** | 144 | (3) |
| Purchase of property, plant, equipment and software | **(511)** | (714) | (478) |
| **Net cash provided by / (used in) investing activities** | **2,222** | (2,045) | (2,165) |
| **Cash flows from financing activities** | | | |
| Repayments of bonds, notes and subordinated debt | **(13,387)** | (17,297) | (13,846) |
| Proceeds from issue of bonds, notes and subordinated debt, net of costs | **24,155** | 20,762 | 22,065 |
| Payments for share buy-back | **(983)** | (307) | (597) |
| Purchase of shares for dividend reinvestment plan neutralisation | **(193)** | (427) | (266) |
| Purchase of shares for employee share offer plan neutralisation | **(25)** | - | (23) |
| Proceeds from issue of NZ Perpetual Preference Shares | **-** | 336 | - |
| Proceeds from debt issues, net of costs | **-** | 1,243 | - |
| Dividends and distributions paid (excluding dividend reinvestment plan) | **(2,421)** | (2,164) | (2,175) |
| Repayments of other financing activities | **(162)** | (164) | (164) |
| **Net cash provided by financing activities** | **6,984** | 1,982 | 4,994 |
| Net increase / (decrease) in cash and cash equivalents | **(18,322)** | (40,519) | 16,586 |
| Cash and cash equivalents at beginning of period | **40,589** | 79,835 | 62,179 |
| Effects of exchange rate changes on balance of cash held in foreign currencies | **217** | 1,273 | 1,070 |
| **Cash and cash equivalents at end of period** | **22,484** | 40,589 | 79,835 |

## Statement of changes in equity

| | Contributed equity $m | Reserves $m | Retained profits $m | Total $m | Non-controlling interests $m | Total equity $m |
|---|---|---|---|---|---|---|
| **Balance at 1 October 2022** | 39,399 | (1,839) | 21,472 | 59,032 | - | 59,032 |
| Net profit for the period from continuing operations | - | - | 3,982 | 3,982 | - | 3,982 |
| Net loss for the period from discontinued operations | - | - | (15) | (15) | - | (15) |
| Other comprehensive income for the period from continuing operations | - | 1,432 | (30) | 1,402 | - | 1,402 |
| **Total comprehensive income for the period** | - | 1,432 | 3,937 | 5,369 | - | 5,369 |
| **Transactions with owners, recorded directly in equity:** | | | | | | |
| Contributions by and distributions to owners | | | | | | |
| Purchase of treasury shares for employee share offer[1] | (23) | - | - | (23) | - | (23) |
| Share buy-back | (597) | - | - | (597) | - | (597) |
| Transfer from / (to) retained profits | - | 10 | (10) | - | - | - |
| Transfer from / (to) equity-based compensation reserve | 66 | (66) | - | - | - | - |
| Equity-based compensation | - | 75 | - | 75 | - | 75 |
| Dividends paid | - | - | (2,441) | (2,441) | - | (2,441) |
| **Balance at 31 March 2023** | 38,845 | (388) | 22,958 | 61,415 | - | 61,415 |
| Net profit for the period from continuing operations | - | - | 3,483 | 3,483 | 5 | 3,488 |
| Net loss for the period from discontinued operations | - | - | (36) | (36) | - | (36) |
| Other comprehensive income for the period from continuing operations | - | (849) | (17) | (866) | 8 | (858) |
| **Total comprehensive income for the period** | - | (849) | 3,430 | 2,581 | 13 | 2,594 |
| **Transactions with owners, recorded directly in equity:** | | | | | | |
| Contributions by and distributions to owners | | | | | | |
| Share buy-back | (307) | - | - | (307) | - | (307) |
| Transfer from / (to) retained profits | - | (3) | 3 | - | - | - |
| Transfer from / (to) equity-based compensation reserve | 8 | (8) | - | - | - | - |
| Equity-based compensation | - | 56 | - | 56 | - | 56 |
| Dividends and distributions paid | - | - | (2,586) | (2,586) | (5) | (2,591) |
| Other equity movements | | | | | | |
| Issue of BNZ Perpetual Shares | - | - | (5) | (5) | 341 | 336 |
| **Balance at 30 September 2023** | 38,546 | (1,192) | 23,800 | 61,154 | 349 | 61,503 |

(1) This represents an on-market purchase of 748,032 shares of an average price of $30.70 per share.

## Statement of changes in equity (cont.)

| | Contributed equity | Reserves | Retained profits | Total | Non-controlling interests | Total equity |
|---|---|---|---|---|---|---|
| | $m | $m | $m | $m | $m | $m |
| **Balance at 1 October 2023** | 38,546 | (1,192) | 23,800 | 61,154 | 349 | 61,503 |
| Restatement for adoption of AASB 17 *Insurance Contracts*(1) | - | - | (271) | (271) | - | (271) |
| **Restated balance at 1 October 2023** | 38,546 | (1,192) | 23,529 | 60,883 | 349 | 61,232 |
| Net profit for the period from continuing operations | - | - | 3,544 | 3,544 | 9 | 3,553 |
| Net loss for the period from discontinued operations | - | - | (50) | (50) | - | (50) |
| Other comprehensive income for the period from continuing operations | - | 547 | (38) | 509 | (5) | 504 |
| **Total comprehensive income for the period** | - | 547 | 3,456 | 4,003 | 4 | 4,007 |
| **Transactions with owners, recorded directly in equity:** | | | | | | |
| Contributions by and distributions to owners | | | | | | |
| Purchase of treasury shares for employee share offer(2) | (25) | - | - | (25) | - | (25) |
| Share buy-back | (983) | - | - | (983) | - | (983) |
| Transfer from / (to) retained profits | - | (2) | 2 | - | - | - |
| Transfer from / (to) equity-based compensation reserve | 126 | (126) | - | - | - | - |
| Equity-based compensation | - | 93 | - | 93 | - | 93 |
| Dividends and distributions paid | - | - | (2,605) | (2,605) | (9) | (2,614) |
| **Balance at 31 March 2024** | 37,664 | (680) | 24,382 | 61,366 | 344 | 61,710 |

(1) Refer to *Note 1 Basis of preparation* for further information.
(2) This represents an on-market purchase of 862,221 shares at an average price of $29.17 per share.

# 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 2024 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 AASB.

This 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 2023 Annual 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 for the period 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 2023 Annual Report. The Group adopted AASB 17 *Insurance Contracts* (AASB 17) effective 1 October 2023. The impact to the Group from AASB 17 was limited to the Group's equity-accounted associate MLC Life, reducing its carrying value (included within *'Other assets'*) by $271 million with a corresponding decrease in retained profits as at 1 October 2023. This was above the estimated impact of approximately $200 million as disclosed in the Group's 2023 Annual Report, with the increase primarily driven by MLC's reassessment of the deferred tax asset to be recognised upon transition to AASB 17. There were no other 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 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 this report compared to those applied in the preparation of the 2023 Annual Report.

#### *Measurement of expected credit losses*

While the methodologies applied in the expected credit loss (ECL) calculations remained unchanged from those applied in the 2023 Annual Report, the Group has incorporated updated estimates, assumptions and judgements in the measurement of ECL in this interim financial report. These are explained further in *Note 8 Provision for credit impairment on loans and advances at amortised cost*.

### 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.

### Future accounting developments

In April 2024 the International Accounting Standards Board (IASB) issued IFRS 18 *Presentation and Disclosure in Financial Statements*. IFRS 18 replaces IAS 1 *Presentation of Financial Statements* and will be effective for the Group from 1 October 2027. IFRS 18 aims to improve how companies communicate information in their financial statements, with a focus on financial performance in the income statement. The Group is currently assessing the impact of this new Standard.

# Note 2 Segment information

## Overview

For the March 2024 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.

The Group's segments are consistent with the 2023 Annual Report, with the exception of the Bank of New Zealand's Markets Trading operations and enabling units which are reported within New Zealand Banking from 1 October 2023. Previously the Bank of New Zealand's Markets Trading operations were reported in Corporate and Institutional Banking and the enabling units within Corporate Functions and Other. Comparative information has been restated accordingly.

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 gains or losses and certain other items associated with acquisitions, disposals and business closures. Cash earnings does not purport to represent the cash flows, funding or liquidity position of the Group, nor any amount represented on a cash flow statement.

## Major customers

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

## Reportable segments

| | Half Year to March 2024 | | | | | |
|---|---|---|---|---|---|---|
| | Business and Private Banking | Personal Banking | Corporate and Institutional Banking[1] | New Zealand Banking[2] | Corporate Functions and[3] Other[4] | Total Group |
| | $m | $m | $m | $m | $m | $m |
| **Reportable segment information** | | | | | | |
| Net interest income | 3,609 | 1,965 | 1,279 | 1,358 | 186 | 8,397 |
| Other operating income | 507 | 294 | 670 | 278 | (8) | 1,741 |
| **Net operating income** | 4,116 | 2,259 | 1,949 | 1,636 | 178 | 10,138 |
| Operating expenses | (1,517) | (1,308) | (735) | (595) | (522) | (4,677) |
| **Underlying profit / (loss)** | 2,599 | 951 | 1,214 | 1,041 | (344) | 5,461 |
| Credit impairment (charge) / write-back | (200) | (162) | 37 | (61) | 23 | (363) |
| **Cash earnings / (loss) before income tax** | 2,399 | 789 | 1,251 | 980 | (321) | 5,098 |
| Income tax (expense) / benefit | (726) | (236) | (352) | (274) | 47 | (1,541) |
| **Cash earnings / (loss) before non-controlling interests** | 1,673 | 553 | 899 | 706 | (274) | 3,557 |
| Non-controlling interests | - | - | - | (9) | - | (9) |
| **Cash earnings / (loss)** | 1,673 | 553 | 899 | 697 | (274) | 3,548 |
| Hedging and fair value volatility | (6) | 1 | 2 | 2 | 15 | 14 |
| Other non-cash earnings items[5] | (5) | (6) | - | - | (7) | (18) |
| **Net profit / (loss) for the period from continuing operations** | 1,662 | 548 | 901 | 699 | (266) | 3,544 |
| Net loss attributable to owners of the Company from discontinued operations | - | - | - | - | (50) | (50) |
| **Net profit / (loss) attributable to the owners of the Company** | 1,662 | 548 | 901 | 699 | (316) | 3,494 |
| **Reportable segment assets**[6] | 264,099 | 249,866 | 266,538 | 118,206 | 172,296 | 1,071,005 |

(1) Corporate and Institutional Banking included the Bank of New Zealand's Markets Trading operations up to 30 September 2023. From 1 October 2023, these operations are reported within New Zealand Banking. Comparative information has been restated accordingly.
(2) From 1 October 2023, the Bank of New Zealand's Markets Trading operations and enabling units are reported within New Zealand Banking. Previously the Bank of New Zealand's Markets Trading operations were reported in Corporate and Institutional Banking and the enabling units within Corporate Functions and Other. Comparative information has been restated accordingly.
(3) Corporate Functions and Other included the enabling units of the Bank of New Zealand up to 30 September 2023. From 1 October 2023, these enabling units are reported within New Zealand Banking. Comparative information has been restated accordingly.
(4) Corporate Functions and Other includes eliminations.
(5) Corporate Functions and Other includes the effect of recognising a deferred tax asset in respect of previously unrecognised capital losses.
(6) Reportable segment assets include inter-company balances which are eliminated within the Corporate Functions and Other segment.

