National Australia Bank

FULL YEAR RESULTS 2020

Incorporating the requirements of Appendix 4E

This full year results announcement incorporates the preliminary final report given to the Australian Securities Exchange (ASX) under listing rule 4.3A.

National Australia Bank Limited ABN 12 004 044 937

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Results for Announcement to the Market

Report for the full year ended 30 September 2020

						30 September 2020 $m
Revenue from ordinary activities[(1)(2)]	down	1.6%	*	to	17,261
Net profit after tax from ordinary activities attributable to owners of NAB	down	46.7%	*	to	2,559
Net profit attributable to owners of NAB	down	46.7%	*	to	2,559

** On prior corresponding period (twelve months ended 30 September 2019).*

Dividends	Amount per share cents	Franked amount per share %
Final dividend	30	100
Interim dividend	30	100
Record date for determining entitlements to the final dividend		13 November 2020

A Glossary of Terms is included in Section 5.

A reference in this Appendix 4E to the 'Group' is a reference to NAB and its controlled entities. All currency amounts are expressed in Australian dollars unless otherwise stated. References in this document to the September 2020 full year are references to the twelve months ended 30 September 2020. Other twelve-month periods are referred to in a corresponding manner. The Group's consolidated financial statements, prepared in accordance with the *Corporations Act 2001* (Cth), are included in Section 3. See page 101 for a complete index of ASX Appendix 4E requirements.

(1) Required to be disclosed by ASX Listing Rule Appendix 4E. Reported as the sum of the following from the Group's consolidated income statement: Net interest income $13,877 million and total other income $3,384 million. On a cash earnings basis revenue decreased by 1.4%. Refer to information on cash earnings on page 2 of Section 1 of the 2020 Full Year Results Announcement.

(2) Information is presented on a continuing operations basis, unless otherwise stated. Prior periods have been restated for the presentation of MLC Wealth as a discontinued operation. Refer to Section 3, Note 14 Discontinued operations for further information.

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FULL YEAR RESULTS 2020

National Australia Bank

2020 FINANCIAL HIGHLIGHTS

$2,559M
Statutory net profit

$3,710M
Cash earnings[1]
Down 36.6% v FY19

$4,733m cash earnings ex large notable items of $1,023m
Down 25.9% v FY19[2]

30CPS
Final dividend
100% franked

11.47%
Group Common Equity Tier 1 (CET1) ratio

"Our operating environment is evolving through the ongoing challenges and uncertainties associated with COVID-19. While economic activity has been materially impacted, the significant stimulus for households and businesses provided in the Federal Budget, combined with an expected more complete reopening of domestic state borders, provide a bridge to economic recovery as support is reduced.

A strong balance sheet remains critical to allow us to support customers while keeping the bank safe. Building on our decisive actions in April to bolster capital and provisions, in 2H20 we added a further $1,028 million in forward looking provisions, bringing total forward looking provisions raised in FY20 to $1,856 million. The 2H20 increase reflects continuing uncertainty in the outlook combined with extra cover for specific sectors most heavily impacted by COVID-19.

Stronger provisions are the right thing to do but have impacted FY20 cash earnings, which are down 25.9% compared with FY19 (ex large notable items). In addition, low interest rates and lower fee income contributed to a decline in revenue. While we are acutely aware of the need for disciplined cost management, costs rose in FY20 as we adjusted to the COVID-19 environment and started implementing our strategy refresh announced in April.

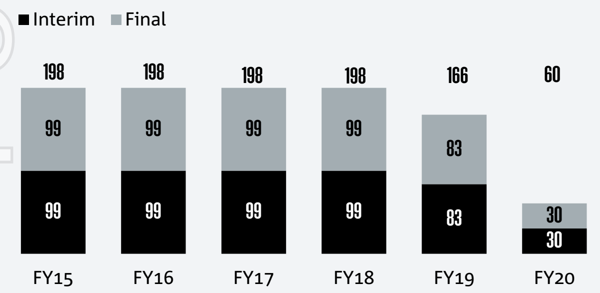
We are progressing well with our strategy refresh which is creating a simpler, more accountable business, committed to execution. We have embedded a new organisational structure with end-to-end accountability. We are clear about our priorities, and we are focusing on our customers and colleagues to drive sustainable performance over time."

ROSS MCEWAN NAB CEO

SHAREHOLDER OUTCOMES

DIVIDENDS (CPS)

In respect of each financial year period



SUPPORTING OUR CUSTOMERS & COMMUNITIES IN 2020

- More than 1,000 resources added and re-directed to support customers managing the impacts of COVID-19
- Strategic Net Promoter Score (NPS)[3] for September 2020 up 5 points over the year to -11, with NAB maintaining a leading position during the year and finishing second of major banks
- Making things easier for customers with a range of digital tools launched including a new self-service online booking engine providing faster, more convenient home loan appointments

[1] Refer cash earnings note and reconciliation on page 6.
[2] Cash earnings large notable items after tax: customer-related and payroll remediation $261m in FY20, $192m in FY19; capitalised software policy change $668m in FY20, $344m in FY19; impairment of property-related assets $94m in FY20.
[3] Net Promoter® and NPS® are registered trademarks and Net Promoter Score and Net Promoter System are trademarks of Bain & Company, Satmetrix Systems and Fred Reichheld. Sourced from DBM Consultants BFSM and Consumer Atlas, measured on 6 month rolling average. Definition has been updated to give all customers in the Business and Consumer segments equal voice. The overall Strategic NPS result combines the Consumer and Business segment results using a 50% weighting for each. History has been restated.

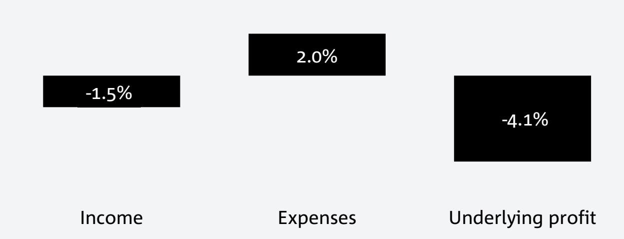
The September 2020 full year results are compared with the September 2019 full year results for continuing operations unless otherwise stated. Operating Performance and Asset Quality are expressed on a cash earnings basis.

OPERATING PERFORMANCE FY20 V FY19

- Revenue down 1.4%. Excluding customer-related remediation[4], revenue declined 1.5% mainly reflecting lower fee income given COVID-19 fee waivers and reduced transaction volumes in merchant acquiring and cards activities, combined with the non-repeat of asset sale gains in the prior year.
- Net Interest Margin (NIM) declined 1 basis point (bp) to 1.77%. Excluding a 1bp reduction from Markets & Treasury which includes the impact of holding higher liquid assets, NIM was flat with the benefits of home loan repricing and lower wholesale funding costs offset by impacts of the low interest rate environment combined with competitive pressures.
- Expenses rose 10.7%. Excluding large notable items[4], expenses were up 2.0% primarily reflecting costs associated with the implementation of our strategy refresh, combined with higher technology-related costs including spend to strengthen the compliance and control framework, salary increases and COVID-19 related costs. This was partly offset by productivity benefits, lower performance-based compensation, and reduced travel and entertainment costs.

FY20 V FY19 DRIVERS OF CASH EARNINGS CHANGE

(ex large notable items[4])



"FY20 expense growth of 2.0% is above our target of broadly flat (excluding large notable items), mostly reflecting costs associated with early implementation of our strategy refresh, combined with lower than expected productivity benefits which in large part is COVID-19 related."

ASSET QUALITY FY20 V FY19

- Credit impairment charges increased 201% to $2,762 million, and as a percentage of gross loans and acceptances rose 31bps to 46bps.
- FY20 charges include $1,856 million of additional forward looking collective provisions to reflect potential COVID-19 impacts. This includes a $1,468 million top-up to the economic adjustment (EA) and $388 million for targeted sectors experiencing elevated levels of risk including aviation, tourism, hospitality & entertainment, retail trade, and commercial property.
- The ratio of 90+ days past due and gross impaired assets to gross loans and acceptances increased 10bps to 1.03% largely due to rising delinquencies in the Australian home loan portfolio where customers are not part of the COVID-19 deferral program.
- Eligible customers receiving COVID-19 payment deferrals are treated as performing in accordance with APRA guidance.

CREDIT IMPAIRMENT CHARGES ($ MILLIONS)

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

"Asset quality is starting to deteriorate given economic disruptions caused by COVID-19. While the outlook remains uncertain, further deterioration is expected, which is why we have added $1,856 million in additional forward looking collective provisions in FY20."

[4] Revenue excludes customer-related remediation $129m in FY20, $150m in FY19. Expenses excludes: customer-related and payroll remediation $244m in FY20, $123m in FY19; capitalised software policy change $950m in FY20, $489m in FY19; and impairment of property-related assets $134m in FY20. Underlying profit represents cash earnings before credit impairment charges, income tax and distributions. Refer note on cash earnings and reconciliation on page 6.

CAPITAL, FUNDING & LIQUIDITY

CET1 RATIO (%)

KEY RATIOS AS AT 30 SEPTEMBER 2020

- Group Common Equity Tier 1 (CET1) ratio of 11.47%, up 109bps from September 2019
- Includes $4.25 billion (98bps) of proceeds received from the institutional placement and share purchase plan
- Completion of MLC Wealth sale expected to add a further ~35bps to CET1[5]
- NAB is considering an offer of a new ASX listed Additional Tier 1 capital security alongside the repayment of NAB Convertible Preference Shares II (CPS II)[6]
- Leverage ratio (APRA basis) of 5.8%
- Liquidity coverage ratio (LCR) quarterly average of 139%
- Net Stable Funding Ratio (NSFR) of 127%

DIVISIONAL PERFORMANCE – CASH EARNINGS[7]

	FY20 ($M)	% CHANGE FY20 V FY19	KEY DRIVERS FY20 V FY19
Business & Private Banking	2,489	(11.6)	Earnings decreased reflecting lower revenue mostly due to the low interest rate environment, and higher operating expenses including continued investment in technology and compliance initiatives.
Personal Banking	1,380	9.5	Higher earnings with increased revenue as a result of home loan repricing and lower funding costs in the housing lending portfolio, combined with lower credit impairment charges.
Corporate & Institutional Banking	1,469	(2.6)	A lower result due to higher credit impairment charges reflecting rating downgrades across COVID-19 impacted sectors, combined with higher operating expenses. This was partially offset by higher revenue given stronger Markets income.
New Zealand Banking (NZ$m)	1,036	(1.8)	Earnings declined mainly reflecting higher credit impairment charges related to a small number of larger corporate exposures, and the impact of the low interest rate environment. This was partially offset by lower operating expenses and strong growth in home loans.

[5] Expected completion before middle of calendar year 2021, subject to timing of regulatory approvals.
[6] Any offer remains subject to market conditions and all relevant approvals being obtained. Any offer of ASX listed Additional Tier 1 capital securities by NAB will be made under a prospectus that will be available on NAB's website. If an offer is made, any person wishing to apply will need to do so as detailed in the prospectus.
[7] Excludes large notable items which form part of Corporate Functions and Other.

STRATEGIC OVERVIEW

The close of FY20 marks the completion of our three year transformation program announced in 2017. Under this program we increased investment spend by $1.67 billion and focused on improving customer experience by reducing complexity, delivering greater digital capability and establishing strong foundations in technology. Good progress was achieved including cumulative cost savings of $1.2 billion, approximately 200 fewer products with 65% of simple consumer product sales now digital, a 7% reduction in IT legacy applications, 38% of IT applications migrated to the cloud and a 70% reduction in critical and high priority incidents.

Building on these achievements, in April we announced a refresh of our longer term strategy. This recognises the need to go further to create a simpler, more streamlined business with clear accountabilities, which is more productive, resilient and efficient.

We have a clear strategic ambition for NAB. We have narrowed our focus to initiatives that will make a real difference to our customers and colleagues, and support our desire to be known for being relationship-led, easy, safe and focused on the long term. Our priorities over the next three to five years include simplifying processes and policies for home and business lending, creating simpler transactional banking, providing enhanced data and analytics to customers and colleagues and growing our digital bank UBank. We will also continue to enhance our technology resilience via insourcing and migration of IT applications to lower cost, more reliable cloud platforms.

Despite the challenges of the current environment, we are moving rapidly to implement our refreshed strategy. We have a clear plan to achieve our key priorities including a discretionary investment spend program and specific commitments from each of our senior leaders which will bring our strategy to life.

Progress is already underway on several fronts.

We have embedded a new customer-centric organisational structure with clear end-to-end accountabilities, and our senior leadership team is now largely in place.

We are investing in our colleagues, with the rollout of Career Qualified in Banking, an education and accreditation program building skills and capability to best serve customers and to raise the bar of professionalism in the industry. In addition, a single Group-wide leadership program has been launched to ensure all colleagues can benefit from having great, consistent leadership.

In August, we announced an agreement to sell 100% of MLC Wealth (MLC) to IOOF Holdings Ltd (IOOF) for $1,440 million, consistent with our strategy to simplify and focus on our core banking business while creating a stronger future for MLC through its combination with IOOF. Other than the announced sale of MLC, there are no major changes planned in our portfolio, although we will continue to explore some smaller opportunities to optimise and simplify the portfolio by divesting non-core businesses. We also regularly assess opportunities to acquire businesses that support our growth strategy.

We have also announced a number of customer initiatives which support our ambition to be easy to deal with. This includes the rollout of an online booking engine for home loan appointments available to customers via the NAB website, and customer information is now transferred automatically to home loan origination systems. A single home loan application experience across our retail network is being piloted by 50 bankers enabling them to provide customers with a faster, more seamless application process. The launch of the StraightUp card in September is another example. This is a simple credit card with no interest, a fixed monthly fee and no other fees or charges, and online conditional approval within 60 seconds. Our recently announced partnership with Pollinate will provide small business merchant customers with valuable real-time insights to help them better manage and grow their businesses including sales data, average transaction value, compare day periods and filter by payment type. Our business customers are also set to benefit from merchant choice routing, which will be rolled out later this year with one flat price of 1.15% on card transactions, replacing 10 separate pricing plans and enabling savings for businesses with contactless debit card payments automatically processed on the lowest cost network.

Having a strong balance sheet is a key requirement of our ability to serve customers well and help communities prosper. With this in mind, the final dividend of 30 cents per share (cps) has been held stable with the FY20 interim dividend, bringing the total dividend for FY20 to 60 cps. This represents a 64% reduction compared with FY19 and reflects the uncertain outlook for COVID-19 impacts and APRA's revised dividend guidance, balanced with consideration of the Group's strong capital position. The final dividend represents 42.7% of 2H20 cash earnings excluding large notable items and 48.4% including large notable items, and on a statutory earnings (continuing operations) basis represents a payout ratio of 49.8%.

