Half Year Results

2023

Incorporating the requirements of Appendix 4D

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

The half year consolidated report is to be read in conjunction with the Annual Report 2022.

National Australia Bank Limited ABN 12 004 044 937

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Appendix 4D

Preliminary financial statements for the half year ended 31 March 2023 as required by ASX listing rule 4.2A

Results for announcement to the market

Current period:	1 October 2022 to 31 March 2023
Prior corresponding period:	1 October 2021 to 31 March 2022

				Half Year to
				31 March 2023
				$m
Revenue from ordinary activities[1]	up	11.3%	to	**10,568**
Net profit after tax from ordinary activities attributable to owners of NAB	up	18.8%	to	**3,967**
Net profit attributable to owners of NAB	up	18.8%	to	**3,967**

(1) Reported as the sum of the following from the Group's consolidated income statement: Net interest income $8,475 million and total other income $2,093 million.

	Amount per share	Franked amount per share
	cents	**%**
Dividends and Dividend Reinvestment Plan		
Final 2022 dividend	78	100
Interim 2023 dividend	83	100

Interim dividend dates	
Ex-dividend date	10 May 2023
Record date	11 May 2023
Payment date	5 July 2023

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 12 May 2023 at 5pm (Australian Eastern Standard time).

	As at	
	31 March 2023	**31 March 2022**
	$	**$**
Net tangible assets		
Net tangible assets per ordinary share	**18.04**	17.67

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 2023.

The Group held no material investments in associates or joint venture entities as at 31 March 2023.

Additional information supporting the Appendix 4D disclosure requirements can be found in the accompanying 2023 Half Year Results.

This document should be read in conjunction with the 2022 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 2023

Half Year Results Summary

2023

National Australia Bank Limited ABN 12 004 044 937 AFSL and Australian Credit Licence 230686, 4 May 2023

1H23 KEY FINANCIAL INFORMATION

$ 3,967 m Statutory net profit	**$ 4,070 m** Cash earnings[(i)] Up 17% v 1H22
13.7% Cash ROE	**12.21%** Group Common Equity Tier 1 (CET1) ratio[(ii)]

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

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

"We have delivered a strong 1H23 financial performance with cash earnings up 17.0% compared with 1H22 and all businesses contributing to underlying profit growth of 25.5%.

Our results have benefitted from the execution of our strategy over multiple years. This includes consistent investment in long term growth opportunities, while making choices for more targeted growth against the backdrop of a slowing economy and increasing competition. The higher interest rate environment has also been an important near term driver of revenue this period.

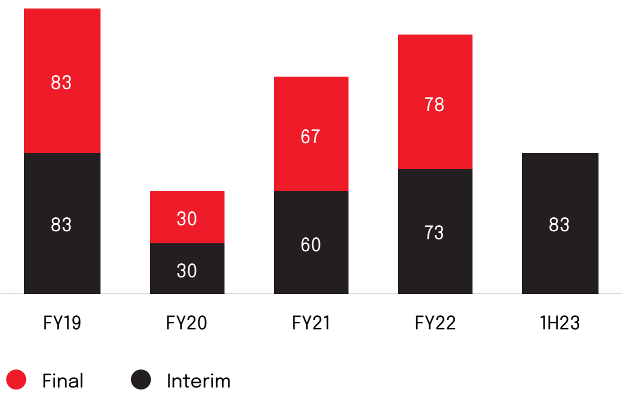
Staying safe and maintaining prudent balance sheet settings has been a key strategic focus which positions us well for the risks and volatility stemming from recent rapid monetary policy tightening. Capital levels are above our targets, liquidity is strong, collective provision coverage remains well above pre COVID-19 levels and our FY23 term funding task is well advanced with $23 billion[(1)] raised in 1H23.

The impact of higher living and interest costs on household spending and the broader economy is becoming more evident and we have a range of options available for customers needing support. Early signs that inflation is moderating are encouraging and we remain optimistic about the outlook - our bank and most customers enter this period from a position of strength and we are well placed to continue managing our business for the long term. We remain focused on the disciplined execution of our strategy to drive sustainable growth in earnings and shareholder returns over time."

- Ross McEwan NAB CEO

Dividends

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



Supporting our customers & communities

- Strategic Net Promoter Scores (NPS) from March 2022 to March 2023 increased for Business NPS from 0 to 5 (ranked 2nd of major banks) while Consumer NPS declined from -1 to -4 (ranked 2nd of major banks)[(2)]
- Helping customers identify potential scams with the introduction of proactive payment prompts for unusual digital banking transactions, to ensure money is going to the correct recipient
- Making it easier for merchants to access funds to grow with the launch of NAB Flex-Flow Loan, providing fast unsecured borrowing and repayments that flex with merchant cashflows[(3)]
- Helping businesses transition towards a more sustainable future with NAB's new Agri Green Loan and business finance for green equipment, which support customers investing in eligible practices and technologies that aim to reduce emissions and build resilience

(1) Includes RBNZ's Funding for Lending Program (FLP).

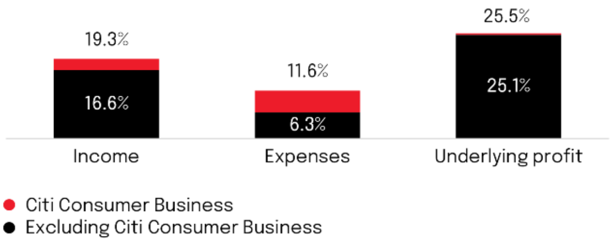
(2) Net Promoter® and NPS® are registered trademarks and Net Promoter Score and Net Promoter System are trademarks of Bain & Company, Satmetrix Systems and Fred Reichheld. Sourced from DBM Business and Consumer Atlas (part of RFI Global), measured on 6 month rolling average. Business NPS is based on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

(3) Customers must have a NAB Merchant facility, settlement account and have trading history for a minimum of 12 months. Additional credit eligibility may apply.

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

Operating performance 1H23 v 1H22

- Revenue increased by 19.3%. Excluding the impact of the Citi consumer business, revenue increased by 16.6% mainly reflecting higher margins combined with stronger volumes and Markets & Treasury (M&T) income.
- Gross loans and advances (GLAs) increased by 6.2% and deposits rose 8.4%. Excluding the impact of the Citi consumer business, GLAs increased 4.2% (with housing lending up 4.4% and non-housing lending up 4.1%) and deposits rose 6.6%.
- Net Interest Margin (NIM) increased by 14 basis points (bps) to 1.77%. Excluding a 7 bps reduction from M&T which includes the impact of holding higher liquid assets, NIM rose 21 bps. This primarily reflects higher earnings on deposits and capital as a result of the rising interest rate environment, partially offset by home lending competition and higher funding costs.
- Expenses increased by 11.6%. Excluding the impact of the Citi consumer business, expenses rose 6.3% with key drivers including salary increases, continued investment in technology capabilities and compliance and remediation including activities under the terms of the Enforceable Undertaking (EU) with the Australian Transaction Reports and Analysis Centre (AUSTRAC). These impacts were partially offset by productivity benefits.

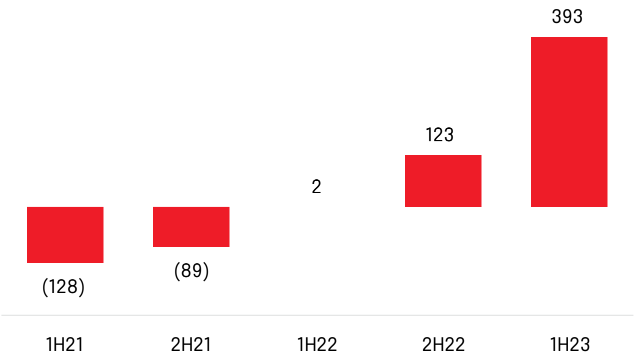


"Strong underlying profit growth reflects execution of our long term strategy which has allowed us to make deliberate choices to target growth in higher returning segments combined with the impact of the higher interest rate environment."

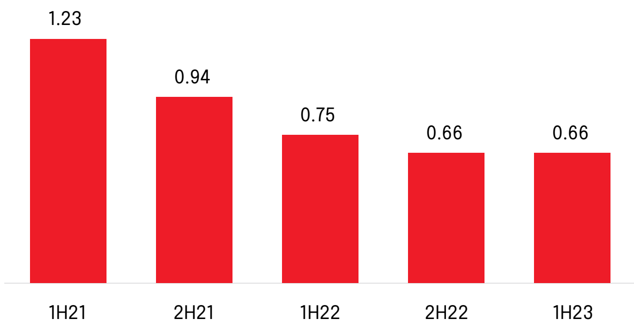
Asset quality 1H23 v 1H22

- Credit impairment charge (CIC) was $393 million, versus a 1H22 charge of $2 million. The 1H23 charge includes a $68 million release from forward looking provisions, with underlying charges primarily reflecting the combined impact of lower house prices, volume growth and a modest increase in specific charges off a low base.
- The $68 million release from forward looking provisions includes a net release of $92 million from provisions for target sector forward looking adjustments. This has been partially offset by a $24 million top-up to the economic adjustment to reflect a slightly weaker economic outlook.
- The ratio of 90+ days past due and gross impaired assets to gross loans and acceptances reduced 9 bps to 0.66%. Key drivers include improved delinquencies across the Australian home lending portfolio partially offset by an increase in business lending arrears.

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



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

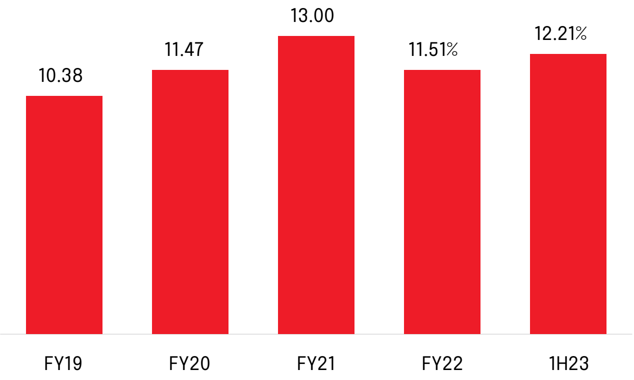


"Our collective provisions are prudently set at 1.42% of credit risk weighted assets(1), and remain well above pre COVID-19 levels. While there are encouraging signs that inflation is moderating and interest rates are peaking in Australia, the full impact of higher cost of living and higher interest rates on the outlook remains uncertain, particularly the extent to which households reduce discretionary spending and potential flow-on consequences to the broader economy."

(1) Includes a 7 bps benefit from the revised capital framework

Capital funding & liquidity

CET1 ratio[(i)] (%)



(i) CET1 capital ratio on a Level 2 basis. Ratio from 1H23 under the revised capital framework effective from 1 January 2023.

Key ratios as at 31 March 2023

- Group Common Equity Tier 1 (CET1) ratio of 12.21%, up 70 bps from September 2022 primarily reflecting organic capital generation (33 bps) and the impact of the revised capital framework (47 bps) partially offset by completion of the remaining $0.6 billion of the announced on-market share buy-back in 1H23 (13 bps)[(1)]
- Leverage ratio (APRA basis) of 5.1%
- Liquidity coverage ratio (LCR) quarterly average of 130%
- Net Stable Funding Ratio (NSFR) of 117%

Key divisional performance - Cash earnings

	1H23 ($m)	% change 1H23 v 1H22	Key drivers 1H23 v 1H22
Business & Private Banking	1,714	19.9	Strong underlying profit growth with higher revenue reflecting volume growth and increased margins, partially offset by higher operating expenses due mainly to salary increases and additional resources to support growth. Credit impairment charges increased from a write back in the prior period.
Personal Banking	785	(0.4)	Underlying profit rose strongly, offset by an increase in credit impairment charges from a write back in the prior period. Higher expenses were more than offset by strong revenue growth benefitting from the Citi consumer business acquisition, disciplined volume growth and higher margins reflecting the impact of the higher interest rate environment partially offset by home lending competition.
Corporate & Institutional Banking	940	16.6	Strong underlying earnings growth mainly reflecting higher revenue, with increased Markets activity and higher margins more than offsetting lower lending volumes. Credit impairment charges increased modestly from a write back in the prior period.
New Zealand Banking (NZ $m)	825	23.5	Strong underlying profit growth with revenue increasing due to growth in volumes and higher margins. This was partially offset by higher operating expenses. Credit impairment charges were broadly stable.

(1) On 28 February 2023, the Group completed the $2.5 billion buy-back announced in March 2022. This includes $0.6 billion of ordinary shares bought back and cancelled in the March 2023 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

"In Australia, consumption and overall growth has started to soften reflecting the impact of monetary policy tightening. There are also encouraging signs that inflation is beginning to moderate which, in combination with a deterioration in the outlook for global growth, means the official cash rate is likely at or around its peak. While there is still uncertainty over the extent to which higher interest and living costs will impact consumer spending, it now seems increasingly likely that Australia will avoid a pronounced economic correction, with forecast real GDP growth expected to slow from 2.7% over 2022 to around 1% over each of the next two years and the unemployment rate forecast to drift up to around 4.7% by end 2024 after troughing at 3.5%. Inflationary outcomes – particularly wages growth and global pressures – remain key to this outlook.

In New Zealand, significant monetary policy tightening and slower global economic growth are weighing on the economy. Consumer and business confidence are around record lows and house prices have declined 17% from their peak, while recent weather events have also disrupted activity and added to inflationary pressures. December quarter 2022 real GDP declined 0.6% and a further correction in activity in 2023 is expected, including some quarters of modestly negative GDP growth. Encouragingly, signs of easing inflationary and labour market pressures are emerging, supported by a turnaround in net migration inflows along with diminishing domestic demand, particularly in the construction sector. If sustained, this provides scope for monetary policy tightening to end in mid 2023 and economic growth to resume in 2024."

Strategic overview

Our operating environment has continued to evolve over 1H23 with the impact of recent rapid monetary policy tightening becoming more evident. Growth is slowing and competitive pressures have increased. At the same time, we are seeing bank failures in offshore markets and risk concerns on the rise. This more challenging environment is not unexpected, and we feel well placed to manage through this period and continue to grow.

Execution of our refreshed long term strategy has been our priority since March 2020. This strategy is centred on delivering better outcomes for customers and colleagues while keeping our bank safe through any economic environment. It is supported by disciplined execution and persistent investment and has positioned us well for the current environment with strong, safe balance sheet settings and attractive growth options. At a time when returns are being challenged in some segments, we can and are making deliberate choices to focus growth elsewhere in our portfolio.

In Business and Private Banking where we have the leading SME lending market share, we are continuing to leverage growth opportunities across our franchise. Initiatives to simplify and digitise account opening are supporting strong growth in SME deposits including a 33% lift in new business transaction accounts opened in the March 2023 half year compared with the March 2021 half year. In small business lending, our market share has increased 182 bps since September 2020 and 63 bps over the five months to February 2023(1), benefitting from simplified origination, enhanced digital capability and specialist local small business bankers. Our integrated Private Wealth offering is delivering above system growth in home lending and deposits, while in the merchant space we are investing in innovative solutions including NAB Flex-Flow Lending providing merchant customers with fast access to unsecured lending(2).

We are excited about growth in unsecured lending and ubank where we are leveraging capability from recent acquisitions to deliver better, more targeted customer propositions. Over 1H23, our credit card balances and market share increased and ubank recorded continued strong new customer acquisition weighted towards its target segment of under 35 year olds.

Australian home lending remains a key market, and we are continuing to invest to deliver better customer experiences. This includes progressing the rollout of our simple and digital home loan initiative to brokers and Business and Private Banking. But this sector is now facing a number of headwinds including slowing credit growth along with heightened refinancing activity and competitive pressures. We have taken a disciplined approach to home lending in this period, with our share of system growth tracking at 0.6x over 1H23(3), and have prioritised more attractive growth options across our Group.

Having a healthy customer franchise and engaged colleagues are key to our ability to grow sustainably, and is supported by our consistent focus on improving customer and colleague experiences. Our most recent colleague engagement score of 77 is up one point over 12 months and just below the top quartile benchmark. Over the 12 months to March 2023, Business NPS(4) rose 5 points with NAB ranked second of major banks. Over the same period Consumer NPS(4) declined 3 points but has stabilised in recent months with NAB now ranked second of major banks. While we are making good progress in some areas, we have more to do to achieve our ambitions of top quartile colleague engagement and positive customer NPS ranked first of major banks.

A key focus of our investment over recent years has been on simplifying, automating and digitising our business and increasing our use of data and analytics. These initiatives are delivering better outcomes for customers and colleagues by allowing our bankers to spend more time with customers and provide quicker responses, while letting customers increasingly self serve when they want to. They are also making us more efficient, helping us manage costs while investing to grow. In FY23 we expect to deliver productivity benefits of approximately $400 million(5), providing an important offset against near term inflationary cost pressures.

Keeping our customers and our bank safe is a key pillar of our long term strategy and of critical importance in the current environment. We are accelerating our efforts to protect customers against the rapid rise in frauds and scams. This includes investment in customer awareness and education, 24/7 account monitoring, security alerts and proactive payment prompts, along with additional resourcing and working with telecommunication providers to help limit NAB-related spoofing calls and messages. More can and will be done at a customer, bank, industry, government and community level to deter criminals.

Staying safe also requires that we maintain prudent balance sheet settings and consistently manage risk with discipline. Collective provisions as a ratio of credit risk weighted assets remain well above pre-COVID 19 levels at 1.42% and our CET1 ratio of 12.21% is above our target range of 11.0-11.5%(6). The share of lending funded by customer deposits remains high at 81% and our liquidity position is well above the regulatory minimum. Deliberate actions taken over many years mean our lending exposures are in good shape with modest exposure to segments most at risk in an environment of higher interest rates and higher inflation. Our Australian SME business lending book is well diversified with less than 20% exposure to discretionary retail related sectors, and highly secured with only 6% of the book unsecured. Our exposure to commercial real estate as a percentage of total lending has been on a downward path since September 2009 and is now less than 10%.

We expect further challenges to emerge as the economic transition continues but we remain confident in the outlook. While growth is slowing, the Australian economy appears resilient and we have attractive options for growth across our business with strong balance sheet settings. We remain focused on executing our long term strategy to deliver sustainable growth and attractive returns for shareholders.

(1) Derived from RBA statistics. A business is classified as Small under the RBA if the business has turnover less than $50 million and loans less than $1 million. Latest market share at February 2023.
(2) Customers must have a NAB Merchant facility, settlement account and have trading history for a minimum of 12 months.
(3) APRA Monthly Authorised Deposit-taking Institution statistics. Latest data as at March 2023 (adjusted for reclassification of the Citi consumer business).
(4) Net Promoter® and NPS® are registered trademarks and Net Promoter Score and Net Promoter System are trademarks of Bain & Company, Satmetrix Systems and Fred Reichheld. Sourced from DBM Business and Consumer Atlas (part of RFI Global), measured on 6 month rolling average. Business NPS is based on equal (25:25:25:25) combined weighting of NAB turnover segments: Micro (Up to $100k turnover), Small ($100k-$5m turnover), Medium ($5m -$50m turnover), Large ($50m+). Consumer NPS excludes consumers with Personal income of $260k+ and/or investible assets $1m+. Ranking based on absolute scores, not statistically significant differences.
(5) Refer to key risks, qualifications and assumptions in relation to forward looking statements on page 8.
(6) CET1 capital ratio on a Level 2 basis under the revised capital framework effective from 1 January 2023.

Group performance results

Cash earnings is a non-IFRS key financial performance measure used by NAB and the investment community. NAB also uses cash earnings for its internal management reporting as it better reflects what NAB considers to be the underlying performance of the Group. Cash earnings is not a statutory financial measure, is not presented in accordance with Australian Accounting Standards, and is not audited or reviewed in accordance with Australian Auditing Standards. The 2023 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 NAB on pages 96 to 98.

	Half Year to				
	Mar 23 $m	Sep 22 $m	Mar 22 $m	Mar 23 v Sep 22 %	Mar 23 v Mar 22 %
Net interest income	**8,476**	7,767	7,085	9.1	19.6
Other operating income	**2,053**	1,701	1,743	20.7	17.8
Net operating income	**10,529**	9,468	8,828	11.2	19.3
Operating expenses	**(4,421)**	(4,311)	(3,963)	2.6	11.6
Underlying profit	**6,108**	5,157	4,865	18.4	25.5
Credit impairment charge	**(393)**	(123)	(2)	large	large
Cash earnings before income tax	**5,715**	5,034	4,863	13.5	17.5
Income tax expense	**(1,645)**	(1,410)	(1,383)	16.7	18.9
Cash earnings	**4,070**	3,624	3,480	12.3	17.0
Non-cash earnings items (after tax)	**(88)**	(135)	91	(34.8)	large
Net profit from continuing operations	**3,982**	3,489	3,571	14.1	11.5
Net loss attributable to owners of NAB from discontinued operations(1)	**(15)**	(149)	(20)	(89.9)	(25.0)
Net profit attributable to owners of NAB	**3,967**	3,340	3,551	18.8	11.7
Represented by:					
Business and Private Banking	**1,714**	1,584	1,429	8.2	19.9
Personal Banking	**785**	803	788	(2.2)	(0.4)
Corporate and Institutional Banking	**940**	822	806	14.4	16.6
New Zealand Banking	**759**	665	630	14.1	20.5
Corporate Functions and Other	**(128)**	(250)	(173)	(48.8)	(26.0)
Cash earnings	**4,070**	3,624	3,480	12.3	17.0

(1) Refer to NAB's 2023 Half Year Results Announcement *Note 14 Discontinued Operations* for further information.

Shareholder summary

	Half Year to				
	Mar 23	Sep 22	Mar 22	Mar 23 v Sep 22	Mar 23 v Mar 22
Group - Including discontinued operations					
Dividend per share (cents)	**83**	78	73	5	10
Statutory dividend payout ratio	**65.7%**	74.4%	66.9%	(870 bps)	(120 bps)
Statutory earnings per share (cents) - basic	**126.3**	104.8	109.1	21.5	17.2
Statutory earnings per share (cents) - diluted	**121.2**	101.0	104.8	20.2	16.4
Statutory return on equity	**13.3%**	11.1%	11.5%	220 bps	180 bps
Net tangible assets per ordinary share ($)	**18.04**	17.24	17.67	4.6%	2.1%
Group - Continuing operations					
Cash dividend payout ratio	**64.1%**	68.5%	68.3%	(440 bps)	(420 bps)
Statutory dividend payout ratio from continuing operations	**65.5%**	71.2%	66.5%	(570 bps)	(100 bps)
Statutory earnings per share from continuing operations (cents) - basic	**126.7**	109.5	109.7	17.2	17.0
Statutory earnings per share from continuing operations (cents) - diluted	**121.7**	105.3	105.4	16.4	16.3
Cash earnings per share (cents) - basic	**129.5**	113.8	106.9	15.7	22.6
Cash earnings per share (cents) - diluted	**124.3**	109.2	102.8	15.1	21.5
Cash return on equity	**13.7%**	12.1%	11.3%	160 bps	240 bps

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

Disclaimer – Forward looking statements

This Result Summary and the 2023 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 conflict between Russia and Ukraine 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 4 May 2023 and the Group's Annual Report for the 2022 financial year, available at www.nab.com.au.