## Note 2 Segment information (cont.)

| | Half Year to September 2023 | | | | | |
|---|---|---|---|---|---|---|
| | Business and Private Banking $m | Personal Banking $m | Corporate and Institutional Banking[1] $m | New Zealand Banking[2] $m | Corporate Functions and[3] Other[4] $m | Total Group $m |
| **Reportable segment information** | | | | | | |
| Net interest income | 3,617 | 2,047 | 1,210 | 1,327 | 130 | 8,331 |
| Other operating income | 477 | 276 | 715 | 266 | 60 | 1,794 |
| **Net operating income** | 4,094 | 2,323 | 1,925 | 1,593 | 190 | 10,125 |
| Operating expenses | (1,479) | (1,274) | (716) | (598) | (535) | (4,602) |
| **Underlying profit / (loss)** | 2,615 | 1,049 | 1,209 | 995 | (345) | 5,523 |
| Credit impairment (charge) / write-back | (316) | (122) | (7) | (85) | 121 | (409) |
| **Cash earnings / (loss) before income tax** | 2,299 | 927 | 1,202 | 910 | (224) | 5,114 |
| Income tax (expense) / benefit | (695) | (266) | (287) | (258) | 58 | (1,448) |
| **Cash earnings / (loss) before non-controlling interests** | 1,604 | 661 | 915 | 652 | (166) | 3,666 |
| Non-controlling interests | - | - | - | (5) | - | (5) |
| **Cash earnings / (loss)** | 1,604 | 661 | 915 | 647 | (166) | 3,661 |
| Hedging and fair value volatility | 2 | - | (30) | 1 | 3 | (24) |
| Other non-cash earnings items | (5) | (7) | - | - | (142) | (154) |
| **Net profit / (loss) for the period from continuing operations** | 1,601 | 654 | 885 | 648 | (305) | 3,483 |
| Net loss attributable to owners of the Company from discontinued operations | - | - | - | - | (36) | (36) |
| **Net profit / (loss) attributable to the owners of the Company** | 1,601 | 654 | 885 | 648 | (341) | 3,447 |
| **Reportable segment assets**[5] | 255,451 | 247,934 | 276,679 | 120,988 | 158,031 | 1,059,083 |

(1) Corporate and Institutional Banking included the Bank of New Zealand's Markets Trading operations up to 30 September 2023. From 1 October 2023, these operations are reported within New Zealand Banking. Comparative information has been restated accordingly.
(2) From 1 October 2023, the Bank of New Zealand's Markets Trading operations and enabling units are reported within New Zealand Banking. Previously the Bank of New Zealand's Markets Trading operations were reported in Corporate and Institutional Banking and the enabling units within Corporate Functions and Other. Comparative information has been restated accordingly.
(3) Corporate Functions and Other included the enabling units of the Bank of New Zealand up to 30 September 2023. From 1 October 2023, these enabling units are reported within New Zealand Banking. Comparative information has been restated accordingly.
(4) Corporate Functions and Other includes eliminations.
(5) Reportable segment assets include inter-company balances which are eliminated within the Corporate Functions and Other segment.

## Note 2 Segment information (cont.)

| | Half Year to March 2023 | | | | | |
|---|---|---|---|---|---|---|
| | Business and Private Banking | Personal Banking | Corporate and Institutional Banking[1] | New Zealand Banking[2] | Corporate Functions and[3] Other[4] | Total Group |
| | $m | $m | $m | $m | $m | $m |
| **Reportable segment information** | | | | | | |
| Net interest income | 3,653 | 2,282 | 1,094 | 1,346 | 101 | 8,476 |
| Other operating income | 499 | 291 | 869 | 279 | 115 | 2,053 |
| **Net operating income** | 4,152 | 2,573 | 1,963 | 1,625 | 216 | 10,529 |
| Operating expenses | (1,452) | (1,287) | (712) | (531) | (439) | (4,421) |
| **Underlying profit / (loss)** | 2,700 | 1,286 | 1,251 | 1,094 | (223) | 6,108 |
| Credit impairment (charge) / write-back | (252) | (165) | (25) | (56) | 105 | (393) |
| **Cash earnings / (loss) before income tax** | 2,448 | 1,121 | 1,226 | 1,038 | (118) | 5,715 |
| Income tax (expense) / benefit | (734) | (336) | (301) | (291) | 17 | (1,645) |
| **Cash earnings / (loss)** | 1,714 | 785 | 925 | 747 | (101) | 4,070 |
| Hedging and fair value volatility | (4) | (6) | (67) | (7) | 79 | (5) |
| Other non-cash earning items | (4) | (10) | - | - | (69) | (83) |
| **Net profit / (loss) for the period from continuing operations** | 1,706 | 769 | 858 | 740 | (91) | 3,982 |
| Net loss attributable to owners of the Company from discontinued operations | - | - | - | - | (15) | (15) |
| **Net profit / (loss) attributable to the owners of the Company** | 1,706 | 769 | 858 | 740 | (106) | 3,967 |
| | | | | | | |
| **Reportable segment assets**[5] | 245,864 | 247,979 | 273,456 | 118,371 | 162,618 | 1,048,288 |

(1) Corporate and Institutional Banking included the Bank of New Zealand's Markets Trading operations up to 30 September 2023. From 1 October 2023, these operations are reported within New Zealand Banking. Comparative information has been restated accordingly.
(2) From 1 October 2023, the Bank of New Zealand's Markets Trading operations and enabling units are reported within New Zealand Banking. Previously the Bank of New Zealand's Markets Trading operations were reported in Corporate and Institutional Banking and the enabling units within Corporate Functions and Other. Comparative information has been restated accordingly.
(3) Corporate Functions and Other included the enabling units of the Bank of New Zealand up to 30 September 2023. From 1 October 2023, these enabling units are reported within New Zealand Banking. Comparative information has been restated accordingly.
(4) Corporate Functions and Other includes eliminations.
(5) Reportable segment assets include inter-company balances which are eliminated within the Corporate Functions and Other segment.

## Note 3 Other income

| | Half Year to | | |
|---|---|---|---|
| | Mar 24 $m | Sep 23 $m | Mar 23 $m |
| **Net fees and commissions** | | | |
| Lending fees | **597** | 584 | 557 |
| Other fees and commissions | **468** | 423 | 470 |
| Net investment management income | | | |
| Investment management income | **161** | 155 | 149 |
| Investment management expense | **(83)** | (81) | (74) |
| **Total net fees and commissions** | **1,143** | 1,081 | 1,102 |
| **Gains less losses on financial instruments at fair value** | | | |
| Trading instruments | **1,131** | 102 | 1,039 |
| Hedge ineffectiveness | **(16)** | 24 | (45) |
| Financial instruments designated at fair value | **(472)** | 502 | (112) |
| **Total gains less losses on financial instruments at fair value** | **643** | 628 | 882 |
| **Other operating income** | | | |
| Dividends | **3** | (1) | 3 |
| Other | **(17)** | 40 | 106 |
| **Total other operating income** | **(14)** | 39 | 109 |
| **Total other income** | **1,772** | 1,748 | 2,093 |

## Note 4 Operating expenses

| | Half Year to | | |
|---|---|---|---|
| | Mar 24 | Sep 23 | Mar 23 |
| | $m | $m | $m |
| **Personnel expenses** | | | |
| Salaries and related on-costs | **2,208** | 2,208 | 2,145 |
| Superannuation costs-defined contribution plans | **197** | 186 | 180 |
| Performance-based compensation | **311** | 275 | 282 |
| Other expenses | **125** | 139 | 76 |
| **Total personnel expenses** | **2,841** | 2,808 | 2,683 |
| **Occupancy and depreciation expenses** | | | |
| Rental expense | **50** | 51 | 49 |
| Depreciation and impairment | **290** | 304 | 290 |
| Other expenses | **34** | 30 | 27 |
| **Total occupancy and depreciation expenses** | **374** | 385 | 366 |
| **General expenses** | | | |
| Fees and commissions expense | **12** | 10 | 8 |
| Amortisation of intangible assets | **351** | 320 | 300 |
| Advertising and marketing | **92** | 109 | 111 |
| Charge to provide for operational risk event losses | **59** | 42 | 61 |
| Communications, postage and stationery | **70** | 75 | 75 |
| Computer equipment and software | **499** | 454 | 434 |
| Data communication and processing charges | **61** | 63 | 64 |
| Professional fees | **321** | 364 | 347 |
| Impairment losses recognised | **3** | 11 | 2 |
| Other expenses | **136** | 166 | 124 |
| **Total general expenses** | **1,604** | 1,614 | 1,526 |
| **Total operating expenses** | **4,819** | 4,807 | 4,575 |

## 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 | | |
|---|---|---|---|
| | Mar 24 $m | Sep 23 $m | Mar 23 $m |
| **Profit before income tax** | **4,975** | 4,866 | 5,584 |
| Prima facie income tax expense at 30% | **1,493** | 1,460 | 1,675 |
| Tax effect of permanent differences: | | | |
| Assessable foreign income | **8** | 7 | 4 |
| Foreign tax rate differences | **(38)** | (35) | (33) |
| Foreign branch income not assessable | **(8)** | 9 | (3) |
| Under / (over) provision in prior years | **(1)** | (12) | 1 |
| Offshore banking unit adjustment | **-** | (40) | (37) |
| Restatement of deferred tax balances for tax rate changes | **-** | (1) | - |
| Non-deductible interest on convertible instruments | **68** | 59 | 50 |
| Adjustments to deferred tax balances for tax losses | **(101)** | (121) | (21) |
| Other | **1** | 52 | (34) |
| **Total income tax expense** | **1,422** | 1,378 | 1,602 |
| **Effective tax rate (%)** | **28.6%** | 28.3% | 28.7% |

## Note 6 Dividends and distributions

The Group has recognised the following dividends and distributions:

| | Half Year to | | | | | |
|---|---|---|---|---|---|---|
| | Mar 24 | Mar 24 | Sep 23 | Sep 23 | Mar 23 | Mar 23 |
| | Amount per share | Total amount | Amount per share | Total amount | Amount per share | Total amount |
| | cents | $m | cents | $m | cents | $m |
| **Dividends on ordinary shares** | | | | | | |
| Dividend (in respect of prior periods) | **84** | **2,626** | 83 | 2,605 | 78 | 2,460 |
| Deduct: Bonus shares in lieu of dividend | **n/a** | **(21)** | n/a | (19) | n/a | (19) |
| **Dividends paid by the Company** | **n/a** | **2,605** | n/a | 2,586 | n/a | 2,441 |
| Add: Distributions paid to non-controlling interest in controlled entities | **n/a** | **9** | n/a | 5 | n/a | - |
| **Total dividends and distributions paid by the Group** | **n/a** | **2,614** | n/a | 2,591 | n/a | 2,441 |

Franked dividends paid during the period were fully franked at a tax rate of 30% (2023: 30%).