In FY21, as we progress our strategy, we are also conscious of the need to further improve the resilience and safety of our bank and to support our customers as they manage through the challenges posed by COVID-19, while also building momentum for recovery as we emerge from this crisis. This includes extra resourcing for our consumer and business hardship areas, the addition of 550 new roles in our Business & Private Banking division to serve customers, combined with further investment in technology resilience and financial crime/anti money laundering systems and capabilities to keep our customers and bank safe. As a result, we expect modest growth in FY21 expenses (excluding large notable items) of approximately 0-2%.

Over time, the successful delivery of our refreshed strategy is expected to result in stronger, safer growth in our chosen businesses, more engaged colleagues and more satisfied customers, a more efficient organisation with absolute costs (excluding large notable items) targeted to be lower over three to five years, and improved, more sustainable shareholder returns.

OUR ECONOMIC VALUE DISTRIBUTED

SUPPLIERS	Payments made for the provision of utilities, goods and services.	$5.1bn
COMMUNITY INVESTMENT	Community partnerships, donations, grants, in kind support and volunteering.	$42.8m
SHAREHOLDERS	$3.3 billion dollars in dividend payments to more than 641,000 shareholders.	$3.3bn
COLLEAGUES	Colleague salaries, superannuation contributions and incentives.	$4.0bn
GOVERNMENTS	Payments made to governments in the form of the Bank Levy ($412 million) plus $3.1 billion in income taxes, fringe benefit taxes and payroll taxes among others.	$3.5bn
	Total Economic Value Distributed[1]	$15.9bn

OUR INDIRECT ECONOMIC CONTRIBUTION

$66bn in new home lending
$82bn in new business lending

$469bn in deposits managed for retail and business deposit customers

>$60bn in total deferrals provided during COVID-19

(1) Aligned to the Global Reporting Initiative Standards

ECONOMIC OUTLOOK

"Economic activity in Australia has been materially impacted by COVID-19, with GDP falling 7.0% in the June quarter 2020 and forecast to decline 4.7% over the year to December 2020. Recovery is likely to be gradual, supported by stimulatory fiscal and monetary policy combined with expected relaxation of Victorian restrictions and a more complete reopening of state borders. This sees forecast GDP growth of 4.6% over 2021 and 2.9% over 2022, albeit the outlook for the business sector remains highly uncertain and the pace of recovery is likely to be uneven across industries. Unsurprisingly, the hit to activity has seen a large deterioration in the Australian labour market, with unemployment expected to peak at 8.1% in early 2021 before a gradual but not complete recovery to 5.9% by the end of 2022. The New Zealand economy was also severely impacted by COVID-19 and associated containment measures and while a recovery is underway, like Australia, a full recovery is expected to take an extended time."

GROUP PERFORMANCE RESULTS

Cash earnings is a key financial performance measure used by NAB, the investment community and NAB's Australian peers with a similar business portfolio. 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 2020 Full Year Results Announcement provides details of how cash earnings is defined on page 2 and a discussion of non-cash earnings items and full reconciliation of statutory net profit attributable to owners of NAB on pages 98 to 100.

	Year to			Half Year to		
	Sep 20 $m	Sep 19 $m	Sep 20 v Sep 19 %	Sep 20 $m	Mar 20 $m	Sep 19 v Mar 19 %
Net interest income[8]	13,920	13,614	2.2	7,012	6,908	1.5
Other operating income[8]	3,399	3,970	(14.4)	1,872	1,527	22.6
Customer-related remediation[9]	(129)	(150)	(14.0)	(49)	(80)	(38.8)
Net operating income	17,190	17,434	(1.4)	8,835	8,355	5.7
Operating expenses[10]	(7,679)	(7,528)	2.0	(3,932)	(3,747)	4.9
Customer-related and payroll remediation[9]	(244)	(123)	98.4	(194)	(50)	large
Capitalised software policy change[9]	(950)	(489)	94.3	-	(950)	large
Impairment of property-related assets[9]	(134)	-	large	(134)	-	large
Underlying profit	8,183	9,294	(12.0)	4,575	3,608	26.8
Credit impairment charge	(2,762)	(919)	large	(1,601)	(1,161)	37.9
Cash earnings before tax and distributions	5,421	8,375	(35.3)	2,974	2,447	21.5
Income tax expense	(1,672)	(2,439)	(31.4)	(963)	(709)	35.8
Cash earnings before distributions	3,749	5,936	(36.8)	2,011	1,738	15.7
Distributions	(39)	(83)	(53.0)	(17)	(22)	(22.7)
Cash earnings	3,710	5,853	(36.6)	1,994	1,716	16.2
Cash earnings (excluding large notable items)[9]	*4,733*	*6,389*	*(25.9)*	*2,258*	*2,475*	*(8.8)*
Non-cash earnings items (after tax)	(212)	52	large	(37)	(175)	large
Net profit from continuing operations	3,498	5,905	(40.8)	1,957	1,541	27.0
Net loss after tax from discontinued operations[11]	(939)	(1,107)	(15.2)	(711)	(228)	large
Net profit attributable to owners of NAB	2,559	4,798	(46.7)	1,246	1,313	(5.1)
Represented by:						
Business and Private Banking	2,489	2,817	(11.6)	1,125	1,364	(17.5)
Personal Banking	1,380	1,260	9.5	657	723	(9.1)
Corporate and Institutional Banking	1,469	1,508	(2.6)	768	701	9.6
New Zealand Banking	977	997	(2.0)	442	535	(17.4)
Corporate Functions and Other[12]	(1,582)	(193)	large	(734)	(848)	(13.4)
Customer-related and payroll remediation	(261)	(192)	35.9	(170)	(91)	86.8
Capitalised software policy change	(668)	(344)	94.2	-	(668)	large
Impairment of property-related assets	(94)	-	large	(94)	-	large
Cash earnings	3,710	5,853	(36.6)	1,994	1,716	16.2

SHAREHOLDER SUMMARY

	Year to			Half Year to		
	Sep 20	Sep 19	Sep 20 v Sep 19	Sep 20	Mar 20	Sep 20 v Mar 20
Group – including discontinued operations						
Dividend per share (cents)	60	166	(106)	30	30	-
Statutory dividend payout ratio	73.1%	98.5%	large	78.5%	67.9%	large
Statutory earnings per share (cents) – basic	82.1	168.6	(86.5)	38.2	44.2	(6.0)
Statutory earnings per share (cents) – diluted	80.5	164.4	(83.9)	37.6	42.6	(5.0)
Statutory return on equity	4.4%	9.1%	(470 bps)	4.2%	4.7%	(50 bps)
Group – continuing operations						
Cash dividend payout ratio	49.6%	79.3%	large	48.4%	51.0%	(260 bps)
Statutory dividend payout ratio from continuing operations	53.2%	79.7%	large	49.8%	57.7%	(790 bps)
Statutory earnings per share from continuing operations (cents) – basic	112.7	208.2	(95.5)	60.3	52.0	8.3
Statutory earnings per share from continuing operations (cents) – diluted	108.6	201.0	(92.4)	58.1	49.5	8.6
Cash earnings per share (cents) – basic	120.9	209.3	(88.4)	62.0	58.8	3.2
Cash earnings per share (cents) – diluted	116.2	202.0	(85.8)	59.7	55.5	4.2
Cash return on equity (ROE)	6.5%	11.4%	(490 bps)	6.8%	6.3%	50 bps
Group – continuing operations (excluding large notable items)[12]						
Cash dividend payout ratio	38.9%	72.7%	large	42.7%	35.4%	730 bps
Statutory dividend payout ratio from continuing operations	41.1%	73.0%	large	43.8%	38.5%	530 bps
Statutory earnings per share from continuing operations (cents) – basic	146.1	227.3	(81.2)	68.5	78.0	(9.5)
Statutory earnings per share from continuing operations (cents) – diluted	139.3	218.7	(79.4)	65.7	72.5	(6.8)
Cash earnings per share (cents) – basic	154.3	228.4	(74.1)	70.2	84.8	(14.6)
Cash earnings per share (cents) – diluted	146.9	219.7	(72.8)	67.3	78.5	(11.2)
Cash return on equity (ROE)	8.3%	12.4%	(410 bps)	7.7%	9.1%	(140 bps)

[8] Excluding customer-related remediation.
[9] Refer to NAB's 2020 Full Year Results Announcement Section 1 Large notable items for further information.
[10] Excluding large notable items customer-related and payroll remediation, capitalised software policy change and impairment of property-related assets.
[11] Refer to NAB's 2020 Full Year Results Announcement Note 14 Discontinued Operations for further information.
[12] Includes an increase for the September 2020 full year in forward looking provision charges as a result of COVID-19. Excludes large notable items: customer-related and payroll remediation, capitalised software policy change and impairment of property-related assets.

FOR FURTHER INFORMATION

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DISCLAIMER – FORWARD LOOKING STATEMENTS

This Result Summary and the 2020 Full Year Results Announcement contain statements that are, or may be deemed to be, forward looking statements. These forward looking statements may be identified by the use of forward looking terminology, including the terms "believe", "estimate", "plan", "project", "anticipate", "expect", “target”, "intend", “likely”, "may", "will", “could” or "should" or, in each case, their negative or other variations or other similar expressions, or by discussions of strategy, plans, objectives, targets, goals, future events or intentions. Indications of, and guidance on, future earnings and financial position and performance are also forward looking statements. You are cautioned not to place undue reliance on such forward looking statements. Such forward looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of the Group, which may cause actual results to differ materially from those expressed or implied in such statements. There can be no assurance that actual outcomes will not differ materially from these statements.

There are many factors that could cause actual results to differ materially from those projected in such statements, including (without limitation) the risks and uncertainties associated with the ongoing impacts of COVID-19, changes to the Australian and global economic environment and capital market conditions, changes to the operating and regulatory environment of the Group and changes to the financial position or performance of the Group. Further information is contained in the Group’s Luxembourg Transparency Law disclosures released to the ASX on 27 April 2020 and the Group’s Annual Financial Report for the 2020 financial year, which will be available at www.nab.com.au on 11 November 2020.

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Section 1

Group Review

Information about Cash Earnings and other Non-IFRS Measures

This section provides information about cash earnings, a key performance measure used by NAB, 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 NAB disclosed in this document.

Non-IFRS Key Financial Performance Measures used by the Group

Certain financial measures detailed in this 2020 Full Year Results Announcement are not accounting measures within the scope of IFRS. Management review these financial metrics to measure the Group's overall financial performance and position and believe the presentation of these industry standard financial measures provide useful information to analysts and investors regarding the results of the Group's operations and allows ready comparison with other industry participants. 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 of Terms.

Explanation and Definition of Cash Earnings

Cash earnings is a non-IFRS key financial performance measure used by NAB, the investment community and NAB's Australian peers with similar business portfolios. NAB also uses cash earnings for its internal management reporting as it better reflects what NAB considers to be the underlying performance of the Group. Cash earnings is calculated by excluding discontinued operations and certain other non-cash items which are included within the statutory net profit. Cash earnings does not purport to represent the cash flows, funding or liquidity position of the Group, nor any amount represented on a cash flow statement. It is not a statutory financial measure and is not presented in accordance with Australian Accounting Standards and is not audited or reviewed in accordance with Australian Auditing Standards.

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

Cash earnings is defined as net profit attributable to owners of NAB from continuing operations, adjusted for the items NAB considers appropriate to better reflect the underlying performance of the Group. Cash earnings for the September 2020 full year has been adjusted for the following:

- distributions
- fair value and hedge ineffectiveness
- amortisation and impairment of acquired intangible assets.

Reconciliation to Statutory Net Profit

Section 3 of the 2020 Full Year Results Announcement 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. Further details are set out in *Note 14 Discontinued operations* on page 79. The Group's audited financial statements, prepared in accordance with the *Corporations Act 2001* (Cth) and applicable Australian Accounting Standards, will be published in its 2020 Annual Financial Report on 11 November 2020.

A reconciliation of cash earnings to statutory net profit is set out on page 3, and full reconciliations between statutory net profit and cash earnings are included in Section 4 Supplementary information on pages 99-100.

Page 98 contains a description of non-cash earnings items for the September 2020 full year.

Average Balances

Average balances, including average equity (adjusted), total average assets and average interest earning assets are based on daily statutory average balances derived from internally generated trial balances from the Group's general ledger. This methodology produces numbers that more accurately reflect seasonality, timing of accruals and restructures (including discontinued operations), which would otherwise not be reflected in a simple average.

Group Performance Results(1)

	Year to			Half Year to		
	Sep 20 $m	Sep 19 $m	Sep 20 v Sep 19 %	Sep 20 $m	Mar 20 $m	Sep 20 v Mar 20 %
Net interest income(2)	**13,920**	13,614	2.2	**7,012**	6,908	1.5
Other operating income(2)	**3,399**	3,970	(14.4)	**1,872**	1,527	22.6
Customer-related remediation(3)	**(129)**	(150)	(14.0)	**(49)**	(80)	(38.8)
Net operating income	**17,190**	17,434	(1.4)	**8,835**	8,355	5.7
Operating expenses(4)	**(7,679)**	(7,528)	2.0	**(3,932)**	(3,747)	4.9
Customer-related and payroll remediation(3)	**(244)**	(123)	98.4	**(194)**	(50)	large
Capitalised software policy change(3)	**(950)**	(489)	94.3	**-**	(950)	large
Impairment of property-related assets(3)	**(134)**	-	large	**(134)**	-	large
Underlying profit	**8,183**	9,294	(12.0)	**4,575**	3,608	26.8
Credit impairment charge(5)	**(2,762)**	(919)	large	**(1,601)**	(1,161)	37.9
Cash earnings before tax and distributions	**5,421**	8,375	(35.3)	**2,974**	2,447	21.5
Income tax expense	**(1,672)**	(2,439)	(31.4)	**(963)**	(709)	35.8
Cash earnings before distributions	**3,749**	5,936	(36.8)	**2,011**	1,738	15.7
Distributions	**(39)**	(83)	(53.0)	**(17)**	(22)	(22.7)
Cash earnings	**3,710**	5,853	(36.6)	**1,994**	1,716	16.2
Cash earnings (*excluding large notable items*)(3)	**4,733**	6,389	(25.9)	**2,258**	2,475	(8.8)
Non-cash earnings items (after tax):						
Distributions	**39**	83	(53.0)	**17**	22	(22.7)
Fair value and hedge ineffectiveness	**(34)**	(24)	41.7	**(54)**	20	large
Amortisation and impairment of acquired intangible assets	**(217)**	(7)	large	**-**	(217)	large
Net profit from continuing operations	**3,498**	5,905	(40.8)	**1,957**	1,541	27.0
Net loss after tax from discontinued operations	**(939)**	(1,107)	(15.2)	**(711)**	(228)	large
Net profit attributable to owners of NAB	**2,559**	4,798	(46.7)	**1,246**	1,313	(5.1)
Represented by:(6)						
Business and Private Banking	**2,489**	2,817	(11.6)	**1,125**	1,364	(17.5)
Personal Banking	**1,380**	1,260	9.5	**657**	723	(9.1)
Corporate and Institutional Banking	**1,469**	1,508	(2.6)	**768**	701	9.6
New Zealand Banking	**977**	997	(2.0)	**442**	535	(17.4)
Corporate Functions and Other(7)	**(1,582)**	(193)	large	**(734)**	(848)	(13.4)
Customer-related and payroll remediation(3)	**(261)**	(192)	35.9	**(170)**	(91)	86.8
Capitalised software policy change(3)	**(668)**	(344)	94.2	**-**	(668)	large
Impairment of property-related assets(3)	**(94)**	-	large	**(94)**	-	large
Cash earnings	**3,710**	5,853	(36.6)	**1,994**	1,716	16.2

(1) *Information is presented on a continuing operations basis, unless otherwise stated. Prior periods have been restated for the presentation of MLC Wealth as a discontinued operation. Refer to Section 3, Note 14 Discontinued operations for further information.*
(2) *Excludes customer-related remediation.*
(3) *Refer to Section 1 Large notable items for further information.*
(4) *Excludes large notable items.*
(5) *Includes collective provision charges for forward looking economic adjustments due to the deterioration in broader macro-economic factors as a result of COVID-19. See Section 3, Note 8 Provision for credit impairment on loans at amortised cost for further information regarding the key estimates and assumptions underlying the credit impairment charge on loans.*
(6) *Comparative information has been restated for immaterial changes in NAB's organisational structure.*
(7) *Includes an increase of $1,796 million for the September 2020 full year in forward looking provision charges as a result of COVID-19, and excludes large notable items.*

Group Performance Results (continued)

Discontinued Operations

On 31 August 2020, the Group entered into an agreement for the sale of 100% of MLC Wealth, including the advice, platforms, superannuation & investments and asset management businesses, to IOOF Holdings Limited for $1,440 million, subject to completion adjustments. The agreement follows the strategic decision announced by NAB in 2018 to pursue an exit of MLC Wealth and is in line with NAB's strategy to simplify and focus on its core banking business, while creating a stronger future for MLC Wealth.