Half year results 2023

Information about cash earnings and other non-IFRS measures

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

Non-IFRS key financial performance measures used by the Group

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

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

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

Information about cash earnings

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

The Group also uses cash earnings for its internal management reporting as it better reflects what is considered to be the underlying performance of the Group. Cash earnings is calculated by adjusting statutory net profit from continuing operations for certain non-cash earnings items. Non-cash earnings items are those items which are considered separately when assessing performance and analysing the underlying trends in the business. These include items such as hedging and fair value volatility, 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 2023 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 2023 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 2023 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 2023 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 2023 half year are references to the six months ended 31 March 2023. Other six month periods referred to in this document are referred to in a corresponding manner.

Group performance results

	Half Year to				
	Mar 23 $m	Sep 22 $m	Mar 22 $m	Mar 23 v Sep 22 %	Mar 23 v Mar 22 %
Net interest income	**8,476**	7,767	7,085	9.1	19.6
Other operating income	**2,053**	1,701	1,743	20.7	17.8
Net operating income	**10,529**	9,468	8,828	11.2	19.3
Operating expenses	**(4,421)**	(4,311)	(3,963)	2.6	11.6
Underlying profit	**6,108**	5,157	4,865	18.4	25.5
Credit impairment charge	**(393)**	(123)	(2)	large	large
Cash earnings before income tax	**5,715**	5,034	4,863	13.5	17.5
Income tax expense	**(1,645)**	(1,410)	(1,383)	16.7	18.9
Cash earnings	**4,070**	3,624	3,480	12.3	17.0
Non-cash earnings items (after tax):					
Hedging and fair value volatility	**(5)**	(114)	183	(95.6)	large
Amortisation of acquired intangible assets	**(15)**	(11)	(6)	36.4	large
Acquisitions, disposals and business closures	**(68)**	(10)	(86)	large	(20.9)
Net profit from continuing operations	**3,982**	3,489	3,571	14.1	11.5
Net loss attributable to owners of NAB from discontinued operations	**(15)**	(149)	(20)	(89.9)	(25.0)
Net profit attributable to owners of NAB	**3,967**	3,340	3,551	18.8	11.7
Cash earnings by division:					
Business and Private Banking	**1,714**	1,584	1,429	8.2	19.9
Personal Banking	**785**	803	788	(2.2)	(0.4)
Corporate and Institutional Banking	**940**	822	806	14.4	16.6
New Zealand Banking	**759**	665	630	14.1	20.5
Corporate Functions and Other	**(128)**	(250)	(173)	(48.8)	(26.0)
Cash earnings	**4,070**	3,624	3,480	12.3	17.0

Shareholder summary

	Half Year to				
	Mar 23	Sep 22	Mar 22	Mar 23 v Sep 22	Mar 23 v Mar 22
Group - Including discontinued operations					
Dividend per share (cents)	**83**	78	73	5	10
Statutory dividend payout ratio	**65.7%**	74.4%	66.9%	(870 bps)	(120 bps)
Statutory earnings per share (cents) - basic	**126.3**	104.8	109.1	21.5	17.2
Statutory earnings per share (cents) - diluted	**121.2**	101.0	104.8	20.2	16.4
Statutory return on equity	**13.3%**	11.1%	11.5%	220 bps	180 bps
Net tangible assets per ordinary share ($)	**18.04**	17.24	17.67	4.6%	2.1%
Group - Continuing operations					
Cash dividend payout ratio	**64.1%**	68.5%	68.3%	(440 bps)	(420 bps)
Statutory dividend payout ratio from continuing operations	**65.5%**	71.2%	66.5%	(570 bps)	(100 bps)
Statutory earnings per share from continuing operations (cents) - basic	**126.7**	109.5	109.7	17.2	17.0
Statutory earnings per share from continuing operations (cents) - diluted	**121.7**	105.3	105.4	16.4	16.3
Cash earnings per share (cents) - basic	**129.5**	113.8	106.9	15.7	22.6
Cash earnings per share (cents) - diluted	**124.3**	109.2	102.8	15.1	21.5
Cash return on equity	**13.7%**	12.1%	11.3%	160 bps	240 bps

Review of Group performance results

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

March 2023 v March 2022

Statutory net profit increased by $416 million or 11.7%. Excluding the impact of discontinued operations, statutory net profit increased by $411 million or 11.5%[(1)].

Cash earnings increased by $590 million or 17.0%.

Net interest income increased by $1,391 million or 19.6%. Excluding the Citi consumer business, net interest income increased by $1,210 million or 17.1%. This includes a decrease of $282 million due to movements in economic hedges, offset in other operating income. Excluding these movements, the underlying increase of $1,492 million or 21.1% was primarily due to higher earnings on deposits and capital driven by the rising interest rate environment, higher average lending volumes and higher NAB risk management income in Treasury. These increases were partially offset by lower housing lending margins and higher wholesale funding costs.

Other operating income increased by $310 million or 17.8%. Excluding the Citi consumer business, other operating income increased by $257 million or 14.7%. This includes an increase of $282 million due to movements in economic hedges, offset in net interest income. Excluding these movements, the underlying decrease of $25 million or 1.4% was primarily due to lower NAB risk management income.

Operating expenses increased by $458 million or 11.6%. Excluding the Citi consumer business, operating expenses increased by $248 million or 6.3%. The increase was primarily driven by salary increases and continued investment in technology capabilities. This was partially offset by productivity benefits achieved through simplification of the Group's operations.

Credit impairment charge increased by $391 million including a net $135 million decrease in charges for forward looking provisions. Excluding forward looking provisions, underlying charges have increased by $526 million driven by a higher level of collective provision charges for the Australian lending portfolio.

March 2023 v September 2022

Statutory net profit increased by $627 million or 18.8%. Excluding the impact of discontinued operations, statutory net profit increased by $493 million or 14.1%[(1)].

Cash earnings increased by $446 million or 12.3%.

Net interest income increased by $709 million or 9.1%. This includes a decrease of $112 million due to movements in economic hedges, offset in other operating income. Excluding these movements, the underlying increase of $821 million or 10.6% was primarily due to higher earnings on deposits and capital driven by the rising interest rate environment, higher average lending volumes and higher NAB risk management income in Treasury. These increases were partially offset by lower housing lending margins and higher wholesale funding costs.

Other operating income increased by $352 million or 20.7%. This includes an increase of $112 million due to movements in economic hedges, offset in net interest income. Excluding these movements, the underlying increase of $240 million or 14.1% was primarily due to higher NAB risk management income in Markets, combined with a positive derivative valuation adjustment.

Operating expenses increased by $110 million or 2.6%. Excluding the Citi consumer business, operating expenses increased by $50 million or 1.2%. The increase was primarily driven by salary increases and continued investment in technology capabilities. This was partially offset by lower remediation charges and productivity benefits achieved through simplification of the Group's operations.

Credit impairment charge increased by $270 million including a net $5 million increase in charges for forward looking provisions. Excluding forward looking provisions, underlying charges have increased by $265 million driven by a higher level of collective provision charges for the Australian lending portfolio.

(1) Discontinued operations in the March 2023 and March 2022 half years primarily relate to costs associated with managing the run-off of the MLC Wealth retained entities. Discontinued operations in the September 2022 half year includes higher charges for customer-related and payroll remediation.

Key performance indicators

	Half Year to			Mar 23 v	Mar 23 v
	Mar 23	Sep 22	Mar 22	Sep 22	Mar 22
Group performance - cash earnings basis					
Cash earnings on average assets	**0.77%**	0.70%	0.73%	7 bps	4 bps
Cash earnings on average risk-weighted assets	**1.82%**	1.63%	1.63%	19 bps	19 bps
Cash earnings per average FTE ($'000)	**226**	212	213	6.6%	6.1%
Cost to income ratio	**42.0%**	45.5%	44.9%	(350 bps)	(290 bps)
Net interest margin	**1.77%**	1.67%	1.63%	10 bps	14 bps
Total Group capital					
CET1 capital ratio	**12.21%**	11.51%	12.48%	70 bps	(27 bps)
Tier 1 capital ratio	**13.89%**	13.14%	14.07%	75 bps	(18 bps)
Total capital ratio	**19.76%**	18.17%	18.55%	159 bps	121 bps
Risk-weighted assets ($bn)	**436.2**	449.9	431.9	(3.0%)	1.0%
Volumes ($bn)					
Gross loans and acceptances (GLAs)	**700.5**	687.7	659.7	1.9%	6.2%
Average interest earning assets	**959.1**	928.0	872.4	3.4%	9.9%
Total average assets	**1,060.7**	1,026.4	956.4	3.3%	10.9%
Total customer deposits	**574.9**	566.7	530.4	1.4%	8.4%
Asset quality					
90+ days past due (DPD) and gross impaired assets to GLAs	**0.66%**	0.66%	0.75%	-	(9 bps)
Collective provision to credit risk-weighted assets	**1.42%**	1.31%	1.31%	11 bps	11 bps
Total provision to credit risk-weighted assets	**1.57%**	1.46%	1.48%	11 bps	9 bps
Full-time equivalent employees (FTE)					
Group - Continuing operations (spot)	**36,963**	35,128	32,932	5.2%	12.2%
Group - Continuing operations (average)	**36,140**	34,174	32,801	5.8%	10.2%
Group - Including discontinued operations (spot)	**37,346**	35,558	33,433	5.0%	11.7%
Group - Including discontinued operations (average)	**36,542**	34,632	33,329	5.5%	9.6%

	As at		
	31 Mar 23	30 Sep 22	31 Mar 22
Market share			
Australia[1][2]			
Business lending[3]	**21.6%**	21.6%	22.3%
Business deposits	**19.9%**	20.1%	20.1%
Housing lending	**14.7%**	14.9%	14.5%
Household deposits	**13.8%**	13.8%	13.3%
New Zealand[4]			
Housing lending	**16.5%**	16.3%	16.5%
Agribusiness	**21.4%**	21.4%	20.8%
Business lending	**22.5%**	22.4%	22.5%
Retail deposits	**17.7%**	17.8%	17.9%

(1) 31 March 2023 and 30 September 2022 includes the Citi consumer business.
(2) Source: Australian Prudential Regulation Authority (APRA) monthly Authorised Deposit-taking Institution (ADI) statistics.
(3) Excludes financial institutions, general government and community service organisations.
(4) Source: Reserve Bank of New Zealand (RBNZ).

	As at		
	31 Mar 23	30 Sep 22	31 Mar 22
Distribution			
Number of retail branches and business banking centres			
Australia	**546**	578	592
New Zealand	**134**	136	138

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Half year results 2023

Net interest income

	Half Year to			Mar 23 v	Mar 23 v
	Mar 23	Sep 22	Mar 22	Sep 22 %	Mar 22 %
Net interest income ($m)	**8,476**	7,767	7,085	9.1	19.6
Average interest earning assets ($bn)	**959.1**	928.0	872.4	3.4	9.9
Net interest margin (%)	**1.77**	1.67	1.63	10 bps	14 bps

March 2023 v March 2022

Net interest income increased by $1,391 million or 19.6%. Excluding the Citi consumer business, net interest income increased by $1,210 million or 17.1%. This includes a decrease of $282 million due to movements in economic hedges, offset in other operating income. Excluding these movements, the underlying increase of $1,492 million or 21.1% was due to:

- Higher earnings on deposits and capital driven by the rising interest rate environment.
- Higher average lending volumes.
- Higher NAB risk management income in Treasury.

These increases were partially offset by:

- Lending margin compression primarily driven by competitive pressures impacting the housing lending portfolio.
- Higher wholesale funding costs.

March 2023 v September 2022

Net interest income increased by $709 million or 9.1%. This includes a decrease of $112 million due to movements in economic hedges, offset in other operating income. Excluding these movements, the underlying increase of $821 million or 10.6% was due to:

- Higher earnings on deposits and capital driven by the rising interest rate environment.
- Higher average lending volumes.
- Higher NAB risk management income in Treasury.

These increases were partially offset by:

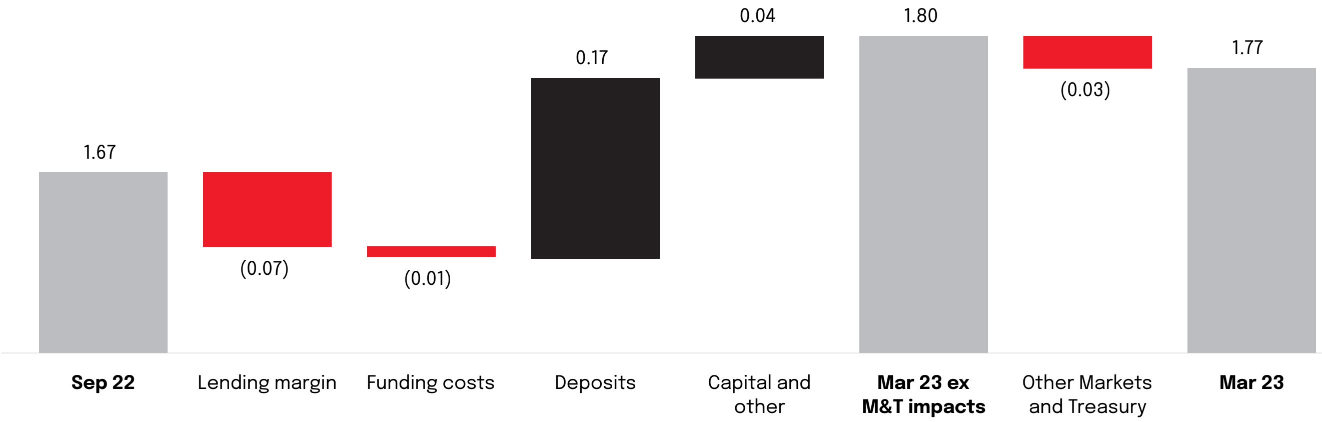
- Lending margin compression primarily driven by competitive pressures impacting the housing lending portfolio.
- Higher wholesale funding costs.

Net interest margin

	Half Year to				
	Mar 23 %	Sep 22 %	Mar 22 %	Mar 23 v Sep 22	Mar 23 v Mar 22
Group net interest margin	**1.77**	1.67	1.63	10 bps	14 bps
Business and Private Banking	**3.27**	3.00	2.82	27 bps	45 bps
Personal Banking	**2.08**	1.99	1.93	9 bps	15 bps
Corporate and Institutional Banking[(1)]	**0.86**	0.75	0.74	11 bps	12 bps
New Zealand Banking[(1)]	**2.36**	2.57	2.38	(21 bps)	(2 bps)

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

Group net interest margin movement



March 2023 v March 2022

The Group's **net interest margin** increased by 14 basis points. Excluding a decrease of 7 basis points in Markets and Treasury, the underlying margin was up 21 basis points due to:

- An increase of 35 basis points driven by higher earnings on deposits due to the rising interest rate environment.
- An increase of 6 basis points driven by higher earnings on capital due to the rising interest rate environment.

This increase was partially offset by:

- A decrease of 14 basis points in lending margin primarily driven by competitive pressures in the housing lending portfolio.
- A decrease of 6 basis points driven by higher wholesale funding costs.

The decrease of 7 basis points in Markets and Treasury was due to:

- A decrease of 6 basis points driven by economic hedges offset in other operating income.
- A decrease of 2 basis points driven by higher volumes of lower yielding high-quality liquid assets (HQLA).
- A decrease of 1 basis point driven by unfavourable mix due to higher volumes of lower yielding securities in Markets.
- An increase of 2 basis points driven by higher NAB risk management income in Treasury.

March 2023 v September 2022

The Group's **net interest margin** increased by 10 basis points. Excluding a decrease of 3 basis points in Markets and Treasury, the underlying margin was up 13 basis points due to:

- An increase of 17 basis points driven by higher earnings on deposits due to the rising interest rate environment.
- An increase of 4 basis points driven by higher earnings on capital due to the rising interest rate environment.

The increases were partially offset by:

- A decrease of 7 basis points in lending margin primarily driven by competitive pressures in the housing portfolio.
- A decrease of 1 basis point driven by higher wholesale funding costs.

The decrease of 3 basis points in Markets and Treasury was due to:

- A decrease of 2 basis points driven by economic hedges offset in other operating income, partially offset by higher NAB risk management income in Treasury.
- A decrease of 1 basis point driven by unfavourable mix due to higher volumes of lower yielding securities in Markets.

Other operating income

	Half Year to				
	Mar 23 $m	Sep 22 $m	Mar 22 $m	Mar 23 v Sep 22 %	Mar 23 v Mar 22 %
Fees and commissions	**1,102**	1,050	1,069	5.0	3.1
Trading income	**868**	500	478	73.6	81.6
Other	**83**	151	196	(45.0)	(57.7)
Total other operating income	**2,053**	1,701	1,743	20.7	17.8

March 2023 v March 2022

Other operating income increased by $310 million or 17.8%. Excluding the Citi consumer business, other operating income increased by $257 million or 14.7%.

Fees and commissions increased by $33 million or 3.1%. Included in the March 2023 half year is a charge of $23 million (March 2022 half year: $21 million) for customer-related remediation. Excluding the $2 million increase in customer-related remediation and the $53 million increase associated with the Citi consumer business, the underlying decrease of $18 million was primarily driven by lower levels of lending activity in the March 2023 half year. This was partially offset by higher cards income from increased spend.

Trading income increased by $390 million or 81.6%. This includes an increase of $282 million due to movements in economic hedges, offset in net interest income. Excluding this movement, the underlying increase of $108 million was primarily due to higher NAB risk management income in Markets, combined with a positive derivative valuation adjustment.

Other income decreased by $113 million primarily due to lower volumes of realised gains on bond sales in Treasury (high-quality liquids portfolio) and a decrease in insurance revenue due to the sale of the BNZ Life on 30 September 2022.

March 2023 v September 2022

Other operating income increased by $352 million or 20.7%.

Fees and commissions increased by $52 million or 5.0%. Included in the March 2023 half year is a charge of $23 million (September 2022 half year: $50 million) for customer-related remediation. Excluding the $27 million decrease in customer-related remediation, the underlying increase of $25 million was primarily driven by higher merchant income and cards income from a seasonal increase in spending volumes. This was partially offset by lower levels of lending activity in the March 2023 half year.

Trading income increased by $368 million or 73.6%. This includes an increase of $112 million due to movements in economic hedges, offset in net interest income. Excluding this movement, the underlying increase of $256 million was primarily due to higher NAB risk management income in Markets, combined with a positive derivative valuation adjustment.

Other income decreased by $68 million or 45.0% primarily due to lower volumes of realised gains on bond sales in Treasury (high-quality liquids portfolio) and a decrease in insurance revenue due to the sale of the BNZ Life on 30 September 2022.

Markets and Treasury income

	Half Year to				
	Mar 23 $m	Sep 22 $m	Mar 22 $m	Mar 23 v Sep 22 %	Mar 23 v Mar 22 %
Net interest income	**9**	35	161	(74.3)	(94.4)
Other operating income	**902**	587	592	53.7	52.4
Total Markets and Treasury income	**911**	622	753	46.5	21.0
Customer risk management(1)					
Foreign exchange	**285**	269	262	5.9	8.8
Rates	**122**	128	139	(4.7)	(12.2)
Total customer risk management income	**407**	397	401	2.5	1.5
NAB risk management(2)					
Markets	**211**	124	199	70.2	6.0
Treasury	**267**	138	170	93.5	57.1
Total NAB risk management income	**478**	262	369	82.4	29.5
Derivative valuation adjustment(3)	**26**	(37)	(17)	large	large
Total Markets and Treasury income	**911**	622	753	46.5	21.0
Average Markets traded market risk Value at Risk (VaR)(4)	**8.7**	9.8	12.0	(11.2)	(27.5)

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

March 2023 v March 2022

Markets and Treasury income increased by $158 million or 21.0% primarily due to higher NAB risk management income and a higher derivative valuation adjustment.

Customer risk management income increased by $6 million or 1.5%, with higher foreign exchange sales, partially offset by lower rates sales.

NAB risk management income increased by $109 million or 29.5% due to Treasury risk management with higher Markets income driven by favourable market conditions in the March 2023 half year.

Derivative valuation adjustment increased by $43 million primarily due to a widening of funding spreads in the March 2022 half year which has not repeated in the current period and a lower level of foreign exchange volatility.

March 2023 v September 2022

Markets and Treasury income increased by $289 million or 46.5% primarily due to higher NAB risk management income and a higher derivative valuation adjustment.

Customer risk management income increased by $10 million or 2.5%, with higher foreign exchange sales, partially offset by lower rates sales.

NAB risk management income increased by $216 million or 82.4% primarily due to Treasury risk management with higher Markets income driven by favourable market conditions in the March 2023 half year.

Derivative valuation adjustment increased by $63 million primarily due to credit related movements and a lower level of foreign exchange volatility.

Operating expenses

	Half Year to				
	Mar 23 $m	Sep 22 $m	Mar 22 $m	Mar 23 v Sep 22 %	Mar 23 v Mar 22 %
Personnel expenses	**2,558**	2,360	2,426	8.4	5.4
Occupancy and depreciation expenses	**363**	369	350	(1.6)	3.7
General expenses	**1,290**	1,432	1,187	(9.9)	8.7
Operating expenses (excluding Citi consumer business)	**4,211**	4,161	3,963	1.2	6.3
Citi consumer business operating expenses	**210**	150	-	40.0	large
Total operating expenses	**4,421**	4,311	3,963	2.6	11.6

March 2023 v March 2022

Operating expenses increased by $458 million or 11.6%. Excluding the Citi consumer business, operating expenses increased by $248 million or 6.3%

Personnel expenses increased by $132 million or 5.4%. The increase was primarily due to salary increases and continued investment in technology capabilities, compliance and remediation. This was partially offset by productivity benefits achieved through simplification of the Group's operations.

Occupancy and depreciation expenses increased by $13 million or 3.7%. The increase was driven by the non-repeat of savings associated with the exit of commercial and network properties in the March 2022 half year.

General expenses increased by $103 million or 8.7%. The increase was primarily due to continued investment in technology capabilities, combined with costs associated with remediation ($20 million) and compliance, including activities under the terms of the Enforceable Undertaking (EU) with the Australian Transaction Reports and Analysis Centre (AUSTRAC). This was partially offset by productivity benefits achieved through simplification of the Group's operations.

March 2023 v September 2022

Operating expenses increased by $110 million or 2.6%. Excluding the Citi consumer business, operating expenses increased by $50 million or 1.2%.

Personnel expenses increased by $198 million or 8.4%. The increase was primarily due to salary increases, combined with continued investment in technology capabilities, compliance and remediation. This was partially offset by productivity benefits achieved through simplification of the Group's operations.

Occupancy and depreciation expenses decreased by $6 million or 1.6%.

General expenses decreased by $142 million or 9.9%. The decrease was primarily due to lower costs associated with customer-related and payroll remediation ($80 million), combined with productivity benefits achieved through simplification of the Group's operations. This was partially offset by continued investment in technology capabilities.