### Interim dividend

On 2 May 2024, the directors determined the following dividend:

| | Amount per share | Total amount | Franked amount per share |
|---|---|---|---|
| | cents | $m | % |
| Interim dividend determined in respect of the half year ended 31 March 2024 | 84 | **2,606** | 100 |

The 2024 interim dividend is payable on 3 July 2024. The DRP discount for the 2024 interim dividend is nil. Eligible shareholders have the ability to participate in the DRP for the 2024 interim dividend for up to 5 million NAB ordinary shares per participant. The financial effect of this dividend has not been brought to account in the financial statements for the half year ended 31 March 2024 and will be recognised in subsequent financial reports.

## Note 7 Loans and advances

| | As at | | |
|---|---|---|---|
| | 31 Mar 24 | 30 Sep 23 | 31 Mar 23 |
| | $m | $m | $m |
| **Loans and advances** | | | |
| Housing loans | **413,075** | 406,298 | 399,177 |
| Other term lending | **270,955** | 262,766 | 262,835 |
| Asset and lease financing | **18,186** | 17,214 | 15,866 |
| Overdrafts | **5,588** | 5,459 | 5,253 |
| Credit card outstandings | **9,789** | 9,528 | 9,123 |
| Other lending | **7,687** | 7,209 | 8,184 |
| Fair value adjustment | **12** | (3) | 19 |
| **Gross loans and advances** | **725,292** | 708,471 | 700,457 |
| *Represented by:* | | | |
| Loans and advances at fair value[1] | **649** | 1,243 | 1,284 |
| Loans and advances at amortised cost | **724,643** | 707,228 | 699,173 |
| **Gross loans and advances** | **725,292** | 708,471 | 700,457 |
| Unearned income and deferred net fee income | **(1,655)** | (1,453) | (1,265) |
| Capitalised brokerage costs | **2,656** | 2,512 | 2,515 |
| Provision for credit impairment | **(5,767)** | (5,585) | (5,370) |
| **Net loans and advances** | **720,526** | 703,945 | 696,337 |
| **Securitised loans and loans supporting covered bonds**[2] | **44,617** | 43,053 | 39,860 |

| | As at 31 March 2024 | | | |
|---|---|---|---|---|
| | Australia | New Zealand | Other International | Total Group |
| | $m | $m | $m | $m |
| **By product and geographic location** | | | | |
| Housing loans | **359,128** | **53,940** | **7** | **413,075** |
| Other term lending | **210,214** | **39,172** | **21,569** | **270,955** |
| Asset and lease financing | **18,129** | **-** | **57** | **18,186** |
| Overdrafts | **3,642** | **1,941** | **5** | **5,588** |
| Credit card outstandings | **9,033** | **756** | **-** | **9,789** |
| Other lending | **7,030** | **417** | **240** | **7,687** |
| Fair value adjustment | **12** | **-** | **-** | **12** |
| **Gross loans and advances** | **607,188** | **96,226** | **21,878** | **725,292** |
| *Represented by:* | | | | |
| Loans and advances at fair value[1] | **649** | **-** | **-** | **649** |
| Loans and advances at amortised cost | **606,539** | **96,226** | **21,878** | **724,643** |
| **Gross loans and advances** | **607,188** | **96,226** | **21,878** | **725,292** |

(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.

## Note 7 Loans and advances (cont.)

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

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

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

## Note 8 Provision for credit impairment on loans and advances at amortised cost

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

### 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 property prices.
- 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 and advances at amortised cost

| | Half Year to | | |
|---|---|---|---|
| | Mar 24 $m | Sep 23 $m | Mar 23 $m |
| **Credit impairment charge on loans and advances at amortised cost** | | | |
| New and increased provisions (net of collective provision releases) | **506** | 498 | 545 |
| Write-backs of specific provisions | **(72)** | (58) | (90) |
| Recoveries of specific provisions | **(58)** | (33) | (46) |
| **Total charge to the income statement** | **376** | 407 | 409 |

## Note 8 Provision for credit impairment on loans and advances at amortised cost (cont.)

| | Stage 1 Performing 12-mth ECL Collective provision $m | Stage 2 Performing Lifetime ECL Collective provision $m | Stage 3 Non-performing Lifetime ECL Collective provision $m | Stage 3 Non-performing Lifetime ECL Specific provision $m | Total $m |
|---|---|---|---|---|---|
| **Balance at 1 October 2022** | 448 | 3,276 | 817 | 515 | 5,056 |
| Changes due to financial assets recognised in the opening balance that have: | | | | | |
| Transferred to Performing - 12-mth ECL - collective provision | 171 | (164) | (7) | - | - |
| Transferred to Performing - Lifetime ECL - collective provision | (24) | 78 | (54) | - | - |
| Transfer to Non-performing - Lifetime ECL - collective provision | (1) | (30) | 31 | - | - |
| Transfer to Non-performing - Lifetime ECL - specific provision | - | (10) | (25) | 35 | - |
| New and increased provisions (net of collective provision releases) | (100) | 321 | 80 | 244 | 545 |
| Write-backs of specific provisions | - | - | - | (90) | (90) |
| Write-offs from specific provisions | - | - | - | (186) | (186) |
| Foreign currency translation and other adjustments | 5 | 32 | 5 | 3 | 45 |
| **Balance at 31 March 2023** | 499 | 3,503 | 847 | 521 | 5,370 |
| Changes due to financial assets recognised in the opening balance that have: | | | | | |
| Transferred to Performing - 12-mth ECL - collective provision | 180 | (173) | (7) | - | - |
| Transferred to Performing - Lifetime ECL - collective provision | (25) | 86 | (61) | - | - |
| Transfer to Non-performing - Lifetime ECL - collective provision | (1) | (54) | 55 | - | - |
| Transfer to Non-performing - Lifetime ECL - specific provision | - | (12) | (43) | 55 | - |
| New and increased provisions (net of collective provision releases) | (123) | 193 | 186 | 242 | 498 |
| Write-backs of specific provisions | - | - | - | (58) | (58) |
| Write-offs from specific provisions | - | - | - | (223) | (223) |
| Foreign currency translation and other adjustments | (1) | (3) | - | 2 | (2) |
| **Balance at 30 September 2023** | 529 | 3,540 | 977 | 539 | 5,585 |
| Changes due to financial assets recognised in the opening balance that have: | | | | | |
| Transferred to Performing - 12-mth ECL - collective provision | **236** | **(223)** | **(13)** | **-** | **-** |
| Transferred to Performing - Lifetime ECL - collective provision | **(35)** | **119** | **(84)** | **-** | **-** |
| Transfer to Non-performing - Lifetime ECL - collective provision | **(1)** | **(66)** | **67** | **-** | **-** |
| Transfer to Non-performing - Lifetime ECL - specific provision | **-** | **(14)** | **(62)** | **76** | **-** |
| New and increased provisions (net of collective provision releases) | **(189)** | **242** | **210** | **243** | **506** |
| Write-backs of specific provisions | **-** | **-** | **-** | **(72)** | **(72)** |
| Write-offs from specific provisions | **-** | **-** | **-** | **(239)** | **(239)** |
| Foreign currency translation and other adjustments | **-** | **(10)** | **(2)** | **(1)** | **(13)** |
| **Balance at 31 March 2024** | **540** | **3,588** | **1,093** | **546** | **5,767** |

## Note 8 Provision for credit impairment on loans and advances at amortised cost (cont.)

### ECL scenario analysis

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

The following table shows the key macro-economic variables for the Australian economy used in the base case and downside scenarios as at 31 March 2024.

| | Base case | | | Downside | | |
|---|---|---|---|---|---|---|
| | Financial year | | | Financial year | | |
| | 2024 | 2025 | 2026 | 2024 | 2025 | 2026 |
| | % | % | % | % | % | % |
| GDP change (year ended September) | 1.5 | 2.0 | 2.6 | 0.7 | (3.1) | - |
| Unemployment (as at 30 September) | 4.5 | 4.5 | 4.4 | 4.7 | 7.9 | 9.1 |
| House price change (year ended September) | 5.2 | 3.9 | 3.0 | (6.9) | (28.1) | (5.2) |

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 24 | 30 Sep 23 | 31 Mar 23 |
| | $m | $m | $m |
| **Total provisions for ECL** | | | |
| Probability weighted | **5,767** | 5,585 | 5,370 |
| 100% Base case | **3,890** | 4,000 | 4,493 |
| 100% Downside | **8,079** | 7,546 | 6,454 |

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

| | As at | | |
|---|---|---|---|
| | 31 Mar 24 | 30 Sep 23 | 31 Mar 23 |
| | % | % | % |
| **Macro-economic scenario weightings** | | | |
| Upside | **2.5** | 2.5 | 2.5 |
| Base case | **52.5** | 52.5 | 52.5 |
| Downside | **45.0** | 45.0 | 45.0 |

- The March 2024 total provisions for ECL in the 100% base case has decreased since September 2023, due to an improved economic outlook, including the impact of house price increases, partially offset by an increase in provisions due to volume growth in Business and Private Banking and asset quality deterioration in the Australian retail portfolio.
- The 100% downside scenario has increased since September 2023, largely reflecting volume growth in Business and Private Banking and asset quality deterioration in the Australian retail portfolio, combined with the impact of model and methodology changes.
- For the Australian portfolio, the upside, downside and base case scenario weightings have remained constant compared with September 2023.

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

| | As at | | |
|---|---|---|---|
| | 31 Mar 24 | 30 Sep 23 | 31 Mar 23 |
| | $m | $m | $m |
| **Total provision for ECL for key portfolios** | | | |
| Housing | **1,404** | 1,424 | 1,449 |
| Business | **3,928** | 3,744 | 3,558 |
| Others | **435** | 417 | 363 |
| **Total** | **5,767** | 5,585 | 5,370 |

## Note 9 Asset quality

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

The following tables provide details on non-performing exposures.

| | As at | | |
|---|---|---|---|
| | 31 Mar 24 | 30 Sep 23 | 31 Mar 23 |
| | $m | $m | $m |
| **Summary of non-performing exposures** | | | |
| Impaired assets | **1,079** | 976 | 987 |
| Restructured loans | **27** | 284 | 228 |
| **Gross impaired assets** | **1,106** | 1,260 | 1,215 |
| Default but not impaired assets | **7,585** | 6,732 | 5,513 |
| **Non-performing exposures** | **8,691** | 7,992 | 6,728 |

| | Australia | New Zealand | Other International | Total Group |
|---|---|---|---|---|
| | $m | $m | $m | $m |
| **Movement in gross impaired assets** | | | | |
| **Balance at 1 October 2022** | 860 | 148 | 21 | 1,029 |
| New | 155 | 302 | 27 | 484 |
| Written-off | (71) | (12) | (3) | (86) |
| Returned to performing, repaid or no longer impaired | (146) | (78) | (2) | (226) |
| Foreign currency translation adjustments | - | 13 | 1 | 14 |
| **Balance at 31 March 2023** | 798 | 373 | 44 | 1,215 |
| New | 256 | 155 | - | 411 |
| Written-off | (67) | (14) | (28) | (109) |
| Returned to performing, repaid or no longer impaired | (149) | (106) | (1) | (256) |
| Foreign currency translation adjustments | - | (2) | 1 | (1) |
| **Balance at 30 September 2023** | 838 | 406 | 16 | **1,260** |
| New | **240** | **244** | **-** | **484** |
| Written-off | **(79)** | **(21)** | **-** | **(100)** |
| Returned to performing, repaid or no longer impaired | **(160)** | **(372)** | **(2)** | **(534)** |
| Foreign currency translation adjustments | **-** | **(4)** | **-** | **(4)** |
| **Balance at 31 March 2024** | **839** | **253** | **14** | **1,106** |

| | As at | | |
|---|---|---|---|
| | 31 Mar 24 | 30 Sep 23 | 31 Mar 23 |
| | $m | $m | $m |
| **Default but not impaired assets - by geographic location** | | | |
| Australia | **6,840** | 6,051 | 4,946 |
| New Zealand | **745** | 681 | 553 |
| Other International | **-** | - | 14 |
| **Default but not impaired assets** | **7,585** | 6,732 | 5,513 |

## Credit risk exposures by risk grade

The following table shows the credit quality of credit risk exposures to which the expected credit loss model is applied, for both recognised and unrecognised financial assets, based on the following risk grades:

- Senior investment grade: broadly corresponds with Standard & Poor's ratings of AAA to A- (internal rating 1 to 5).
- Investment grade: broadly corresponds with Standard & Poor's ratings of BBB+ to BBB- (internal rating 6 to 11).
- Sub-investment grade: broadly corresponds with Standard & Poor's ratings of BB+ (internal rating 12 to 23).
- Default: broadly corresponds with Standard & Poor's rating of D (internal rating 98 and 99).