MLC Wealth is considered to be held for sale and because it represents a separate major line of business, MLC Wealth also meets the definition of a discontinued operation for the year ended 30 September 2020.

Amounts in respect of MLC Life relate to the reassessment of customer-related remediation and additional costs associated with the MLC Life business sale. The Group disposed of 80% of its investment in MLC Life to Nippon Life Insurance Company in 2016.

The amortisation and impairment of acquired intangibles assets includes an amount of $199 million relating to the impairment of goodwill attributable to MLC Wealth. After this impairment the net assets of MLC Wealth are measured at an amount equal to the selling price and the estimated pre-completion dividend. Included in the MLC Wealth separation costs of $282 million are the estimated costs to complete the transaction of $200 million (after tax). These matters formed the basis of the approximately $400 million loss on sale disclosed in the ASX announcement on 31 August 2020.

The following amounts related to MLC Wealth and MLC Life are reported in discontinued operations:

	Year to		Half Year to	
	Sep 20 $m	Sep 19(1) $m	Sep 20 $m	Mar 20(1) $m
Net operating income	744	853	360	384
Operating expenses	(660)	(629)	(334)	(326)
Cash earnings before tax	84	224	26	58
Income tax expense	(22)	(61)	(6)	(16)
MLC Wealth divisional cash earnings	62	163	20	42
Other MLC Wealth-related items after tax(2)	(149)	(7)	(103)	(46)
MLC Wealth-related large notable items after tax(2)	(525)	(912)	(249)	(276)
Cash deficit after tax	(612)	(756)	(332)	(280)
Fair value and hedge ineffectiveness	(12)	1	5	(17)
Amortisation and impairment of acquired intangible assets	(201)	(11)	(202)	1
MLC Wealth separation costs	(282)	(52)	(245)	(37)
Net loss related to MLC Wealth	(1,107)	(818)	(774)	(333)
Net profit / (loss) related to MLC Life	168	(289)	63	105
Net loss attributable to the owners of NAB from discontinued operations	(939)	(1,107)	(711)	(228)

	Year to			Half Year to		
Funds under administration (FUA) and assets under management (AUM)(3)	Sep 20 $m	Sep 19 $m	Sep 20 v Sep 19 %	Sep 20 $m	Mar 20 $m	Sep 20 v Mar 20 %
Funds under administration (FUA) (spot) ($m)	111,759	120,060	(6.9)	111,759	105,169	6.3
Funds under administration (FUA) (average) ($m)	115,238	116,749	(1.3)	110,578	119,900	(7.8)
Assets under management (AUM) (spot) ($m)(4)	157,590	172,024	(8.4)	157,590	153,669	2.6
Assets under management (AUM) (average) ($m)(4)	160,529	172,348	(6.9)	153,935	167,124	(7.9)

(1) *Prior periods have been restated for the presentation of MLC Wealth as a discontinued operation.*
(2) *MLC Wealth-related amounts include costs incurred by NAB specifically related to the MLC Wealth business.*
(3) *FUA and AUM are presented in two separate disclosures that represent all managed funds and assets from which the Group derives revenue. Certain items will be represented in both FUA and AUM meaning the two should not be summed.*
(4) *For the September 2020 full year there has been a change in the way AUM is presented as a result of an internal reorganisation within MLC Wealth. Comparative period information has been restated.*

Group Performance Results (continued)

Large Notable Items[(1)(2)]

	Year to			Half Year to		
	Sep 20 $m	Sep 19 $m	Sep 20 v Sep 19 %	Sep 20 $m	Mar 20 $m	Sep 20 v Mar 20 %
Net interest income						
Customer-related remediation	**(49)**	(72)	(31.9)	**(27)**	(22)	22.7
Other operating income						
Customer-related remediation	**(80)**	(78)	2.6	**(22)**	(58)	(62.1)
Net operating income	**(129)**	(150)	(14.0)	**(49)**	(80)	(38.8)
Operating expenses						
Customer-related remediation	**(136)**	(123)	10.6	**(86)**	(50)	72.0
Payroll remediation	**(108)**	-	large	**(108)**	-	large
Capitalised software policy change	**(950)**	(489)	94.3	**-**	(950)	large
Impairment of property-related assets	**(134)**	-	large	**(134)**	-	large
Cash deficit before tax	**(1,457)**	(762)	91.2	**(377)**	(1,080)	(65.1)
Income tax benefit						
Customer-related remediation	**80**	81	(1.2)	**41**	39	5.1
Payroll remediation	**32**	-	large	**32**	-	large
Capitalised software policy change	**282**	145	94.5	**-**	282	large
Impairment of property-related assets	**40**	-	large	**40**	-	large
Cash deficit	**(1,023)**	(536)	90.9	**(264)**	(759)	(65.2)
Net loss after tax from discontinued operations						
Customer-related remediation	**(269)**	(1,165)	(76.9)	**(172)**	(97)	77.3
Payroll remediation	**(14)**	-	large	**(14)**	-	large
Capitalised software policy change	**(74)**	(4)	large	**-**	(74)	large
Net loss attributable to owners of NAB	**(1,380)**	(1,705)	(19.1)	**(450)**	(930)	(51.6)

Customer-related remediation

In the September 2020 full year, the Group recognised charges of $454 million ($648 million before tax) as a reduction to net profit attributable to owners of NAB. Charges of $1,357 million ($1,938 million before tax) were recognised as a reduction to net profit attributable to owners of NAB in the September 2019 full year.

In the September 2020 half year, the Group recognised charges of $266 million ($380 million before tax) as a reduction to net profit attributable to owners of NAB. Charges of $188 million ($268 million before tax) were recognised as a reduction to net profit attributable to owners of NAB in the March 2020 half year.

The customer-related remediation matters within continuing operations in the September 2020 half year relate to banking-related matters including additional costs associated with executing the remediation programs for both existing and new matters.

The customer-related remediation matters within discontinued operations in the September 2020 half year relate to:
- non-compliant advice provided to Wealth customers and costs associated with executing the program
- adviser service fees charged by NAB Financial Planning (salaried advisers)
- reassessment of provisions associated with MLC Life resulting in a release
- other matters, including a higher allowance for ongoing liabilities associated with the existing Wealth remediation program.

Payroll remediation

In the September 2020 full year, the Group recognised charges of $90 million ($128 million before tax) as a reduction to net profit attributable to owners of NAB. The charges relate to payroll remediation to address potential payroll issues relating to both current and former Australian colleagues, comprising payments to colleagues and costs to execute the remediation program.

Capitalised software policy change

In the September 2020 full year, the Group made a further change to the application of the software capitalisation policy by increasing the threshold for capitalisation of software from $2 million to $5 million, which reduced net profit attributable to owners of NAB by $742 million ($1,056 million before tax) as a result of accelerated amortisation. This reflects a change in approach to managing projects which is intended to improve business accountability for projects less than $5 million.

(1) *Information is presented on a continuing operations basis, unless otherwise stated. Prior periods have been restated for the presentation of MLC Wealth as a discontinued operation.*
(2) *Included in Corporate Functions and Other.*

Group Performance Results (continued)

Large Notable Items (continued)[(1)(2)]

The change to the application of the software capitalisation policy made in the September 2019 full year to increase the threshold from $0.5 million to $2 million reduced net profit attributable to owners of NAB by $348 million ($494 million before tax).

Impairment of property-related assets

In the September 2020 full year, the Group recognised charges of $94 million ($134 million before tax) for the impairment of property-related assets, which reduced net profit attributable to owners of NAB. This primarily relates to plans to consolidate NAB's Melbourne office space with more colleagues expected to adopt a flexible and hybrid approach to working over the longer term.

(1) *Information is presented on a continuing operations basis, unless otherwise stated. Prior periods have been restated for the presentation of MLC Wealth as a discontinued operation.*
(2) *Included in Corporate Functions and Other.*

Group Performance Results (continued)

Reconciliation of Large Notable Items[1]

	Year to						
	Sep 20	Large Notable Items	Sep 20 ex Large Notable Items	Sep 19	Large Notable Items	Sep 19 ex Large Notable Items	Sep 20 v Sep 19 ex Large Notable Items
	$m	$m	$m	$m	$m	$m	%
Net interest income	13,871	(49)	13,920	13,542	(72)	13,614	2.2
Other operating income	3,319	(80)	3,399	3,892	(78)	3,970	(14.4)
Net operating income	17,190	(129)	17,319	17,434	(150)	17,584	(1.5)
Operating expenses	(9,007)	(1,328)	(7,679)	(8,140)	(612)	(7,528)	2.0
Underlying profit	8,183	(1,457)	9,640	9,294	(762)	10,056	(4.1)
Credit impairment charge	(2,762)	-	(2,762)	(919)	-	(919)	large
Cash earnings before tax and distributions	5,421	(1,457)	6,878	8,375	(762)	9,137	(24.7)
Income tax expense	(1,672)	434	(2,106)	(2,439)	226	(2,665)	(21.0)
Cash earnings before distributions	3,749	(1,023)	4,772	5,936	(536)	6,472	(26.3)
Distributions	(39)	-	(39)	(83)	-	(83)	(53.0)
Cash earnings	3,710	(1,023)	4,733	5,853	(536)	6,389	(25.9)

	Half Year to						
	Sep 20	Large Notable Items	Sep 20 ex Large Notable Items	Mar 20	Large Notable Items	Mar 20 ex Large Notable Items	Sep 20 v Mar 20 ex Large Notable Items
	$m	$m	$m	$m	$m	$m	%
Net interest income	6,985	(27)	7,012	6,886	(22)	6,908	1.5
Other operating income	1,850	(22)	1,872	1,469	(58)	1,527	22.6
Net operating income	8,835	(49)	8,884	8,355	(80)	8,435	5.3
Operating expenses	(4,260)	(328)	(3,932)	(4,747)	(1,000)	(3,747)	4.9
Underlying profit	4,575	(377)	4,952	3,608	(1,080)	4,688	5.6
Credit impairment charge	(1,601)	-	(1,601)	(1,161)	-	(1,161)	37.9
Cash earnings before tax and distributions	2,974	(377)	3,351	2,447	(1,080)	3,527	(5.0)
Income tax expense	(963)	113	(1,076)	(709)	321	(1,030)	4.5
Cash earnings before distributions	2,011	(264)	2,275	1,738	(759)	2,497	(8.9)
Distributions	(17)	-	(17)	(22)	-	(22)	(22.7)
Cash earnings	1,994	(264)	2,258	1,716	(759)	2,475	(8.8)

(1) *Information is presented on a continuing operations basis, unless otherwise stated. Prior periods have been restated for the presentation of MLC Wealth as a discontinued operation.*

Group Performance Results (continued)

Shareholder Summary

	Year to			Half Year to		
	Sep 20	**Sep 19**	**Sep 20 v Sep 19**	**Sep 20**	**Mar 20**	**Sep 20 v Mar 20**
Group - Including discontinued operations						
Dividend per share (cents)	**60**	166	(106)	**30**	30	-
Statutory dividend payout ratio	**73.1%**	98.5%	large	**78.5%**	67.9%	large
Statutory earnings per share (cents) - basic	**82.1**	168.6	(86.5)	**38.2**	44.2	(6.0)
Statutory earnings per share (cents) - diluted	**80.5**	164.4	(83.9)	**37.6**	42.6	(5.0)
Statutory return on equity	**4.4%**	9.1%	(470 bps)	**4.2%**	4.7%	(50 bps)
Group - Continuing operations[1]						
Cash dividend payout ratio	**49.6%**	79.3%	large	**48.4%**	51.0%	(260 bps)
Statutory dividend payout ratio from continuing operations	**53.2%**	79.7%	large	**49.8%**	57.7%	(790 bps)
Statutory earnings per share from continuing operations (cents) - basic	**112.7**	208.2	(95.5)	**60.3**	52.0	8.3
Statutory earnings per share from continuing operations (cents) - diluted	**108.6**	201.0	(92.4)	**58.1**	49.5	8.6
Cash earnings per share (cents) - basic	**120.9**	209.3	(88.4)	**62.0**	58.8	3.2
Cash earnings per share (cents) - diluted	**116.2**	202.0	(85.8)	**59.7**	55.5	4.2
Cash return on equity	**6.5%**	11.4%	(490 bps)	**6.8%**	6.3%	50 bps
Group - Continuing operations (excluding large notable items)[1]						
Cash dividend payout ratio	**38.9%**	72.7%	large	**42.7%**	35.4%	730 bps
Statutory dividend payout ratio from continuing operations	**41.1%**	73.0%	large	**43.8%**	38.5%	530 bps
Statutory earnings per share from continuing operations (cents) - basic	**146.1**	227.3	(81.2)	**68.5**	78.0	(9.5)
Statutory earnings per share from continuing operations (cents) - diluted	**139.3**	218.7	(79.4)	**65.7**	72.5	(6.8)
Cash earnings per share (cents) - basic	**154.3**	228.4	(74.1)	**70.2**	84.8	(14.6)
Cash earnings per share (cents) - diluted	**146.9**	219.7	(72.8)	**67.3**	78.5	(11.2)
Cash return on equity	**8.3%**	12.4%	(410 bps)	**7.7%**	9.1%	(140 bps)