Investment spend

	Half Year to				
	Mar 23 $m	Sep 22 $m	Mar 22 $m	Mar 23 v Sep 22 %	Mar 23 v Mar 22 %
Expensed	**314**	316	377	(0.6)	(16.7)
Capitalised software and fixed assets	**330**	428	272	(22.9)	21.3
Total investment spend	**644**	744	649	(13.4)	(0.8)
Represented by:					
Infrastructure	**189**	289	226	(34.6)	(16.4)
Compliance and risk	**228**	204	195	11.8	16.9
Customer experience, efficiency and sustainable revenue	**227**	251	228	(9.6)	(0.4)
Total investment spend	**644**	744	649	(13.4)	(0.8)

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 $644 million for the March 2023 half year.

March 2023 v March 2022

Investment spend decreased by $5 million or 0.8%. The decrease was driven by reduced spend and timing of cloud migration, partially offset by an increase in financial crime capabilities.

Investment in **infrastructure** initiatives decreased by $37 million or 16.4%. The decrease was driven by reduced spend and timing of cloud migration.

Investment in **compliance and risk** initiatives increased by $33 million or 16.9%. The increase was driven by investment in financial crime capabilities to meet regulatory commitments, strengthening controls and managing risk across the Group.

Investment in **customer experience, efficiency and sustainable revenue** initiatives decreased by $1 million or 0.4%. There is increased investment in business lending capabilities, partially offset by the non-repeat of spend on NAB Europe.

March 2023 v September 2022

Investment spend decreased by $100 million or 13.4%. The decrease was driven by lower spend across cloud migration and timing of branch network transformation.

Investment in **infrastructure** initiatives decreased by $100 million or 34.6%. The decrease was driven by reduced spend across cloud migration and the timing of spend in branch network transformation.

Investment in **compliance and risk** initiatives increased by $24 million or 11.8%. The increase was driven by investment in financial crime capabilities to meet regulatory commitments, including strengthening controls and processes in onboarding.

Investment in **customer experience, efficiency and sustainable revenue** initiatives decreased by $24 million or 9.6% due to timing, partially offset by increased spend by BNZ and in digitisation.

Taxation

	Half Year to				
	Mar 23	Sep 22	Mar 22	Mar 23 v Sep 22	Mar 23 v Mar 22
Income tax expense ($m)	**1,645**	1,410	1,383	16.7%	18.9%
Effective tax rate (%)	**28.8**	28.0	28.4	80 bps	40 bps

March 2023 v March 2022

Cash earnings income tax expense increased by $262 million or 18.9% mainly due to higher cash earnings before tax.

The **cash earnings effective tax rate** increased by 40 basis points to 28.8% predominantly due to an increase in the amount of non-deductible interest on convertible instruments.

March 2023 v September 2022

Cash earnings income tax expense increased by $235 million or 16.7% mainly due to higher cash earnings before tax.

The **cash earnings effective tax rate** increased by 80 basis points to 28.8% due to:

- An increase in the amount of non-deductible interest on convertible instruments.
- A decrease in the net earnings of the concessionally taxed offshore banking unit.
- The non-recurrence of a prior period benefit from the recognition of a deferred tax asset for UK tax losses.

Lending

	As at				
	31 Mar 23 $bn	30 Sep 22 $bn	31 Mar 22 $bn	Mar 23 v Sep 22 %	Mar 23 v Mar 22 %
Housing					
Business and Private Banking	**105.6**	100.1	94.9	5.5	11.3
Personal Banking	**229.4**	230.5	218.3	(0.5)	5.1
Corporate and Institutional Banking	**-**	-	0.1	-	large
New Zealand Banking	**52.8**	48.3	50.6	9.3	4.3
Corporate Functions and Other	**11.4**	10.2	9.9	11.8	15.2
Total housing	**399.2**	389.1	373.8	2.6	6.8
Non-housing					
Business and Private Banking	**140.7**	135.9	127.9	3.5	10.0
Personal Banking	**9.0**	8.5	4.4	5.9	large
Corporate and Institutional Banking	**109.3**	114.8	113.0	(4.8)	(3.3)
New Zealand Banking	**42.3**	39.4	40.5	7.4	4.4
Corporate Functions and Other	**-**	-	0.1	-	large
Total non-housing	**301.3**	298.6	285.9	0.9	5.4
Gross loans and advances	**700.5**	687.7	659.7	1.9	6.2

March 2023 v March 2022

Lending increased by $40.8 billion or 6.2% including an increase of $3.8 billion driven by exchange rate movements.

Housing lending increased by $25.4 billion or 6.8% mainly due to:

- An increase of $11.1 billion or 5.1% in Personal Banking. Excluding the impact of the acquisition of the Citi consumer business, housing lending increased by $2.1 billion or 1.0% driven by growth in owner occupier lending.
- An increase of $10.7 billion or 11.3% in Business and Private Banking due to growth in both owner occupier and investor lending.
- An increase of $2.2 billion or 4.3% in New Zealand Banking, including an increase of $0.4 billion driven by exchange rate movements. The underlying increase of $1.8 billion reflects lending growth in both proprietary and broker channels.
- An increase of $1.5 billion or 15.2% in Corporate Functions and Other reflecting growth in ubank.

Non-housing lending increased by $15.4 billion or 5.4% mainly due to:

- An increase of $12.8 billion or 10.0% in Business and Private Banking driven by growth in business lending across a broad range of sectors.
- An increase of $4.6 billion in Personal Banking driven by growth in unsecured lending. This includes the impact of the acquisition of the Citi consumer business of $3.8 billion.
- An increase of $1.8 billion or 4.4% in New Zealand Banking, including an increase of $0.3 billion driven by exchange rate movements. The underlying increase of $1.5 billion was driven by growth in both SME and corporate and institutional business lending.
- A decrease of $3.7 billion or 3.3% in Corporate and Institutional Banking, including an increase of $3.1 billion driven by exchange rate movements. The underlying decrease of $6.8 billion with key drivers including lower funds lending.

March 2023 v September 2022

Lending increased by $12.8 billion or 1.9% including an increase of $5.6 billion driven by exchange rate movements.

Housing lending increased by $10.1 billion or 2.6% mainly due to:

- An increase of $5.5 billion or 5.5% in Business and Private Banking due to growth in both owner occupier and investor lending.
- An increase of $4.5 billion or 9.3% in New Zealand Banking, including an increase of $3.1 billion driven by exchange rate movements. The underlying increase of $1.4 billion reflects lending growth in both proprietary and broker channels.
- An increase of $1.2 billion or 11.8% in Corporate Functions and Other reflecting growth in ubank.
- A decrease of $1.1 billion or 0.5% in Personal Banking due to a decrease in the Citi consumer business and disciplined portfolio management in a challenging environment.

Non-housing lending increased by $2.7 billion or 0.9% mainly due to:

- An increase of $4.8 billion or 3.5% in Business and Private Banking driven by growth in business lending across a broad range of sectors.
- An increase of $2.9 billion or 7.4% in New Zealand Banking, including an increase of $2.5 billion driven by exchange rate movements. The underlying increase of $0.4 billion was driven by growth in predominantly agriculture business lending.
- An increase of $0.5 billion or 5.9% in Personal Banking driven by growth in unsecured lending.
- A decrease of $5.5 billion or 4.8% in Corporate and Institutional Banking with key drivers including lower funds and securitisation lending.

Goodwill and other intangible assets

Goodwill

Goodwill was flat compared to the September 2022 half year. Goodwill increased by $125 million compared to the March 2022 half year as a result of the acquisition of the Citi consumer business and the acquisition of Lantern Claims Pty Ltd, a company that operates the digital health claiming technology business LanternPay (LanternPay).

The movement in goodwill is as follows:

	Half Year to		
	Mar 23	Sep 22	Mar 22
	$m	$m	$m
Balance at beginning of period	**2,089**	1,964	1,964
Additions from business combinations	**-**	125	-
Goodwill	**2,089**	2,089	1,964

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 23	Sep 22	Mar 22
	$m	$m	$m
Balance at beginning of period	**2,382**	2,197	2,133
Additions from business combinations	**-**	40	-
Additions	**414**	447	319
Disposals and write-offs	**(9)**	(22)	(1)
Amortisation	**(291)**	(290)	(248)
Foreign currency translation adjustments	**22**	10	(6)
Capitalised software	**2,518**	2,382	2,197

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

- Additions from business combinations represents the fair value of software acquired as part of the LanternPay acquisition in Business and Private Bank in the September 2022 half year.
- Additions includes *Investment spend* on page 21 and $37 million (September 2022: $23 million, March 2022: $nil) 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 23	Sep 22	Mar 22
	$m	$m	$m
Balance at beginning of period	**181**	16	16
Additions from business combinations	**-**	171	-
Amortisation	**(10)**	(6)	-
Other intangible assets	**171**	181	16

Additions from business combinations increased by $171 million compared to the March 2022 half year as a result of the acquisition of the Citi consumer business.

Customer deposits

	As at				
	31 Mar 23 $bn	30 Sep 22 $bn	31 Mar 22 $bn	Mar 23 v Sep 22 %	Mar 23 v Mar 22 %
Business and Private Banking	**201.4**	191.3	184.0	5.3	9.5
Personal Banking	**147.4**	148.1	133.3	(0.5)	10.6
Corporate and Institutional Banking	**137.5**	146.2	128.1	(6.0)	7.3
New Zealand Banking	**69.0**	63.6	66.9	8.5	3.1
Corporate Functions and Other	**19.6**	17.5	18.1	12.0	8.3
Total customer deposits	**574.9**	566.7	530.4	1.4	8.4

March 2023 v March 2022

Customer deposits increased by $44.5 billion or 8.4% primarily due to growth in term deposits, partially offset by a decline in on-demand accounts. This also includes an increase of $1.7 billion driven by exchange rate movements. The increase is due to:

- An increase of $17.4 billion or 9.5% in Business and Private Banking driven by growth in term deposits of $27.2 billion, partially offset by reduction in on-demand deposits of $7.5 billion and non-interest bearing accounts of $2.3 billion.
- An increase of $14.1 billion or 10.6% in Personal Banking driven by growth in term deposits of $14.1 billion and non-interest bearing accounts of $1.5 billion, partially offset by reduction in on-demand deposits of $1.5 billion. This includes the impact of the acquisition of the Citi consumer business of $9.5 billion.
- An increase of $9.4 billion or 7.3% in Corporate and Institutional Banking, including an increase of $1.0 billion driven by exchange rate movements. The underlying increase of $8.4 billion was driven by an increase in term deposits of $13.2 billion partially offset by a decrease in on-demand deposits of $4.8 billion.
- An increase of $2.1 billion or 3.1% in New Zealand Banking, including an increase of $0.5 billion driven by exchange rate movements. The underlying increase of $1.6 billion was driven by growth in term deposits of $4.6 billion, and non-interest bearing accounts of $1.6 billion, partially offset by a reduction in on-demand deposits of $4.6 billion.
- An increase of $1.5 billion or 8.3% in Corporate Functions and Other, including an increase of $0.2 billion in Treasury driven by exchange rate movements. The underlying increase of $1.3 billion was primarily driven by an increase of $0.7 billion in ubank, comprising an increase in on-demand deposits and non-interest bearing accounts of $4.4 billion, partially offset by a reduction of $3.7 billion primarily relating to balances transferred to other segments of the Group as a result of ubank's product offering simplification. A further increase of $0.6 billion in wholesale deposits reflected Treasury funding and liquidity management activities.

March 2023 v September 2022

Customer deposits increased by $8.2 billion or 1.4% due to growth in term deposits, partially offset by a decline in on-demand and non-interest bearing accounts. This also includes an increase of $4.3 billion driven by exchange rate movements. The increase is due to:

- An increase of $10.1 billion or 5.3% in Business and Private Banking driven by growth in term deposits of $13.8 billion, partially offset by reduction in non-interest bearing accounts of $3.4 billion and on-demand deposits of $0.3 billion.
- An increase of $5.4 billion or 8.5% in New Zealand Banking, including an increase of $4.1 billion driven by exchange rate movements. The underlying increase of $1.3 billion was driven by growth in term deposits of $2.3 billion and non-interest bearing accounts of $2.0 billion, partially offset by a reduction in on-demand deposits of $3.0 billion.
- An increase of $2.1 billion or 12.0% in Corporate Functions and Other, primarily driven by an increase in wholesale deposits of $1.3 billion reflecting Treasury funding and liquidity management activities. A further increase of $0.8 billion in ubank was driven by an increase in on-demand deposits and non-interest bearing accounts of $2.6 billion, partially offset by a reduction of $1.8 billion primarily relating to balances transferred to other segments of the Group as a result of ubank's product offering simplification.
- A decrease of $0.7 billion or 0.5% in Personal Banking driven by reduction in on-demand deposits of $4.8 billion and non-interest bearing accounts of $1.2 billion, partially offset by growth in term deposits of $5.3 billion.
- A decrease of $8.7 billion or 6.0% in Corporate and Institutional Banking, including an increase of $0.2 billion driven by exchange rate movements. The underlying decrease of $8.9 billion was primarily driven by a decrease in on demand deposits.

Asset quality

Credit impairment charge

	Half Year to				
	Mar 23 $m	Sep 22 $m	Mar 22 $m	Mar 23 v Sep 22 %	Mar 23 v Mar 22 %
Specific credit impairment charge - new and increased	**281**	209	193	34.4	45.6
Specific credit impairment charge - write-backs	**(109)**	(78)	(83)	39.7	31.3
Specific credit impairment charge - recoveries	**(46)**	(43)	(27)	7.0	70.4
Specific credit impairment charge	**126**	88	83	43.2	51.8
Collective credit impairment charge / (write-back)	**267**	35	(81)	large	large
Total credit impairment charge / (write-back)	**393**	123	2	large	large

	Half Year to				
	Mar 23 %	Sep 22 %	Mar 22 %	Mar 23 v Sep 22	Mar 23 v Mar 22
Credit impairment charge / (write-back) to GLAs - annualised	**0.11**	0.04	-	7 bps	large
Net write-offs to GLAs - annualised[1]	**0.04**	0.05	0.04	(1 bp)	-

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

March 2023 v March 2022

Credit impairment charge increased by $391 million including a net $135 million decrease in charges for forward looking provisions. Excluding forward looking provisions, underlying charges have increased by $526 million driven by a higher level of collective provision charges for the Australian lending portfolio.

Specific credit impairment charge increased by $43 million or 51.8% driven by a modest increase in Business and Private Banking off a low base, due to a small number of individual impairments.

Collective credit impairment charge increased by $348 million driven by:

- Higher level of charges for the Australian mortgage portfolio with a $149 million increase from the shift from rising house prices in the prior period to falling house prices in the current period, combined with increases in early arrears in the current period compared to improved delinquencies in the prior period.
- Higher level of charges for the Australian business lending portfolio due to updated methodology in Business and Private Banking combined with the non-recurrence of releases in the prior period.
- Higher level of charges for the Australian unsecured retail portfolio due volume growth and a modest increase in delinquencies off a low base.

This was partially offset by a lower level of charges ($107 million) for the forward looking economic adjustment.

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

March 2023 v September 2022

Credit impairment charge increased by $270 million including a net $5 million increase in charges for forward looking provisions. Excluding forward looking provisions, underlying charges have increased by $265 million driven by a higher level of collective provision charges for the Australian lending portfolio.

Specific credit impairment charge increased by $38 million or 43.2% driven by a modest increase in Business and Private Banking off a low base, due to a small number of individual impairments.

Collective credit impairment charge increased by $232 million driven by:

- Higher level of charges for the Australian mortgage portfolio with a $95 million increase from the shift from rising house prices in the prior period to falling house prices in the current period, combined with an increase in early arrears.
- Higher level of charges for the Australian business lending portfolio due to updated methodology in Business and Private Banking combined with the non-recurrence of releases in the prior period.
- Higher level of charges for the Australian unsecured retail portfolio due to volume growth and a modest increase in delinquencies off a low base.
- A lower level of net releases ($5 million) of forward looking provisions with a lower level of net releases for forward looking adjustments (FLAs) raised for targeted sectors ($98 million), partially offset by a lower level of charges for the forward looking economic adjustment ($93 million).

The Group ratio of **net write-offs to GLAs** decreased by 1 basis point to 0.04% due to a lower level of write-off activity for the Group's business lending portfolio.

Provision for credit impairment

	As at				
	31 Mar 23 $m	30 Sep 22 $m	31 Mar 22 $m	Mar 23 v Sep 22 %	Mar 23 v Mar 22 %
Collective provision on loans at amortised cost	**4,849**	4,541	4,423	6.8	9.6
Collective provision on loans at fair value	**32**	33	38	(3.0)	(15.8)
Collective provision on derivatives at fair value	**175**	252	173	(30.6)	1.2
Total collective provision for credit impairment	**5,056**	4,826	4,634	4.8	9.1
Total specific provision for credit impairment(1)	**521**	531	622	(1.9)	(16.2)
Total provision for credit impairment	**5,577**	5,357	5,256	4.1	6.1

	As at				
	31 Mar 23 %	30 Sep 22 %	31 Mar 22 %	Mar 23 v Sep 22	Mar 23 v Mar 22
Total provision to GLAs	**0.80**	0.78	0.80	2 bps	-
Total provision to credit risk-weighted assets	**1.57**	1.46	1.48	11 bps	9 bps
Total provision to net write-offs - annualised(2)	**1,986**	1,835	2,184	large	large
Specific provision to gross impaired assets	**42.9**	51.6	54.9	(870 bps)	large
Collective provision to credit risk-weighted assets	**1.42**	1.31	1.31	11 bps	11 bps
Collective provision to GLAs	**0.72**	0.70	0.70	2 bps	2 bps

(1) Includes $nil million (September 2022: $16 million, March 2022: $18 million) of specific provision on loans at fair value.
(2) Net write-offs include net write-offs of loans at fair value.

March 2023 v March 2022

Provisions for credit impairment increased by $321 million or 6.1% to $5,577 million.

Specific provisions decreased by $101 million or 16.2% mainly due to work-outs for a small number of larger exposures in the business lending portfolio in Australia and New Zealand, partially offset by new and increased specific provisions raised.

Collective provisions increased by $422 million or 9.1%. This was mainly due to:

- An increase in collective provisions held for the Australian retail portfolio due to the acquisition of the Citi consumer business and the impact of house price declines.
- An increase in collective provisions held for the Australian business lending portfolio due to volume growth and updated methodology in Business and Private Banking.

This was partially offset by a decrease of $137 million in net forward looking provisions with a net $281 million release of FLAs raised for targeted sectors, partially offset by an increase in the forward looking economic adjustment of $144 million.

The **collective provision to credit risk-weighted assets** ratio increased by 11 basis points to 1.42% including 7 basis points due to a reduction in credit risk-weighted assets as a result of the implementation of the revised capital framework from 1 January 2023.

March 2023 v September 2022

Provisions for credit impairment increased by $220 million or 4.1% to $5,577 million.

Specific provisions decreased by $10 million or 1.9% mainly due to work-outs for a small number of larger exposures in the business lending portfolio in Australia and New Zealand, partially offset by new and increased specific provisions raised.

Collective provisions increased by $230 million or 4.8%. This was mainly due to:

- An increase in collective provisions held for the Australian mortgage portfolio due to the impact of house price declines and an increase in early arrears.
- An increase in collective provisions held for the Australian business lending portfolio due to volume growth and updated methodology in Business and Private Banking.

This was partially offset by:

- A decrease of $91 million in net collective provision FLAs raised for targeted sectors.
- A decrease in collective provisions held for the derivatives portfolio.

The **collective provision to credit risk-weighted assets** ratio increased by 11 basis points to 1.42% including 7 basis points due to a reduction in credit risk-weighted assets as a result of the implementation of the revised capital framework from 1 January 2023.

Non-performing exposures

	As at				
	31 Mar 23 $m	30 Sep 22 $m	31 Mar 22 $m	Mar 23 v Sep 22 %	Mar 23 v Mar 22 %
90+ DPD assets	**3,409**	3,481	3,822	(2.1)	(10.8)
Gross impaired assets	**1,215**	1,029	1,134	18.1	7.1
90+ DPD and gross impaired assets	**4,624**	4,510	4,956	2.5	(6.7)
Default <90 DPD but not impaired assets	**2,104**	1,993	1,527	5.6	37.8
Non-performing exposures[(1)(2)]	**6,728**	6,503	6,483	3.5	3.8

	As at				
	31 Mar 23 %	30 Sep 22 %	31 Mar 22 %	Mar 23 v Sep 22	Mar 23 v Mar 22
90+ DPD assets to GLAs	**0.49**	0.51	0.58	(2 bps)	(9 bps)
Gross impaired assets to GLAs	**0.17**	0.15	0.17	2 bps	-
90+ DPD and gross impaired assets to GLAs	**0.66**	0.66	0.75	-	(9 bps)
Default <90 DPD but not impaired assets to GLAs	**0.30**	0.29	0.23	1 bp	7 bps
Non-performing exposures to GLAs	**0.96**	0.95	0.98	1 bp	(2 bps)

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

March 2023 v March 2022

The Group ratio of **90+ DPD assets to GLAs** decreased by 9 basis points to 0.49%. This was primarily due to improved delinquencies across the Australian mortgage portfolio, partially offset by an increase in the business lending portfolio in both Business and Private Banking and New Zealand Banking.

The Group ratio of **gross impaired assets to GLAs** is flat at 0.17%. This was primarily driven by the restructure of a number of customers affected by recent severe weather events in New Zealand offset by work-outs in the Business and Private Banking business lending portfolio and a reduction in impaired assets for the Australian mortgage portfolio.

The Group ratio of **default <90 DPD but not impaired assets to GLAs** increased by 7 basis points to 0.30%, primarily due to the impact of regulatory changes during the September 2022 half year that required an extension to the period over which exposures remain classified as non-performing before they can be reclassified to performing.

March 2023 v September 2022

The Group ratio of **90+ DPD assets to GLAs** decreased by 2 basis points to 0.49%. This was primarily due to improved delinquencies across the Australian mortgage portfolio, partially offset by an increase in the Business and Private Banking business lending portfolio.

The Group ratio of **gross impaired assets to GLAs** increased by 2 basis points to 0.17%. This was primarily driven by the restructure of a number of customers affected by recent severe weather events in New Zealand. This was partially offset by work-outs for a small number of large exposures in Corporate and Institutional Banking and a reduction in impaired assets for the Australian mortgage portfolio.

The Group ratio of **default <90 DPD but not impaired assets to GLAs** increased by 1 basis point to 0.30%. This was primarily driven by an increase across the Business and Private Banking business lending portfolio.

Capital management and funding

Balance sheet management overview and regulatory reform

Balance sheet management overview

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

Regulatory reform

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

Revisions to the capital framework

- APRA's prudential standards for the revised capital framework came into effect on 1 January 2023. APRA's revisions to the framework include:
  - Improving flexibility via increasing regulatory capital buffers.
  - Implementing more risk-sensitive risk-weights.
  - Introducing a capital floor for IRB ADIs.
  - Improving transparency and comparability through the disclosure of risk-weighted assets (RWA) under the standardised approach.
- The Group has applied APS 115 *Capital Adequacy: Standardised Measurement Approach to Operational Risk* from 1 January 2022.
- APRA's revised leverage ratio exposure measurement methodology came into effect on 1 January 2023, as did the minimum leverage ratio requirement of 3.5% for IRB ADIs. The 31 March 2023 leverage ratio of 5.1% is in accordance with the revised methodology.
- APRA has announced its intention to finalise APS 117 *Capital Adequacy: Interest Rate Risk in the Banking Book* (IRRBB) by June 2023, taking effect from 1 January 2025.
- Following the APS 117 finalisation, APRA plans to consult on revisions to the market risk capital standards over 2024. This process will implement the Basel Committee on Banking Supervision's fundamental review of the trading book, effective from 2026.