Notional stage allocations (Stage 1 and Stage 2) for credit risk exposures incorporate the impact of forward looking economic information applied in the expected credit loss model.

| | Stage 1 Performing | | | Stage 2 Performing | | | Stage 3 Non-performing | | | Total | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Group | Mar 24 $m | Sep 23 $m | Mar 23 $m | Mar 24 $m | Sep 23 $m | Mar 23 $m | Mar 24 $m | Sep 23 $m | Mar 23 $m | Mar 24 $m | Sep 23 $m | Mar 23 $m |
| **Loans and advances at amortised cost** | | | | | | | | | | | | |
| Senior investment grade | **129,134** | 124,634 | 128,079 | **610** | 2,356 | 3,369 | **-** | - | - | **129,744** | 126,990 | 131,448 |
| Investment grade | **288,447** | 277,097 | 270,724 | **19,235** | 27,385 | 36,386 | **-** | - | - | **307,682** | 304,482 | 307,110 |
| Sub-investment grade | **140,166** | 126,373 | 104,857 | **138,796** | 141,747 | 149,381 | **-** | - | - | **278,962** | 268,120 | 254,238 |
| Default | **-** | - | - | **-** | - | - | **8,255** | 7,636 | 6,377 | **8,255** | 7,636 | 6,377 |
| **Total loans and advances at amortised cost** | **557,747** | 528,104 | 503,660 | **158,641** | 171,488 | 189,136 | **8,255** | 7,636 | 6,377 | **724,643** | 707,228 | 699,173 |
| **Contingent liabilities and credit commitments** | | | | | | | | | | | | |
| Senior investment grade | **90,830** | 88,046 | 82,349 | **2,088** | 3,442 | 4,029 | **-** | - | - | **92,918** | 91,488 | 86,378 |
| Investment grade | **81,008** | 75,102 | 72,533 | **7,491** | 12,832 | 16,775 | **-** | - | - | **88,499** | 87,934 | 89,308 |
| Sub-investment grade | **26,285** | 25,753 | 20,872 | **26,609** | 29,643 | 33,439 | **-** | - | - | **52,894** | 55,396 | 54,311 |
| Default | **-** | - | - | **-** | - | - | **436** | 356 | 351 | **436** | 356 | 351 |
| **Total contingent liabilities and credit commitments** | **198,123** | 188,901 | 175,754 | **36,188** | 45,917 | 54,243 | **436** | 356 | 351 | **234,747** | 235,174 | 230,348 |
| **Total loans and advances at amortised cost, contingent liabilities and credit commitments** | **755,870** | 717,005 | 679,414 | **194,829** | 217,405 | 243,379 | **8,691** | 7,992 | 6,728 | **959,390** | 942,402 | 929,521 |
| **Debt instruments** | | | | | | | | | | | | |
| Senior investment grade | **45,161** | 46,357 | 45,555 | **-** | - | - | **-** | - | - | **45,161** | 46,357 | 45,555 |
| **Total debt instruments** | **45,161** | 46,357 | 45,555 | **-** | - | - | **-** | - | - | **45,161** | 46,357 | 45,555 |

## Note 10 Deposits and other borrowings

| | As at | | |
|---|---|---|---|
| | 31 Mar 24 | 30 Sep 23 | 31 Mar 23 |
| | $m | $m | $m |
| **Deposits and other borrowings** | | | |
| Term deposits | **193,597** | 191,924 | 176,649 |
| On-demand and short-term deposits | **306,442** | 299,969 | 300,699 |
| Certificates of deposit | **66,951** | 56,779 | 56,691 |
| Deposits not bearing interest(1) | **96,508** | 95,491 | 97,536 |
| Commercial paper and other borrowings | **33,586** | 36,109 | 32,282 |
| Repurchase agreements | **54,847** | 46,732 | 29,189 |
| Fair value adjustment | **(5)** | (9) | (12) |
| **Total deposits and other borrowings** | **751,926** | 726,995 | 693,034 |
| *Represented by:* | | | |
| Total deposits and other borrowings at fair value(2) | **56,389** | 44,875 | 4,014 |
| Total deposits and other borrowings at amortised cost | **695,537** | 682,120 | 689,020 |
| **Total deposits and other borrowings** | **751,926** | 726,995 | 693,034 |

| | As at 31 March 2024 | | | |
|---|---|---|---|---|
| | Australia | New Zealand | Other International | Total Group |
| | $m | $m | $m | $m |
| **By product and geographic location** | | | | |
| Term deposits | **154,897** | **33,666** | **5,034** | **193,597** |
| On-demand and short-term deposits | **276,462** | **27,259** | **2,721** | **306,442** |
| Certificates of deposit | **34,671** | **955** | **31,325** | **66,951** |
| Deposits not bearing interest(1) | **84,037** | **12,464** | **7** | **96,508** |
| Commercial paper and other borrowings | **32,762** | **688** | **136** | **33,586** |
| Repurchase agreements | **10,024** | **211** | **44,612** | **54,847** |
| Fair value adjustment | **-** | **(5)** | **-** | **(5)** |
| **Total deposits and other borrowings** | **592,853** | **75,238** | **83,835** | **751,926** |
| *Represented by:* | | | | |
| Total deposits and other borrowings at fair value(2) | **10,024** | **1,849** | **44,516** | **56,389** |
| Total deposits and other borrowings at amortised cost | **582,829** | **73,389** | **39,319** | **695,537** |
| **Total deposits and other borrowings** | **592,853** | **75,238** | **83,835** | **751,926** |

(1) Deposits not bearing interest include mortgage offset accounts.
(2) On the balance sheet, this amount is included within '*Other financial liabilities*'. Refer to *Balance sheet* in the consolidated financial statements.

## Note 10 Deposits and other borrowings (cont.)

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

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

(1) Deposits not bearing interest include mortgage offset accounts.
(2) On the balance sheet, this amount is included within '*Other financial liabilities*'. Refer to *Balance sheet* in the consolidated financial statements.

## Note 11 Contributed equity and reserves

| | As at | | |
|---|---|---|---|
| | 31 Mar 24 | 30 Sep 23 | 31 Mar 23 |
| | $m | $m | $m |
| **Contributed equity** | | | |
| Ordinary shares, fully paid | **37,664** | 38,546 | 38,845 |
| **Total contributed equity** | **37,664** | 38,546 | 38,845 |

| | Half Year to | | |
|---|---|---|---|
| | Mar 24 | Sep 23 | Mar 23 |
| | $m | $m | $m |
| **Movement in issued and paid-up ordinary share capital** | | | |
| Balance at beginning of period | **38,546** | 38,845 | 39,399 |
| Shares issued: | | | |
| Transfer from equity-based compensation reserve | **126** | 8 | 66 |
| Purchase of treasury shares for employee share offer | **(25)** | - | (23) |
| Shares bought back | **(983)** | (307) | (597) |
| **Balance at end of period** | **37,664** | 38,546 | 38,845 |

| | As at | | |
|---|---|---|---|
| | 31 Mar 24 | 30 Sep 23 | 31 Mar 23 |
| | $m | $m | $m |
| **Reserves** | | | |
| Foreign currency translation reserve | **16** | 156 | 162 |
| Asset revaluation reserve | **19** | 21 | 21 |
| Cash flow hedge reserve | **(699)** | (1,611) | (827) |
| Cost of hedging reserve | **(187)** | (34) | 17 |
| Equity-based compensation reserve | **204** | 237 | 189 |
| Debt instruments at fair value through other comprehensive income reserve | **(69)** | 5 | 27 |
| Equity instruments at fair value through other comprehensive income reserve | **36** | 34 | 23 |
| **Total reserves** | **(680)** | (1,192) | (388) |

# 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, certain asset-backed securities valued using unobservable inputs, and equity instruments.

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 are held. As such, a change in the assumption used to value the instruments as at 31 March 2024 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 2024 | | As at 30 September 2023 | | As at 31 March 2023 | |
|---|---|---|---|---|---|---|
| | Carrying Value $m | Fair Value $m | Carrying Value $m | Fair Value $m | Carrying Value $m | Fair Value $m |
| **Financial assets** | | | | | | |
| Loans and advances | **719,877** | **718,072** | 702,702 | 699,202 | 695,053 | 690,949 |
| **Financial liabilities** | | | | | | |
| Deposits and other borrowings | **695,537** | **697,831** | 682,120 | 683,857 | 689,020 | 688,906 |
| Bonds, notes and subordinated debt | **150,375** | **151,092** | 135,645 | 135,412 | 131,469 | 130,830 |
| Debt issues | **8,566** | **8,848** | 8,561 | 8,842 | 7,322 | 7,416 |

## Note 12 Fair value of financial instruments (cont.)

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

| | As at 31 March 2024 | | | |
|---|---|---|---|---|
| | Level 1 $m | Level 2 $m | Level 3 $m | Total $m |
| **Financial assets** | | | | |
| Trading assets | **25,936** | **96,860** | **-** | **122,796** |
| Debt instruments | **1,957** | **42,989** | **215** | **45,161** |
| Other financial assets | **-** | **649** | **194** | **843** |
| Derivatives assets | **-** | **24,396** | **294** | **24,690** |
| Equity instruments[1] | **-** | **-** | **273** | **273** |
| **Total financial assets measured at fair value** | **27,893** | **164,894** | **976** | **193,763** |
| **Financial liabilities** | | | | |
| Other financial liabilities | **2,354** | **70,181** | **-** | **72,535** |
| Derivatives liabilities | **-** | **24,212** | **238** | **24,450** |
| **Total financial liabilities measured at fair value** | **2,354** | **94,393** | **238** | **96,985** |

| | As at 30 September 2023 | | | |
|---|---|---|---|---|
| | Level 1 $m | Level 2 $m | Level 3 $m | Total $m |
| **Financial assets** | | | | |
| Trading assets | 30,482 | 70,686 | - | 101,168 |
| Debt instruments | 2,691 | 43,377 | 289 | 46,357 |
| Other financial assets | - | 1,243 | 187 | 1,430 |
| Derivatives assets | - | 33,946 | 323 | 34,269 |
| Equity instruments[1] | - | - | 257 | 257 |
| **Total financial assets measured at fair value** | 33,173 | 149,252 | 1,056 | 183,481 |
| **Financial liabilities** | | | | |
| Other financial liabilities | 5,453 | 60,899 | - | 66,352 |
| Derivatives liabilities | - | 35,362 | 271 | 35,633 |
| **Total financial liabilities measured at fair value** | 5,453 | 96,261 | 271 | 101,985 |

| | As at 31 March 2023 | | | |
|---|---|---|---|---|
| | Level 1 $m | Level 2 $m | Level 3 $m | Total $m |
| **Financial assets** | | | | |
| Trading assets | 32,250 | 14,769 | - | 47,019 |
| Debt instruments | 3,089 | 42,135 | 331 | 45,555 |
| Other financial assets | - | 1,283 | 190 | 1,473 |
| Derivatives assets | - | 31,827 | 306 | 32,133 |
| Equity instruments[1] | - | - | 224 | 224 |
| **Total financial assets measured at fair value** | 35,339 | 90,014 | 1,051 | 126,404 |
| **Financial liabilities** | | | | |
| Other financial liabilities | 5,652 | 20,778 | - | 26,430 |
| Derivatives liabilities | - | 31,782 | 251 | 32,033 |
| **Total financial liabilities measured at fair value** | 5,652 | 52,560 | 251 | 58,463 |

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

There were no material transfers between Level 1 and Level 2 during the March 2024 half year for the Group.