(1) *Information is presented on a continuing operations basis, unless otherwise stated. Prior periods have been restated for the presentation of MLC Wealth as a discontinued operation.*

Group Performance Results (continued)

Key Performance Indicators

	Year to			Half Year to		
	Sep 20	Sep 19	Sep 20 v Sep 19	Sep 20	Mar 20	Sep 20 v Mar 20
Group - Continuing operations[(1)]						
Cash earnings on average assets	**0.42%**	0.70%	(28 bps)	**0.45%**	0.40%	5 bps
Cash earnings on average risk-weighted assets	**0.88%**	1.45%	(57 bps)	**0.93%**	0.81%	12 bps
Cash earnings per average FTE ($'000)	**119**	192	(38.0%)	**127**	110	15.5%
Cost to income (CTI) ratio	**52.4%**	46.7%	570 bps	**48.2%**	56.8%	(860 bps)
Net interest margin	**1.77%**	1.78%	(1 bp)	**1.77%**	1.78%	(1 bp)
Group - Continuing operations (excluding large notable items)[(1)(2)]						
Cash earnings on average assets	**0.54%**	0.76%	(22 bps)	**0.51%**	0.57%	(6 bps)
Cash earnings on average risk-weighted assets	**1.12%**	1.58%	(46 bps)	**1.05%**	1.18%	(13 bps)
Cash earnings per average FTE ($'000)	**152**	209	(27.3%)	**144**	159	(9.4%)
Cost to income (CTI) ratio	**44.3%**	42.8%	150 bps	**44.3%**	44.4%	(10 bps)
Net interest margin	**1.78%**	1.79%	(1 bp)	**1.78%**	1.79%	(1 bp)
Total Group capital[(3)]						
Common Equity Tier 1 ratio	**11.47%**	10.38%	109 bps	**11.47%**	10.39%	108 bps
Tier 1 capital ratio	**13.20%**	12.36%	84 bps	**13.20%**	11.96%	124 bps
Total capital ratio	**16.62%**	14.68%	194 bps	**16.62%**	14.61%	201 bps
Risk-weighted assets ($bn)	**425.1**	415.8	2.2%	**425.1**	432.7	(1.8%)
Volumes ($bn)						
Gross loans and acceptances	**594.1**	601.4	(1.2%)	**594.1**	614.2	(3.3%)
Average interest earning assets	**781.7**	758.8	3.0%	**789.9**	773.5	2.1%
Total average assets	**877.0**	835.9	4.9%	**892.1**	861.9	3.5%
Total customer deposits	**468.2**	424.6	10.3%	**468.2**	447.2	4.7%
Asset quality						
90+ days past due and gross impaired assets to gross loans and acceptances	**1.03%**	0.93%	10 bps	**1.03%**	0.97%	6 bps
Collective provision to credit risk-weighted assets	**1.56%**	0.96%	60 bps	**1.56%**	1.21%	35 bps
Specific provision to gross impaired assets	**45.0%**	39.7%	530 bps	**45.0%**	40.6%	440 bps
Full-time equivalent employees (FTE)						
Group - Continuing operations (spot)[(1)]	**31,372**	30,776	1.9%	**31,372**	31,555	(0.6%)
Group - Continuing operations (average)[(1)]	**31,204**	30,532	2.2%	**31,282**	31,176	0.3%
Group - Including discontinued operations (spot)	**34,944**	34,370	1.7%	**34,944**	35,245	(0.9%)
Group - Including discontinued operations (average)	**34,841**	33,950	2.6%	**34,899**	34,841	0.2%

	As at		
Market share	**30 Sep 20**	**29 Feb 20**	**30 Sep 19**
Australia			
Business lending[(4)]	**21.5%**	21.8%	22.1%
Business lending[(5)]	**20.5%**	20.6%	20.9%
Business deposits[(4)]	**18.9%**	18.6%	18.9%
Housing lending[(4)]	**14.6%**	14.9%	15.1%
Household deposits[(4)]	**13.3%**	13.5%	13.6%
New Zealand[(6)]			
Housing lending	**16.0%**	16.0%	16.0%
Agribusiness	**21.0%**	21.8%	22.2%
Business lending	**22.5%**	23.0%	23.6%
Retail deposits	**17.6%**	18.0%	18.0%

	As at		
Distribution	**30 Sep 20**	**31 Mar 20**	**30 Sep 19**
Number of retail branches and business banking centres			
Australia	**674**	686	701
New Zealand[(7)]	**178**	185	186

(1) *Information is presented on a continuing operations basis, unless otherwise stated. Prior periods have been restated for the presentation of MLC Wealth as a discontinued operation.*
(2) *Refer to Section 1 Large notable items for further information.*
(3) *Capital numbers reflect the reported figures as at the respective dates and have not been restated.*
(4) *Source: APRA Monthly Authorised Deposit-taking Institution Statistics.*
(5) *Source: RBA Financial System.*
(6) *Source: RBNZ.*
(7) *Prior period numbers have been restated to include business banking centres.*

Review of Group Performance Results[1]

The COVID-19 pandemic continues to challenge the Group and its customers, with varied impacts across industries, communities and state borders. This has caused significant volatility in financial markets in the September 2020 full year. NAB experienced volatile markets, subdued credit demand, low interest rates and deteriorating asset quality. The impact on statutory net profit was material for the September 2020 full year.

September 2020 v September 2019

Statutory net profit decreased by $2,239 million or 46.7%. Excluding the impact of discontinued operations, statutory net profit decreased by $2,407 million or 40.8%. The results of discontinued operations primarily relate to the net results of MLC Wealth and MLC Wealth-related items, combined with a reassessment of customer-related remediation associated with the MLC Life business.

Cash earnings decreased by $2,143 million or 36.6%, including an increase in large notable items of $487 million. Excluding these items, cash earnings decreased by $1,656 million or 25.9%.

Cash earnings on average risk-weighted assets decreased by 57 basis points reflecting lower cash earnings. Excluding large notable items, cash earnings on average risk-weighted assets decreased by 46 basis points.

Net interest income increased by $329 million or 2.4%, including an increase of $222 million which was offset by movements in economic hedges in other operating income and a decrease of $23 million in customer-related remediation. Excluding these movements, the underlying increase of $84 million or 0.6% was driven by the impact of repricing in the housing lending portfolio, growth in lending volumes, lower wholesale funding costs and a change in customer preferences towards lower cost on-demand deposits. These movements were partially offset by competitive pressures impacting housing lending margins, and lower earnings on deposits and capital due to the low interest rate environment.

Other operating income decreased by $573 million or 14.7%, including a decrease of $222 million which was offset by movements in economic hedges in net interest income. The underlying decrease was $351 million or 9.0%. The decrease is primarily due to lower fees and commissions income from lower merchant acquiring and cards income driven by the reduction in transaction volumes, and fee waivers to support customers during COVID-19. Furthermore, there was lower NAB risk management income in Treasury due to a lower level of mark-to-market gains on the high quality liquids portfolio, and lower sales of interest rate risk management products.

Operating expenses increased by $867 million or 10.7%. Excluding an increase of $716 million in large notable items, operating expenses increased by $151 million or 2.0%. This was primarily due to higher restructuring-related costs, and increased personnel costs including annual salary increases and annual leave costs. The increase was also due to investment in technology, strengthening the compliance and control environment and improving customer experience, along with increased customer support costs in response to COVID-19. These were partially offset by productivity benefits achieved through a reduction in third party spend and simplification of the Group's operations, combined with lower performance-based compensation and lower travel and entertainment costs as a result of COVID-19.

Credit impairment charge increased by $1,843 million, driven primarily by an increase of $1,796 million in forward looking provisions as a result of COVID-19. Excluding forward looking provisions, charges are broadly stable due to the impact of COVID-19 payment deferrals and government stimulus.

September 2020 v March 2020

Statutory net profit decreased by $67 million or 5.1%. Excluding the impact of discontinued operations, statutory net profit increased by $416 million or 27.0%. The results of discontinued operations primarily relate to the net results of MLC Wealth and MLC Wealth-related items, combined with a reassessment of customer-related remediation associated with the MLC Life business.

Cash earnings increased by $278 million or 16.2% including a decrease in large notable items of $495 million. Excluding these items, cash earnings decreased by $217 million or 8.8%.

Cash earnings on average risk-weighted assets increased by 12 basis points reflecting higher cash earnings. Excluding large notable items, cash earnings on average risk-weighted assets decreased by 13 basis points.

Net interest income increased by $99 million or 1.4%, including an increase of $205 million which was offset by movements in economic hedges in other operating income and an increase of $5 million in customer-related remediation. Excluding these movements, the underlying decrease of $101 million or 1.5% was driven by competitive pressures impacting housing lending margins, business lending initiatives to support customers in response to COVID-19, a reduction in lending volumes, and lower earnings on deposits and capital due to the low interest rate environment. These movements were partially offset by the impact of prior period repricing in the housing lending portfolio, lower wholesale funding costs and a change in customer preferences towards lower cost on-demand deposits.

Other operating income increased by $381 million or 25.9%, including a decrease of $205 million which was offset by movements in economic hedges in net interest income and a decrease of $36 million in customer-related remediation. Excluding these movements, the underlying increase of $550 million was mainly due to higher NAB risk management income in Treasury and Markets, primarily due to the mark-to-market impact on the high quality liquids portfolio of $449 million, including the reversal of March

(1) *Information is presented on a continuing operations basis, unless otherwise stated. Prior periods have been restated for the presentation of MLC Wealth as a discontinued operation.*

Review of Group Performance Results (continued)

2020 half year losses, combined with higher income from interest rate and foreign exchange risk management. Furthermore, the derivative valuation adjustment has increased income by $86 million. These movements were partially offset by a decrease in fees and commissions due to lower merchant acquiring and cards income driven by the reduction in transaction volumes, and fee waivers to support customers during COVID-19.

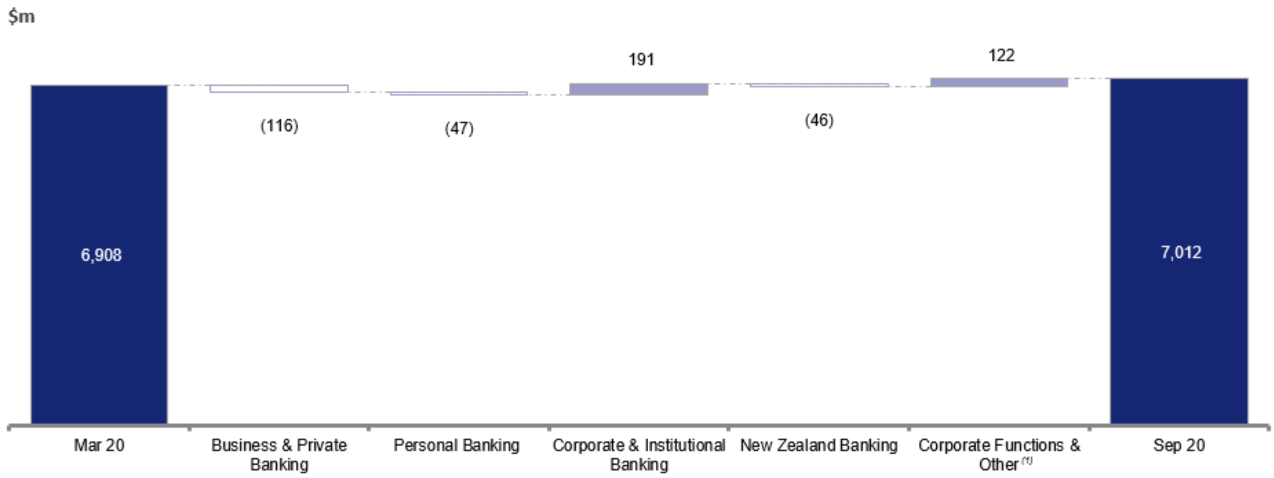
Operating expenses decreased by $487 million or 10.3%. Excluding a decrease of $672 million in large notable items, operating expenses increased by $185 million or 4.9%. This was primarily due to higher restructuring-related costs and increased personnel costs including annual salary increases, higher performance-based compensation and higher annual leave costs. The increase was also due to investment in technology and strengthening the compliance and control environment and increased customer support costs in response to COVID-19. These were partially offset by productivity benefits achieved through a reduction in third party spend and simplification of the Group's operations, combined with lower travel and entertainment costs as a result of COVID-19.

Credit impairment charge increased by $440 million, including an increase of $346 million in the level of net forward looking adjustments (FLA) raised for targeted sectors as a result of COVID-19. Excluding this, charges are broadly stable due to the impact of COVID-19 payment deferrals and government stimulus.

Net Interest Income

	Year to			Half Year to		
	Sep 20	**Sep 19**	**Sep 20 v Sep 19 %**	**Sep 20**	**Mar 20**	**Sep 20 v Mar 20 %**
Net interest income ($m)(1)	**13,920**	13,614	2.2	**7,012**	6,908	1.5
Customer-related remediation ($m)(2)	**(49)**	(72)	(31.9)	**(27)**	(22)	22.7
Net interest income ($m)	**13,871**	13,542	2.4	**6,985**	6,886	1.4
Average interest earning assets ($bn)	**781.7**	758.8	3.0	**789.9**	773.5	2.1
Net interest margin (%)(3)	**1.77**	1.78	(1 bp)	**1.77**	1.78	(1 bp)

Net Interest Income - Contribution to Net Movement(1)



(1) *Corporate Functions & Other includes Group Eliminations.*

September 2020 v September 2019

Net interest income excluding customer-related remediation increased by $306 million or 2.2%. This includes an increase of $222 million which was offset by movements in economic hedges in other operating income. Excluding this movement, the underlying increase of $84 million or 0.6% was due to:

- The impact of repricing in the housing lending portfolio.
- Growth in business lending volumes, partially offset by a reduction in housing lending and unsecured lending volumes.
- Lower wholesale funding costs.
- Product mix impacts as a result of a change in customer preferences towards lower cost on-demand deposits.

The underlying increase was partially offset by:

- Competitive pressures impacting housing lending margins.
- A lower earnings rate on deposits due to the low interest rate environment.
- A lower earnings rate on capital due to the low interest rate environment, partially offset by an increase in capital held.

September 2020 v March 2020

Net interest income excluding customer-related remediation increased by $104 million or 1.5%. This includes an increase of $205 million which was offset by movements in economic hedges in other operating income. Excluding this movement, the underlying decrease of $101 million or 1.5% was due to:

- Competitive pressures impacting housing lending margins.
- The impact of business lending initiatives to support customers in response to COVID-19.
- A reduction in housing lending and unsecured lending volumes, partially offset by growth in business lending volumes.
- A lower earnings rate on deposits due to the low interest rate environment.
- A lower earnings rate on capital due to the low interest rate environment, partially offset by an increase in capital held.