Increased loss-absorbing capacity for ADIs

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

Reserve Bank of New Zealand capital review

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

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

Committed Liquidity Facility (CLF) reduction

The aggregate CLF was reduced to zero on 1 January 2023.

APRA post implementation review of liquidity requirements

APRA has undertaken a post implementation review (PIR) of Basel III liquidity reform across the industry. APRA expects to apply the feedback obtained through the PIR via a consultation process to review APS 210 *Liquidity* in 2023.

Further detail on the regulatory changes impacting the Group is outlined in the March 2023 Pillar 3 Report.

Capital management

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

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

On 28 February 2023, the Group completed the $2.5 billion on-market buy-back announced on 24 March 2022 and has bought back and cancelled 84,674,952 ordinary shares up to 31 March 2023, including 19,270,329 ordinary shares ($0.6 billion) in the March 2023 half year.

Pillar 3 disclosures

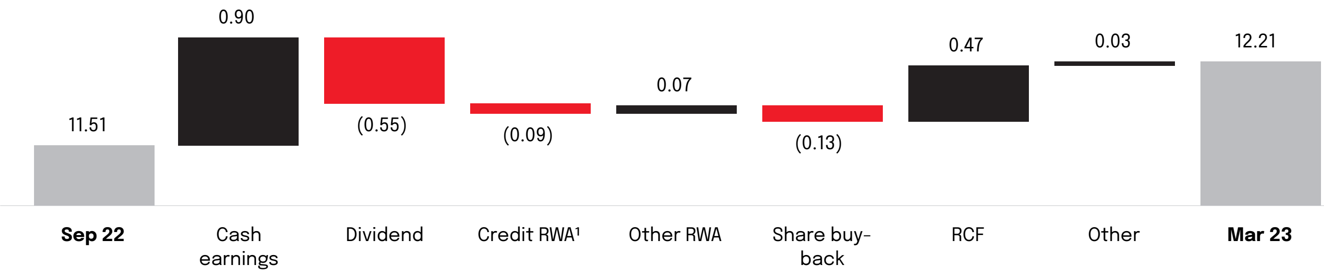
Further disclosures with respect to capital adequacy and risk management are included in the March 2023 Pillar 3 Report as required by APRA Prudential Standard APS 330 *Public Disclosure*.

Capital ratios

	As at				
	31 Mar 23 %	30 Sep 22 %	31 Mar 22 %	Mar 23 v Sep 22	Mar 23 v Mar 22
Capital ratios					
CET1	**12.21**	11.51	12.48	70 bps	(27 bps)
Tier 1	**13.89**	13.14	14.07	75 bps	(18 bps)
Total capital	**19.76**	18.17	18.55	159 bps	121 bps

	As at				
	31 Mar 23 $m	30 Sep 22 $m	31 Mar 22 $m	Mar 23 v Sep 22 %	Mar 23 v Mar 22 %
Risk-weighted assets					
Credit risk	**356,307**	367,261	355,102	(3.0)	0.3
Market risk	**8,496**	7,907	8,958	7.4	(5.2)
Operational risk	**41,178**	41,124	41,124	0.1	0.1
Interest rate risk in the banking book	**30,192**	33,626	26,756	(10.2)	12.8
Total risk-weighted assets	**436,173**	449,918	431,940	(3.1)	1.0

Movements in CET1 capital ratio



(1) Excludes foreign exchange (FX) translation

Capital movements during the March 2023 half year

The Group's CET1 capital ratio was 12.21% as at 31 March 2023. The key movements in capital over the March 2023 half year included:

- Cash earnings less the 2022 final dividend resulting in an increase of 35 basis points.
- An increase in credit RWA decreasing the CET1 capital ratio by 9 basis points, driven by:
  - Volume growth contributing to a decrease of 14 basis points.
  - Asset quality contributing to a decrease of 7 basis points.
  - Derivatives (excluding FX translation) contributing to an increase of 11 basis points.
  - Model and methodology changes, contributing to an increase of 1 basis point.
- A decrease in other (non-credit) RWA increasing the CET1 capital ratio by 7 basis points, driven mainly by:
  - Interest rate risk in the banking book contributing to an increase of 9 basis points.
  - Traded market risk contributing to a decrease of 2 basis points.
- The impact of $0.6 billion of the on-market buy-back completed in the March 2023 half year resulting in a decrease of 13 basis points.
- Implementation of the revised capital framework from 1 January 2023 contributing to an increase of 47 basis points.
- Other items decreasing the CET1 capital ratio by 3 basis points, mainly driven by a decrease in non-cash earnings and reserves, increase in software deduction, partially offset by net FX translation.

Dividend and Dividend Reinvestment Plan (DRP)

The interim dividend in respect of the March 2023 half year has been increased to 83 cents, 100% franked, payable on 5 July 2023.

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

The Group periodically adjusts its DRP to reflect its capital position and outlook. In respect of the interim dividend for the March 2023 half year, the DRP discount is nil, with no participation limit. The Group expects to satisfy the DRP in full by an on-market purchase of shares.

Tier 2 capital initiatives

The Group's Tier 2 capital initiatives during the March 2023 half year included the following:

- On 12 January 2023, NAB issued US$1.25 billion of Subordinated Notes.
- On 9 March 2023, NAB issued $1.25 billion of Subordinated Notes.
- On 20 March 2023, NAB issued a redemption notice to holders of SGD450 million of Subordinated Notes, to be redeemed on 19 May 2023.

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 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 2023, the Group's NSFR decreased to 117%, down 2% compared to 30 September 2022 with increases in required stable funding (RSF) from lending and the reduction in the CLF, exceeding increases in available stable funding (ASF) from capital and wholesale funding. The NSFR remains well above regulatory minimums.

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

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

Over the March 2023 half year, the SFI increased to 102% as the increase in lending assets was funded by term wholesale funding and deposits.

Group funding metrics

	As at		
	31 Mar 23	30 Sep 22	31 Mar 22
	%	%	%
CFI	**81**	81	80
TFI	**21**	20	21
SFI	**102**	101	101
NSFR	**117**	119	123

Term wholesale funding

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

In the March 2023 half year, NAB accessed term wholesale funding markets across a range of products and currencies against a backdrop of increased volatility driven by geopolitical events, elevated inflation, central bank actions and banking failures in the northern hemisphere.

The Group raised $21.4 billion[1] of term wholesale funding during the March 2023 half year. NAB raised $19.6 billion of term wholesale funding, including $3.1 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 2023 half year was approximately 4.7[2] years.

The weighted average remaining maturity of the Group's term wholesale funding portfolio is approximately 3.6[2] 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 23	30 Sep 22	31 Mar 22
	%	%	%
Senior unsecured	**61**	67	66
Subordinated debt	**14**	10	10
Covered bonds	**25**	19	24
RMBS	**-**	4	-
Total	**100**	100	100

Term wholesale funding issuance by currency

	As at		
	31 Mar 23	30 Sep 22	31 Mar 22
	%	%	%
USD	**53**	39	46
AUD	**28**	27	21
EUR	**11**	16	11
GBP	**-**	8	14
NZD	**3**	3	3
Other	**5**	7	5
Total	**100**	100	100

(1) Excludes RBNZ's Funding for Lending Programme (FLP).
(2) 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 2023 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 HQLA available to meet net cash outflows over a 30-day period during a severe liquidity stress scenario. HQLA consist of cash, central bank reserves along with highly rated government and central bank issuance.

In addition to HQLA, other regulatory liquid assets include the Alternative Liquid Assets (ALA). ALA are comprised of 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 2023 quarter was $202 billion and included $200 billion of HQLA and $2 billion of ALA, namely RBNZ securities.

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

Quarterly average net cash outflows

	Quarterly average		
	31 Mar 23 $bn	30 Sep 22 $bn	31 Mar 22 $bn
Liquidity Coverage Ratio(1)			
High-quality liquid assets	**200**	200	173
Alternative liquid assets	**2**	14	25
Total LCR liquid assets	**202**	214	199
Net cash outflows	**155**	163	155
Quarterly average LCR (%)	**130**	131	128

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

Credit ratings

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

National Australia Bank credit ratings

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

Half year results 2023

Business and Private Banking

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

	Half Year to				
	Mar 23 $m	Sep 22 $m	Mar 22 $m	Mar 23 v Sep 22 %	Mar 23 v Mar 22 %
Net interest income	**3,653**	3,242	2,832	12.7	29.0
Other operating income	**499**	479	483	4.2	3.3
Net operating income	**4,152**	3,721	3,315	11.6	25.2
Operating expenses	**(1,452)**	(1,369)	(1,295)	6.1	12.1
Underlying profit	**2,700**	2,352	2,020	14.8	33.7
Credit impairment (charge) / write-back	**(252)**	(87)	27	large	large
Cash earnings before income tax	**2,448**	2,265	2,047	8.1	19.6
Income tax expense	**(734)**	(681)	(618)	7.8	18.8
Cash earnings	**1,714**	1,584	1,429	8.2	19.9

Volumes ($bn)					
Housing lending	**105.6**	100.1	94.9	5.5	11.3
Business lending	**137.1**	132.2	124.3	3.7	10.3
Other lending	**3.6**	3.7	3.6	(2.7)	-
Gross loans and acceptances	**246.3**	236.0	222.8	4.4	10.5
Average interest earning assets	**223.9**	215.2	201.3	4.0	11.2
Total assets	**245.9**	235.3	222.2	4.5	10.7
Customer deposits	**201.4**	191.3	184.0	5.3	9.5
Total risk-weighted assets	**149.1**	142.2	135.6	4.9	10.0

	Half Year to				
	Mar 23	Sep 22	Mar 22	Mar 23 v Sep 22	Mar 23 v Mar 22
Performance Measures					
Cash earnings on average assets (%)	**1.43**	1.38	1.34	5 bps	9 bps
Cash earnings on average risk-weighted assets (%)	**2.35**	2.27	2.18	8 bps	17 bps
Net interest margin (%)	**3.27**	3.00	2.82	27 bps	45 bps
Cost to income ratio (%)	**35.0**	36.8	39.1	(180 bps)	(410 bps)
Funds under administration (spot) ($m)	**45,600**	41,601	42,820	9.6%	6.5%
Asset Quality (%)					
90+ DPD and gross impaired assets to GLAs	**0.87**	0.91	1.07	(4 bps)	(20 bps)
Credit impairment charge / (write-back) to GLAs - annualised	**0.21**	0.07	(0.02)	14 bps	23 bps

March 2023 v March 2022

Cash earnings increased by $285 million or 19.9%, driven by an increase in revenue, partially offset by higher credit impairment charges and higher operating expenses.

Key movements	Key drivers
Net interest income up $821m, 29.0%	• Net interest margin increased by 45 basis points due to higher earnings on deposits and capital driven by the rising interest rate environment. This was partially offset by higher funding costs and competitive pressures in the housing lending portfolio. • Average interest earning assets increased by $22.6 billion or 11.2% reflecting growth in both business lending and housing lending. • Customer deposits increased by $17.4 billion or 9.5% mainly driven by growth in term deposits.
Other operating income up $16m, 3.3%	• Higher fee income reflecting volume growth and increased fee collection across the business lending portfolio. • Partially offset by lower foreign exchange revenue.
Operating expenses up $157m, 12.1%	• Higher personnel costs driven primarily by salary increases, additional resources to support growth and continued investment in technology capabilities. • Partially offset by productivity benefits.
Credit impairment charge up $279m	• Higher level of collective provision charges due to updated methodology on the business lending portfolio and the impact of house price declines, combined with the non-recurrence of releases in the prior period. • Increase in specific provision charges of $43m primarily driven by 4 large individual impaired exposures. • 90+ DPD and gross impaired assets to GLAs decreased by 20 basis points to 0.87%. This was due to improved delinquencies across the housing lending and business lending portfolios.
Risk-weighted assets up $13.5bn, 10.0%	• Primarily driven by growth in business lending and housing lending volumes, partially offset by the implementation of the revised capital framework.

March 2023 v September 2022

Cash earnings increased by $130 million or 8.2%, driven by an increase in revenue, partially offset by higher credit impairment charges and higher operating expenses.

Key movements	Key drivers
Net interest income up $411m, 12.7%	• Net interest margin increased by 27 basis points, due to higher earnings on deposits and capital driven by the rising interest rate environment. This was partially offset by higher funding costs and competitive pressures in the housing lending portfolio. • Average interest earning assets increased by $8.7 billion or 4.0% reflecting growth in both business lending and in housing lending. • Customer deposits increased by $10.1 billion or 5.3% mainly driven by growth in term deposits.
Other operating income up $20m, 4.2%	• Higher fee income reflecting volume growth and increased fee collection across the business lending portfolio. • Higher foreign exchange and rates sales driven by increased customer hedging activity.
Operating expenses up $83m, 6.1%	• Higher personnel costs driven primarily by salary increases and continued investment in technology capabilities. • Partially offset by productivity benefits.
Credit impairment charge up $165m	• Higher level of collective provision charges due to updated methodology on the business lending portfolio and the impact of house price declines, combined with the non-recurrence of releases in the prior period. • Increase in specific provision charges of $38m primarily driven by 4 large individual impaired exposures. • 90+ DPD and gross impaired assets to GLAs decreased by 4 basis points to 0.87%. This was due to improved delinquencies across the housing lending portfolios, partially offset by an increase in the business lending portfolio.
Risk-weighted assets up $6.9bn, 4.9%	• Primarily driven by growth in business lending and housing lending volumes, partially offset by the implementation of the revised capital framework.

Personal Banking

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

	Half Year to				
	Mar 23 $m	Sep 22 $m	Mar 22 $m	Mar 23 v Sep 22 %	Mar 23 v Mar 22 %
Net interest income	**2,282**	2,124	1,931	7.4	18.2
Other operating income	**291**	277	247	5.1	17.8
Net operating income	**2,573**	2,401	2,178	7.2	18.1
Operating expenses	**(1,287)**	(1,233)	(1,078)	4.4	19.4
Underlying profit	**1,286**	1,168	1,100	10.1	16.9
Credit impairment (charge) / write-back	**(165)**	(21)	26	large	large
Cash earnings before income tax	**1,121**	1,147	1,126	(2.3)	(0.4)
Income tax expense	**(336)**	(344)	(338)	(2.3)	(0.6)
Cash earnings	**785**	803	788	(2.2)	(0.4)

	Mar 23	Sep 22	Mar 22	Mar 23 v Sep 22 %	Mar 23 v Mar 22 %
Volumes ($bn)					
Housing lending	**229.4**	230.5	218.3	(0.5)	5.1
Other lending	**9.0**	8.5	4.4	5.9	large
Gross loans and acceptances	**238.4**	239.0	222.7	(0.3)	7.0
Average interest earning assets	**219.7**	212.6	200.6	3.3	9.5
Total assets	**248.0**	244.8	229.1	1.3	8.2
Customer deposits	**147.4**	148.1	133.3	(0.5)	10.6
Total risk-weighted assets	**76.7**	84.2	77.3	(8.9)	(0.8)

	Half Year to				
	Mar 23 %	Sep 22 %	Mar 22 %	Mar 23 v Sep 22	Mar 23 v Mar 22
Performance Measures					
Cash earnings on average assets	**0.64**	0.67	0.70	(3 bps)	(6 bps)
Cash earnings on average risk-weighted assets	**1.92**	1.95	2.02	(3 bps)	(10 bps)
Net interest margin	**2.08**	1.99	1.93	9 bps	15 bps
Cost to income ratio	**50.0**	51.4	49.5	(140 bps)	50 bps

	Mar 23 %	Sep 22 %	Mar 22 %	Mar 23 v Sep 22	Mar 23 v Mar 22
Asset Quality					
90+ DPD and gross impaired assets to GLAs	**0.71**	0.73	0.94	(2 bps)	(23 bps)
Credit impairment charge / (write-back) to GLAs - annualised	**0.14**	0.02	(0.02)	12 bps	16 bps

March 2023 v March 2022

Cash earnings decreased by $3 million or 0.4%, driven by higher credit impairment charges and increase in operating expenses partially offset by higher revenue.

Key movements	Key drivers
Net interest income up $351m, 18.2% (ex Citi, up $182m, 9.4%)	• Net interest margin increased by 15 basis points. Excluding the Citi consumer business, net interest margin increased by 11 basis points, due to higher earnings on deposits and capital driven by the rising interest rate environment. This was partially offset by housing lending competitive pressures and higher funding costs. • Average interest earning assets increased by $19.1 billion or 9.5%, driven by growth in housing lending volumes. This includes the impact of the acquisition of the Citi consumer business of $11.8 billion. • Customer deposits increased by $14.1 billion or 10.6% driven by growth in term deposits and non-interest bearing accounts, partially offset by reduction in on-demand deposits. This includes the impact of the acquisition of the Citi consumer business of $9.5 billion.
Other operating income up $44m, 17.8% (ex Citi, down $7m, 2.8%)	• Lower lending fee income, partially offset by higher foreign exchange revenue.
Operating expenses up $209m, 19.4% (ex Citi, up $21m, 1.9%)	• Higher personnel costs driven primarily by salary increases and continued investment in technology capabilities. • Partially offset by productivity benefits.
Credit impairment charge up $191m	• Higher level of collective provision charges for the mortgage portfolio due to the shift from rising house prices in the prior period to falling house prices in the current period, combined with increases in early arrears in the current period compared to improved delinquencies in the prior period. Higher charges for the unsecured retail portfolio due to volume growth and a modest increase in delinquencies off a low base. • 90+ DPD and gross impaired assets to GLAs decreased 23 basis points to 0.71% primarily driven by a decrease in 90+ DPD assets for the mortgage portfolio due to improved delinquencies.
Risk-weighted assets down $0.6bn, 0.8% (ex Citi, down $10.9bn, 14.1%)	• Decrease in risk-weighted assets due to the implementation of the revised capital framework.

March 2023 v September 2022

Cash earnings decreased by $18 million or 2.2%, driven by higher credit impairment charges and increase in operating expenses, partially offset by higher revenue.

Key movements	Key drivers
Net interest income up $158m, 7.4%	• Net interest margin increased by 9 basis points, due to higher earnings on deposits and capital driven by the rising interest rate environment. This was partially offset by housing lending competitive pressures and higher funding costs impacting unsecured lending margin. • Average interest earning assets increased by $7.1 billion or 3.3% due to growth in housing lending volumes. • Customer deposits decreased by $0.7 billion or 0.5% driven by a reduction in on-demand deposits and non-interest bearing accounts, partially offset by growth in term deposits.
Other operating income up $14m, 5.1%	• Higher foreign exchange revenue, combined with higher cards net interchange income from a seasonal increase in spending volumes. • Partially offset by lower lending fee income.
Operating expenses up $54m, 4.4%	• Higher personnel costs driven primarily by salary increases and continued investment in technology capabilities. • Partially offset by productivity benefits.
Credit impairment charge up $144m	• Higher level of collective provision charges for the mortgage portfolio due to the shift from rising house prices in the prior period to falling house prices in the current period, combined with an increase in early arrears. Higher charges for the unsecured retail portfolio due to volume growth and a modest increase in delinquencies off a low base. • 90+ DPD and gross impaired assets to GLAs decreased 2 basis points to 0.71% primarily driven by a decrease in 90+ DPD assets for the mortgage portfolio due to improved delinquencies.
Risk-weighted assets down $7.5bn, 8.9%	• Decrease in risk-weighted assets due to the implementation of the revised capital framework, partially offset by an increase in early arrears.

Corporate and Institutional Banking

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

	Half Year to				
	Mar 23[1] $m	Sep 22 $m	Mar 22 $m	Mar 23 v Sep 22 %	Mar 23 v Mar 22 %
Net interest income	**1,119**	1,085	973	3.1	15.0
Other operating income	**875**	654	759	33.8	15.3
Net operating income	**1,994**	1,739	1,732	14.7	15.1
Operating expenses	**(722)**	(680)	(697)	6.2	3.6
Underlying profit	**1,272**	1,059	1,035	20.1	22.9
Credit impairment (charge) / write-back	**(25)**	7	19	large	large
Cash earnings before income tax	**1,247**	1,066	1,054	17.0	18.3
Income tax expense	**(307)**	(244)	(248)	25.8	23.8
Cash earnings	**940**	822	806	14.4	16.6

Net operating income[1]					
Lending and deposits income	**1,426**	1,322	1,225	7.9	16.4
Markets income (ex derivative valuation adjustments)	**376**	291	370	29.2	1.6
Derivative valuation adjustment[2]	**26**	(37)	(17)	large	large
Other income	**166**	163	154	1.8	7.8
Total net operating income	**1,994**	1,739	1,732	14.7	15.1

Volumes ($bn)[1]					
Business lending	**108.9**	114.4	112.7	(4.8)	(3.4)
Other lending	**0.4**	0.4	0.4	-	-
Gross loans and acceptances	**109.3**	114.8	113.1	(4.8)	(3.4)
Average interest earning assets	**262.4**	286.7	264.7	(8.5)	(0.9)
Total assets	**284.8**	348.0	304.0	(18.2)	(6.3)
Customer deposits	**137.5**	146.2	128.1	(6.0)	7.3
Total risk-weighted assets	**102.9**	117.8	116.3	(12.6)	(11.5)

	Half Year to				
	Mar 23 %	Sep 22 %	Mar 22 %	Mar 23 v Sep 22	Mar 23 v Mar 22
Performance Measures[1]					
Cash earnings on average assets	**0.61**	0.49	0.55	12 bps	6 bps
Cash earnings on average risk-weighted assets	**1.69**	1.40	1.34	29 bps	35 bps
Net interest margin	**0.86**	0.75	0.74	11 bps	12 bps
Net interest margin (ex Markets)	**1.98**	1.76	1.65	22 bps	33 bps
Cost to income ratio	**36.2**	39.1	40.2	(290 bps)	(400 bps)

Asset Quality[1]					
90+ DPD and gross impaired assets to GLAs	**0.15**	0.17	0.13	(2 bps)	2 bps
Credit impairment charge / (write-back) to GLAs - annualised	**0.05**	(0.01)	(0.03)	6 bps	8 bps

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

March 2023 v March 2022

Cash earnings increased by $134 million or 16.6%, driven by higher revenue from increased markets activity and rising interest rates, partially offset by an increase in credit impairment charge and operating expenses.