## Note 12 Fair value of financial instruments (cont.)

### (c) Fair value measurements recognised on the balance sheet (cont.)

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

| | Half Year to March 2024 | | | |
|---|---|---|---|---|
| | Assets | | | Liabilities |
| | Derivative | Debt instruments | Other[1] | Derivative |
| | $m | $m | $m | $m |
| Balance at the beginning of period | 323 | 289 | 444 | 271 |
| Gains / (losses) on assets and (gains) / losses on liabilities recognised: | | | | |
| In profit or loss | (43) | - | 9 | (33) |
| In other comprehensive income | - | (1) | 2 | - |
| Purchases and issues | 4 | 60 | 12 | - |
| Sales and settlements | (7) | (109) | - | - |
| Transfers into Level 3 | 23 | 67 | - | - |
| Transfers out of Level 3 | (7) | (90) | - | - |
| Foreign currency translation adjustments | 1 | (1) | - | - |
| **Balance at the end of period** | 294 | 215 | 467 | 238 |
| 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 | (43) | - | 9 | (33) |
| In other comprehensive income | - | (1) | 2 | - |

(1) Includes other financial assets and equity instruments.

## Note 13 Commitments and contingent liabilities

### Bank guarantees and letters of credit

The Group provides guarantees in its normal course of business on behalf of its customers. Guarantees written are conditional commitments issued by the Group to guarantee the performance of a customer to a third party. Guarantees are primarily issued to support direct financial obligations such as commercial bills or other debt instruments issued by a counterparty. The Group has four principal types of guarantees:

- Bank guarantees.
- Standby letters of credit.
- Documentary letters of credit.
- Performance-related contingencies.

The Group considers all bank guarantees and letters of credit as "at call" for liquidity management purposes because it has no control over when the holder might call upon the instrument.

### Credit-related commitments

Binding credit-related commitments to extend credit are agreements to lend to a customer so long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee by the customer. Since many of the commitments are expected to expire without being drawn down, the total commitment amounts do not necessarily represent future cash requirements. Nevertheless, credit-related commitments are considered "at call" for liquidity management purposes.

| | As at | | |
|---|---|---|---|
| | 31 Mar 24 | 30 Sep 23 | 31 Mar 23(1) |
| | $m | $m | $m |
| **Guarantees and credit-related commitments** | | | |
| Bank guarantees and letters of credit | **27,243** | 26,321 | 23,891 |
| Binding credit commitments | **207,504** | 208,853 | 206,457 |
| **Total guarantees and credit-related commitments** | **234,747** | 235,174 | 230,348 |

(1) Comparative information as at 31 March 2023 has been restated to reflect product reclassifications in the half year ended 30 September 2023.

### Contingent liabilities

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 details on some specific contingent liabilities that may impact the Group are set out below.

### Legal proceedings

***United Kingdom matters***

Nine separate claims (comprising 904 individual claimants) focused on Tailored Business Loans (TBLs) have been commenced against the Company and Clydesdale Bank Plc, now owned by Virgin Money UK Plc and trading as Virgin Money (Virgin Money) by former customers of Virgin Money, represented by RGL Management Limited (a claims management company) (RGL) and law firm Fladgate LLP, in the English Courts. The cases involving four individual claimants (being the first and fourth claims) proceeded to a 12 week trial which concluded on 21 December 2023, effectively as test cases. The cases of the remaining individual claimants are currently stayed pending the outcome of the first and fourth claims.

The claims concern TBLs which customers entered into with Virgin Money 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.

On 19 March 2024 the English High Court delivered its judgment in the first and fourth claims dismissing all claims made against the Company and Virgin Money. The claimants have sought permission to appeal the judgment.

## Note 13 Commitments and contingent liabilities (cont.)

***Walton Construction Group class action***

In January 2022, a class action complaint was filed in the Federal Court by a number of subcontractors regarding the Company's alleged conduct in connection with the collapse of the Walton Construction Group (WCG). It is alleged that the Company's conduct in the period prior to the collapse of WCG contributed to losses incurred by subcontractors following the liquidation of WCG. The Company filed and served its defence to the claims on 16 December 2022, however, the Applicants served a new Statement of Claim on NAB on 13 March 2024. The allegations made in the new Statement of Claim are substantially the same. The Applicants need leave to file the new Statement of Claim. A hearing to consider whether leave will be granted is listed for 10 May 2024. The potential outcome and total costs associated with the claims under this class action remain uncertain.

### Regulatory activity, compliance investigations and associated proceedings

***Anti-Money Laundering and Counter-Terrorism Financing program uplift and compliance issues***

The Group continues to enhance its systems and processes to comply with Anti-Money Laundering (AML) and Counter-Terrorism Financing (CTF) requirements. The Group continues to keep AUSTRAC informed of its progress. In addition to an ongoing general uplift in capability, the Group is remediating 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.

On 29 April 2022, the Company entered into an enforceable undertaking (EU) with AUSTRAC to address AUSTRAC's concerns with the Group's compliance with certain AML and CTF requirements. In accepting the EU, AUSTRAC stated that the regulator 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, the Company and certain subsidiaries are required to:

- Complete a Remedial Action Plan (RAP) approved by AUSTRAC.
- Address to AUSTRAC's satisfaction any deficiencies or concerns with activities in the RAP identified by AUSTRAC.

While the Company has delivered the approved RAP and more than three quarters of the required deliverables, the total costs of the above remains uncertain and the conclusion or otherwise of the EU will be determined by AUSTRAC.

***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 regarding:

- Incorrect fees being applied in connection with certain products.
- Incorrect interest rates being applied in relation to certain products.
- Capturing customer consent to receive electronic statements and inconsistencies with recording statement preferences.
- Issues with treatment of deregistered companies identified in the customer base.
- Compliance with financial hardship obligations.

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

***Employment 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 identified a range of issues, which have been notified to the Fair Work Ombudsman (FWO). A remediation program was undertaken, which is now largely complete save for some discrete residual matters still being addressed. There remains some potential for further developments regarding this matter, including possible enforcement action by the FWO or other legal actions, so the final outcome and total costs associated with this matter remain uncertain.

In March 2023, the Finance Sector Union (FSU) filed proceedings against NAB and MLC Wealth Ltd in the Federal Court alleging that those parties had breached provisions of the Fair Work Act which prohibit an employer from requesting or requiring an employee to work unreasonable additional hours. The claim relates to four current and former employees. The FSU is seeking declarations that NAB and MLC Wealth Ltd breached the Fair Work Act, the imposition of penalties in respect of the alleged breaches, as well as compensation for loss and damage to the four named current and former employees and the payment of legal costs. The final outcome and total costs associated with this matter remain uncertain.

***Wealth - Advice review***

In October 2015, the Group 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. Subsequent to this, these cases are now 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[1].

(1) While the businesses of MLC Advice and NAB Advice Partnerships relevant to these matters have been sold to Insignia Financial Ltd (formerly known as IOOF) pursuant to the MLC Wealth Transaction, the Group 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.

## Note 13 Commitments and contingent liabilities (cont.)

Where customer compensation is able to be reliably estimated, provisions have been recognised. The final outcome and total costs associated with this work remain uncertain.

***Wealth - Adviser service fees***

The Group is undertaking a remediation program in relation to financial advice fees paid by customers pursuant to ongoing service arrangements. This matter relates to 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[1]. Payments with respect to MLC Advice are now complete. Payments with respect to NAB Advice Partnerships are largely complete.

JBWere is identifying potentially impacted customers, assessing impacts to those customers and has made remediation payments in some cases. 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 remains uncertain.

***Contingent tax risk***

The tax affairs of the Group are subject to regular reviews by the Australian Taxation Office as well as the Revenue Offices of the various Australian States and Territories. These reviews cover various aspects of NAB's tax affairs including prior tax returns lodged and compliance with various customer data reporting regimes. The reviews described above may result in additional tax-related liabilities (including interest and penalties). Where appropriate, provisions have been made. The potential outcome and total costs associated with these activities remain uncertain.

### Contractual commitments

***MLC Wealth Transaction***

On 31 May 2021, the Group 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, the Company 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.
- Certain litigation and regulatory investigations (including the NULIS and MLCN class actions described below).

The Company also provided covenants and warranties in favour of Insignia Financial. A breach or triggering of these contractual protections may result in the Company being liable to Insignia Financial. The claims periods for some of these covenants, warranties and indemnities have expired.

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.

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

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

***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. An initial trial to make determinations on the individual claims of the applicant and one sample group member was held on 9 October 2023. Judgment has been reserved.

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 and the matter is listed for trial commencing on 18 November 2024.

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

(1) While the businesses of MLC Advice and NAB Advice Partnerships relevant to these matters have been sold to Insignia Financial Ltd (formerly known as IOOF) pursuant to the MLC Wealth Transaction, the Group 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.

## Note 14 Events subsequent to reporting date

On 30 April 2024 the Group completed the sale of its New Zealand wealth management businesses to a newly established entity FirstCape in which the Group will hold a 45% stake. The transaction is expected to result in a pre-tax gain of approximately $400 million (before transaction costs). This gain will be included in the Group's statutory net profit for the half year ending 30 September 2024. The ultimate financial outcome of the transaction remains subject to the finalisation of the completion accounts process.

On 2 May 2024, the Group announced it has increased its on market buy-back of ordinary shares by $1.5 billion, resulting in a total combined size of up to $3 billion.

There are no other items, transactions or events of a material or unusual nature that have arisen in the interval between 31 March 2024 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, the consolidated financial statements and the notes for the half year ended 31 March 2024, as set out on pages 51 to 81, are in accordance with the *Corporations Act 2001* (Cth), including:

  (i) in compliance with Australian Accounting Standards (including Australian Accounting interpretations), and any further requirements of the *Corporations Regulations 2001*; and

  (ii) give a true and fair view of the financial position of the Group as at 31 March 2024, and of the performance of the Group for the six months ended 31 March 2024.