The underlying decrease was partially offset by:

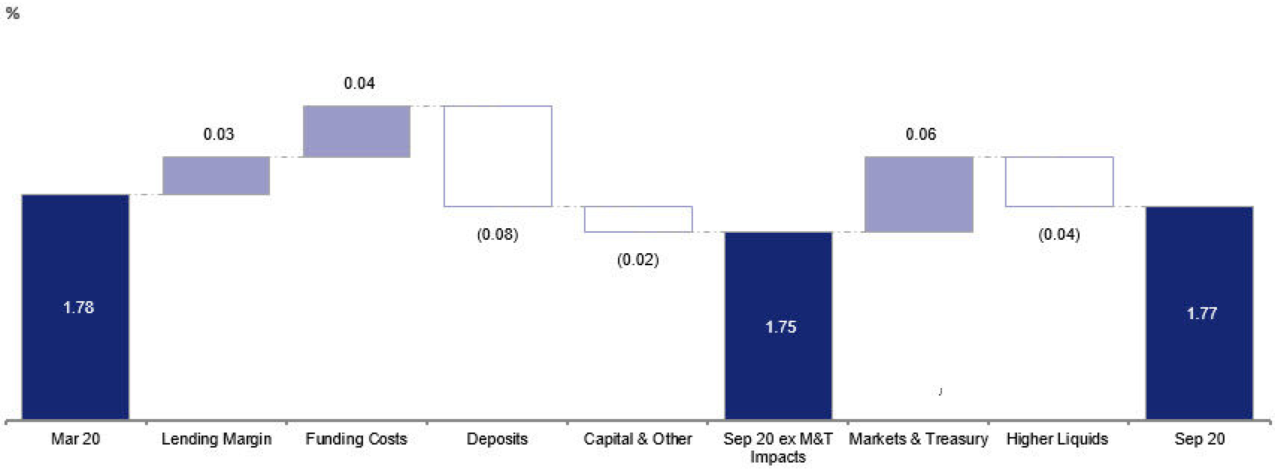
- The impact of prior period repricing in the housing lending portfolio.
- Lower wholesale funding costs.
- Product mix impacts as a result of a change in customer preferences towards lower cost on-demand deposits.

(1) *Excludes customer-related remediation.*
(2) *Refer to Section 1 Large notable items for further information.*
(3) *Includes customer-related remediation.*

Net Interest Margin[1]

	Year to			Half Year to		
	Sep 20 %	Sep 19 %	Sep 20 v Sep 19	Sep 20 %	Mar 20 %	Sep 20 v Mar 20
Group net interest margin	**1.77**	1.78	(1 bp)	**1.77**	1.78	(1 bp)
Business and Private Banking	**2.86**	2.93	(7 bps)	**2.81**	2.90	(9 bps)
Personal Banking[2]	**2.04**	1.92	12 bps	**2.02**	2.06	(4 bps)
Corporate and Institutional Banking	**0.76**	0.71	5 bps	**0.81**	0.70	11 bps
New Zealand Banking	**2.19**	2.25	(6 bps)	**2.14**	2.24	(10 bps)

Group Net Interest Margin Movement



September 2020 v September 2019

The Group's **net interest margin** decreased by 1 basis point due to a decrease of 1 basis point in Markets and Treasury. Excluding this movement, the underlying margin was flat because of the following offsetting items:

- An increase of 7 basis points in lending margin driven by housing lending repricing, partially offset by competitive pressures in the housing lending portfolio.
- An increase of 4 basis points driven by lower wholesale funding costs.
- A decrease of 8 basis points in deposits driven by a lower earnings rate on deposits due to the low interest rate environment, partially offset by product mix impacts as a result of a change in customer preferences towards lower cost on-demand deposits.
- A decrease of 3 basis points driven by a lower earnings rate on capital due to the low interest rate environment, partially offset by an increase in the level of capital held.

The decrease of 1 basis point in Markets and Treasury was due to:

- A decrease of 3 basis points driven by the asset mix impacts of higher volumes of high quality liquid assets (HQLA).
- An increase of 2 basis points due to higher net interest income from Treasury hedging activities offset in other operating income, partially offset by underlying business performance.

September 2020 v March 2020

The Group's **net interest margin** decreased by 1 basis point including an increase of 2 basis points in Markets and Treasury. Excluding this movement, the underlying decrease of 3 basis points was due to:

- A decrease of 8 basis points in deposits driven by a lower earnings rate on deposits due to the low interest rate environment, partially offset by favourable product mix impacts.
- A decrease of 2 basis points driven by a lower earnings rate on capital due to the low interest rate environment, partially offset by an increase in the level of capital held.

This was partially offset by:

- An increase of 3 basis points in lending margin driven by housing lending repricing, partially offset by competitive pressures and unfavourable mix in the housing lending portfolio, and the impact of business lending initiatives to support customers in response to COVID-19.
- An increase of 4 basis points driven by lower wholesale funding costs.

The increase of 2 basis points in Markets and Treasury was due to:

- An increase of 6 basis points as a result of higher net interest income from Treasury hedging activities offset in other operating income, and underlying business performance.
- A decrease of 4 basis points driven by the asset mix impacts of higher volumes of HQLA.

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(1) *Includes customer-related remediation.*
(2) *Comparative information has been restated for immaterial changes in NAB's organisational structure.*

Other Operating Income[1]

	Year to			Half Year to		
	Sep 20 $m	Sep 19 $m	Sep 20 v Sep 19 %	Sep 20 $m	Mar 20 $m	Sep 20 v Mar 20 %
Fees and commissions[2]	2,094	2,280	(8.2)	994	1,100	(9.6)
Trading income	1,144	1,450	(21.1)	812	332	large
Other[2]	161	240	(32.9)	66	95	(30.5)
Other operating income (excluding customer-related remediation)	3,399	3,970	(14.4)	1,872	1,527	22.6
Customer-related remediation[3]	(80)	(78)	2.6	(22)	(58)	(62.1)
Total other operating income	3,319	3,892	(14.7)	1,850	1,469	25.9

September 2020 v September 2019

Other operating income decreased by $573 million or 14.7%. Excluding customer-related remediation, other operating income decreased by $571 million or 14.4%.

Fees and commissions decreased by $186 million or 8.2%. The decrease was due to lower merchant acquiring and cards income driven by the reduction in transaction volumes, and fee waivers to support customers during COVID-19.

Trading income decreased by $306 million or 21.1%. This includes a decrease of $222 million due to movements in economic hedges, offset in net interest income. The underlying decrease of $84 million was mainly due to lower NAB risk management income in Treasury due to a lower level of mark-to-market gains on the high quality liquids portfolio, and lower sales of interest rate risk management products. This was partially offset by higher NAB risk management income in Markets.

Other income decreased by $79 million or 32.9%. The decrease was due to gains from asset sales in the prior period not repeated and a lower share of associate's profit in MLC Life.

September 2020 v March 2020

Other operating income increased by $381 million or 25.9%. Excluding customer-related remediation, other operating income increased by $345 million or 22.6%.

Fees and commissions decreased by $106 million or 9.6%. The decrease was due to lower merchant acquiring and cards income driven by the reduction in transaction volumes, and fee waivers to support customers during COVID-19, combined with lower fee income in Corporate and Institutional Banking.

Trading income increased by $480 million. This includes a decrease of $205 million due to movements in economic hedges, offset in net interest income. The underlying increase of $685 million was mainly due to higher NAB risk management income in Treasury and Markets, primarily due to the mark-to-market impact on the high quality liquids portfolio of $449 million, including the reversal of March 2020 half year losses, combined with higher income from interest rate and foreign exchange risk management. Furthermore, the derivative valuation adjustment has increased income by $86 million.

Other income decreased by $29 million or 30.5%. The decrease was primarily due to non-recurring items in the prior period.

(1) Information is presented on a continuing operations basis, unless otherwise stated. Prior periods have been restated for the presentation of MLC Wealth as a discontinued operation.
(2) Comparative information has been restated to align to the presentation in the current period to reflect revised product classification.
(3) Refer to Section 1 Large notable items for further information.

Markets and Treasury Income

	Year to			Half Year to		
	Sep 20 $m	Sep 19 $m	Sep 20 v Sep 19 %	Sep 20 $m	Mar 20 $m	Sep 20 v Mar 20 %
Net interest income(1)	644	324	98.8	452	192	large
Other operating income(1)	1,184	1,454	(18.6)	798	386	large
Total Markets and Treasury income	1,828	1,778	2.8	1,250	578	large
Customer risk management(2)						
FX	495	499	(0.8)	225	270	(16.7)
Rates	254	275	(7.6)	137	117	17.1
Total Customer risk management income	749	774	(3.2)	362	387	(6.5)
NAB risk management(3)						
Markets	615	448	37.3	418	197	large
Treasury	550	577	(4.7)	470	80	large
Total NAB risk management income	1,165	1,025	13.7	888	277	large
Derivative valuation adjustment(4)	(86)	(21)	large	-	(86)	large
Total Markets and Treasury income	1,828	1,778	2.8	1,250	578	large
Average Markets traded market risk Value at Risk (VaR)(5)	13.8	7.9	74.7	15.9	11.7	35.9

September 2020 v September 2019

Markets and Treasury income increased by $50 million or 2.8% primarily due to higher Markets NAB risk management income, partially offset by lower derivative valuation adjustment income.

Customer risk management income decreased by $25 million or 3.2%, driven primarily by lower interest rate sales.

NAB risk management income increased by $140 million or 13.7%. The increase is due to higher Markets income including interest rate and foreign exchange risk management. This was partially offset by lower Treasury income due to a lower level of mark-to-market gains on the high quality liquids portfolio.

Derivative valuation adjustment decreased income by $65 million primarily due to the impact of a change in methodology to the credit valuation adjustment.

September 2020 v March 2020

Markets and Treasury income increased by $672 million primarily due to higher NAB risk management income.

Customer risk management income decreased by $25 million or 6.5%, primarily driven by lower foreign exchange sales, partially offset by higher interest rate sales.

NAB risk management income increased by $611 million due to higher Treasury and Markets income. The increase was mainly due to the mark-to-market impact on the high quality liquids portfolio of $449 million, including the reversal of March 2020 half year losses, combined with $162 million higher income from interest rate and foreign exchange risk management.

Derivative valuation adjustment increased income by $86 million as a result of the partial reversal of March 2020 half year losses, offset by the impact of a change in methodology to the credit valuation adjustment.

(1) *Comparative information has been restated for the reclassification of customer risk management income between net interest income and other operating income.*
(2) *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.*
(3) *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 market revenue. Treasury forms part of Corporate Functions and Other revenue.*
(4) *Derivative valuation adjustments, which include credit valuation adjustments and funding valuations adjustments, are shown net of hedging costs or benefits.*
(5) *Excludes the impact of hedging activities related to derivative valuation adjustments.*

Operating Expenses(1)

	Year to			Half Year to		
	Sep 20 $m	Sep 19 $m	Sep 20 v Sep 19 %	Sep 20 $m	Mar 20 $m	Sep 20 v Mar 20 %
Personnel expenses	**4,353**	3,912	11.3	**2,317**	2,036	13.8
Occupancy and depreciation expenses	**830**	807	2.9	**424**	406	4.4
General expenses	**2,496**	2,809	(11.1)	**1,191**	1,305	(8.7)
Operating expenses (excluding large notable items)	**7,679**	7,528	2.0	**3,932**	3,747	4.9
Customer-related and payroll remediation(2)	**244**	123	98.4	**194**	50	large
Capitalised software policy change(2)	**950**	489	94.3	**-**	950	large
Impairment of property-related assets(2)	**134**	-	large	**134**	-	large
Total operating expenses	**9,007**	8,140	10.7	**4,260**	4,747	(10.3)

September 2020 v September 2019

Operating expenses increased by $867 million or 10.7%. Excluding large notable items, other operating expenses increased by $151 million or 2.0%.

Personnel expenses increased by $441 million or 11.3%. The increase was driven by investment in technology capabilities, including data insights and the impact of changes to the application of the software capitalisation policy resulting in higher project resource costs being expensed. This was combined with increased spend to strengthen the compliance and control environment, as well as restructuring-related costs, annual salary increases, higher annual leave costs and increased customer support costs in response to COVID-19. This was partially offset by productivity benefits achieved through simplification of the Group's operations and lower performance-based compensation.

Occupancy and depreciation expenses increased by $23 million or 2.9%. The increase was driven by investment in the property portfolio including branch refurbishments and a new commercial building in Sydney, combined with higher cleaning costs in response to COVID-19. This was partially offset by productivity benefits due to the closure of certain branches and lease renegotiations.

General expenses decreased by $313 million or 11.1%. The decrease was driven by lower amortisation due to the impact of changes to the application of the software capitalisation policy, productivity benefits achieved through reduction in third party spend, and lower travel and entertainment costs as a result of COVID-19. This was partially offset by investment in technology including the cloud-first strategy and increased spend to strengthen the compliance and control environment, and restructuring-related costs. Lower amortisation costs following changes to the application of the software capitalisation policy have been offset by higher associated operating costs in personnel and general expenses.

September 2020 v March 2020

Operating expenses decreased by $487 million or 10.3%. Excluding large notable items, other operating expenses increased by $185 million or 4.9%.

Personnel expenses increased by $281 million or 13.8%. The increase was driven by investment in technology capabilities including data insights, increased spend to strengthen the compliance and control environment, and the impact of changes to the application of the software capitalisation policy resulting in higher project resource costs being expensed. This was combined with higher restructuring-related costs, higher performance-based compensation, annual salary increases, higher annual leave costs and increased customer support costs in response to COVID-19. This was partially offset by productivity benefits achieved through simplification of the Group's operations.

Occupancy and depreciation expenses increased by $18 million or 4.4%. The increase was driven by investment in the property portfolio including branch refurbishments and a new commercial building in Sydney, and higher cleaning costs in response to COVID-19. This was partially offset by productivity benefits due to the closure of certain branches and lease renegotiations.

General expenses decreased by $114 million or 8.7%. The decrease was driven by lower amortisation due to the impact of changes to the application of the software capitalisation policy, productivity benefits achieved through reduction in third party spend and lower travel and entertainment costs as a result of COVID-19. This was partially offset by investment in technology including the cloud-first strategy, and increased spend to strengthen the compliance and control environment. Lower amortisation costs following changes to the application of the software capitalisation policy have been offset by higher associated operating costs in personnel and general expenses.