Key movements	Key drivers
Net interest income up $146m, 15.0%	• Includes a decrease of $69 million due to movements in economic hedges offset in other operating income. • Underlying increase of $215 million primarily due to higher net interest margins, higher lending and deposits average volumes partially offset by lower Markets risk management income and the transfer of the New Zealand liquidity management portfolio to the New Zealand Banking division. • Net interest margin (ex Markets) increased by 33 basis points to 1.98% due to higher earnings on deposits and capital driven by the rising interest rate environment, partially offset by higher funding costs. • Gross loans and acceptances decreased by $3.8 billion or 3.4%. Underlying decrease of $6.9 billion excluding exchange rate movements with key drivers including lower funds lending. • Customer deposits increased by $9.4 billion or 7.3%. Underlying increase of $8.4 billion excluding exchange rate movements was driven by an increase in term deposits of $13.2 billion partially offset by a decrease in on-demand deposits of $4.8 billion.
Other operating income up $116m, 15.3%	• Includes an increase of $69 million due to movements in economic hedges, offset in net interest income. • Underlying increase of $47 million due to higher Markets risk management income, partially offset by lower fee income.
Operating expenses up $25m, 3.6%	• Higher personnel costs driven primarily by salary increases combined with continued investment in technology capabilities. • Partially offset by productivity benefits.
Credit impairment charge up $44m	• The charge increase is primarily due to lower collective provision write-backs partially offset by lower specific provision charge for the impairment of a small number of larger exposures.
Risk-weighted assets down $13.4bn, 11.5%	• Decrease in risk-weighted assets due to the implementation of the revised capital framework and reduction in lending volumes.

March 2023 v September 2022

Cash earnings increased by $118 million or 14.4%, driven by higher revenue from increased markets activity and rising interest rates, partially offset by an increase in credit impairment charge and operating expenses.

Key movements	Key drivers
Net interest income up $34m, 3.1%	• Includes a decrease of $18 million due to movements in economic hedges offset in other operating income. • Underlying increase of $52 million primarily due to higher net interest margins partially offset by lower Markets risk management income and the transfer of the New Zealand liquidity management portfolio to the New Zealand Banking division. • Net interest margin (ex Markets) increased 22 basis points to 1.98% due to higher earnings on deposits and capital driven by the rising interest rate environment, partially offset by higher funding costs. • Gross loans and acceptances decreased by $5.5 billion or 4.8% with key drivers including lower funds and securitisation lending. • Customer deposits decreased by $8.7 billion or 6.0%. The underlying decrease of $8.9 billion excluding exchange rate movements was primarily driven by a decrease in on-demand deposits.
Other operating income up $221m, 33.8%	• Includes an increase of $18 million due to movements in economic hedges, offset in net interest income. • Underlying increase of $203 million due to higher Markets risk management income.
Operating expenses up $42m, 6.2%	• Higher personnel costs driven primarily by salary increases combined with continued investment in technology capabilities. • Partially offset by productivity benefits.
Credit impairment charge up $32m	• The charge increase is primarily due to lower collective provision write-backs and higher collective provision charges.
Risk-weighted assets down $14.9bn, 12.6%	• Decrease in risk-weighted assets due to the implementation of the revised capital framework and reduction in lending volumes.

New Zealand Banking

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

Results presented in New Zealand dollars. See page 42 for results in Australian dollars and page 99 for foreign exchange rates.

	Half Year to				
	Mar 23[1]	**Sep 22**	**Mar 22**	**Mar 23 v**	**Mar 23 v**
	$m	**$m**	**$m**	**Sep 22 %**	**Mar 22 %**
Net interest income	**1,436**	1,314	1,180	9.3	21.7
Other operating income	**297**	280	281	6.1	5.7
Net operating income	**1,733**	1,594	1,461	8.7	18.6
Operating expenses	**(566)**	(543)	(510)	4.2	11.0
Underlying profit	**1,167**	1,051	951	11.0	22.7
Credit impairment charge	**(21)**	(30)	(20)	(30.0)	5.0
Cash earnings before income tax	**1,146**	1,021	931	12.2	23.1
Income tax expense	**(321)**	(286)	(263)	12.2	22.1
Cash earnings	**825**	735	668	12.2	23.5

Volumes ($bn)[1]					
Housing lending	**56.4**	54.8	54.5	2.9	3.5
Business lending	**44.3**	44.0	42.8	0.7	3.5
Other lending	**0.9**	0.9	0.8	-	12.5
Gross loans and acceptances	**101.6**	99.7	98.1	1.9	3.6
Average interest earning assets	**121.9**	101.8	99.5	19.7	22.5
Total assets	**123.2**	105.9	104.5	16.3	17.9
Customer deposits	**73.7**	72.3	72.0	1.9	2.4
Total risk-weighted assets	**65.0**	63.4	63.6	2.5	2.2

	Half Year to				
	Mar 23	**Sep 22**	**Mar 22**	**Mar 23 v**	**Mar 23 v**
	%	%	%	**Sep 22**	**Mar 22**
Performance Measures[1]					
Cash earnings on average assets	**1.32**	1.40	1.30	(8 bps)	2 bps
Cash earnings on average risk-weighted assets	**2.59**	2.31	2.10	28 bps	49 bps
Net interest margin	**2.36**	2.57	2.38	(21 bps)	(2 bps)
Cost to income ratio	**32.7**	34.1	34.9	(140 bps)	(220 bps)

Asset Quality[1]					
90+ DPD and gross impaired assets to GLAs	**0.64**	0.43	0.34	21 bps	30 bps
Credit impairment charge to GLAs - annualised	**0.04**	0.06	0.04	(2 bps)	-

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

March 2023 v March 2022

Cash earnings increased by $157 million or 23.5%. Excluding the New Zealand liquidity management portfolio, cash earnings increased by $133 million or 19.9%, driven by higher revenue, partially offset by higher operating expenses and higher credit impairment charges.

Key movements	Key drivers
Net interest income up $256m, 21.7%	• Net interest margin decreased by 2 basis points. Excluding the impact of the transfer of the New Zealand liquidity management portfolio from Corporate and Institutional Banking, net interest margin increased by 34 basis points. This increase was due to higher earnings on deposits and capital driven by the rising interest rate environment, partially offset by housing lending competitive pressures and increased funding costs driven by deposit mix. • Average interest earning assets increased by $22.4 billion or 22.5%. Excluding the impact of the transfer of the New Zealand liquidity management portfolio from Corporate and Institutional Banking, average interest earning assets increased by $4.0 billion or 4.0%, driven by growth in housing lending and business lending. • Customer deposits increased by $1.7 billion or 2.4% driven by growth in term deposits of $4.9 billion and non-interest bearing accounts of $1.8 billion, partially offset by a decrease in on-demand deposits of $5.0 billion.
Other operating income up $16m, 5.7%	• Excluding the impact of the transfer of the New Zealand liquidity management portfolio from Corporate and Institutional Banking, other operating income decreased by $16 million due to lower insurance revenue from the sale of the BNZ Life on 30 September 2022. This was partially offset by higher sales of customer risk management products and higher lending fees due to an increase in business lending activity.
Operating expenses up $56m, 11.0%	• Increased spend on additional bankers and resources to support customers and compliance obligations, higher software amortisation expense, combined with salary increases. • Partially offset by productivity benefits and the sale of BNZ Life on 30 September 2022.
Credit impairment charge up $1m, 5.0%	• Higher collective provision charges partially offset by lower specific provision charges due to a write-back for a small number of large corporate exposures. • 90+ DPD and gross impaired assets to GLAs increased by 30 basis points due to customers affected by severe weather events whose loans have been classified as "restructured loans" in accordance with APS220 *Credit Risk Management*, combined with higher 90+ DPD across home lending and non-retail portfolios.
Total risk-weighted assets up $1.4bn, 2.2%	• Increase driven by the revised capital framework, and growth in both housing and business lending.

March 2023 v September 2022

Cash earnings increased by $90 million or 12.2%. Excluding the New Zealand liquidity management portfolio, cash earnings increased by $66 million or 9.0%, driven by higher revenue and lower credit impairment charges, partially offset by higher operating expenses.

Key movements	Key drivers
Net interest income up $122m, 9.3%	• Net interest margin decreased by 21 basis points. Excluding the impact of the transfer of the New Zealand liquidity management portfolio from Corporate and Institutional Banking, net interest margin increased by 17 basis points. This increase was due to higher earnings on deposits and capital driven by the rising interest rate environment, partially offset by housing lending competitive pressures and increased funding costs driven by deposit mix. • Average interest earning assets increased by $20.1 billion or 19.7%. Excluding the impact of the transfer of the New Zealand liquidity management portfolio from Corporate and Institutional Banking, average interest earning assets increased by $1.2 billion or 1.2%, driven by growth in housing lending and business lending. • Customer deposits increased by $1.4 billion or 1.9% driven by growth in non-interest bearing accounts of $2.2 billion and term deposits of $2.6 billion, partially offset by a decrease in on-demand deposits of $3.4 billion.
Other operating income up $17m, 6.1%	• Excluding the impact of the transfer of the New Zealand liquidity management portfolio from Corporate and Institutional Banking, other operating income decreased by $15 million due to lower insurance revenue from the sale of the BNZ Life on 30 September 2022. This was partially offset by higher sales of customer risk management products and higher lending fees due to an increase in business lending activity.
Operating expenses up $23m, 4.2%	• Increased spend on additional bankers and resources to support customers and compliance obligations, higher software amortisation expense, combined with salary increases. • Partially offset by productivity benefits and the sale of BNZ Life on 30 September 2022.
Credit impairment charge down $9m, 30.0%	• Higher collective provision charges partially offset by lower specific provision charges due to a write-back for a small number of large corporate exposures. • 90+ DPD and gross impaired assets to GLAs increased by 21 basis points due to customers affected by severe weather events whose loans have been classified as "restructured loans" in accordance with APS220 *Credit Risk Management*.
Total risk-weighted assets up $1.6bn, 2.5%	• Increase driven by the revised capital framework, and growth in both housing and business lending.

Appendix 4D
Half Year Results Summary
Group Highlights
Group Review
Divisional Review
Financial Report
Supplementary Information

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

	Half Year to				
	Mar 23[1]	Sep 22	Mar 22	Mar 23 v Sep 22	Mar 23 v Mar 22
	$m	$m	$m	%	%
Net interest income	**1,321**	1,188	1,114	11.2	18.6
Other operating income	**273**	253	265	7.9	3.0
Net operating income	**1,594**	1,441	1,379	10.6	15.6
Operating expenses	**(521)**	(490)	(481)	6.3	8.3
Underlying profit	**1,073**	951	898	12.8	19.5
Credit impairment charge	**(19)**	(28)	(19)	(32.1)	-
Cash earnings before income tax	**1,054**	923	879	14.2	19.9
Income tax expense	**(295)**	(258)	(249)	14.3	18.5
Cash earnings	**759**	665	630	14.1	20.5

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

Impact of foreign exchange rate movements

Favourable / (unfavourable)	Half Year since Sep 22	Mar 23 v Sep 22	Year since Mar 22	Mar 23 v Mar 22
31 March 2023	$m	ex FX %	$m	ex FX %
Net interest income	**24**	9.2	**(35)**	21.7
Other operating income	**4**	6.3	**(7)**	5.7
Operating expenses	**(9)**	4.5	**14**	11.2
Credit impairment charge	**-**	(32.1)	**-**	-
Income tax expense	**(5)**	12.4	**8**	21.7
Cash earnings	**14**	12.0	**(20)**	23.7

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.

	Half Year to				
	Mar 23	Sep 22	Mar 22	Mar 23 v Sep 22	Mar 23 v Mar 22
	$m	$m	$m	%	%
Net operating income	**216**	166	224	30.1	(3.6)
Operating expenses	**(439)**	(539)	(412)	(18.6)	6.6
Underlying loss	**(223)**	(373)	(188)	(40.2)	18.6
Total credit impairment (charge) / write-back	**68**	6	(55)	large	large
Cash loss before income tax	**(155)**	(367)	(243)	(57.8)	(36.2)
Income tax benefit	**27**	117	70	(76.9)	(61.4)
Cash loss	**(128)**	(250)	(173)	(48.8)	(26.0)

March 2023 v March 2022

Cash loss decreased by $45 million or 26.0% mainly due to lower credit impairment charges, partially offset by higher operating expenses and lower net operating income.

Key movements	Key drivers
Net operating income down $8m, 3.6%	• Includes a charge of $20 million for customer-related remediation in the March 2023 half year (March 2022 half year: $20 million). • Lower other income due to the non-recurrence of a one-off gain from payment systems merger in the March 2022 half year.
Operating expenses up $27m, 6.6%	• Includes customer-related remediation costs of $20 million in the March 2023 half year (March 2022 half year: $nil). • Includes $56 million in the March 2023 half year (March 2022 half year: $33 million) relating to costs of compliance activities under the terms of the EU with AUSTRAC. • Higher operating expenses partially offset by productivity benefits achieved through simplification of the Group's operations.
Credit impairment charge down $123m	• Lower level of charges for the forward looking economic adjustment, combined with a higher level of net releases of FLAs held for targeted sectors.

March 2023 v September 2022

Cash loss decreased by $122 million mainly due to lower operating expenses, lower credit impairment charges and higher net operating income.

Key movements	Key drivers
Net operating income up $50m, 30.1%	• Includes a charge of $20 million for customer-related remediation in the March 2023 half year (September 2022 half year: $48 million). • Higher NAB risk management income in Treasury.
Operating expenses down $100m, 18.6%	• Includes customer-related remediation costs of $20 million in the March 2023 half year (September 2022 half year: payroll remediation costs of $55 million and customer-related remediation costs of $45 million). • Includes $56 million in the March 2023 half year (September 2022 half year: $70 million) relating to costs of compliance activities under the terms of the EU with AUSTRAC.
Credit impairment charge down $62m	• Lower level of charges for the forward looking economic adjustment, partially offset by a lower level of net releases of FLAs held for targeted sectors.

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Half year results 2023

Report of the Directors

The Directors of National Australia Bank Limited (NAB) (ABN 12 004 044 937) present their report, together with the interim financial statements of NAB and its controlled entities (the Group) for the half year ended 31 March 2023.

Directors

Directors who held office during or since the end of the March 2023 half year are:

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

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

David Armstrong
Director since August 2014

Kathryn Fagg
Director since December 2019

Peeyush Gupta
Director since November 2014

Anne Loveridge
Director since December 2015

Douglas McKay
Director since February 2016

Simon McKeon
Director since February 2020

Ann Sherry
Director since November 2017

Rounding of Amounts

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

Significant Changes in the State of Affairs

On 28 February 2023, the Group completed the $2.5 billion buy-back announced in March 2022. This includes $0.6 billion of ordinary shares bought back and cancelled in the March 2023 half year.

On 21 March 2023, the Group announced long-serving Group Chief Financial Officer Gary Lennon will retire from NAB on 1 October 2023. Current Group Executive Strategy & Innovation Nathan Goonan will be appointed Group Chief Financial Officer in an expanded role, commencing 1 July 2023.

There have been no other significant changes in the Group's state of affairs during the March 2023 half year.

Review of operations and financial performance

	Half Year to	
	Mar 23	**Sep 22**
	$m	**$m**
Net interest income	**8,475**	7,764
Other income	**2,093**	1,735
Net operating income	**10,568**	9,499
Operating expenses	**(4,575)**	(4,630)
Credit impairment charge	**(409)**	(126)
Profit before income tax	**5,584**	4,743
Income tax expense	**(1,602)**	(1,254)
Net profit for the period from continuing operations	**3,982**	3,489
Net loss after tax for the period from discontinued operations	**(15)**	(149)
Net profit for the period attributable to owners of NAB	**3,967**	3,340

Net profit attributable to owners of NAB increased by $627 million or 18.8% compared to the September 2022 half year. Net profit from continuing operations increased by $493 million or 14.1% compared to the September 2022 half year primarily due to higher net operating income and lower operating expenses, partially offset by higher credit impairment charges.

Net interest income increased by $711 million or 9.2%. This includes a decrease of $112 million due to movements in economic hedges, offset in other operating income. Excluding these movements, the underlying increase of $823 million or 10.6% was primarily due to higher earnings on deposits and capital driven by the rising interest rate environment and higher average lending volumes. These movements were partially offset by lending margin compression driven primarily by competitive pressures in the housing lending portfolio, and higher wholesale funding costs.

Other income increased by $358 million or 20.6%. This includes an increase of $112 million due to movements in economic hedges, offset in net interest income. Excluding these movements, the underlying increase of $246 million or 14.2% was primarily due to higher NAB risk management income in Markets, combined with a positive derivative valuation adjustment.

Operating expenses decreased by $55 million or 1.2% primarily due to productivity benefits achieved through simplification of the Group's operations, lower remediation charges and lower costs associated with business acquisitions, disposals and business closures. This was partially offset by salary increases and continued investment in technology capabilities.

Credit impairment charge increased by $283 million including a net $5 million increase in charges for forward looking provisions. Excluding forward looking provisions, underlying charges have increased by $278 million driven by a higher level of collective provision charges for the Australian lending portfolio.

Discontinued operations primarily relate to costs associated with managing the run-off of the MLC Wealth retained entities. The September 2022 half year includes higher charges for customer-related and payroll remediation.

Review of divisional results

March 2023 v September 2022

Group

Net profit increased by $627 million or 18.8%.

Business and Private Banking

Net profit increased by $124 million or 7.8%, driven by an increase in revenue, partially offset by higher credit impairment charges and higher operating expenses.

Personal Banking

Net profit decreased by $39 million or 4.8%, driven by higher credit impairment charges and increase in operating expenses, partially offset by higher revenue.

Corporate and Institutional Banking

Net profit decreased by $16 million or 1.8%, driven by higher operating expenses and credit impairment charges partially offset by higher revenue.

New Zealand Banking

Net profit increased by $68 million or 10.0% driven by higher revenue and lower credit impairment charges, partially offset by higher operating expenses.

Corporate Functions and Other

Net loss decreased by $490 million, driven by lower operating expenses combined with higher NAB risk management income in Treasury and lower credit impairment charges, partially offset by the non-recurrence of a gain on the disposal of BNZ Life in the September 2022 half year.

Group balance sheet review

	As at	
	31 Mar 23 $m	**30 Sep 22 $m**
Assets		
Cash and liquid assets	**57,279**	56,451
Due from other banks	**138,679**	141,861
Collateral placed	**10,752**	13,115
Trading securities	**47,019**	40,573
Debt instruments	**45,555**	42,080
Other financial assets	**1,473**	2,061
Derivative assets	**32,133**	61,016
Loans and advances	**695,053**	680,434
All other assets	**20,345**	17,535
Total assets	**1,048,288**	1,055,126
Liabilities		
Due to other banks	**75,265**	74,679
Collateral received	**9,015**	17,245
Other financial liabilities	**26,430**	23,286
Derivative liabilities	**32,033**	57,486
Deposits and other borrowings	**689,020**	683,526
Bonds, notes and subordinated debt	**131,469**	119,283
Other debt issues	**7,322**	7,318
All other liabilities	**16,319**	13,271
Total liabilities	**986,873**	996,094
Total equity	**61,415**	59,032
Total liabilities and equity	**1,048,288**	1,055,126

Assets

Total assets decreased by $6,838 million or 0.6% compared to 30 September 2022. The key movements are as follows:

- Cash and liquid assets increased by $828 million or 1.5% predominantly due to an increase in reverse repurchase agreements with corporate counterparties and cash at bank.
- Due from other banks decreased by $3,182 million or 2.2% primarily due to a decrease in reverse repurchase agreements with other banks and the Exchange Settlement Account (ESA) balance with the RBA, partially offset by an increase in deposits with other central banks.
- Collateral placed decreased by $2,363 million or 18.0% as a result of a decrease in derivative liabilities.
- Trading securities increased by $6,446 million or 15.9% driven by an increase in government and semi-government bonds, notes and securities, partially offset by a decrease in corporate and financial institution bonds, notes and securities.
- Debt instruments increased by $3,475 million or 8.3% due to an increase in semi-government bonds held.
- Derivative assets decreased by $28,883 million or 47.3% predominantly driven by foreign exchange rate and interest rate movements during the period.
- Loans and advances increased by $14,619 million or 2.1% primarily due to growth in housing lending and appreciation of the New Zealand dollar against the Australian dollar.
- Other assets increased by $2,810 million or 16.0% primarily due to an increase in outstanding security settlements for securities sold.

Liabilities

Total liabilities decreased by $9,221 million or 0.9% compared to 30 September 2022. The key movements are as follows:

- Collateral received decreased by $8,230 million or 47.7% as a result of a decrease in derivative assets.
- Other financial liabilities increased by $3,144 million or 13.5% primarily due to an increase in trading and client driven positions in Markets.
- Derivative liabilities decreased by $25,453 million or 44.3% predominantly driven by foreign exchange rate and interest rate movements during the period.
- Deposits and other borrowings increased by $5,494 million or 0.8% mainly due to growth in customer deposits and appreciation of the New Zealand dollar against the Australian dollar, partially offset by a decrease in other borrowings in line with the Group's funding requirements.
- Bonds, notes, and subordinated debt increased by $12,186 million or 10.2% mainly driven by net new issuances in line with the Group's funding requirements.
- Other liabilities increased by $3,048 million or 23.0% primarily due to an increase in accrued interest payable and outstanding security settlements for securities purchased.

Equity

Total equity increased by $2,383 million or 4.0% compared to 30 September 2022. The key movements are as follows:

- Contributed equity decreased by $554 million or 1.4% mainly driven by share buy-backs during the period.
- Reserves increased by $1,451 million primarily due to movements in the cash flow hedge reserve and foreign currency translation reserve.

- Retained earnings increased by $1,486 million or 6.9% reflecting current period statutory profits, partially offset by dividends paid.

Safety and Security of NAB

The March 2023 half year saw increased volatility driven by geopolitical events, elevated inflation and central bank actions. The Group accessed domestic and offshore term wholesale funding markets across a range of products and currencies, with the balance sheet well placed to navigate the market turmoil that resulted from banking failures in the northern hemisphere in March 2023.

The Group continues to have a strong balance sheet, consistent with prioritising bank safety as a key pillar of the Group's strategic ambition. Inclusive of changes under the revised capital framework, the Group's March 2023 CET1 ratio of 12.21% remains above the target capital ratio range of 11-11.5%.

The Group maintained funding and liquidity metrics well above regulatory minimums throughout the March 2023 half year, and has fully phased out the CLF, as of 1 January 2023. The NSFR was 117% and the quarterly average LCR was 130%.

Economic Outlook

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

- The persistence of high inflation, and its implication for household incomes and the degree to which central banks tighten monetary policy
- The impact on financial conditions and the economy from the tightening in monetary policy (both past and prospective) by central banks and the timing of the future normalisation in policy
- Geopolitical events and their impact on global growth, domestic confidence, and key sectors for Australia.

Subsequent Events

There are no items, transactions or events of a material or unusual nature that have arisen in the interval between 31 March 2023 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 2023.

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

Auditor's Independence Declaration

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

Directors' Signatures

Signed in accordance with the resolution of the Directors:

Philip Chronican
Chair

Ross McEwan CBE
Group Chief Executive Officer

4 May 2023

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 conflict between Russia and Ukraine, the Australian and global economic environment and capital market conditions. Further information is contained in the Group's Luxembourg Transparency Law disclosures released to the ASX on 4 May 2023 and the Group's Annual Report for the 2022 financial year, which is available at *www.nab.com.au*.