(b) in the opinion of the directors, there are reasonable grounds to believe that NAB will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors.

Philip Chronican
Chair
2 May 2024

Andrew Irvine
Group Chief Executive Officer
2 May 2024

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# Independent auditor's review report to the members of National Australia Bank Limited

## Conclusion

We have reviewed the accompanying half-year financial report of National Australia Bank Limited (the Company) and its controlled entities (collectively the Group), which comprises the consolidated balance sheet as at 31 March 2024, 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 does not comply 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 2024 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 conclusions

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 responsibilities for the review of the half-year financial report

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 2024 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*.

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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

T M Dring
Partner
Melbourne
2 May 2024

# Half year results 2024

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# Average balance sheet and related interest

## Average assets and interest income

| | Half Year to Mar 24 | | | Half Year to Sep 23 | | | Half Year to Mar 23 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Average balance | Interest | Average rate | Average balance | Interest | Average rate | Average balance | Interest | Average rate |
| | $m | $m | % | $m | $m | % | $m | $m | % |
| **Average interest earning assets** | | | | | | | | | |
| Due from other banks | | | | | | | | | |
| Australia | **93,314** | **1,966** | **4.2** | 106,725 | 2,106 | 3.9 | 109,130 | 1,619 | 3.0 |
| New Zealand | **9,956** | **275** | **5.5** | 11,562 | 312 | 5.4 | 10,709 | 221 | 4.1 |
| Other International | **21,977** | **533** | **4.9** | 26,393 | 594 | 4.5 | 25,039 | 401 | 3.2 |
| Total due from other banks[1] | **125,247** | **2,774** | **4.4** | 144,680 | 3,012 | 4.2 | 144,878 | 2,241 | 3.1 |
| Trading assets and marketable debt securities | | | | | | | | | |
| Australia | **98,081** | **2,232** | **4.6** | 75,208 | 1,513 | 4.0 | 71,578 | 1,114 | 3.1 |
| New Zealand | **8,725** | **187** | **4.3** | 6,724 | 137 | 4.1 | 7,411 | 129 | 3.5 |
| Other International | **55,986** | **1,580** | **5.6** | 16,349 | 336 | 4.1 | 10,762 | 131 | 2.4 |
| Total trading assets and marketable debt securities[1] | **162,792** | **3,999** | **4.9** | 98,281 | 1,986 | 4.0 | 89,751 | 1,374 | 3.1 |
| Loans and advances - housing | | | | | | | | | |
| Australia[2] | **311,899** | **8,816** | **5.7** | 307,653 | 7,862 | 5.1 | 304,052 | 6,541 | 4.3 |
| New Zealand[2] | **51,957** | **1,513** | **5.8** | 50,668 | 1,289 | 5.1 | 48,922 | 1,059 | 4.3 |
| Total loans and advances - housing | **363,856** | **10,329** | **5.7** | 358,321 | 9,151 | 5.1 | 352,974 | 7,600 | 4.3 |
| Loans and advances - non-housing | | | | | | | | | |
| Australia | **242,403** | **8,382** | **6.9** | 237,060 | 7,885 | 6.6 | 235,716 | 6,706 | 5.7 |
| New Zealand | **42,382** | **1,763** | **8.3** | 41,697 | 1,772 | 8.5 | 41,584 | 1,511 | 7.3 |
| Other International | **20,433** | **763** | **7.5** | 20,131 | 686 | 6.8 | 21,732 | 602 | 5.6 |
| Total loans and advances - non-housing | **305,218** | **10,908** | **7.1** | 298,888 | 10,343 | 6.9 | 299,032 | 8,819 | 5.9 |
| Other interest earning assets | | | | | | | | | |
| Australia | **9,494** | **413** | **n/a** | 27,847 | 752 | n/a | 29,688 | 583 | n/a |
| New Zealand | **729** | **43** | **n/a** | 967 | 54 | n/a | 1,365 | 43 | n/a |
| Other International | **9,086** | **222** | **n/a** | 44,627 | 1,262 | n/a | 41,421 | 852 | n/a |
| Total other interest earning assets[1] | **19,309** | **678** | **n/a** | 73,441 | 2,068 | n/a | 72,474 | 1,478 | n/a |
| **Total average interest earning assets and interest income by:** | | | | | | | | | |
| Australia | **755,191** | **21,809** | **5.8** | 754,493 | 20,118 | 5.3 | 750,164 | 16,563 | 4.4 |
| New Zealand | **113,749** | **3,781** | **6.6** | 111,618 | 3,564 | 6.4 | 109,991 | 2,963 | 5.4 |
| Other International | **107,482** | **3,098** | **5.8** | 107,500 | 2,878 | 5.3 | 98,954 | 1,986 | 4.0 |
| **Total average interest earning assets and interest income** | **976,422** | **28,688** | **5.9** | 973,611 | 26,560 | 5.4 | 959,109 | 21,512 | 4.5 |

(1) During the September 2023 half year, the Group established a new portfolio of reverse repurchase agreements, which is managed together with other financial instruments for short-term profit taking. These agreements are measured at fair value through profit or loss and are presented within '*Trading assets and marketable debt securities*'. Previously, the reverse repurchase agreements were presented within '*Due from other banks*' and '*Other interest earning assets*'.

(2) Net of mortgage offset accounts of $45,986 million (September 2023: $43,021 million, March 2023: $41,930 million) in Australia and $2,318 million (September 2023: $2,250 million, March 2023: $2,253 million) in New Zealand which are included in non-interest earning assets.

## Average assets

| | Half Year to | | |
|---|---|---|---|
| | Mar 24 $m | Sep 23 $m | Mar 23 $m |
| **Average non-interest earning assets** | | | |
| Other assets[1] | **102,651** | 101,256 | 106,812 |
| **Average provision for credit impairment** | | | |
| Australia | **(4,784)** | (4,612) | (4,385) |
| New Zealand | **(869)** | (828) | (739) |
| Other International | **(44)** | (65) | (51) |
| **Total average provision for credit impairment** | **(5,697)** | (5,505) | (5,175) |
| **Total average assets** | **1,073,376** | 1,069,362 | 1,060,746 |

(1) Includes mortgage offset accounts of $45,986 million (September 2023: $43,021 million, March 2023: $41,930 million) in Australia and $2,318 million (September 2023: $2,250 million, March 2023: $2,253 million) in New Zealand.

## Average liabilities and interest expense

| | Half Year to Mar 24 | | | Half Year to Sep 23 | | | Half Year to Mar 23 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Average balance | Interest | Average rate | Average balance | Interest | Average rate | Average balance | Interest | Average rate |
| | $m | $m | % | $m | $m | % | $m | $m | % |
| **Average interest bearing liabilities** | | | | | | | | | |
| Due to other banks | | | | | | | | | |
| Australia | **30,497** | **384** | **2.5** | 44,840 | 413 | 1.8 | 50,221 | 325 | 1.3 |
| New Zealand | **5,319** | **92** | **3.5** | 6,535 | 105 | 3.2 | 6,664 | 75 | 2.3 |
| Other International | **27,559** | **729** | **5.3** | 23,308 | 566 | 4.8 | 17,139 | 337 | 3.9 |
| Total due to other banks | **63,375** | **1,205** | **3.8** | 74,683 | 1,084 | 2.9 | 74,024 | 737 | 2.0 |
| On-demand and short-term deposits | | | | | | | | | |
| Australia | **271,910** | **4,608** | **3.4** | 269,416 | 4,147 | 3.1 | 272,038 | 2,881 | 2.1 |
| New Zealand | **29,174** | **582** | **4.0** | 28,559 | 551 | 3.8 | 29,076 | 400 | 2.8 |
| Other International | **2,407** | **50** | **4.2** | 2,991 | 57 | 3.8 | 5,771 | 91 | 3.2 |
| Total on-demand and short-term deposits | **303,491** | **5,240** | **3.5** | 300,966 | 4,755 | 3.2 | 306,885 | 3,372 | 2.2 |
| Certificates of deposit | | | | | | | | | |
| Australia | **33,968** | **766** | **4.5** | 35,323 | 700 | 4.0 | 31,671 | 504 | 3.2 |
| New Zealand | **1,060** | **30** | **5.7** | 2,008 | 54 | 5.4 | 1,635 | 34 | 4.2 |
| Other International | **27,232** | **709** | **5.2** | 22,745 | 524 | 4.6 | 18,208 | 255 | 2.8 |
| Total certificates of deposit | **62,260** | **1,505** | **4.8** | 60,076 | 1,278 | 4.2 | 51,514 | 793 | 3.1 |
| Term deposits | | | | | | | | | |
| Australia | **150,140** | **3,617** | **4.8** | 142,723 | 2,999 | 4.2 | 132,332 | 2,052 | 3.1 |
| New Zealand | **33,547** | **976** | **5.8** | 30,225 | 763 | 5.0 | 26,929 | 481 | 3.6 |
| Other International | **8,154** | **207** | **5.1** | 9,632 | 221 | 4.6 | 8,895 | 154 | 3.5 |
| Total term deposits | **191,841** | **4,800** | **5.0** | 182,580 | 3,983 | 4.4 | 168,156 | 2,687 | 3.2 |
| Other borrowings | | | | | | | | | |
| Australia | **37,479** | **1,084** | **5.8** | 36,612 | 978 | 5.3 | 41,603 | 871 | 4.2 |
| New Zealand | **974** | **26** | **5.3** | 1,534 | 39 | 5.1 | 2,071 | 41 | 4.0 |
| Other International | **23,201** | **742** | **6.4** | 22,678 | 807 | 7.1 | 24,647 | 605 | 4.9 |
| Total other borrowings | **61,654** | **1,852** | **6.0** | 60,824 | 1,824 | 6.0 | 68,321 | 1,517 | 4.5 |
| Bonds, notes and subordinated debt | | | | | | | | | |
| Australia | **121,599** | **4,046** | **6.7** | 116,757 | 3,668 | 6.3 | 109,174 | 2,578 | 4.7 |
| New Zealand | **20,525** | **650** | **6.3** | 19,951 | 587 | 5.9 | 20,036 | 463 | 4.6 |
| Other International | **15,188** | **347** | **4.6** | 13,253 | 292 | 4.4 | 11,424 | 221 | 3.9 |
| Total bonds, notes and subordinated debt | **157,312** | **5,043** | **6.4** | 149,961 | 4,547 | 6.0 | 140,634 | 3,262 | 4.7 |
| Other interest bearing liabilities | | | | | | | | | |
| Australia | **17,181** | **585** | **n/a** | 20,927 | 699 | n/a | 21,949 | 612 | n/a |
| New Zealand | **1,652** | **46** | **n/a** | 1,766 | 48 | n/a | 2,024 | 39 | n/a |
| Other International | **316** | **14** | **n/a** | 448 | 10 | n/a | 1,021 | 18 | n/a |
| Total other interest bearing liabilities | **19,149** | **645** | **n/a** | 23,141 | 757 | n/a | 24,994 | 669 | n/a |
| **Total average interest bearing liabilities and interest expense by:** | | | | | | | | | |
| Australia | **662,774** | **15,090** | **4.6** | 666,598 | 13,604 | 4.1 | 658,988 | 9,823 | 3.0 |
| New Zealand | **92,251** | **2,402** | **5.2** | 90,578 | 2,147 | 4.7 | 88,435 | 1,533 | 3.5 |
| Other International | **104,057** | **2,798** | **5.4** | 95,055 | 2,477 | 5.2 | 87,105 | 1,681 | 3.9 |
| **Total average interest bearing liabilities and interest expense** | **859,082** | **20,290** | **4.7** | 852,231 | 18,228 | 4.3 | 834,528 | 13,037 | 3.1 |

## Average liabilities and equity

| | Half Year to | | |
|---|---|---|---|
| | Mar 24 $m | Sep 23 $m | Mar 23 $m |
| **Average non-interest bearing liabilities** | | | |
| Deposits not bearing interest | | | |
| Australia[1] | **83,625** | 82,517 | 86,577 |
| New Zealand[1] | **12,462** | 13,061 | 14,139 |
| Other International | **8** | 8 | 7 |
| **Total deposits not bearing interest** | **96,095** | 95,586 | 100,723 |
| Other liabilities | **57,147** | 60,642 | 65,820 |
| **Total average non-interest bearing liabilities** | **153,242** | 156,228 | 166,543 |
| **Total average liabilities** | **1,012,324** | 1,008,459 | 1,001,071 |
| **Total average equity** | **61,052** | 60,903 | 59,675 |
| **Total average liabilities and equity** | **1,073,376** | 1,069,362 | 1,060,746 |

(1) Includes mortgage offset accounts of $45,986 million (September 2023: $43,021 million, March 2023: $41,930 million) in Australia and $2,318 million (September 2023: $2,250 million, March 2023: $2,253 million) in New Zealand.