(1) *Information is presented on a continuing operations basis, unless otherwise stated. Prior periods have been restated for the presentation of MLC Wealth as a discontinued operation.*
(2) *Refer to Section 1 Large notable items for further information.*

Investment Spend(1)

	Year to			Half Year to		
	Sep 20 $m	Sep 19 $m	Sep 20 v Sep 19 %	Sep 20 $m	Mar 20 $m	Sep 20 v Mar 20 %
Infrastructure	**589**	697	(15.5)	**278**	311	(10.6)
Compliance and risk	**518**	423	22.5	**270**	248	8.9
Customer experience, efficiency and sustainable revenue	**244**	449	(45.7)	**107**	137	(21.9)
Total investment spend	**1,351**	1,569	(13.9)	**655**	696	(5.9)

Investment spend is expenditure on initiatives designed to enhance the customer experience, comply with legal and regulatory requirements, and improve capabilities and efficiencies in the Group's business processes. The September 2020 full year is the final year of the Group's three-year accelerated transformation strategy announced in November 2017. Investment spend for the Group was $1,351 million for the September 2020 full year, a decrease of $218 million or 13.9% on the September 2019 full year.

September 2020 v September 2019

Investment in **infrastructure** initiatives decreased by $108 million or 15.5%. The decrease was largely driven by a reduction in the overall levels of investment in line with the three-year transformation. This includes reduced spend on uplifting enterprise data capabilities and technology refresh activity.

Investment in **compliance and risk** initiatives increased by $95 million or 22.5%. The increase was largely driven by continued risk management enhancements in response to increased regulatory requirements, including process improvements within the home lending experience together with additional spend on open banking capabilities.

Investment in **customer experience, efficiency and sustainable revenue** initiatives decreased by $205 million or 45.7%. The decrease was largely driven by a reduction in the overall levels of investment in line with the three-year transformation. However, the focus remains on investing in ways to enhance and simplify the customer experience including continued spend on improving the business lending experience, digitisation and creating efficiencies within core business processes.

September 2020 v March 2020

Investment in **infrastructure** initiatives decreased by $33 million or 10.6%. The decrease was largely driven by a reduction in the number of projects and a focus on the key strategic priorities of the Group.

Investment in **compliance and risk** initiatives increased by $22 million or 8.9%. The increase was largely driven by increased spend on improving the Group's secured lending collateralisation processes together with improving capabilities, processes and controls around financial crime detection and prevention.

Investment in **customer experience, efficiency and sustainable revenue** initiatives decreased by $30 million or 21.9%. The decrease was largely driven by a decision to focus on a small number of key strategic priorities.

(1) *Information is presented on a continuing operations basis, unless otherwise stated. Prior periods have been restated for the presentation of MLC Wealth as a discontinued operation.*

Taxation[(1)]

	Year to			Half Year to		
	Sep 20	Sep 19	Sep 20 v Sep 19	Sep 20	Mar 20	Sep 20 v Mar 20
Income tax expense ($m)	**1,672**	2,439	(31.4%)	**963**	709	35.8%
Effective tax rate (%)	**30.8**	29.1	170 bps	**32.4**	29.0	340 bps

September 2020 v September 2019

Cash earnings income tax expense decreased by $767 million or 31.4%. The decrease was mainly due to lower cash earnings before tax.

The **cash earnings effective tax rate** for the current period increased by 170 basis points to 30.8%, mainly due to lower net earnings attributed to the concessionally taxed offshore banking unit in the current period, an adjustment to the deferred tax asset for UK tax losses in the current period, and other non-recurring items in both periods.

September 2020 v March 2020

Cash earnings income tax expense increased by $254 million or 35.8%. The increase was mainly due to higher cash earnings before tax.

The **cash earnings effective tax rate** increased by 340 basis points to 32.4%, mainly due to lower net earnings attributed to the concessionally taxed offshore banking unit in the current period and other non-recurring items in both periods.

(1) *Information is presented on a continuing operations basis, unless otherwise stated. Prior periods have been restated for the presentation of MLC Wealth as a discontinued operation.*

Lending(1)

	As at				
	30 Sep 20 $m	31 Mar 20 $m	30 Sep 19 $m	Sep 20 v Sep 19 %	Sep 20 v Mar 20 %
Housing					
Business and Private Banking	**84,189**	86,118	88,320	(4.7)	(2.2)
Personal Banking	**206,721**	208,098	208,456	(0.8)	(0.7)
Corporate and Institutional Banking	**74**	87	110	(32.7)	(14.9)
New Zealand Banking	**42,581**	43,619	39,901	6.7	(2.4)
Corporate Functions and Other	**8,164**	8,122	7,128	14.5	0.5
Total housing	**341,729**	346,044	343,915	(0.6)	(1.2)
Non-housing					
Business and Private Banking	**112,326**	112,088	112,273	-	0.2
Personal Banking	**4,565**	5,509	6,015	(24.1)	(17.1)
Corporate and Institutional Banking	**95,965**	106,291	97,694	(1.8)	(9.7)
New Zealand Banking	**38,995**	43,684	40,984	(4.9)	(10.7)
Corporate Functions and Other	**472**	547	471	0.2	(13.7)
Total non-housing	**252,323**	268,119	257,437	(2.0)	(5.9)
Gross loans and advances including acceptances	**594,052**	614,163	601,352	(1.2)	(3.3)

September 2020 v September 2019

Lending decreased by $7.3 billion or 1.2% including a decrease of $1.4 billion driven by exchange rate movements.

Housing lending decreased by $2.2 billion or 0.6% mainly due to:
- A decrease of $4.1 billion or 4.7% in Business and Private Banking due to competitive pressures and negative investor housing system growth.
- A decrease of $1.7 billion or 0.8% in Personal Banking, which despite growth in broker channels, saw a decline in overall housing lending driven by competitive pressures and negative investor housing system growth.
- An increase of $2.7 billion or 6.7% in New Zealand Banking. Excluding $0.1 billion driven by the depreciation of the New Zealand dollar, the underlying growth of $2.8 billion reflects growth in both broker and proprietary channels.
- An increase of $1.0 billion or 14.5% in Corporate Functions and Other reflecting growth in UBank.

Non-housing lending decreased by $5.1 billion or 2.0% mainly due to:
- A decrease of $2.0 billion or 4.9% in New Zealand Banking mainly in business and credit card lending.
- A decrease of $1.7 billion or 1.8% in Corporate and Institutional Banking. Excluding a decrease of $1.3 billion driven by exchange rate movements, the underlying decrease of $0.4 billion was due to higher repayments and lower facility utilisation under current market conditions.
- A decrease of $1.5 billion or 24.1% in Personal Banking driven by a decrease in cards and personal loans due to a decline in spend and increase in repayments activity as customers manage the impacts of COVID-19.
- An increase of $0.1 billion in Business and Private Banking due to support provided to customers under the Government's SME Guarantee Scheme with a continued focus on risk adjusted returns.

September 2020 v March 2020

Lending decreased by $20.1 billion or 3.3% including a decrease of $9.1 billion driven by exchange rate movements.

Housing lending decreased by $4.3 billion or 1.2% mainly due to:
- A decrease of $1.9 billion or 2.2% in Business and Private Banking due to competitive pressures and negative investor housing system growth.
- A decrease of $1.4 billion or 0.7% in Personal Banking, which despite growth in broker channels, saw a decline in housing lending driven by competitive pressures and negative investor housing system growth.
- A decrease of $1.0 billion or 2.4% in New Zealand Banking. Excluding $2.2 billion driven by the depreciation of the New Zealand dollar, the underlying growth of $1.2 billion reflects growth in both proprietary and broker channels.

Non-housing lending decreased by $15.8 billion or 5.9% mainly due to:
- A decrease of $10.3 billion or 9.7% in Corporate and Institutional Banking. Excluding a decrease of $4.8 billion driven by exchange rate movements, the underlying decline of $5.5 billion was largely due to repayment of additional drawdowns which occurred in March 2020 by existing customers managing the impacts of COVID-19, partially offset by continued focus on growth segments.
- A decrease of $4.7 billion or 10.7% in New Zealand Banking. Excluding $2.1 billion driven by the depreciation of the New Zealand dollar, the underlying decrease of $2.6 billion was predominantly in business and credit card lending.
- A decrease of $0.9 billion or 17.1% in Personal Banking driven by a decrease in cards and personal loans due to a decline in spend and increase in repayments activity as customers manage the impact of COVID-19.
- An increase of $0.2 billion or 0.2% in Business and Private Banking driven by an increase in business lending due to support provided to customers under the Government's SME Guarantee Scheme with a continued focus on risk adjusted returns.

(1) *Comparative information has been restated for immaterial changes in NAB's organisational structure.*

Goodwill and Other Intangible Assets

Goodwill

As a result of the agreement to sell MLC Wealth to IOOF Holdings Limited, the goodwill attributable to the MLC Wealth cash generating unit was impaired by $199 million and the remaining balance was reclassified as held for sale. This resulted in a decrease of the goodwill balance compared to both 31 March 2020 and 30 September 2019.

The movement in goodwill is as follows:

	Year ended		Half Year ended	
	Sep 20 $m	Sep 19 $m	Sep 20 $m	Mar 20 $m
Balance at beginning of period	**2,864**	2,863	**2,865**	2,864
Foreign currency translation adjustments	**-**	1	**(1)**	1
Impairment and write-offs	**(199)**	-	**(199)**	-
Reclassified to held for sale(1)	**(827)**	-	**(827)**	-
Goodwill	**1,838**	2,864	**1,838**	2,865

Other Intangible Assets

Intangible assets are comprised of capitalised software and other intangible assets. Intangible assets decreased by $741 million or 27.3% compared to September 2019 full year. The decrease was largely attributable to a change to the application of the software capitalisation policy in September 2019 full year and March 2020 half year.

The Group continues to invest in software to support its customer focused strategic objectives. Major investments currently being undertaken are:

- In Australia, continued investment in ongoing simplification and technology refresh activity, investment in data infrastructure and financial crime capabilities together with investment in technology to enable bankers to better serve customer needs.
- In New Zealand, continued investment in capabilities to support the implementation of the BNZ strategic plan, particularly its digitisation to enhance customer experience and support its productivity agenda as well as regulatory compliance initiatives.

The movement in capitalised software is as follows:

	Year ended		Half Year ended	
	Sep 20 $m	Sep 19 $m	Sep 20 $m	Mar 20 $m
Balance at beginning of period	**2,688**	2,895	**1,810**	2,688
Additions	**677**	905	**305**	372
Disposals and write-offs	**(14)**	(15)	**(14)**	-
Amortisation	**(342)**	(612)	**(138)**	(204)
Change in application of software capitalisation policy - continuing operations(2)	**(950)**	(489)	**-**	(950)
Change in application of software capitalisation policy - discontinued operations(2)	**(106)**	(5)	**-**	(106)
Foreign currency translation adjustments	**2**	9	**(8)**	10
Capitalised software	**1,955**	2,688	**1,955**	1,810

(1) *Refer to Section 3, Note 14 Discontinued operations for further information.*
(2) *Accelerated amortisation charge following a change to the application of the software capitalisation policy to $2 million in the September 2019 full year and a further increase to $5 million in the March 2020 half year.*

Customer Deposits[1]

	As at				
	30 Sep 20 $m	31 Mar 20 $m	30 Sep 19 $m	Sep 20 v Sep 19 %	Sep 20 v Mar 20 %
Business and Private Banking	**151,110**	140,492	135,326	11.7	7.6
Personal Banking	**118,906**	109,485	108,279	9.8	8.6
Corporate and Institutional Banking	**114,844**	113,743	101,269	13.4	1.0
New Zealand Banking	**60,557**	62,219	57,046	6.2	(2.7)
Corporate Functions and Other	**22,807**	21,258	22,692	0.5	7.3
Total customer deposits	**468,224**	447,197	424,612	10.3	4.7

September 2020 v September 2019

Customer deposits increased by $43.6 billion or 10.3% mainly due to the impact of government and central bank stimulus measures in response to COVID-19. The growth was primarily in on-demand deposits, with customers switching from term deposits to on-demand and non-interest bearing accounts in the low interest rate environment and as a means of managing liquidity requirements. This also includes a reduction of $0.6 billion driven by exchange rate movements.

- An increase of $15.8 billion or 11.7% in Business and Private Banking driven by an increase in on-demand deposits of $12.5 billion and non-interest bearing accounts of $12.1 billion, partially offset by a reduction in term deposits of $8.8 billion.
- An increase of $13.6 billion or 13.4% in Corporate and Institutional Banking. Excluding $0.3 billion decrease driven by exchange rate movements, the underlying increase of $13.9 billion was largely driven by an increase in on-demand deposits of $21.1 billion. This was partially offset by a reduction in term deposits of $7.2 billion.
- An increase of $10.6 billion or 9.8% in Personal Banking driven by an increase of $3.6 billion in non-interest bearing accounts, combined with on-demand deposits of $10.2 billion. This was partially offset by a reduction in term deposits of $3.2 billion.
- An increase of $3.5 billion or 6.2% in New Zealand Banking. Excluding $0.1 billion driven by the depreciation of the New Zealand dollar, the underlying growth of $3.6 billion was driven by an increase in on-demand deposits of $5.9 billion and non-interest bearing accounts of $2.3 billion, partially offset by a reduction in term deposits of $4.6 billion.
- An increase of $0.1 billion or 0.5% in Corporate Functions and Other. Excluding $0.2 billion decrease driven by exchange rate movements, the underlying increase of $0.3 billion was primarily driven by higher on-demand deposits of $1.8 billion, partially offset by a $1.5 billion reduction in term deposits mainly in UBank.

September 2020 v March 2020

Customer deposits increased by $21.0 billion or 4.7% mainly due to the impact of government and central bank stimulus measures in response to COVID-19. The growth was primarily in on-demand deposits, with customers switching from term deposits to on-demand and non-interest bearing accounts in the low interest rate environment and as a means of managing liquidity requirements. This also includes a reduction of $5.1 billion driven by exchange rate movements.

- An increase of $10.6 billion or 7.6% in Business and Private Banking primarily driven by an increase in non-interest bearing accounts of $9.3 billion and on-demand deposits of $6.9 billion, partially offset by a reduction in term deposits of $5.6 billion.
- An increase of $9.4 billion or 8.6% in Personal Banking driven by growth in non-interest bearing accounts of $2.7 billion and on-demand deposits of $7.4 billion. This was partially offset by a reduction in term deposits of $0.7 billion.
- An increase of $1.5 billion or 7.3% in Corporate Functions and Other. Excluding $0.8 billion decrease driven by exchange rate movements, the underlying increase of $2.3 billion was primarily driven by higher on-demand deposits of $3.1 billion in Treasury and UBank. This has been partially offset by a reduction in term deposits of $0.8 billion.
- An increase of $1.1 billion or 1.0% in Corporate and Institutional Banking. Excluding $1.1 billion decrease driven by exchange rate movements, the underlying increase of $2.2 billion was largely driven by an increase in on-demand deposits of $6.6 billion. This was partially offset by a reduction in term deposits of $4.4 billion.
- A decrease of $1.7 billion or 2.7% in New Zealand Banking. Excluding $3.2 billion driven by the depreciation of the New Zealand dollar, the underlying growth of $1.5 billion was mainly due to an increase in on-demand deposits of $3.3 billion and non-interest bearing accounts of $1.3 billion, partially offset by a reduction in term deposits of $3.1 billion.