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Auditor's independence declaration to the directors of National Australia Bank Limited

As lead auditor for the review of the half-year financial report of National Australia Bank Limited for the half-year ended 31 March 2023, 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
4 May 2023

Consolidated financial statements

Income statement

	Note	Half Year to Mar 23 $m	Sep 22 $m	Mar 22 $m
Interest income				
Effective interest income		**20,831**	12,860	8,605
Fair value through profit or loss		**681**	524	389
Interest expense		**(13,037)**	(5,620)	(1,918)
Net interest income		**8,475**	7,764	7,076
Other income	3	**2,093**	1,735	1,995
Operating expenses	4	**(4,575)**	(4,630)	(4,072)
Credit impairment (charge) / write-back	8	**(409)**	(126)	2
Profit before income tax		**5,584**	4,743	5,001
Income tax expense	5	**(1,602)**	(1,254)	(1,430)
Net profit for the period from continuing operations		**3,982**	3,489	3,571
Net loss after tax for the period from discontinued operations	14	**(15)**	(149)	(20)
Net profit for the period attributable to owners of NAB		**3,967**	3,340	3,551
Earnings per share		**cents**	**cents**	**cents**
Basic		**126.3**	104.8	109.1
Diluted		**121.2**	101.0	104.8
Basic from continuing operations		**126.7**	109.5	109.7
Diluted from continuing operations		**121.7**	105.3	105.4

Statement of comprehensive income

	Note	Half Year to Mar 23 $m	Sep 22 $m	Mar 22 $m
Net profit for the period from continuing operations		**3,982**	3,489	3,571
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		**(44)**	30	119
Revaluation of land and buildings		**(4)**	(7)	8
Equity instruments at fair value through other comprehensive income reserve:				
Revaluation gains		**6**	1	10
Tax on items transferred directly to equity		**14**	(6)	(37)
Total items that will not be reclassified to profit or loss		**(28)**	18	100
Items that will be reclassified subsequently to profit or loss				
Cash flow hedge reserve:				
Gains / (losses) on cash flow hedging instruments		**1,180**	(875)	(1,635)
Cost of hedging reserve		**(90)**	40	448
Foreign currency translation reserve:				
Currency adjustments on translation of foreign operations		**707**	(413)	(363)
Transfer to the income statement on disposal or partial disposal of foreign operations[1]		**(29)**	(29)	-
Debt instruments at fair value through other comprehensive income reserve:				
Revaluation gains / (losses)		**18**	(113)	(12)
Transferred to the income statement		**(33)**	(100)	(99)
Tax on items transferred directly to equity		**(323)**	313	392
Total items that will be reclassified subsequently to profit or loss		**1,430**	(1,177)	(1,269)
Other comprehensive income for the period, net of income tax		**1,402**	(1,159)	(1,169)
Total comprehensive income for the period from continuing operations		**5,384**	2,330	2,402
Net loss after tax for the period from discontinued operations	14	**(15)**	(149)	(20)
Total comprehensive income for the period attributable to owners of NAB		**5,369**	2,181	2,382

(1) Partial disposals of foreign operations include returns of capital made by foreign branches.

Balance sheet

	Note	31 Mar 23 $m	As at 30 Sep 22 $m	31 Mar 22 $m
Assets				
Cash and liquid assets		**57,279**	56,451	44,164
Due from other banks		**138,679**	141,861	133,787
Collateral placed		**10,752**	13,115	10,009
Trading securities		**47,019**	40,573	45,961
Debt instruments		**45,555**	42,080	40,251
Other financial assets		**1,473**	2,061	2,180
Derivative assets		**32,133**	61,016	30,325
Loans and advances		**695,053**	680,434	652,488
Current tax assets		**6**	16	31
Deferred tax assets		**2,940**	3,385	2,934
Property, plant and equipment		**2,930**	3,009	3,086
Goodwill and other intangible assets		**4,778**	4,652	4,177
Other assets		**9,691**	6,473	6,483
Total assets		**1,048,288**	1,055,126	975,876
Liabilities				
Due to other banks		**75,265**	74,679	66,721
Collateral received		**9,015**	17,245	6,323
Other financial liabilities		**26,430**	23,286	25,682
Derivative liabilities		**32,033**	57,486	33,965
Deposits and other borrowings	10	**689,020**	683,526	654,780
Current tax liabilities		**557**	1,011	426
Provisions		**1,595**	2,096	1,785
Bonds, notes and subordinated debt		**131,469**	119,283	107,285
Other debt issues		**7,322**	7,318	6,835
Other liabilities		**14,167**	10,164	11,045
Total liabilities		**986,873**	996,094	914,847
Net assets		**61,415**	59,032	61,029
Equity				
Contributed equity	11	**38,845**	39,399	41,291
Reserves	11	**(388)**	(1,839)	(702)
Retained profits		**22,958**	21,472	20,440
Total equity		**61,415**	59,032	61,029

Condensed statement of cash flows

	Half Year to		
	Mar 23 $m	Sep 22 $m	Mar 22 $m
Cash flows from operating activities			
Interest received	**19,359**	12,588	8,930
Interest paid	**(11,398)**	(4,703)	(1,841)
Dividends received	**3**	7	21
Other cash flows from operating activities before changes in operating assets and liabilities	**(108)**	(33)	1,723
Income tax paid	**(1,914)**	(709)	(932)
Changes in operating assets and liabilities arising from cash flow movements	**7,815**	(8,245)	21,415
Net cash provided by / (used in) operating activities	**13,757**	(1,095)	29,316
Cash flows from investing activities			
Movement in debt instruments:			
Purchases	**(16,123)**	(18,978)	(14,719)
Proceeds from disposal and maturity	**14,439**	15,106	13,978
Net movement in controlled entities, associates and joint ventures, and other debt and equity instruments	**(3)**	(3,026)	13
Purchase of property, plant, equipment and software	**(478)**	(652)	(424)
Proceeds from sale of property, plant, equipment and software, net of costs	**-**	(2)	1
Net cash used in investing activities	**(2,165)**	(7,552)	(1,151)
Cash flows from financing activities			
Repayments of bonds, notes and subordinated debt	**(13,846)**	(10,871)	(16,769)
Proceeds from issue of bonds, notes and subordinated debt, net of costs[1]	**22,065**	20,188	21,744
Payments for share buy-back	**(597)**	(1,903)	(2,014)
Purchase of shares for dividend reinvestment plan neutralisation	**(266)**	(261)	(239)
Purchase of shares for employee share offer plan neutralisation	**(23)**	-	-
Proceeds from other debt issues, net of costs	**-**	1,983	-
Repayments of other debt issues	**-**	(1,504)	-
Dividends and distributions paid (excluding dividend reinvestment plan)	**(2,175)**	(2,067)	(1,939)
Repayments of other financing activities	**(164)**	(165)	(174)
Net cash provided by financing activities	**4,994**	5,400	609
Net increase / (decrease) in cash and cash equivalents	**16,586**	(3,247)	28,774
Cash and cash equivalents at beginning of period	**62,179**	64,299	37,881
Effects of exchange rate changes on balance of cash held in foreign currencies	**1,070**	1,127	(2,356)
Cash and cash equivalents at end of period	**79,835**	62,179	64,299

(1) Includes RBNZ's Funding for Lending Program (FLP).

Statement of changes in equity

	Contributed equity $m	Reserves $m	Retained profits $m	Total equity $m
Balance at 1 October 2021	43,247	550	18,982	62,779
Net profit for the period from continuing operations	-	-	3,571	3,571
Net loss for the period from discontinued operations	-	-	(20)	(20)
Other comprehensive income for the period from continuing operations	-	(1,251)	82	(1,169)
Total comprehensive income for the period	-	(1,251)	3,633	2,382
Transactions with owners, recorded directly in equity:				
Contributions by and distributions to owners				
Issue of ordinary shares	239	-	-	239
On market purchase of shares for dividend reinvestment plan neutralisation	(239)	-		(239)
Share buy-back	(2,014)	-		(2,014)
Transfer from / (to) retained profits	-	(3)	3	-
Transfer from equity-based compensation reserve	58	(58)	-	-
Equity-based compensation	-	60	-	60
Dividends paid	-	-	(2,178)	(2,178)
Balance at 31 March 2022	41,291	(702)	20,440	61,029
Net profit for the period from continuing operations	-	-	3,489	3,489
Net loss for the period from discontinued operations	-	-	(149)	(149)
Other comprehensive income for the period from continuing operations	-	(1,178)	19	(1,159)
Total comprehensive income for the period	-	(1,178)	3,359	2,181
Transactions with owners, recorded directly in equity:				
Contributions by and distributions to owners				
Issue of ordinary shares	261	-	-	261
On-market purchase of shares for dividend reinvestment plan neutralisation	(261)	-	-	(261)
Share buy-back	(1,903)	-	-	(1,903)
Transfer from / (to) retained profits	-	(1)	1	-
Transfer from / (to) equity-based compensation reserve	11	(11)	-	-
Equity-based compensation	-	53	-	53
Dividends paid	-	-	(2,328)	(2,328)
Balance at 30 September 2022	39,399	(1,839)	21,472	59,032

Statement of changes in equity (continued)

	Contributed equity $m	Reserves $m	Retained profits $m	Total equity $m
Balance at 1 October 2022	39,399	(1,839)	21,472	59,032
Net profit for the period from continuing operations	-	-	3,982	3,982
Net loss for the period from discontinued operations	-	-	(15)	(15)
Other comprehensive income for the period from continuing operations	-	1,432	(30)	1,402
Total comprehensive income for the period	-	1,432	3,937	5,369
Transactions with owners, recorded directly in equity:				
Contributions by and distributions to owners				
Issue of ordinary shares	266	-	-	266
On-market purchase of shares for dividend reinvestment plan neutralisation	(266)	-	-	(266)
On-market purchase of shares for employee share offer plan neutralisation	(23)	-	-	(23)
Share buy-back	(597)	-	-	(597)
Transfer from / (to) retained profits	-	10	(10)	-
Transfer from / (to) equity-based compensation reserve	66	(66)	-	-
Equity-based compensation	-	75	-	75
Dividends paid	-	-	(2,441)	(2,441)
Balance at 31 March 2023	38,845	(388)	22,958	61,415

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 2023 has been prepared in accordance with the Australian Securities Exchange (ASX) Listing Rules, *the Corporations Act 2001* (Cth) and AASB 134 *Interim Financial Reporting*.

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

This 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 2022 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 from discontinued operations in the income statement.

Accounting policies

During the half year ended 31 March 2023, the Group revised its accounting treatment of ongoing trail commission payable to mortgage brokers. The Group has recognised a liability within 'Other liabilities' equal to the present value of expected future trail commission payments and a corresponding increase in capitalised brokerage costs within 'Net loans and advances'. Comparatives have not been restated.

Except as explained above, the accounting policies and methods of computation applied in this report are consistent with those applied in the Group's 2022 Annual Report. There were no substantial amendments to Australian Accounting Standards adopted during the period that have a material impact on the Group.

Critical accounting judgements and estimates

The preparation of this 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 2022 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 2022 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 at amortised cost*.

Key assumptions used in determining the recoverable amount of cash generating units to which goodwill has been allocated

	Goodwill			Discount rate per annum	Terminal growth rate
	Mar 23	Sep 22	Mar 22	Mar 23	Mar 23
	$m	$m	$m	%	%
Cash generating unit					
Business and Private Banking	**94**	94	68	**9.3**	**3.3**
New Zealand Banking	**258**	258	258	**9.6**	**2.9**
Personal Banking	**1,611**	1,611	1,512	**9.3**	**3.3**
ubank[1]	**126**	126	126	**9.9**	**3.3**
Total goodwill	**2,089**	2,089	1,964	**n/a**	**n/a**

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

Interest Rate Benchmark Reform

The Group continues to transition all impacted financial instrument contracts to alternative reference rates in line with regulatory requirements and contractual conditions.

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.

Note 2 Segment information

Overview

For the March 2023 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 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 2023					
	Business and Private Banking $m	Personal Banking $m	Corporate and Institutional Banking[1] $m	New Zealand Banking[1] $m	Corporate Functions and Other[2] $m	Total Group $m
Reportable segment information						
Net interest income	3,653	2,282	1,119	1,321	101	8,476
Other operating income	499	291	875	273	115	2,053
Net operating income	4,152	2,573	1,994	1,594	216	10,529
Operating expenses	(1,452)	(1,287)	(722)	(521)	(439)	(4,421)
Underlying profit / (loss)	2,700	1,286	1,272	1,073	(223)	6,108
Credit impairment (charge) / write-back	(252)	(165)	(25)	(19)	68	(393)
Cash earnings / (loss) before income tax	2,448	1,121	1,247	1,054	(155)	5,715
Income tax (expense) / benefit	(734)	(336)	(307)	(295)	27	(1,645)
Cash earnings / (loss)	1,714	785	940	759	(128)	4,070
Hedging and fair value volatility	(4)	(6)	(65)	(9)	79	(5)
Other non-cash earnings items	(4)	(10)	-	-	(69)	(83)
Net profit / (loss) for the period from continuing operations	1,706	769	875	750	(118)	3,982
Net loss attributable to owners of NAB from discontinued operations	-	-	-	-	(15)	(15)
Net profit / (loss) attributable to the owners of NAB	1,706	769	875	750	(133)	3,967
Reportable segment assets[3]	245,864	247,979	284,827	115,309	154,309	1,048,288

(1) For the March 2023 half year, the New Zealand liquidity management portfolio is reported within New Zealand Banking. Previously the assets and liabilities together with the related income was reported as part of Corporate and Institutional Banking. Comparative information has not been restated.
(2) Corporate Functions and Other includes eliminations.
(3) Reportable segment assets include inter-company balances which are eliminated within the Corporate Functions and Other segment.

Note 2 Segment information (continued)

	Half Year to September 2022					
	Business and Private Banking	Personal Banking	Corporate and Institutional Banking	New Zealand Banking	Corporate Functions and Other[1]	Total Group
	$m	$m	$m	$m	$m	$m
Reportable segment information						
Net interest income	3,242	2,124	1,085	1,188	128	7,767
Other operating income	479	277	654	253	38	1,701
Net operating income	3,721	2,401	1,739	1,441	166	9,468
Operating expenses	(1,369)	(1,233)	(680)	(490)	(539)	(4,311)
Underlying profit / (loss)	2,352	1,168	1,059	951	(373)	5,157
Credit impairment (charge) / write-back	(87)	(21)	7	(28)	6	(123)
Cash earnings / (loss) before income tax	2,265	1,147	1,066	923	(367)	5,034
Income tax (expense) / benefit	(681)	(344)	(244)	(258)	117	(1,410)
Cash earnings / (loss)	1,584	803	822	665	(250)	3,624
Hedging and fair value volatility	-	12	69	17	(212)	(114)
Other non-cash earnings items	(2)	(7)	-	-	(12)	(21)
Net profit / (loss) for the period from continuing operations	1,582	808	891	682	(474)	3,489
Net loss attributable to owners of NAB from discontinued operations	-	-	-	-	(149)	(149)
Net profit / (loss) attributable to the owners of NAB	1,582	808	891	682	(623)	3,340
Reportable segment assets[2]	235,322	244,822	348,035	93,243	133,704	1,055,126

	Half Year to March 2022					
	Business and Private Banking	Personal Banking	Corporate and Institutional Banking	New Zealand Banking	Corporate Functions and Other[1]	Total Group
	$m	$m	$m	$m	$m	$m
Reportable segment information						
Net interest income	2,832	1,931	973	1,114	235	7,085
Other operating income	483	247	759	265	(11)	1,743
Net operating income	3,315	2,178	1,732	1,379	224	8,828
Operating expenses	(1,295)	(1,078)	(697)	(481)	(412)	(3,963)
Underlying profit / (loss)	2,020	1,100	1,035	898	(188)	4,865
Credit impairment (charge) / write-back	27	26	19	(19)	(55)	(2)
Cash earnings / (loss) before income tax	2,047	1,126	1,054	879	(243)	4,863
Income tax (expense) / benefit	(618)	(338)	(248)	(249)	70	(1,383)
Cash earnings / (loss)	1,429	788	806	630	(173)	3,480
Fair value and hedge ineffectiveness	(2)	(3)	21	23	144	183
Other non-cash earning items	-	-	-	-	(92)	(92)
Net profit / (loss) for the period from continuing operations	1,427	785	827	653	(121)	3,571
Net loss attributable to owners of NAB from discontinued operations	-	-	-	-	(20)	(20)
Net profit / (loss) attributable to the owners of NAB	1,427	785	827	653	(141)	3,551
Reportable segment assets[2]	222,185	229,077	303,960	97,086	123,568	975,876

(1) Corporate Functions and Other includes eliminations.
(2) 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 23 $m	Sep 22 $m	Mar 22 $m
Fees and commissions			
Lending fees	**557**	571	554
Other fees and commissions	**470**	396	442
Net investment management income			
Investment management income	**149**	148	148
Investment management expense	**(74)**	(65)	(75)
Total fees and commissions	**1,102**	1,050	1,069
Gains less losses on financial instruments at fair value			
Trading instruments	**1,039**	(245)	49
Hedge ineffectiveness	**(45)**	21	37
Financial instruments designated at fair value	**(112)**	561	644
Total gains less losses on financial instruments at fair value	**882**	337	730
Other operating income			
Dividend revenue	**3**	7	21
Other income[(1)]	**106**	341	175
Total other operating income	**109**	348	196
Total other income	**2,093**	1,735	1,995

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

Note 4 Operating expenses

	Half Year to		
	Mar 23	Sep 22	Mar 22
	$m	$m	$m
Personnel expenses			
Salaries and related on-costs	**2,145**	2,019	1,945
Superannuation costs-defined contribution plans	**180**	164	155
Performance-based compensation	**282**	232	285
Other expenses	**76**	94	83
Total personnel expenses	**2,683**	2,509	2,468
Occupancy and depreciation expenses			
Rental expense	**49**	50	53
Depreciation and impairment	**290**	290	287
Other expenses	**27**	32	10
Total occupancy and depreciation expenses	**366**	372	350
General expenses			
Fees and commissions expense	**8**	20	24
Amortisation of intangible assets	**300**	287	248
Advertising and marketing	**111**	119	68
Charge / (release) to provide for operational risk event losses	**61**	121	(14)
Communications, postage and stationery	**75**	71	66
Computer equipment and software	**434**	408	381
Data communication and processing charges	**64**	52	38
Professional fees	**347**	391	338
Impairment losses recognised	**2**	7	3
Other expenses	**124**	273	102
Total general expenses	**1,526**	1,749	1,254
Total operating expenses	**4,575**	4,630	4,072

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 23	Sep 22	Mar 22
	$m	$m	$m
Profit before income tax	**5,584**	4,743	5,001
Prima facie income tax expense at 30%	**1,675**	1,423	1,500
Tax effect of permanent differences:			
Assessable foreign income	**4**	4	3
Foreign tax rate differences	**(33)**	(31)	(34)
Foreign branch income not assessable	**(3)**	1	(13)
Over provision in prior years	**1**	(2)	(3)
Offshore banking unit adjustment	**(37)**	(57)	(40)
Restatement of deferred tax balances for tax rate changes	**-**	(9)	4
Non-deductible interest on convertible instruments	**50**	37	30
Adjustments to deferred tax balances for tax losses(1)	**(21)**	(57)	(25)
Gain on disposal of BNZ Life	**-**	(59)	-
Other	**(34)**	4	8
Total income tax expense	**1,602**	1,254	1,430
Effective tax rate (%)	**28.7%**	26.4%	28.6%

(1) In the March 2023 half year adjustments relating to certain tax losses have been disaggregated from other and presented separately in the reconciliation. Prior period amounts have been restated to be consistent with the current period disclosure.

Note 6 Dividends

The Group has recognised the following dividends on ordinary shares:

	Half Year to					
	Mar 23	Mar 23	Sep 22	Sep 22	Mar 22	Mar 22
	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)	**78**	**2,460**	73	2,347	67	2,196
Deduct: Bonus shares in lieu of dividend	**n/a**	**(19)**	n/a	(19)	n/a	(18)
Total dividends paid	**n/a**	**2,441**	n/a	2,328	n/a	2,178

Franked dividends paid during the period were fully franked at a tax rate of 30% (2022: 30%).

Interim dividend

On 4 May 2023, 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 2023	83	**2,605**	100

The 2023 interim dividend is payable on 5 July 2023. No discount will be applied to the DRP, with no participation limit. The financial effect of the interim dividend has not been brought to account in the financial statements for the half year ended 31 March 2023 and will be recognised in subsequent financial reports.

Note 7 Loans and advances

	As at		
	31 Mar 23	30 Sep 22	31 Mar 22
	$m	$m	$m
Loans and advances			
Housing loans	**399,177**	389,124	373,807
Other term lending	**262,835**	262,380	253,061
Asset and lease financing	**15,866**	14,988	14,394
Overdrafts	**5,253**	4,689	4,448
Credit card outstandings	**9,123**	8,684	5,144
Other lending	**8,184**	7,867	8,790
Fair value adjustment	**19**	(17)	37
Gross loans and advances	**700,457**	687,715	659,681
Represented by:			
Loans and advances at fair value[1]	**1,284**	1,876	1,979
Loans and advances at amortised cost	**699,173**	685,839	657,702
Gross loans and advances	**700,457**	687,715	659,681
Unearned income and deferred net fee income[2]	**(1,265)**	(1,020)	(789)
Capitalised brokerage costs[2][3]	**2,515**	671	602
Provision for credit impairment	**(5,370)**	(5,056)	(5,027)
Net loans and advances	**696,337**	682,310	654,467
Securitised loans and loans supporting covered bonds[4]	**39,860**	38,820	35,489

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

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

Note 7 Loans and advances (continued)

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

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

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

Note 8 Provision for credit impairment on loans at amortised cost

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

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 at amortised cost

	Half Year to		
	Mar 23 $m	Sep 22 $m	Mar 22 $m
Credit impairment charge on loans at amortised cost			
New and increased provisions (net of collective provision releases)	**565**	247	108
Write-backs of specific provisions	**(110)**	(78)	(83)
Recoveries of specific provisions	**(46)**	(43)	(27)
Total charge / (write-back) to the income statement	**409**	126	(2)

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

	Stage 1	Stage 2	Stage 3		
	12-mth ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Lifetime ECL credit impaired	
	Collective provision	Collective provision	Collective provision	Specific provision	Total
	$m	$m	$m	$m	$m
Balance at 1 October 2021	256	3,376	889	650	5,171
Changes due to financial assets recognised in the opening balance that have:					
Transferred to 12-mth ECL - collective provision	142	(133)	(9)	-	-
Transferred to Lifetime ECL not credit impaired - collective provision	(27)	114	(87)	-	-
Transfer to Lifetime ECL credit impaired - collective provision	(1)	(30)	31	-	-
Transfer to Lifetime ECL credit impaired - specific provision	-	(21)	(31)	52	-
New and increased provisions (net of collective provision releases)	(105)	83	(6)	136	108
Write-backs of specific provisions	-	-	-	(83)	(83)
Write-offs from specific provisions	-	-	-	(147)	(147)
Foreign currency translation and other adjustments	(1)	(14)	(3)	(4)	(22)
Balance at 31 March 2022	264	3,375	784	604	5,027
Changes due to financial assets recognised in the opening balance that have:					
Transferred to 12-mth ECL - collective provision	158	(153)	(5)	-	-
Transferred to Lifetime ECL not credit impaired - collective provision	(29)	82	(53)	-	-
Transfer to Lifetime ECL credit impaired - collective provision	(1)	(36)	37	-	-
Transfer to Lifetime ECL credit impaired - specific provision	-	(6)	(32)	38	-
New and increased provisions (net of collective provision releases)	19	(16)	72	172	247
Write-backs of specific provisions	-	-	-	(78)	(78)
Write-offs from specific provisions	-	-	-	(215)	(215)
Foreign currency translation and other adjustments[1]	37	30	14	(6)	75
Balance at 30 September 2022	448	3,276	817	515	5,056
Changes due to financial assets recognised in the opening balance that have:					
Transferred to 12-mth ECL - collective provision	**171**	**(164)**	**(7)**	**-**	**-**
Transferred to Lifetime ECL not credit impaired - collective provision	**(24)**	**78**	**(54)**	**-**	**-**
Transfer to Lifetime ECL credit impaired - collective provision	**(1)**	**(30)**	**31**	**-**	**-**
Transfer to Lifetime ECL credit impaired - specific provision	**-**	**(10)**	**(25)**	**35**	**-**
New and increased provisions (net of collective provision releases)	**(100)**	**321**	**80**	**264**	**565**
Write-backs of specific provisions	**-**	**-**	**-**	**(110)**	**(110)**
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**

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

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

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 2023.