# Net interest margins and spreads

| | Half Year to | | | | |
|---|---|---|---|---|---|
| | Mar 24 % | Sep 23 % | Mar 23 % | Mar 24 v Sep 23 | Mar 24 v Mar 23 |
| Net interest spread | **1.15** | 1.18 | 1.37 | (3 bps) | (22 bps) |
| Benefit of net free liabilities, provisions and equity | **0.57** | 0.53 | 0.40 | 4 bps | 17 bps |
| **Net interest margin - statutory basis** | **1.72** | 1.71 | 1.77 | 1 bp | (5 bps) |

# Capital adequacy

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

| | As at | | |
|---|---|---|---|
| | **31 Mar 24** | **30 Sep 23** | **31 Mar 23** |
| | **$m** | **$m** | **$m** |
| Contributed equity | **37,664** | 38,546 | 38,845 |
| Reserves | **(680)** | (1,192) | (388) |
| Retained profits | **24,382** | 23,800 | 22,958 |
| Non-controlling interests | **344** | 349 | - |
| **Total equity per consolidated balance sheet** | **61,710** | 61,503 | 61,415 |
| Adjustments between the Group and Level 2 regulatory group balance sheets | **3** | 4 | 1 |
| Perpetual preference shares issued by subsidiaries not eligible as regulatory capital | **(344)** | (349) | - |
| Fee income eligible as regulatory capital | **362** | 309 | 328 |
| Goodwill and other intangible assets, net of tax | **(2,247)** | (2,264) | (2,305) |
| Investment in non-consolidated controlled entities | **(10)** | (10) | (10) |
| Deferred tax assets in excess of deferred tax liabilities | **(2,606)** | (2,510) | (2,262) |
| Capitalised expenses, net of deferred fee income | **(1,535)** | (1,456) | (1,341) |
| Software, net of tax | **(3,020)** | (2,906) | (2,658) |
| Defined benefit superannuation plan asset, net of tax | **(31)** | (28) | (27) |
| Change in own creditworthiness, net of tax | **96** | 58 | 42 |
| Cash flow hedge reserve | **699** | 1,611 | 827 |
| Equity exposures | **(502)** | (772) | (723) |
| Other | **(32)** | (54) | (32) |
| **CET1 capital** | **52,543** | 53,136 | 53,255 |
| Additional Tier 1 capital instruments | **8,610** | 8,610 | 7,360 |
| Regulatory adjustments to Additional Tier 1 capital | **(20)** | (20) | (20) |
| **Additional Tier 1 capital** | **8,590** | 8,590 | 7,340 |
| **Tier 1 capital** | **61,133** | 61,726 | 60,595 |
| Tier 2 capital instruments | **24,678** | 22,684 | 23,508 |
| Eligible provisions held against non-defaulted exposures under the IRB approach | **1,742** | 1,920 | 1,922 |
| Eligible provisions held against exposures under the standardised approach | **247** | 248 | 244 |
| Regulatory adjustments to Tier 2 capital | **(133)** | (110) | (101) |
| **Tier 2 capital** | **26,534** | 24,742 | 25,573 |
| **Total capital** | **87,667** | 86,468 | 86,168 |

| | As at | | |
|---|---|---|---|
| | 31 Mar 24 | 30 Sep 23 | 31 Mar 23 |
| | $m | $m | $m |
| **Risk-weighted assets** | | | |
| **Credit risk** | | | |
| Subject to advanced IRB approach | | | |
| Corporate (including SME) | **106,746** | 103,466 | 105,725 |
| Retail SME | **10,443** | 10,200 | 10,641 |
| Residential mortgage | **107,716** | 103,898 | 97,178 |
| Qualifying revolving retail | **2,762** | 2,664 | 2,553 |
| Other retail | **1,873** | 1,819 | 1,729 |
| Subject to foundation IRB approach | | | |
| Corporate | **21,454** | 22,694 | 26,390 |
| Sovereign | **1,423** | 1,496 | 1,806 |
| Financial institution | **20,247** | 20,839 | 23,145 |
| Total internal ratings-based approach | **272,664** | 267,076 | 269,167 |
| Specialised lending | **3,090** | 2,332 | 2,043 |
| Subject to standardised approach | | | |
| Corporate | **6,897** | 5,461 | 4,929 |
| Residential mortgage | **6,558** | 6,589 | 6,656 |
| Other retail | **6,078** | 5,988 | 6,359 |
| Other[1] | **4,861** | 4,671 | 5,058 |
| Total standardised approach | **24,394** | 22,709 | 23,002 |
| RBNZ regulated banking subsidiary | **53,147** | 53,026 | 52,104 |
| Other | | | |
| Securitisation exposures | **5,939** | 5,332 | 5,490 |
| Credit valuation adjustment | **4,639** | 5,079 | 4,501 |
| Total other | **10,578** | 10,411 | 9,991 |
| **Total credit risk** | **363,873** | 355,554 | 356,307 |
| Market risk | **11,171** | 8,811 | 8,496 |
| Operational risk[2] | **36,102** | 41,178 | 41,178 |
| Interest rate risk in the banking book | **21,407** | 29,463 | 30,192 |
| **Total risk-weighted assets** | **432,553** | 435,006 | 436,173 |

(1) Consists of cash items in the process of collection, premises and other fixed assets, and all other exposures.
(2) $6.25 billion of the decrease in operational risk-weighted assets from 30 September 2023 to 31 March 2024 is attributable to APRA's removal of the $500 million Operational Risk capital add-on that was applied in 2019 in the response to NAB's 2018 self-assessment into governance, accountability and culture.

| | As at | | |
|---|---|---|---|
| | 31 Mar 24 | 30 Sep 23 | 31 Mar 23 |
| | % | % | % |
| **Capital ratios** | | | |
| CET1 | **12.15** | 12.22 | 12.21 |
| Tier 1 | **14.13** | 14.19 | 13.89 |
| Total capital | **20.27** | 19.88 | 19.76 |

# Earnings per share

| | Half Year to | | | | | |
|---|---|---|---|---|---|---|
| | Basic | | | Diluted | | |
| | Mar 24 | Sep 23 | Mar 23 | Mar 24 | Sep 23 | Mar 23 |
| **Statutory earnings per share** | | | | | | |
| **Earnings ($m)** | | | | | | |
| Net profit attributable to owners of the Company | **3,494** | 3,447 | 3,967 | **3,494** | 3,447 | 3,967 |
| Potential dilutive adjustments | | | | | | |
| Interest expense on convertible notes | **-** | - | - | **234** | 199 | 172 |
| **Adjusted earnings** | **3,494** | 3,447 | 3,967 | **3,728** | 3,646 | 4,139 |
| Net loss from discontinued operations attributable to the owners of the Company | **50** | 36 | 15 | **50** | 36 | 15 |
| **Adjusted earnings from continuing operations** | **3,544** | 3,483 | 3,982 | **3,778** | 3,682 | 4,154 |
| **Weighted average number of ordinary shares (millions)** | | | | | | |
| Weighted average number of ordinary shares (net of treasury shares) | **3,113** | 3,130 | 3,142 | **3,113** | 3,130 | 3,142 |
| Potential dilutive weighted average number of ordinary shares | | | | | | |
| Convertible notes | **-** | - | - | **254** | 260 | 262 |
| Share-based payments | **-** | - | - | **9** | 9 | 10 |
| **Total weighted average number of ordinary shares** | **3,113** | 3,130 | 3,142 | **3,376** | 3,399 | 3,414 |
| **Earnings per share attributable to owners of the Company (cents)** | **112.2** | 110.1 | 126.3 | **110.4** | 107.3 | 121.2 |
| Earnings per share from continuing operations (cents) | **113.8** | 111.3 | 126.7 | **111.9** | 108.3 | 121.7 |

| | Half Year to | | | | | |
|---|---|---|---|---|---|---|
| | Basic | | | Diluted | | |
| | Mar 24 | Sep 23 | Mar 23 | Mar 24 | Sep 23 | Mar 23 |
| **Cash earnings per share** | | | | | | |
| **Earnings ($m)** | | | | | | |
| Cash earnings[(1)] | **3,548** | 3,661 | 4,070 | **3,548** | 3,661 | 4,070 |
| Potential dilutive adjustments | | | | | | |
| Interest expense on convertible notes | **-** | - | - | **234** | 199 | 172 |
| **Adjusted cash earnings** | **3,548** | 3,661 | 4,070 | **3,782** | 3,860 | 4,242 |
| **Weighted average number of ordinary shares (millions)** | | | | | | |
| Weighted average number of ordinary shares (net of treasury shares) | **3,113** | 3,130 | 3,142 | **3,113** | 3,130 | 3,142 |
| Potential dilutive weighted average number of ordinary shares | | | | | | |
| Convertible notes | **-** | - | - | **254** | 260 | 262 |
| Share-based payments | **-** | - | - | **9** | 9 | 10 |
| **Total weighted average number of ordinary shares** | **3,113** | 3,130 | 3,142 | **3,376** | 3,399 | 3,414 |
| **Cash earnings per share (cents)** | **114.0** | 117.0 | 129.5 | **112.0** | 113.6 | 124.3 |