(1) *Comparative information has been restated for immaterial changes in NAB's organisational structure.*

Asset Quality

Credit Impairment Charge

	Year to			Half Year to		
	Sep 20 $m	Sep 19 $m	Sep 20 v Sep 19 %	Sep 20 $m	Mar 20 $m	Sep 20 v Mar 20 %
Specific credit impairment charge - new and increased	**930**	881	5.6	**517**	413	25.2
Specific credit impairment charge - write-backs	**(169)**	(170)	(0.6)	**(94)**	(75)	25.3
Specific credit impairment charge - recoveries	**(69)**	(57)	21.1	**(34)**	(35)	(2.9)
Specific credit impairment charge	**692**	654	5.8	**389**	303	28.4
Collective credit impairment charge	**2,070**	265	large	**1,212**	858	41.3
Total credit impairment charge	**2,762**	919	large	**1,601**	1,161	37.9

	Year to			Half Year to		
	Sep 20	Sep 19	Sep 20 v Sep 19	Sep 20	Mar 20	Sep 20 v Mar 20
Credit impairment charge to gross loans and acceptances (annualised)	**0.46%**	0.15%	31 bps	**0.54%**	0.38%	16 bps
Net write-offs to gross loans and acceptances (annualised)[1]	**0.11%**	0.09%	2 bps	**0.12%**	0.09%	3 bps

September 2020 v September 2019

Credit impairment charge increased by $1,843 million to $2,762 million, driven primarily by an increase of $1,796 million in forward looking provisions as a result of COVID-19. Excluding forward looking provisions, charges are broadly stable due to the impact of COVID-19 payment deferrals and government stimulus.

Specific credit impairment charge increased by $38 million or 5.8%, driven by:

- Higher charges in Business and Private Banking due to a higher level of individual impaired exposures, combined with the non-repeat of write-backs for a small number of larger exposures in the prior year.
- Higher charges in New Zealand Banking for the impairment of a small number of larger exposures.

This increase was partially offset by:

- Lower charges in Personal Banking.
- Lower charges in Corporate and Institutional Banking.

Collective credit impairment charge increased by $1,805 million, driven by:

- Higher level of charges for forward looking economic adjustments due to deterioration in broader macro-economic factors as a result of COVID-19.
- Higher level of net FLAs raised for targeted sectors impacted by COVID-19.
- Higher level of charges for the Australian unsecured retail portfolio.
- Higher level of charges for rating downgrades within the business lending portfolio.

This was partially offset by:

- Non-repeat of charges for the Australian mortgage portfolio due to increased delinquencies and the impact of house price movements in the prior period.

The Group ratio of **net write-offs to gross loans and acceptances** increased by 2 basis points to 0.11% due to a modest increase in the level of write offs for the Group's business lending portfolio.

September 2020 v March 2020

Credit impairment charge increased by $440 million or 37.9% to $1,601 million, and includes an increase of $346 million in the level of net FLAs raised for targeted sectors as a result of COVID-19. Excluding this, charges are broadly stable due to the impact of COVID-19 payment deferrals and government stimulus.

Specific credit impairment charge increased by $86 million or 28.4%, driven by:

- Higher charges in Business and Private Banking due to a higher level of individual impaired exposures, partially offset by lower charges in Personal Banking for the retail portfolio.

Collective credit impairment charge increased by $354 million or 41.3%, driven by:

- Higher level of net FLAs raised for targeted sectors impacted by COVID-19 including aviation, tourism, hospitality, entertainment, retail trade and commercial property.
- Higher level of charges for rating downgrades within the business lending portfolio.
- Higher level of charges for the Australian unsecured retail portfolio.

This was partially offset by:

- Lower level of charges for forward looking economic adjustments as a result of COVID-19.
- Non-repeat of charges for planned model refinements, combined with the release of provisions raised for planned model refinements in prior periods.

The Group ratio of **net write-offs to gross loans and acceptances** increased by 3 basis points to 0.12% due to a small number of larger name write-offs in the Group's business lending portfolio.

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

Asset Quality (continued)

Provision for Credit Impairment

	As at				
	Sep 20 $m	Mar 20 $m	Sep 19 $m	Sep 20 v Sep 19 %	Sep 20 v Mar 20 %
Collective provision on loans at amortised cost	**5,191**	4,008	3,118	66.5	29.5
Collective provision on loans at fair value	**46**	56	65	(29.2)	(17.9)
Collective provision on derivatives at fair value	**299**	337	177	68.9	(11.3)
Total collective provision for credit impairment	**5,536**	4,401	3,360	64.8	25.8
Total specific provision for credit impairment(1)	**840**	827	782	7.4	1.6
Total provision for credit impairment	**6,376**	5,228	4,142	53.9	22.0

	As at				
	Sep 20	Mar 20	Sep 19	Sep 20 v Sep 19	Sep 20 v Mar 20
Total provision to gross loans and acceptances	**1.07%**	0.85%	0.69%	38 bps	22 bps
Total provision to net write-offs (annualised)(2)	**1,014%**	979%	763%	large	large
Specific provision to gross impaired assets	**45.0%**	40.6%	39.7%	530 bps	440 bps
Collective provision to credit risk risk-weighted assets	**1.56%**	1.21%	0.96%	60 bps	35 bps
Collective provision to gross loans and acceptances	**0.93%**	0.72%	0.56%	37 bps	21 bps

September 2020 v September 2019

Provisions for credit impairment increased by $2,234 million or 53.9% to $6,376 million.

Specific provisions increased by $58 million or 7.4% mainly due to new and increased specific provisions raised for the business lending portfolio in Australia and New Zealand, partially offset by work-outs for a small number of larger exposures.

Collective provisions increased by $2,176 million or 64.8%. This was mainly due to:

- Additional collective provision forward looking economic adjustments raised due to deterioration in broader macro-economic factors as a result of COVID-19.
- Net collective provision FLAs raised for targeted sectors impacted by COVID-19 including aviation, tourism, hospitality, entertainment, retail trade and commercial property.
- Collective provision increases for rating downgrades within the business lending portfolio due to COVID-19 impacts; including customers in the aviation and tourism sectors.
- Increase in collective provisions held for the derivatives portfolio due to model refinements and market movements.
- Collective provision increases for the Australian unsecured retail portfolio.

The **collective provision to credit risk risk-weighted assets** ratio increased 60 basis points to 1.56% predominantly due to collective provision increases.

September 2020 v March 2020

Provisions for credit impairment increased by $1,148 million or 22.0% to $6,376 million.

Specific provisions increased by $13 million or 1.6% mainly due to new and increased specific provisions raised for the business lending portfolio in Australia and New Zealand, partially offset by work-outs for a small number of larger exposures.

Collective provisions increased by $1,135 million or 25.8%. This was mainly due to:

- Additional collective provision forward looking economic adjustments raised as a result of COVID-19.
- Net collective provision FLAs raised for targeted sectors impacted by COVID-19 including aviation, tourism, hospitality, entertainment, retail trade and commercial property.
- Collective provision increases for rating downgrades within the business lending portfolio due to COVID-19 impacts; including customers in the aviation and tourism sectors.
- Collective provision increases for the Australian unsecured retail portfolio.

This was partially offset by:

- Release of collective provisions raised for planned model refinements in prior periods.

The **collective provision to credit risk risk-weighted assets** ratio increased 35 basis points to 1.56% predominantly due to collective provision increases.

(1) *Includes $20 million (March 2020: $nil, September 2019: $nil) of specific provision on loans at fair value.*
(2) *Net write-offs include net write-offs of fair value loans. September 2020 and September 2019 metrics refer to the full year ratio; March 2020 metrics refers to the half year ratio annualised.*

Asset Quality (continued)

90+ Days Past Due and Gross Impaired Assets

	As at				
	Sep 20 $m	Mar 20 $m	Sep 19 $m	Sep 20 v Sep 19 %	Sep 20 v Mar 20 %
90+ days past due (DPD) loans	**4,255**	3,891	3,603	18.1	9.4
Gross impaired assets	**1,866**	2,037	1,972	(5.4)	(8.4)
90+ DPD and gross impaired assets	**6,121**	5,928	5,575	9.8	3.3

	As at				
	Sep 20	Mar 20	Sep 19	Sep 20 v Sep 19	Sep 20 v Mar 20
90+ DPD loans to gross loans and acceptances	**0.72%**	0.64%	0.60%	12 bps	8 bps
Gross impaired assets to gross loans and acceptances	**0.31%**	0.33%	0.33%	(2 bps)	(2 bps)
90+ DPD and gross impaired assets to gross loans and acceptances	**1.03%**	0.97%	0.93%	10 bps	6 bps

September 2020 v September 2019

The Group ratio of **90+ DPD loans to gross loans and acceptances** increased by 12 basis points to 0.72%. This was primarily driven by:

- Increased delinquencies across the Australian mortgage portfolio from customers not on a COVID-19 payment deferral.
- A small number of larger exposures in the Business and Private Banking business lending portfolio.

The Group ratio of **gross impaired assets to gross loans and acceptances** decreased by 2 basis points to 0.31%. This was predominantly driven by business turnarounds for a small number of larger exposures within the Corporate and Institutional Banking and New Zealand Banking business lending portfolios, partially offset by the impairment of a small number of larger exposures in the Business and Private Banking and New Zealand Banking business lending portfolios.

September 2020 v March 2020

The Group ratio of **90+ DPD loans to gross loans and acceptances** increased by 8 basis points to 0.72%. This was primarily driven by increased delinquencies across the Australian mortgage portfolio from customers not on a COVID-19 payment deferral.

The Group ratio of **gross impaired assets to gross loans and acceptances** decreased by 2 basis points to 0.31%. This was predominantly driven by business turnarounds for a small number of larger exposures within the Corporate and Institutional Banking and New Zealand Banking business lending portfolios, partially offset by the impairment of a small number of larger exposures in the Business and Private Banking and New Zealand Banking business lending portfolios.

Capital Management and Funding

Balance Sheet Management Overview

In the face of the significant economic challenges associated with the onset of COVID-19, the Group has maintained a strong capital and liquidity position consistent with the Group's commitment to balance sheet strength.

Regulatory Reform

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

'Unquestionably Strong' and Basel III Revisions

- The major Australian banks, including NAB, have been subject to APRA's 'unquestionably strong' target benchmark capital ratios since January 2020. APRA has suspended these requirements in response to COVID-19 until 1 January 2023. In suspending these requirements, APRA has indicated that banks may need to utilise some of the current capital buffers to facilitate ongoing lending to the economy. APRA has committed that any rebuild of capital buffers, if required, will be done in an orderly manner.
- APRA's consultation on revisions to the capital framework includes consideration of 'benchmarks for capital strength', 'risk sensitivity of the capital framework' and 'transparency, comparability and flexibility of the capital framework'. APRA has recently deferred the scheduled implementation of these prudential standards in Australia by one year to at least 1 January 2023, consistent with the Basel Committee on Banking Supervision (BCBS). The deferral supports Authorised Deposit-taking Institutions (ADI) in maintaining operations and supporting customers in response to COVID-19. APRA has reiterated its view that ADIs currently hold sufficient capital to meet the new requirements.
- In October 2019, APRA proposed changes to the treatment of equity investments in subsidiaries (including BNZ) for the purpose of calculating Level 1 regulatory capital, expected to be implemented from 1 January 2022.
- APRA has also proposed a minimum leverage ratio requirement of 3.5% for internal ratings-based (IRB) ADIs and a revised leverage ratio exposure measurement methodology from 1 January 2023. The Group has a leverage ratio as at 30 September 2020 of 5.8% (under current methodology).

Increased Loss-absorbing Capacity for ADIs

- In July 2019, APRA released its framework for the implementation of an Australian loss-absorbing capacity regime, requiring an increase in Total capital of 3% of risk-weighted assets for Domestic Systemically Important Banks (D-SIBs) by 1 January 2024. APRA has maintained its overall target calibration of 4% to 5% of risk-weighted assets, and will consult on alternative methods for raising the additional loss-absorbing capacity equal to 1% to 2% of risk-weighted assets over the next three years.

RBNZ Capital Review

- In December 2019, the RBNZ finalised its review of the capital adequacy framework applied to registered banks incorporated in New Zealand. The RBNZ amendments to the amount of regulatory capital required of locally incorporated banks include:
  - Increases in credit risk risk-weighted assets for banks that use the internal ratings-based approach due to an increase in the scalar, prescribed use of the standardised approach for banks and sovereign exposures, and the introduction of an overall minimum standardised floor.
  - An increase in the Tier 1 capital requirement to 16% of risk-weighted assets, and an increase in the Total capital requirement equal to 18% of risk-weighted assets.
- Due to significant uncertainties arising from the impacts of COVID-19, the RBNZ has delayed the start of the new capital requirements by one year to 1 July 2021. It is expected that the changes will be phased in over a seven-year period.

Dividends

- In response to the impacts of COVID-19, the RBNZ and APRA have introduced restrictions on the payment of distributions:
  - RBNZ has prohibited the payment of dividends on ordinary shares and the redemption of non-Common Equity Tier 1 (CET1) capital instruments.
  - APRA has advised that it expects that ADIs will retain at least half of their earnings for 2020. APRA has also confirmed that ADIs should utilise management buffers and stress testing to inform its capital management actions, and actively use capital management initiatives to at least partially offset any diminution in capital from distributions.
  - In each case, these regulatory restrictions remain in place and will apply until further notice.

Further detail on the regulatory changes impacting the Group is outlined in the September 2020 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 risk-based 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.