	Base case			Downside		
	Financial year			Financial year		
	2023	2024	2025	2023	2024	2025
	%	%	%	%	%	%
GDP change (year ended September)	**1.5**	0.6	2.1	**(2.7)**	(1.6)	2.1
Unemployment (as at 30 September)	**3.8**	4.6	4.7	**6.4**	9.7	9.9
House price change (year ended September)	**(12.6)**	0.4	6.0	**(11.2)**	(18.6)	(2.5)

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

	As at		
	31 Mar 23	30 Sep 22	31 Mar 22
	$m	$m	$m
Total provisions for ECL			
Probability weighted	**5,370**	5,056	5,027
100% Base case	**4,493**	4,292	4,063
100% Downside	**6,454**	6,008	6,447

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

	As at		
	31 Mar 23	30 Sep 22	31 Mar 22
	%	%	%
Macro-economics scenario weightings			
Upside	**2.5**	2.5	2.5
Base case	**52.5**	52.5	57.5
Downside	**45.0**	45.0	40.0

- The March 2023 total provisions for ECL in the 100% base case and 100% downside scenarios have increased since September 2022, largely reflecting volume growth for the business lending portfolio in Business and Private Banking and the impact of house price declines.
- For the Australian portfolio, the upside, downside and base case scenario weightings have remained constant compared with September 2022.

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

	As at		
	31 Mar 23	30 Sep 22	31 Mar 22
	$m	$m	$m
Total provision for ECL for key portfolios			
Housing	**1,449**	1,296	1,117
Business	**3,558**	3,429	3,740
Others	**363**	331	170
Total	**5,370**	5,056	5,027

Note 9 Asset quality

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

	As at		
	31 Mar 23	30 Sep 22	31 Mar 22
	$m	$m	$m
Summary of non-performing exposures			
Impaired assets	**987**	985	1,087
Restructured loans[1]	**228**	44	47
Gross impaired assets	**1,215**	1,029	1,134
Default but not impaired assets	**5,513**	5,474	5,349
Non-performing exposures[2][3]	**6,728**	6,503	6,483

(1) Increase in restructured loans during the March 2023 half year is due to customers affected by recent severe weather events in New Zealand.
(2) Non-performing exposures is aligned to the definitions in APS 220 *Credit Risk Management*.
(3) Includes $nil (September 2022: $32 million, March 2022: $32 million) of non-performing loans at fair value.

	Australia	New Zealand	Other International	Total Group
	$m	$m	$m	$m
Movement in gross impaired assets				
Balance at 1 October 2021	1,015	222	21	**1,258**
New	211	12	-	**223**
Written-off	(61)	(20)	(1)	**(82)**
Returned to performing, repaid or no longer impaired	(226)	(32)	(1)	**(259)**
Foreign currency translation adjustments	-	(5)	(1)	**(6)**
Balance at 31 March 2022	939	177	18	**1,134**
New	193	27	3	**223**
Written-off	(91)	(31)	-	**(122)**
Returned to performing, repaid or no longer impaired	(181)	(16)	-	**(197)**
Foreign currency translation adjustments	-	(9)	-	**(9)**
Balance at 30 September 2022	860	148	21	**1,029**
New	155	302	27	**484**
Written-off	(71)	(12)	(3)	**(86)**
Returned to performing, repaid or no longer impaired	(146)	(78)	(2)	**(226)**
Foreign currency translation adjustments	-	13	1	**14**
Balance at 31 March 2023[1]	798	373	44	**1,215**

(1) Includes $nil (September 2022: $29 million, March 2022: $30 million) of gross impaired fair value assets.

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

	As at		
	31 Mar 23	30 Sep 22	31 Mar 22
	$m	$m	$m
Default but not impaired assets - by geographic location			
Australia	**4,946**	4,923	4,845
New Zealand	**553**	534	500
Other International	**14**	17	4
Default but not impaired assets[1]	**5,513**	5,474	5,349

(1) Includes $nil (September 2022: $3 million, March 2022: $2 million) of default but not impaired loans at fair value.

Credit risk exposures by risk grade

The following tables show 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.

	12-months expected credit loss Not credit impaired			Lifetime expected credit losses Not credit impaired			Lifetime expected credit losses Credit impaired			Total		
	Mar 23	Sep 22	Mar 22	Mar 23	Sep 22	Mar 22	Mar 23	Sep 22	Mar 22	Mar 23	Sep 22	Mar 22
Group	$m	$m	$m	$m	$m	$m	$m	$m	$m	$m	$m	$m
Gross loans and advances												
Senior investment grade	**128,079**	127,878	104,778	**3,369**	4,376	21,076	**-**	-	-	**131,448**	132,254	125,854
Investment grade	**270,724**	270,812	254,062	**36,386**	33,614	37,527	**-**	-	-	**307,110**	304,426	291,589
Sub-investment grade	**104,857**	99,753	95,299	**149,381**	143,291	138,752	**-**	-	-	**254,238**	243,044	234,051
Default[(1)]	**-**	-	-	**-**	-	-	**6,377**	6,115	6,208	**6,377**	6,115	6,208
Total gross loans and advances	**503,660**	498,443	454,139	**189,136**	181,281	197,355	**6,377**	6,115	6,208	**699,173**	685,839	657,702
Contingent liabilities and credit commitments												
Senior investment grade	**82,349**	85,149	65,840	**4,029**	4,196	18,398	**-**	-	-	**86,378**	89,345	84,238
Investment grade	**72,533**	70,260	58,862	**16,775**	15,775	21,132	**-**	-	-	**89,308**	86,035	79,994
Sub-investment grade	**20,872**	18,517	17,226	**33,439**	32,577	31,904	**-**	-	-	**54,311**	51,094	49,130
Default	**-**	-	-	**-**	-	-	**351**	356	243	**351**	356	243
Total contingent liabilities and credit commitments	**175,754**	173,926	141,928	**54,243**	52,548	71,434	**351**	356	243	**230,348**	226,830	213,605
Total gross loans and advances, contingent liabilities and credit commitments	**679,414**	672,369	596,067	**243,379**	233,829	268,789	**6,728**	6,471	6,451	**929,521**	912,669	871,307
Debt instruments												
Senior investment grade	**45,555**	41,644	39,937	**-**	-	-	**-**	-	-	**45,555**	41,644	39,937
Investment grade	**-**	436	314	**-**	-	-	**-**	-	-	**-**	436	314
Total debt instruments	**45,555**	42,080	40,251	**-**	-	-	**-**	-	-	**45,555**	42,080	40,251

(1) Increase in Defaulted loans during the March 2023 half year is primarily due to customers affected by recent severe weather events in New Zealand.

Note 10 Deposits and other borrowings

	As at		
	31 Mar 23	30 Sep 22	31 Mar 22
	$m	$m	$m
Deposits and other borrowings			
Term deposits	**176,649**	156,049	119,147
On-demand and short-term deposits	**300,699**	310,347	313,518
Certificates of deposit	**56,691**	50,028	59,493
Deposits not bearing interest[1]	**97,536**	100,289	97,772
Commercial paper and other borrowings	**32,282**	46,357	35,946
Repurchase agreements	**29,189**	23,940	34,847
Fair value adjustment	**(12)**	(6)	(18)
Total deposits and other borrowings	**693,034**	687,004	660,705
Represented by:			
Total deposits and other borrowings at fair value	**4,014**	3,478	5,925
Total deposits and other borrowings at amortised cost	**689,020**	683,526	654,780
Total deposits and other borrowings	**693,034**	687,004	660,705

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

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

Note 10 Deposits and other borrowings (continued)

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

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

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

Note 11 Contributed equity and reserves

	As at		
	31 Mar 23	30 Sep 22	31 Mar 22
	$m	$m	$m
Contributed equity			
Ordinary shares, fully paid	**38,845**	39,399	41,291
Total contributed equity	**38,845**	39,399	41,291

	Half Year to		
	Mar 23	Sep 22	Mar 22
	$m	$m	$m
Movement in issued and paid-up ordinary share capital			
Balance at beginning of period	**39,399**	41,291	43,247
Shares issued:			
Dividend reinvestment plan	**266**	261	239
Transfer from equity-based compensation reserve	**66**	11	58
On-market purchase of shares for employee share offer plan neutralisation	**(23)**	-	-
On-market purchase of shares for dividend reinvestment plan neutralisation	**(266)**	(261)	(239)
Shares bought back	**(597)**	(1,903)	(2,014)
Balance at end of period	**38,845**	39,399	41,291

	As at		
	31 Mar 23	30 Sep 22	31 Mar 22
	$m	$m	$m
Reserves			
Foreign currency translation reserve	**162**	(516)	(75)
Asset revaluation reserve	**21**	25	33
Cash flow hedge reserve	**(827)**	(1,667)	(1,056)
Cost of hedging reserve	**17**	81	48
Equity-based compensation reserve	**189**	180	138
Debt instruments at fair value through other comprehensive income reserve	**27**	36	187
Equity instruments at fair value through other comprehensive income reserve	**23**	22	23
Total reserves	**(388)**	(1,839)	(702)

Note 12 Fair value of financial instruments

(a) Fair value hierarchy

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

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

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

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

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

The Group's exposure to fair value measurements based in full or in part on unobservable inputs comprises an insignificant component of the portfolios in which they belong. As such, a change in the assumption used to value the instruments as at 31 March 2023 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 2023		As at 30 September 2022		As at 31 March 2022	
	Carrying Value	Fair Value	Carrying Value	Fair Value	Carrying Value	Fair Value
	$m	$m	$m	$m	$m	$m
Financial assets						
Loans and advances	**695,053**	**690,949**	680,434	675,551	652,488	649,589
Financial liabilities						
Deposits and other borrowings	**689,020**	**688,906**	683,526	683,530	654,780	654,484
Bonds, notes and subordinated debt	**131,469**	**130,830**	119,283	118,417	107,285	107,500
Other debt issues	**7,322**	**7,416**	7,318	7,531	6,835	7,149

Note 12 Fair value of financial instruments (continued)

(c) Fair value measurements recognised on the balance sheet

	As at 31 March 2023			
	Level 1 $m	Level 2 $m	Level 3 $m	Total $m
Financial assets				
Trading securities	**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**

	As at 30 September 2022			
	Level 1 $m	Level 2 $m	Level 3 $m	Total $m
Financial assets				
Trading securities	27,393	13,180	-	40,573
Debt instruments	3,625	37,732	723	42,080
Other financial assets	-	1,740	321	2,061
Derivatives assets	-	60,567	449	61,016
Equity instruments[1]	-	-	187	187
Total financial assets measured at fair value	31,018	113,219	1,680	145,917
Financial liabilities				
Other financial liabilities	2,441	20,845	-	23,286
Derivatives liabilities	-	57,117	369	57,486
Total financial liabilities measured at fair value	2,441	77,962	369	80,772

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

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

There were no material transfers between Level 1 and Level 2 during the March 2023 half year for the Group.

Note 12 Fair value of financial instruments (continued)

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

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

	Half Year to March 2023			
	Assets			Liabilities
	Derivative $m	Debt instruments $m	Other[1] $m	Derivative $m
Balance at the beginning of period	449	723	508	369
Gains / (losses) on assets and (gains) / losses on liabilities recognised:				
In profit or loss	(153)	-	5	(135)
In other comprehensive income	-	5	7	-
Purchases and issues	36	78	36	18
Sales and settlements	(50)	(125)	(105)	(6)
Transfers into Level 3	31	6	-	12
Transfers out of Level 3	(8)	(355)	(46)	(8)
Foreign currency translation adjustments	1	(1)	9	1
Balance at the end of period	306	331	414	251
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	(153)	-	5	(135)
In other comprehensive income	-	5	7	-

(1) Includes other financial assets and equity instruments.

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Note 13 Contingent liabilities and other commitments

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 23	**30 Sep 22**	**31 Mar 22**
	$m	**$m**	**$m**
Guarantees and credit-related commitments			
Bank guarantees and letters of credit	**20,663**	22,045	22,005
Binding credit commitments	**209,685**	204,785	191,600
Total guarantees and credit-related commitments	**230,348**	226,830	213,605

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 is 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 NAB and Clydesdale Bank Plc (CYBG) by RGL Management Limited (a claims management company) (RGL) and law firm Fladgate LLP on behalf of customers of CYBG in the English Courts. The cases involving four individual claimants (being the first and fourth claims) are proceeding to trial, effectively as test cases. The cases of the remaining individual claimants are currently paused by agreement and court order.

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

The claims were before the court for second, third and fourth procedural hearings in October 2021, October 2022 and March 2023. At those hearings the court made further directions to progress the first and fourth claims. The claimants in the first and fourth claims made amendments to their claims in late 2022. NAB filed and served its defences to the amended claims in December 2022.

The extended disclosure phase of the proceedings has been concluded and the evidence phase is now being progressed. Trial of the four test cases has been ordered to commence in October 2023.

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

Note 13 Contingent liabilities and other commitments (continued)

Walton Construction Group class action

In January 2022, a class action complaint was filed in the Federal Court by a number of subcontractors regarding NAB's alleged conduct in connection with the collapse of the Walton Construction Group (WCG). It is alleged that NAB's conduct in the period prior to the collapse of WCG contributed to losses incurred by subcontractors following the liquidation of WCG. NAB filed and served its defence to the claims on 16 December 2022, however, we understand a further amended statement of claim is to be filed. 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

NAB continues to enhance the Group's systems and processes to comply with AML and CTF requirements. The Group continues to keep AUSTRAC informed of its progress. In addition to an ongoing general uplift in capability, NAB 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, NAB entered into an enforceable undertaking (EU) with the CEO of AUSTRAC to address AUSTRAC's concerns with the Group's compliance with certain AML and CTF requirements. In accepting the EU, the CEO of 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, NAB 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.

In May 2022, NAB appointed an external auditor (as required under the EU). NAB will obtain interim reports from the external auditor on a quarterly basis and an annual basis. The external auditor will provide a final report to NAB for the period up to 31 March 2025. NAB has completed approximately half of its required activities under the RAP (subject to confirmation by the external auditor where required and noting that some of the more complex activities under the RAP have longer time frames for completion). NAB continues to oversee delivery of the RAP commitments and coordinate the completion of activities through dedicated EU Governance forums.

The potential outcome and total costs associated with the above remains uncertain.

Banking matters

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

- Incorrect fees being applied in connection with certain products.
- Incorrect interest rates being applied in relation to certain products, including home lending products on conversion from interest only to principal and interest and/or from fixed interest to variable interest rates.
- Issues in delivering statements, and other notices enclosed with those statements, capturing customer consent to receive electronic statements and inconsistencies with recording statement preferences.
- Issues with treatment of deregistered companies identified in the customer base.
- Business term lending facilities which were not amortising in accordance with approved facilities.

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 and is now largely complete. 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.

The Wage Inspectorate Victoria and the NSW Employee Relations have been undertaking investigations in relation to the long service leave entitlements of NAB's casual employees. In October 2021, NAB commenced action in the Federal Court seeking a declaration about the proper interpretation of relevant provisions of the *Fair Work Act 2009* (Cth) (FW Act), in order to clarify the situation. In October 2021, the Wage Inspectorate Victoria commenced a prosecution in the Victorian Magistrate's Court with respect to this matter. In March 2022, NAB applied to intervene in a matter before the Full Federal Court on the same issue. A hearing was held on 25 May 2022 and judgment was delivered on 19 April 2023. The judgment favoured NAB's interpretation of the relevant provisions of the FW Act. It remains to be seen whether: an appeal will be filed; the Wage Inspectorate Victoria accepts the judgment and accordingly withdraws its Magistrates' Court Proceeding; or if the Wage Inspectorate Victoria continues to prosecute the matter. The Magistrates' Court proceeding is listed for directions on 30 May 2023. The final outcome and total costs associated with these matters remain uncertain.

Note 13 Contingent liabilities and other commitments (continued)

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 FW 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 FW 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.

Incorrect charging of periodical payment fees

On 24 February 2021, ASIC commenced Federal Court proceedings against NAB alleging that NAB failed to comply with a number of provisions of the *ASIC Act 2001* (Cth) and the *Corporations Act 2001* (Cth) in relation to the incorrect charging of periodical payment fees including misleading or deceptive conduct and unconscionable conduct. Judgment was delivered on 7 November 2022 with NAB being found to have engaged in unconscionable conduct in the period from January 2017 to July 2018. ASIC was unsuccessful in its claim of misleading or deceptive conduct. There will be another hearing on 6 June 2023 to determine the penalty NAB is required to pay. Accordingly, the potential outcomes and total costs associated with the matter remain uncertain.

Wealth - Advice review

In October 2015, NAB began contacting certain groups of customers where there was a concern that they may have received non-compliant financial advice since 2009 to: (a) assess the appropriateness of that advice; and (b) identify whether customers had suffered loss as a result of non-compliant advice that would warrant compensation. 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)] Where customer compensation is able to be reliably estimated, provisions have been taken. The final outcome and total costs associated with this work remain uncertain.

Wealth - Adviser service fees

NAB 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 nearing completion.

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

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.

Contractual commitments

BNZ Life transaction

On 30 September 2022, NWMIH, a wholly owned subsidiary of the Company, completed the sale of BNZ Life to Partners Life. Under the sale agreements, NWMIH has provided certain warranties and indemnities in favour of Partners Life, a breach of which may result in NWMIH or the Company (as a guarantor to NWMIH under the terms of the sale) being liable to Partners Life. The potential outcome and total costs associated with this transaction remain uncertain.

MLC Life insurance transaction

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

MLC Wealth Transaction

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

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

(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, NAB has retained the companies that operated the advice business, such that the Group has retained all liabilities associated with the conduct of these businesses pre-completion of the MLC Wealth Transaction. JBWere is not within the scope of the MLC Wealth Transaction.

Note 13 Contingent liabilities and other commitments (continued)

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

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

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

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

NULIS and MLCN - class actions

In October 2019, litigation funder Omni Bridgeway (formerly IMF Bentham) and William Roberts Lawyers commenced a class action against NULIS Nominees (Australia) Limited (NULIS) alleging breaches of NULIS's trustee obligations to act in the best interests of the former members of The Universal Super Scheme in deciding to maintain grandfathered commissions on their transfer into the MLC Super Fund on 1 July 2016. NULIS filed its first defence in the proceeding in February 2020. The proceeding is listed for trial commencing on 9 October 2023.

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

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

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, NAB remains liable for the costs associated with, and retains conduct of, these matters pursuant to the terms of the MLC Wealth Transaction.

Note 14 Discontinued operations

Sale of MLC Wealth discontinued operation

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

Analysis of net loss from discontinued operations

	Half Year to		
	Mar 23 $m	Sep 22 $m	Mar 22 $m
Discontinued operations			
Net loss from MLC Wealth discontinued operation[1]	**(15)**	(149)	(20)
Net loss from discontinued operations	**(15)**	(149)	(20)
Attributable to owners of NAB	**(15)**	(149)	(20)

(1) Discontinued operations in the March 2023 and March 2022 half years primarily relate to costs associated with managing the run-off of the MLC Wealth retained entities. Discontinued operations in the September 2022 half year includes higher charges for customer-related and payroll remediation.

Note 15 Events subsequent to reporting date

There are no items, transactions or events of a material or unusual nature that have arisen in the interval between 31 March 2023 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 2023, as set out on pages 50 to 80, 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 2023, and of the performance of the Group for the six months ended 31 March 2023.

(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
4 May 2023

Ross McEwan CBE
Group Chief Executive Officer
4 May 2023

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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 subsidiaries (collectively the Group), which comprises the consolidated balance sheet as at 31 March 2023, the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and 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 2023 and of its consolidated financial performance for the half-year ended on that date; and

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

Basis for conclusion

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

Directors' responsibilities for the half-year financial report

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

Auditor's 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 2023 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
4 May 2023

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Half year results 2023

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Average balance sheet and related interest

Average assets and interest income

	Half Year to Mar 23			Half Year to Sep 22			Half Year to Mar 22		
	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	**109,130**	**1,619**	**3.0**	105,420	559	1.1	83,931	7	-
New Zealand	**10,709**	**221**	**4.1**	11,727	127	2.2	10,004	35	0.7
Other International	**25,039**	**401**	**3.2**	29,083	179	1.2	29,078	23	0.2
Total due from other banks	**144,878**	**2,241**	**3.1**	146,230	865	1.2	123,013	65	0.1
Marketable debt securities									
Australia	**71,578**	**1,114**	**3.1**	68,995	667	1.9	72,488	383	1.1
New Zealand	**7,411**	**129**	**3.5**	6,336	59	1.9	7,403	32	0.9
Other International	**10,762**	**131**	**2.4**	10,573	51	1.0	10,552	15	0.3
Total marketable debt securities	**89,751**	**1,374**	**3.1**	85,904	777	1.8	90,443	430	1.0
Loans and advances - housing									
Australia(1)(2)	**304,052**	**6,541**	**4.3**	294,534	4,516	3.1	279,518	3,591	2.6
New Zealand(1)(2)	**48,922**	**1,059**	**4.3**	47,077	843	3.6	48,578	727	3.0
Total loans and advances - housing	**352,974**	**7,600**	**4.3**	341,611	5,359	3.1	328,096	4,318	2.6
Loans and advances - non-housing									
Australia	**235,716**	**6,706**	**5.7**	230,489	4,499	3.9	214,614	3,133	2.9
New Zealand	**41,584**	**1,511**	**7.3**	40,444	1,040	5.1	40,988	736	3.6
Other International	**21,732**	**602**	**5.6**	21,639	341	3.1	21,445	226	2.1
Total loans and advances - non-housing	**299,032**	**8,819**	**5.9**	292,572	5,880	4.0	277,047	4,095	3.0
Other interest earning assets									
Australia	**29,688**	**583**	**n/a**	21,022	147	n/a	11,551	32	n/a
New Zealand	**1,365**	**43**	**n/a**	1,423	18	n/a	1,069	5	n/a
Other International	**41,421**	**852**	**n/a**	39,243	338	n/a	41,219	49	n/a
Total other interest earning assets	**72,474**	**1,478**	**n/a**	61,688	503	n/a	53,839	86	n/a
Total average interest earning assets and interest income by:									
Australia	**750,164**	**16,563**	**4.4**	720,460	10,388	2.9	662,102	7,146	2.2
New Zealand	**109,991**	**2,963**	**5.4**	107,007	2,087	3.9	108,042	1,535	2.8
Other International	**98,954**	**1,986**	**4.0**	100,538	909	1.8	102,294	313	0.6
Total average interest earning assets and interest income	**959,109**	**21,512**	**4.5**	928,005	13,384	2.9	872,438	8,994	2.1

(1) Net of mortgage offset accounts of $41,930 million (September 2022: $39,453 million, March 2022: $36,978 million) in Australia and $2,253 million (September 2022: $2,168 million, March 2022: $2,177 million) in New Zealand which are included in non-interest earning assets.