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

# Return on equity

| | Half Year to | | |
|---|---|---|---|
| | Mar 24 | Sep 23 | Mar 23 |
| **Statutory return on equity** | | | |
| **Earnings ($m)** | | | |
| Net profit attributable to owners of the Company | **3,494** | 3,447 | 3,967 |
| **Adjusted earnings** | **3,494** | 3,447 | 3,967 |
| | | | |
| **Average equity ($m)** | | | |
| Average equity | **61,052** | 60,903 | 59,675 |
| Less: Average non-controlling interest in controlled entities | **(348)** | (198) | - |
| **Average equity (adjusted) ($m)** | **60,704** | 60,705 | 59,675 |
| | | | |
| **Statutory return on equity** | **11.5%** | 11.3% | 13.3% |

| | Half Year to | | |
|---|---|---|---|
| | Mar 24 | Sep 23 | Mar 23 |
| **Cash return on equity** | | | |
| **Earnings ($m)** | | | |
| Cash earnings | **3,548** | 3,661 | 4,070 |
| | | | |
| **Average equity (adjusted) ($m)** | **60,704** | 60,705 | 59,675 |
| | | | |
| **Cash return on equity** | **11.7%** | 12.0% | 13.7% |

# Funding sources

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 24 | 30 Sep 23 | 31 Mar 23 |
| | $m | $m | $m |
| **Funding sources** | | | |
| Customer deposits | **596,546** | 587,384 | 574,884 |
| Term wholesale funding with greater than 12 months to maturity | **148,508** | 138,416 | 127,401 |
| Central bank funding facilities with greater than 12 months to maturity(1) | **2,524** | 3,342 | 21,047 |
| Term wholesale funding with less than 12 months to maturity | **19,327** | 16,032 | 22,022 |
| Central bank funding facilities with less than 12 months to maturity(1) | **18,284** | 18,526 | 15,641 |
| Short-term wholesale funding(2) | **114,503** | 106,673 | 104,837 |
| Short-term collateral and settlements | **8,850** | 13,530 | 12,451 |
| **Total funding sources** | **908,542** | 883,903 | 878,283 |
| Equity | **61,710** | 61,503 | 61,415 |
| **Total funding sources and equity** | **970,252** | 945,406 | 939,698 |

(1) Includes TFF provided by the RBA, and the TLF and Funding for Lending Programme provided by the RBNZ.
(2) Includes certificate of deposits, commercial papers, due to other banks, 12 months medium-term notes and other financial liabilities.

# Bonds, notes and subordinated debt

| | As at | | |
|---|---|---|---|
| | 31 Mar 24 | 30 Sep 23 | 31 Mar 23 |
| | $m | $m | $m |
| **Bonds, notes and subordinated debt** | | | |
| Medium-term notes | **92,662** | 83,218 | 80,711 |
| Securitisation notes | **2,206** | 2,593 | 3,080 |
| Covered bonds | **33,222** | 30,093 | 26,198 |
| Subordinated medium-term notes | **22,285** | 19,741 | 21,480 |
| **Total bonds, notes and subordinated debt** | **150,375** | 135,645 | 131,469 |

# Number of ordinary shares

| | Half Year to | | |
|---|---|---|---|
| | **Mar 24** | **Sep 23** | **Mar 23** |
| | **No. '000** | **No. '000** | **No. '000** |
| **Ordinary shares, fully paid** | | | |
| Balance at beginning of period | **3,128,949** | 3,138,665 | 3,153,813 |
| Shares issued: | | | |
| Bonus share plan | **736** | 749 | 589 |
| Share-based payments | **4,177** | 96 | 3,532 |
| Paying up of partly paid shares | **9** | 2 | 1 |
| Shares bought back | **(31,111)** | (10,563) | (19,270) |
| **Total ordinary shares, fully paid** | **3,102,760** | 3,128,949 | 3,138,665 |
| **Ordinary shares, partly paid to 25 cents** | | | |
| Balance at beginning of period | **9** | 11 | 12 |
| Paying up of partly paid shares | **(9)** | (2) | (1) |
| **Total ordinary shares, partly paid to 25 cents** | **-** | 9 | 11 |
| **Total ordinary shares (including treasury shares)** | **3,102,760** | 3,128,958 | 3,138,676 |
| Less: Treasury shares | **(8,607)** | (8,137) | (8,354) |
| **Total ordinary shares (excluding treasury shares)** | **3,094,153** | 3,120,821 | 3,130,322 |

# Non-cash earnings items

## Hedging and fair value volatility

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

In the March 2024 half year, there was an increase in statutory profit of $19 million ($14 million after tax) from hedging and fair value volatility.

## Amortisation of acquired intangible assets

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

In the March 2024 half year, there was a decrease in statutory profit of $21 million ($15 million after tax) due to the amortisation of acquired intangible assets.

## Acquisitions, disposals and business closures

The net impact of acquisitions, disposals and business closures is excluded from cash earnings as they do not reflect the underlying earnings of the Group or the expected earnings from acquired businesses. In the March 2024 half year, this includes the following items:

- Transaction and other costs directly associated with the acquisition and integration of Group businesses, primarily related to the acquisition of the Citi consumer business.
- Transaction and other costs directly associated with the disposal or closure of Group businesses.

In the March 2024 half year, there was a decrease in statutory profit of $121 million ($3 million after tax) related to acquisitions, disposals and business closures.

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

| | Half Year to March 2024 | | | | |
|---|---|---|---|---|---|
| | Statutory net profit from continuing operations | Hedging and fair value volatility | Amortisation of acquired intangible assets | Acquisitions, disposals and business closures | Cash earnings |
| | $m | $m | $m | $m | $m |
| **Statutory net profit reconciliation** | | | | | |
| Net interest income | **8,398** | **(1)** | **-** | **-** | **8,397** |
| Other operating income | **1,772** | **(31)** | **-** | **-** | **1,741** |
| **Net operating income** | **10,170** | **(32)** | **-** | **-** | **10,138** |
| Operating expenses | **(4,819)** | **-** | **21** | **121** | **(4,677)** |
| **Profit / (loss) before credit impairment charge** | **5,351** | **(32)** | **21** | **121** | **5,461** |
| Credit impairment (charge) / write-back | **(376)** | **13** | **-** | **-** | **(363)** |
| **Profit / (loss) before income tax** | **4,975** | **(19)** | **21** | **121** | **5,098** |
| Income tax (expense) / benefit[1] | **(1,422)** | **5** | **(6)** | **(118)** | **(1,541)** |
| **Net profit / (loss) from continuing operations before non-controlling interests** | **3,553** | **(14)** | **15** | **3** | **3,557** |
| Non-controlling interests | **(9)** | **-** | **-** | **-** | **(9)** |
| **Net profit / (loss) attributable to owners of the Company from continuing operations** | **3,544** | **(14)** | **15** | **3** | **3,548** |

(1) Acquisitions, disposals and business closures includes the effect of recognising a deferred tax asset in respect of previously unrecognised capital losses.

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

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

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

# 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 2024 half year is translated at average foreign exchange rates for the September 2023 and March 2023 half years.

| | Half Year to | | | | | |
|---|---|---|---|---|---|---|
| | Mar 24 v Sep 23 % | FX $m | Mar 24 v Sep 23 ex FX % | Mar 24 v Mar 23 % | FX $m | Mar 24 v Mar 23 ex FX % |
| **Impact of exchange rate movements on Group results** | | | | | | |
| Net interest income | 0.8 | 8 | **0.7** | (0.9) | 21 | **(1.2)** |
| Other operating income | (3.0) | 5 | **(3.2)** | (15.2) | 22 | **(16.3)** |
| **Net operating income** | 0.1 | 13 | **-** | (3.7) | 43 | **(4.1)** |
| Operating expenses | 1.6 | (4) | **1.5** | 5.8 | (14) | **5.5** |
| **Underlying profit** | (1.1) | 9 | **(1.3)** | (10.6) | 29 | **(11.1)** |
| Credit impairment charge | (11.2) | - | **(11.2)** | (7.6) | (1) | **(7.9)** |
| **Cash earnings before tax** | (0.3) | 9 | **(0.5)** | (10.8) | 28 | **(11.3)** |
| Income tax expense | 6.4 | (3) | **6.2** | (6.3) | (7) | **(6.7)** |
| **Cash earnings before non-controlling interests** | (3.0) | 6 | **(3.1)** | (12.6) | 21 | **(13.1)** |
| Non-controlling interests | 80.0 | - | **80.0** | large | - | **large** |
| **Cash earnings** | (3.1) | 6 | **(3.3)** | (12.8) | 21 | **(13.3)** |

# Exchange rates

| | Income statement - average | | | Balance sheet - spot | | |
|---|---|---|---|---|---|---|
| | Half Year to | | | As at | | |
| | Mar 24 | Sep 23 | Mar 23 | 31 Mar 24 | 30 Sep 23 | 31 Mar 23 |
| **One Australian dollar equals** | | | | | | |
| British pounds | **0.5215** | 0.5254 | 0.5614 | **0.5160** | 0.5292 | 0.5418 |
| Euros | **0.6053** | 0.6076 | 0.6407 | **0.6043** | 0.6111 | 0.6158 |
| United States dollars | **0.6542** | 0.6615 | 0.6707 | **0.6512** | 0.6477 | 0.6714 |
| New Zealand dollars | **1.0761** | 1.0815 | 1.0875 | **1.0902** | 1.0745 | 1.0680 |

# Glossary



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

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

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

**AASB**
Australian Accounting Standards Board.

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

**ADI**
Authorised Deposit-taking Institution.

**AML**
Anti-Money Laundering.

**APRA**
Australian Prudential Regulation Authority.

**APS**
Prudential Standards issued by APRA applicable to ADIs.

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

**AUSTRAC**
Australian Transaction Reports and Analysis Centre.

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

**Average equity (adjusted)**
Average equity adjusted to exclude non-controlling interests.

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

**BNZ**
Bank of New Zealand.

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

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

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

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

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

**CGU**
Cash-generating unit.

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

**Citigroup**
Citigroup Pty Limited and Citigroup Overseas Investment Corporation.

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

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

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

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

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

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

**Cost to income ratio**
Represents operating expenses as a percentage of operating revenue.

**CTF**
Counter-Terrorism Financing.

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

**Customer funding index (CFI)**
Customer deposits (excluding certain short dated institutional deposits used to fund liquid assets) divided by core assets.

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

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

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

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

**Dilutive potential ordinary share**
A financial instrument or other contract that may entitle its holder to ordinary shares and which would have the effect of decreasing earnings per share. For the Group in the March 2024 half year, these include convertible notes and notes issued under employee incentive schemes.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**Group**
NAB and its controlled entities.

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

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

**Housing lending**
Mortgages secured by residential properties as collateral.

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

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

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

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

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

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

**Marketable debt securities**
Comprises trading securities and debt instruments.

**MLC Life**
MLC Limited.

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

**NAB**
National Australia Bank Limited ABN 12 004 044 937.

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

**NAB's 2018 self-assessment**
NAB undertook a self-assessment into governance, accountability and culture in June 2018 at the request of APRA. The self-assessment identified shortcomings in aspects of NAB's approach to non-financial risk management, with particular focus on operational, compliance and conduct risk. NAB voluntarily published the self-assessment report which identified 26 actions to deliver structural, procedural and cultural change.

**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).

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

**RBA**
Reserve Bank of Australia.

**RBNZ**
Reserve Bank of New Zealand.

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

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

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

**SME**
Small and medium-sized enterprises.

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

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

**Standardised Measurement Approach (SMA)**
An approach used to calculate the capital requirement for operational risk based on a business indicator, a financial statement proxy of operational risk exposure.

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

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

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

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

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

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

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

**Total capital**
Tier 1 capital plus Tier 2 capital.

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

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

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

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

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