(2) The balance as at 31 March 2023 includes capitalised brokerage costs reflecting the revised accounting treatment of trail commissions payable to mortgage brokers. Comparatives have not been restated. Refer to Note 1 Basis of preparation for further information.

Average assets

	Half Year to		
	Mar 23	Sep 22	Mar 22
	$m	$m	$m
Average non-interest earning assets			
Other assets[(1)]	**106,812**	103,506	89,008
Average provision for credit impairment			
Australia	**(4,385)**	(4,332)	(4,305)
New Zealand	**(739)**	(685)	(702)
Other International	**(51)**	(57)	(55)
Total average provision for credit impairment	**(5,175)**	(5,074)	(5,062)
Total average assets	**1,060,746**	1,026,437	956,384

(1) Includes mortgage offset accounts of $41,930 million (September 2022: $39,453 million, March 2022: $36,978 million) in Australia and $2,253 million (September 2022: $2,168 million, March 2022: $2,177 million) in New Zealand.

Average liabilities and interest expense

	Half Year to Mar 23			Half Year to Sep 22			Half Year to Mar 22		
	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	50,221	325	1.3	48,492	130	0.5	46,331	32	0.1
New Zealand	6,664	75	2.3	5,367	28	1.0	4,836	8	0.3
Other International	17,139	337	3.9	18,907	152	1.6	15,409	25	0.3
Total due to other banks	74,024	737	2.0	72,766	310	0.8	66,576	65	0.2
On-demand and short-term deposits									
Australia	272,038	2,881	2.1	280,064	982	0.7	271,066	217	0.2
New Zealand	29,076	400	2.8	31,517	158	1.0	33,828	45	0.3
Other International	5,771	91	3.2	6,313	50	1.6	6,004	1	-
Total on-demand and short-term deposits	306,885	3,372	2.2	317,894	1,190	0.7	310,898	263	0.2
Certificates of deposit									
Australia	31,671	504	3.2	30,340	161	1.1	31,527	16	0.1
New Zealand	1,635	34	4.2	2,120	26	2.4	2,464	11	0.9
Other International	18,208	255	2.8	24,775	146	1.2	24,565	32	0.3
Total certificates of deposit	51,514	793	3.1	57,235	333	1.2	58,556	59	0.2
Term deposits									
Australia	132,332	2,052	3.1	107,288	671	1.2	84,832	146	0.3
New Zealand	26,929	481	3.6	24,276	267	2.2	23,188	155	1.3
Other International	8,895	154	3.5	7,040	60	1.7	3,615	7	0.4
Total term deposits	168,156	2,687	3.2	138,604	998	1.4	111,635	308	0.6
Other borrowings									
Australia	41,603	871	4.2	43,272	388	1.8	34,337	63	0.4
New Zealand	2,071	41	4.0	2,843	22	1.5	4,183	20	1.0
Other International	24,647	605	4.9	25,740	245	1.9	32,251	22	0.1
Total other borrowings	68,321	1,517	4.5	71,855	655	1.8	70,771	105	0.3
Bonds, notes and subordinated debt									
Australia	109,174	2,578	4.7	101,366	1,138	2.2	95,468	433	0.9
New Zealand	20,036	463	4.6	19,386	285	2.9	18,699	160	1.7
Other International	11,424	221	3.9	9,155	139	3.0	9,042	128	2.8
Total bonds, notes and subordinated debt	140,634	3,262	4.7	129,907	1,562	2.4	123,209	721	1.2
Other interest bearing liabilities									
Australia	21,949	612	n/a	18,414	548	n/a	12,700	389	n/a
New Zealand	2,024	39	n/a	1,660	16	n/a	1,100	5	n/a
Other International	1,021	18	n/a	786	8	n/a	337	3	n/a
Total other interest bearing liabilities	24,994	669	n/a	20,860	572	n/a	14,137	397	n/a
Total average interest bearing liabilities and interest expense by:									
Australia	658,988	9,823	3.0	629,236	4,018	1.3	576,261	1,296	0.5
New Zealand	88,435	1,533	3.5	87,169	802	1.8	88,298	404	0.9
Other International	87,105	1,681	3.9	92,716	800	1.7	91,223	218	0.5
Total average interest bearing liabilities and interest expense	834,528	13,037	3.1	809,121	5,620	1.4	755,782	1,918	0.5

Average liabilities and equity

	Half Year to		
	Mar 23	Sep 22	Mar 22
	$m	$m	$m
Average non-interest bearing liabilities			
Deposits not bearing interest			
Australia[1]	**86,577**	86,890	83,078
New Zealand[1]	**14,139**	11,814	12,116
Other International	**7**	7	9
Total deposits not bearing interest	**100,723**	98,711	95,203
Other liabilities[2]	**65,820**	58,782	43,524
Total average non-interest bearing liabilities	**166,543**	157,493	138,727
Total average liabilities	**1,001,071**	966,614	894,509
Total average equity	**59,675**	59,823	61,875
Total average liabilities and equity	**1,060,746**	1,026,437	956,384

(1) Includes mortgage offset accounts of $41,930 million (September 2022: $39,453 million, March 2022: $36,978 million) in Australia and $2,253 million (September 2022: $2,168 million, March 2022: $2,177 million) in New Zealand.

(2) The balance as at 31 March 2023 includes trail commissions payable to mortgage brokers. Comparatives have not been restated. Refer to Note 1 Basis of preparation for further information.

Net interest margins and spreads

	Half Year to				
	Mar 23	Sep 22	Mar 22	Mar 23 v	Mar 23 v
	%	%	%	Sep 22	Mar 22
Net interest spread	**1.37**	1.49	1.56	(12 bps)	(19 bps)
Benefit of net free liabilities, provisions and equity	**0.40**	0.18	0.07	22 bps	33 bps
Net interest margin - statutory basis	**1.77**	1.67	1.63	10 bps	14 bps

Capital adequacy

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

	As at		
	31 Mar 23	30 Sep 22	31 Mar 22
	%	%	%
Capital ratios			
CET1	**12.21**	11.51	12.48
Tier 1	**13.89**	13.14	14.07
Total capital	**19.76**	18.17	18.55

	As at		
	31 Mar 23	30 Sep 22	31 Mar 22
	$m	$m	$m
Contributed equity	**38,845**	39,399	41,291
Reserves	**(388)**	(1,839)	(702)
Retained profits	**22,958**	21,472	20,440
Total equity per consolidated balance sheet	**61,415**	59,032	61,029
Adjustments between the Group and Level 2 regulatory group balance sheets	**1**	(13)	(69)
CET1 capital before regulatory adjustments	**61,416**	59,019	60,960
Goodwill and other intangible assets, net of tax	**(2,305)**	(2,324)	(2,038)
Investment in non-consolidated controlled entities	**(10)**	(10)	(20)
Deferred tax assets in excess of deferred tax liabilities	**(2,262)**	(2,286)	(2,082)
Capitalised expenses and deferred fee income	**(1,013)**	(948)	(847)
Software, net of tax	**(2,658)**	(2,535)	(2,377)
Defined benefit superannuation plan asset, net of tax	**(27)**	(26)	(28)
Change in own creditworthiness, net of tax	**42**	9	35
Cash flow hedge reserve	**827**	1,667	1,056
Equity exposures	**(723)**	(685)	(678)
Expected loss in excess of eligible provisions	**-**	(34)	(29)
Other	**(32)**	(71)	(28)
CET1 capital	**53,255**	51,776	53,924
Additional Tier 1 capital instruments	**7,360**	7,360	6,859
Regulatory adjustments to Additional Tier 1 capital	**(20)**	(24)	(24)
Additional Tier 1 capital	**7,340**	7,336	6,835
Tier 1 capital	**60,595**	59,112	60,759
Tier 2 capital instruments	**23,508**	20,654	17,611
Eligible provisions held against non-defaulted exposures under the IRB approach	**1,922**	1,912	1,790
Eligible provisions held against exposures under the standardised approach	**244**	153	67
Regulatory adjustments to Tier 2 capital	**(101)**	(96)	(117)
Tier 2 capital	**25,573**	22,623	19,351
Total capital	**86,168**	81,735	80,110

Change in presentation of risk-weighted assets

Whilst comparative credit risk-weighted asset amounts continue to be under rules that applied as at 31 March 2022 and 30 September 2022, to assist with comparability between reporting periods, credit risk-weighted asset comparatives in the table below have been restated to:

- Remove amounts for the RBNZ regulated banking subsidiary from assets classes under which they were previously disclosed and aggregate them in the RBNZ regulated banking subsidiary line.
- Report other retail under the standardised approach as a separate asset class given the increase in risk-weighted assets under the revised capital framework due to an increase in credit conversion factors.
- Present the risk-weighted assets for cash items in the process of collection, premises and other fixed assets, and all other exposures as subject to the standardised approach.
- Aggregate small risk-weighted asset amounts into other lines.

Further details of the restatement are outlined in Appendix 1 of the March 2023 Pillar 3 Report.

	As at		
	31 Mar 23 $m	30 Sep 22 $m	31 Mar 22 $m
Risk-weighted assets			
Credit risk			
Subject to advanced IRB approach			
Corporate (including SME)	**105,725**	113,543	109,154
Sovereign	**n/a**	1,761	1,447
Bank	**n/a**	5,854	6,012
Retail SME	**10,641**	6,391	6,311
Residential mortgage	**97,178**	96,542	97,431
Qualifying revolving retail	**2,553**	2,248	2,266
Other retail	**1,729**	1,370	1,347
Subject to foundation IRB approach			
Corporate	**26,390**	n/a	n/a
Sovereign	**1,806**	n/a	n/a
Financial institution	**23,145**	n/a	n/a
Total internal ratings-based approach	**269,167**	227,709	223,968
Specialised lending	**2,043**	55,570	54,571
Subject to standardised approach			
Corporate	**4,929**	5,136	4,682
Residential mortgage	**6,656**	5,305	1,207
Other retail	**6,359**	4,402	421
Other(1)	**5,058**	5,647	4,373
Total standardised approach(2)	**23,002**	20,490	10,683
RBNZ regulated banking subsidiary	**52,104**	47,682	49,810
Other			
Securitisation exposures	**5,490**	5,788	5,551
Credit valuation adjustment	**4,501**	6,720	5,951
Other(3)	**-**	3,302	4,568
Total other	**9,991**	15,810	16,070
Total credit risk	**356,307**	367,261	355,102
Market risk	**8,496**	7,907	8,958
Operational risk	**41,178**	41,124	41,124
Interest rate risk in the banking book	**30,192**	33,626	26,756
Total risk-weighted assets	**436,173**	449,918	431,940

(1) Consists of cash items in the process of collection, premises and other fixed assets, and all other exposures.
(2) The increase in credit risk-weighted assets subject to the standardised approach from 31 March to 30 September 2022 is mainly due to the acquisition of the Citi consumer business on 1 June 2022. The credit risk-weighted assets related to this acquisition was approximately $8.1 billion, based on the exposures as at 30 June 2022.
(3) Other as at 31 March and 30 September 2022 consists of overlay adjustments for regulatory prescribed methodology requirements. Overlay adjustments as at 31 March 2023 have been presented together with risk-weighted assets for the relevant asset classes.

Earnings per share

	Half Year to					
	Basic			Diluted		
	Mar 23	Sep 22	Mar 22	Mar 23	Sep 22	Mar 22
Statutory earnings per share						
Earnings ($m)						
Net profit attributable to owners of NAB	**3,967**	3,340	3,551	**3,967**	3,340	3,551
Potential dilutive adjustments (after tax)						
Interest expense on convertible notes	**-**	-	-	**172**	128	104
Adjusted earnings	**3,967**	3,340	3,551	**4,139**	3,468	3,655
Net loss attributable to owners of NAB from discontinued operations	**15**	149	20	**15**	149	20
Adjusted earnings from continuing operations	**3,982**	3,489	3,571	**4,154**	3,617	3,675
Weighted average number of ordinary shares (millions)						
Weighted average number of ordinary shares (net of treasury shares)	**3,142**	3,186	3,254	**3,142**	3,186	3,254
Potential dilutive weighted average number of ordinary shares						
Convertible notes	**-**	-	-	**262**	243	227
Share-based payments	**-**	-	-	**10**	6	6
Total weighted average number of ordinary shares	**3,142**	3,186	3,254	**3,414**	3,435	3,487
Earnings per share (cents) attributable to owners of NAB	**126.3**	104.8	109.1	**121.2**	101.0	104.8
Earnings per share (cents) from continuing operations	**126.7**	109.5	109.7	**121.7**	105.3	105.4

	Half Year to					
	Basic			Diluted		
	Mar 23	Sep 22	Mar 22	Mar 23	Sep 22	Mar 22
Cash earnings per share						
Earnings ($m)						
Cash earnings[(1)]	**4,070**	3,624	3,480	**4,070**	3,624	3,480
Potential dilutive adjustments (after tax)						
Interest expense on convertible notes	**-**	-	-	**172**	128	104
Adjusted cash earnings	**4,070**	3,624	3,480	**4,242**	3,752	3,584
Weighted average number of ordinary shares (millions)						
Weighted average number of ordinary shares (net of treasury shares)	**3,142**	3,186	3,254	**3,142**	3,186	3,254
Potential dilutive weighted average number of ordinary shares						
Convertible notes	**-**	-	-	**262**	243	227
Share-based payments	**-**	-	-	**10**	6	6
Total weighted average number of ordinary shares	**3,142**	3,186	3,254	**3,414**	3,435	3,487
Cash earnings per share (cents)	**129.5**	113.8	106.9	**124.3**	109.2	102.8

(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 23	Sep 22	Mar 22
Statutory return on equity			
Earnings ($m)			
Net profit attributable to owners of NAB	**3,967**	3,340	3,551
Average equity ($m)	**59,675**	59,823	61,875
Statutory return on equity	**13.3%**	11.1%	11.5%

	Half Year to		
	Mar 23	Sep 22	Mar 22
Cash return on equity			
Earnings ($m)			
Cash earnings	**4,070**	3,624	3,480
Average equity ($m)	**59,675**	59,823	61,875
Cash return on equity	**13.7%**	12.1%	11.3%

Funded balance sheet

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

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

	As at				
	31 Mar 23 $m	30 Sep 22 $m	31 Mar 22 $m	Mar 23 v Sep 22 %	Mar 23 v Mar 22 %
Funding sources[1]					
Stable customer deposits[2]	**510,379**	511,676	495,431	(0.3)	3.0
Term wholesale funding with greater than 12 months to maturity[3]	**127,401**	117,882	106,614	8.1	19.5
Central bank funding facilities with greater than 12 months to maturity[3][4]	**21,047**	20,613	34,904	2.1	(39.7)
Equity	**61,415**	59,032	61,029	4.0	0.6
Total stable funding[3]	**720,242**	709,203	697,978	1.6	3.2
Short-term wholesale funding	**117,288**	131,828	116,188	(11.0)	0.9
Term wholesale funding with less than 12 months to maturity[3]	**22,022**	20,201	22,564	9.0	(2.4)
Central bank funding facilities with less than 12 months to maturity[3][4]	**15,641**	14,703	-	6.4	large
Other deposits[5]	**64,505**	55,009	35,006	17.3	84.3
Other liabilities[6]	**-**	-	5,419	-	large
Total funding	**939,698**	930,944	877,155	0.9	7.1
Funded assets					
Marketable securities and cash[7]	**221,594**	220,415	202,183	0.5	9.6
Other short-term assets[8]	**23,562**	26,011	21,679	(9.4)	8.7
Total short-term assets	**245,156**	246,426	223,862	(0.5)	9.5
Business and other lending[8]	**295,361**	293,017	279,486	0.8	5.7
Housing lending	**399,177**	389,124	373,807	2.6	6.8
Other assets[6]	**4**	2,377	-	(99.8)	large
Total long-term assets	**694,542**	684,518	653,293	1.5	6.3
Total funded assets	**939,698**	930,944	877,155	0.9	7.1

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

Bonds, notes and subordinated debt

	As at		
	31 Mar 23 $m	30 Sep 22 $m	31 Mar 22 $m
Bonds, notes and subordinated debt			
Medium-term notes	**80,711**	74,076	66,729
Securitisation notes	**3,080**	3,504	1,966
Covered bonds	**26,198**	23,511	22,026
Subordinated medium-term notes	**21,480**	18,192	16,564
Total bonds, notes and subordinated debt	**131,469**	119,283	107,285

Number of ordinary shares

	Half Year to		
	Mar 23	Sep 22	Mar 22
	No. '000	No. '000	No. '000
Ordinary shares, fully paid			
Balance at beginning of period	**3,153,813**	3,218,298	3,281,991
Shares issued:			
Dividend reinvestment plan	**8,461**	8,343	8,547
Bonus share plan	**589**	592	635
Share-based payments	**3,532**	327	5,220
Paying up of partly paid shares	**1**	-	-
On-market purchase of shares for dividend reinvestment plan neutralisation	**(8,461)**	(8,343)	(8,547)
Shares bought back	**(19,270)**	(65,404)	(69,548)
Total ordinary shares, fully paid	**3,138,665**	3,153,813	3,218,298
Ordinary shares, partly paid to 25 cents			
Balance at beginning of period	**12**	12	12
Paying up of partly paid shares	**(1)**	-	-
Total ordinary shares, partly paid to 25 cents	**11**	12	12
Total ordinary shares (including treasury shares)	**3,138,676**	3,153,825	3,218,310
Less: Treasury shares	**(8,354)**	(6,331)	(6,410)
Total ordinary shares (excluding treasury shares)	**3,130,322**	3,147,494	3,211,900

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 2023 half year, there was a decrease in statutory profit of $3 million ($5 million after tax) from hedging and fair value volatility. The increase in the current period relates to mark-to-market gains on derivatives used to hedge the Group's long-term funding issuances.

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 2023 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 2023 half year, this includes the following items:

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

In the March 2023 half year, there was a decrease in statutory profit of $107 million ($68 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 2023				
	Statutory net profit from continuing operations $m	Hedging and fair value volatility $m	Amortisation of acquired intangible assets $m	Acquisitions, disposals and business closures $m	Cash earnings $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 NAB from continuing operations	3,982	5	15	68	4,070

	Half Year to September 2022				
	Statutory net profit from continuing operations $m	Hedging and fair value volatility $m	Amortisation of acquired intangible assets $m	Acquisition, integration and business closures $m	Cash earnings $m
Statutory net profit reconciliation					
Net interest income	7,764	3	-	-	7,767
Other operating income	1,735	163	-	(197)	1,701
Net operating income	9,499	166	-	(197)	9,468
Operating expenses	(4,630)	-	16	303	(4,311)
Profit before credit impairment charge	4,869	166	16	106	5,157
Credit impairment (charge) / write-back	(126)	3	-	-	(123)
Profit before income tax	4,743	169	16	106	5,034
Income tax expense	(1,254)	(55)	(5)	(96)	(1,410)
Net profit attributable to owners of NAB from continuing operations	3,489	114	11	10	3,624

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

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

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 2023 half year is translated at average foreign exchange rates for the September 2022 and March 2022 half years.

	Half Year to					
	Mar 23 v Sep 22 %	FX $m	Mar 23 v Sep 22 ex FX %	Mar 23 v Mar 22 %	FX $m	Mar 23 v Mar 22 ex FX %
Impact of exchange rate movements on Group results						
Net interest income	9.1	26	**8.8**	19.6	(30)	**20.1**
Other operating income	20.7	19	**19.6**	17.8	(4)	**18.0**
Net operating income	11.2	45	**10.7**	19.3	(34)	**19.7**
Operating expenses	2.6	(16)	**2.2**	11.6	13	**11.9**
Underlying profit	18.4	29	**17.9**	25.5	(21)	**26.0**
Credit impairment charge	large	(3)	**large**	large	(1)	**large**
Cash earnings before tax	13.5	26	**13.0**	17.5	(22)	**18.0**
Income tax expense	16.7	(5)	**16.3**	18.9	9	**19.6**
Cash earnings	12.3	21	**11.7**	17.0	(13)	**17.3**

Exchange rates

	Income statement - average			Balance sheet - spot		
	Half Year to			As at		
	Mar 23	Sep 22	Mar 22	31 Mar 23	30 Sep 22	31 Mar 22
One Australian dollar equals						
British pounds	**0.5614**	0.5749	0.5401	**0.5418**	0.5839	0.5707
Euros	**0.6407**	0.6748	0.6412	**0.6158**	0.6614	0.6708
United States dollars	**0.6707**	0.6992	0.7262	**0.6714**	0.6493	0.7486
New Zealand dollars	**1.0875**	1.1070	1.0593	**1.0680**	1.1353	1.0760

Glossary

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

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

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

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

AASB
Australian Accounting Standards Board.

ADI
Authorised Deposit-taking Institution.

AML
Anti-Money Laundering.

APRA
Australian Prudential Regulation Authority.

APS
Prudential Standards issued by APRA applicable to ADIs.

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

AUSTRAC
Australian Transaction Reports and Analysis Centre.

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

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

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

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

BNZ
Bank of New Zealand.

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

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 NAB 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.

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

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

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

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).

CYBG
Virgin Money UK PLC (formerly CYBG PLC).

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 2023 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 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)
The approach used by the Group, under approval from APRA, to calculate the capital requirement for credit risk, which utilises the outputs of internally developed models for probability of default, loss given default and exposure at default.

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

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

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

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

Marketable debt securities
Comprises trading securities and debt instruments.

MLC Life
MLC Limited.

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

NAB
National Australia Bank Limited ABN 12 004 044 937.

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

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

Net 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.

Payment systems merger
The amalgamation of Australia's three domestic payments organisations, BPAY Group Holding Pty Ltd and its subsidiaries (collectively referred to as BPAY), eftpos Payments Australia Limited (EPAL) and NPP Australia Limited (NPPA) as Australian Payments Plus.

RBA
Reserve Bank of Australia.

RBNZ
Reserve Bank of New Zealand.

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

Risk-weighted assets (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. This approach was applied by the Group from 1 January 2022.

Statutory net profit
Net profit attributable to owners of NAB.

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

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

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

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

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

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

Total capital
Tier 1 capital plus Tier 2 capital.

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

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

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

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.