Pillar 3 Disclosures

Further disclosures with respect to capital adequacy and risk management was included in the September 2020 Pillar 3 Report as required by APRA Prudential Standard APS 330 *Public Disclosure.*

Capital Management and Funding (continued)

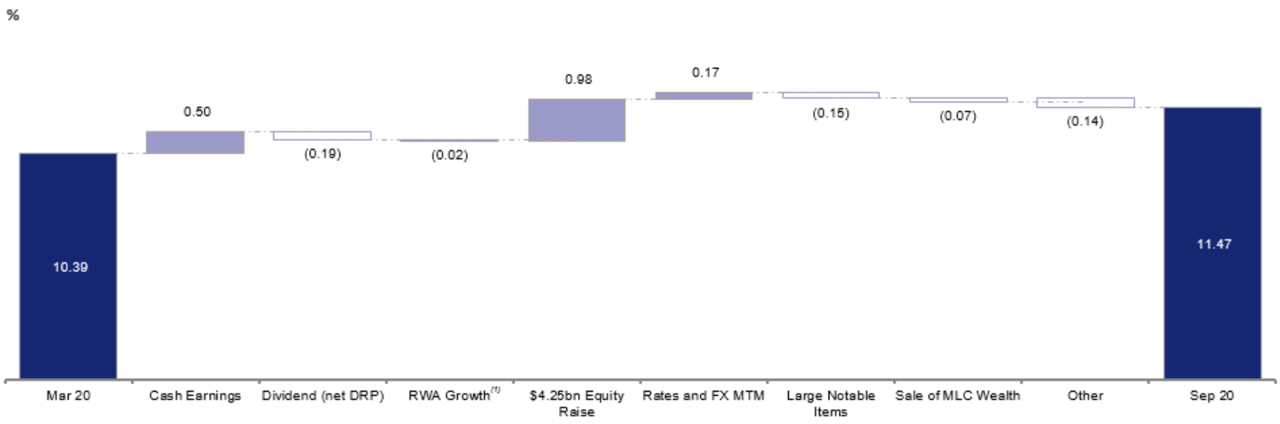
Capital Management (continued)

Capital Ratios

	As at				
	30 Sep 20	31 Mar 20	30 Sep 19	Sep 20 v	Sep 20 v
Capital ratios	%	%	%	Sep 19	Mar 20
Common Equity Tier 1	**11.47**	10.39	10.38	109 bps	108 bps
Tier 1	**13.20**	11.96	12.36	84 bps	124 bps
Total capital	**16.62**	14.61	14.68	194 bps	201 bps

	As at				
	30 Sep 20	31 Mar 20	30 Sep 19	Sep 20 v	Sep 20 v
Risk-weighted assets	$m	$m	$m	Sep 19 %	Mar 20 %
Credit risk	**353,991**	364,550	351,646	0.7	(2.9)
Market risk	**12,678**	10,035	10,023	26.5	26.3
Operational risk	**49,993**	50,604	47,698	4.8	(1.2)
Interest rate risk in the banking book	**8,485**	7,477	6,404	32.5	13.5
Total risk-weighted assets	**425,147**	432,666	415,771	2.3	(1.7)

Movements in Common Equity Tier 1 Ratio



(1) Excludes FX translation.

Capital Movements During the September 2020 Half Year

The Group's Common Equity Tier 1 ratio was 11.47% as at 30 September 2020. The key movements in capital over the September 2020 half year included:

- Cash earnings less the 2020 interim dividend net of Dividend Reinvestment Plan (DRP) participation resulting in an increase of 31 basis points.
- An increase in risk-weighted assets reducing the CET1 ratio by 2 basis points, driven mainly by:
  - Asset quality deterioration contributing to a decrease of 6 basis points.
  - Market risk contributing to a decrease of 7 basis points.
  - Favourable movements in derivatives (excluding foreign exchange translation) partially offsetting by 10 basis points.
- The institutional placement of $3.0 billion and share purchase plan of $1.25 billion announced on 27 April 2020 resulting in an increase of 98 basis points.
- Foreign exchange translation, a decrease in the foreign currency translation reserve and mark-to-market movements on instruments at fair value through other comprehensive income reserve contributing to an increase of 17 basis points.
- Large notable items (including customer and payroll remediation and impairment of property-related assets) contributing to a decrease of 15 basis points.
- Estimated cost to complete the sale of MLC Wealth contributing to a decrease of 7 basis points.
- Other miscellaneous items contributing to a decrease of 14 basis points (including equity exposures, cost of hedging reserve, and deferred tax assets).

Dividend and Dividend Reinvestment Plan

The final dividend for the year ending 30 September 2020 has been maintained at 30 cents, 100% franked, payable on 10 December 2020. The Group's statutory payout ratio (from continuing operations) for the September 2020 half year is 49.8%, noting APRA's capital management guidance that ADIs retain at least half of their earnings for 2020.

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

Capital Management and Funding (continued)

The Group periodically adjusts the Dividend Reinvestment Plan (DRP) to reflect its capital position and outlook. In respect of the final dividend for the year ending 30 September 2020, the DRP discount is nil, with no participation limit, and the DRP is expected to be satisfied by the issuance of new shares.

Capital Raising

On 28 April 2020, the Group completed a $3.0 billion fully underwritten institutional placement. This was followed by the successful completion of a share purchase plan, which raised $1.25 billion.

Additional Tier 1 Capital Initiatives

On 12 December 2019, the Group issued $500 million of NAB Wholesale Capital Notes, which will mandatorily convert into NAB Ordinary Shares on 12 December 2031, provided certain conditions are met. With prior written approval from APRA, NAB may elect to convert, redeem or resell NAB Wholesale Capital Notes on 12 December 2029, or on the occurrence of particular events, provided certain conditions are met.

On 23 March 2020, the Group completed the resale of all NAB Capital Notes (NCN) issued on 23 March 2015 to a nominated purchaser, in accordance with the resale notice issued on 17 February 2020. Following the resale, $750 million of NCN were converted into Ordinary Shares, and the remaining balance of approximately $593 million NCN were redeemed.

On 17 July 2020, the Group issued $600 million of NAB Wholesale Capital Notes 2, which will mandatorily convert into NAB Ordinary Shares on 17 July 2027, provided certain conditions are met. With prior written approval from APRA, NAB may elect to convert, redeem or resell NAB Wholesale Capital Notes 2 on 17 July 2025, or on the occurrence of particular events, provided certain conditions are met.

Tier 2 Capital Initiatives

The Group's Tier 2 capital initiatives during the September 2020 full year included the following:

- On 12 November 2019, NAB redeemed (by exercising its issuer call option) €750 million of Subordinated Notes.
- On 18 November 2019, NAB issued $1.4 billion of Subordinated Notes.
- On 12 December 2019, NAB issued CAD1.0 billion of Subordinated Notes.
- On 10 February 2020, NAB redeemed €1.0 billion of Subordinated Notes, of which $254 million was Basel III compliant Tier 2 regulatory capital at the time of redemption.
- On 26 March 2020, NAB redeemed $1.1 billion of Subordinated Notes.
- On 9 June 2020, NAB issued $205 million of Subordinated Notes.
- On 30 June 2020, NAB issued $215 million of Subordinated Notes.
- On 17 July 2020, NAB issued $245 million of Subordinated Notes.
- On 24 July 2020, NAB issued $100 million of Subordinated Notes.
- On 21 August 2020, NAB issued US$1.5 billion of Subordinated Notes.
- The Group repurchased and cancelled US$37 million of the perpetual floating rate notes issued on 9 October 1986.

Funding and Liquidity

The Group monitors the composition and stability of funding and liquidity through the Board approved risk appetite which includes compliance with the regulatory requirements of APRA's 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 is a metric that measures the extent to which assets are funded with stable sources of funding to mitigate the risk of future funding stress. At 30 September 2020, the Group's NSFR was 127%, above the regulatory minimum of 100%.

Another key structural measure used is the Stable Funding Index (SFI), which is made up of the Customer Funding Index (CFI) and the Term Funding Index (TFI). The CFI represents the proportion of the Group's core assets that are funded by customer deposits. Similarly, the TFI represents the proportion of the Group's core assets that are funded by term wholesale funding with a remaining term to maturity of greater than 12 months, including Term Funding Facility (TFF) drawdowns.

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

Over the year ended 30 September 2020, the SFI increased from 93% to 101%. The increase was driven by strong deposit inflows in line with system trends.

Group Funding Metrics

	As at			
	30 Sep 20	**30 Sep 19**	**30 Sep 18**	**30 Sep 17**
	%	**%**	**%**	**%**
CFI	**78**	70	69	70
TFI	**23**	23	24	23
SFI	**101**	93	93	93
NSFR	**127**	113	113	108

Capital Management and Funding (continued)

Term Funding Facility

On 19 March 2020, the RBA announced the establishment of a collateralised TFF for the Australian banking system to support ADIs in providing credit into the economy. Changes to extend and increase the TFF were announced on 1 September 2020, with a further change to the cost of the facility announced on 3 November 2020. The TFF provides ADIs with access to three-year funding, with an Initial Allowance and Supplementary Allowance based on total domestic credit outstanding and an Additional Allowance based on credit growth. Drawdowns on or before 3 November 2020 incurred a fixed cost of 0.25% per annum and drawdowns made from 4 November 2020 incur a fixed cost of 0.10% per annum.

NAB's total TFF available as at September 2020 was $25.4 billion, split between $14.3 billion of Initial Allowance and $11.1[1] billion of Additional Allowance. NAB drew down the full Initial Allowance of the TFF during the year ended 30 September 2020. The Supplementary Allowance is available from 1 October 2020 and for NAB is $9.6 billion. The Additional Allowance and Supplementary Allowance are available to be drawn down until 30 June 2021.

The TFF is an efficient source of three-year term funding, providing flexibility to manage refinancing and execution risk, while also reducing funding costs.

Term Wholesale Funding

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

Global funding conditions deteriorated significantly in late February following the onset of COVID-19. However, following significant central bank and government stimulus, onshore and offshore markets recovered rapidly to be broadly in line with pre-COVID-19 levels. NAB was largely insulated from the impact of the significant widening of credit spreads during the year, having executed the majority of issuance prior to the time at which COVID-19 began to significantly disrupt the market. NAB only re-entered the market during the second half of the year for subordinated debt issuance once credit spreads had normalised.

The Group raised $15.0 billion of term wholesale funding during the year ended 30 September 2020. NAB raised $12.8 billion, including $5.6 billion senior unsecured, $5.3 billion of Tier 2 subordinated debt and $1.9 billion of secured funding (covered bonds). BNZ raised $2.2 billion during the year ended 30 September 2020.

The weighted average maturity of term wholesale funding raised by the Group at issuance, over the year ended 30 September 2020 was approximately 6.7[2] years to the first call date which was supported by the increase in Tier 2 subordinated debt issuance over the year. The weighted average remaining maturity of the Group's term wholesale funding portfolio is 3.2[2] years.

Term funding markets will continue to be influenced by COVID-19 and other global events which shape investor sentiment, monetary and fiscal policy settings, as well as hedging costs in various derivative markets.

Term Wholesale Funding Issuance by Deal Type

	As at		
	30 Sep 20	**31 Mar 20**	**30 Sep 19**
	%	**%**	**%**
Senior Public Offshore	**31**	38	35
Senior Public Domestic	**18**	22	27
Secured Public Offshore	**13**	16	14
Secured Public Domestic	**-**	-	6
Subordinated Public debt	**31**	21	12
Private Placements	**2**	3	6
Subordinated Private Placement	**5**	-	-
Total	**100**	100	100

Term Wholesale Funding Issuance by Currency

	As at		
	30 Sep 20	**31 Mar 20**	**30 Sep 19**
	%	**%**	**%**
USD	**40**	32	30
AUD	**31**	32	36
EUR	**-**	-	23
GBP	**13**	16	-
JPY	**-**	-	6
Other	**16**	20	5
Total	**100**	100	100

Short-term Wholesale Funding

During the year ended 30 September 2020, the Group accessed international and domestic short-term funding through wholesale markets when required, noting certain periods of increased volatility particularly associated with COVID-19 in March and April 2020.

In addition, repurchase agreements have been primarily utilised to support markets and trading activities. Repurchase agreements entered into (excluding those associated with the TFF) are materially offset by reverse repurchase agreements with similar tenors.

Liquidity Coverage Ratio

The LCR metric measures the adequacy of HQLA available to meet net cash outflows over a 30-day period during a severe liquidity stress scenario. HQLAs 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 Committed Liquidity Facility (CLF) and the undrawn portion of the TFF.

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(1) As at 2 November 2020 NAB's Additional Allowance has reduced to $4.2 billion.
(2) Weighted average maturity excludes Term Funding Facility drawdowns.

Capital Management and Funding (continued)

The Group maintains a well-diversified liquid asset portfolio to support regulatory and internal requirements in the various regions in which it operates. The average value of regulatory liquid assets held through the September 2020 quarter was $199 billion and included $126 billion of HQLA. The increase in HQLA during 2020 was primarily driven by deposit inflows. The Group Alternative Liquid Assets (ALA) comprise pools of internally securitised mortgages, and other non-HQLA securities used to collateralise the CLF and the undrawn portion of the TFF with the RBA or are securities that are repo-eligible with the RBNZ. Quarterly average ALA for September 2020 was $73 billion and comprises unencumbered assets available to the CLF of $51 billion, undrawn TFF amounts of $20 billion and RBNZ securities of $2 billion.

A detailed breakdown of quarterly average net cash outflows is provided in the September 2020 Pillar 3 Report.

	Quarterly average		
	30 Sep 20	**31 Mar 20**	**30 Sep 19**
High quality liquid asset ($bn)	**126**	98	88
Alternative liquid assets ($bn)	**73**	54	55
Total LCR liquid assets ($bn)	**199**	152	143
Net cash outflows ($bn)	**143**	112	114
Quarterly average LCR (%)	**139**	136	126

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+	Negative
Moody's Investors Service	Aa3	P-1	Stable
Fitch Ratings	A+	F1	Negative

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Section 2

Divisional Review

Business and Private Banking[(1)]

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

	Year to			Half Year to		
	Sep 20 $m	**Sep 19 $m**	**Sep 20 v Sep 19 %**	**Sep 20 $m**	**Mar 20 $m**	**Sep 20 v Mar 20 %**
Net interest income	**5,400**	5,634	(4.2)	**2,642**	2,758	(4.2)
Other operating income	**878**	1,004	(12.5)	**414**	464	(10.8)
Net operating income	**6,278**	6,638	(5.4)	**3,056**	3,222	(5.2)
Operating expenses	**(2,404)**	(2,265)	6.1	**(1,250)**	(1,154)	8.3
Underlying profit	**3,874**	4,373	(11.4)	**1,806**	2,068	(12.7)
Credit impairment charge[(2)]	**(322)**	(336)	(4.2)	**(196)**	(126)	55.6
Cash earnings before tax	**3,552**	4,037	(12.0)	**1,610**	1,942	(17.1)
Income tax expense	**(1,063)**	(1,220)	(12.9)	**(485)**	(578)	(16.1)
Cash earnings	**2,489**	2,817	(11.6)	**1,125**	1,364	(17.5)

Volumes ($bn)						
Housing lending	**84.2**	88.3	(4.6)	**84.2**	86.1	(2.2)
Business lending	**109.4**	109.0	0.4	**109.4**	109.1	0.3
Other lending	**2.9**	3.3	(12.1)	**2.9**	3.0	(3.3)
Gross loans and acceptances	**196.5**	200.6	(2.0)	**196.5**	198.2	(0.9)
Average interest earning assets	**189.0**	192.1	(1.6)	**187.9**	190.2	(1.2)
Total assets	**196.8**	200.9	(2.0)	**196.8**	198.5	(0.9)
Customer deposits	**151.1**	135.3	11.7	**151.1**	140.5	7.5
Total risk-weighted assets	**124.6**	119.2	4.5	**124.6**	119.5	4.3

Performance Measures						
Cash earnings on average assets	**1.25%**	1.40%	(15 bps)	**1.14%**	1.37%	(23 bps)
Cash earnings on average risk-weighted assets	**2.05%**	2.37%	(32 bps)	**1.84%**	2.28%	(44 bps)
Net interest margin	**2.86%**	2.93%	(7 bps)	**2.81%**	2.90%	(9 bps)
Cost to income ratio	**38.3%**	34.1%	420 bps	**40.9%**	35.8%	510 bps
Funds under administration (FUA) (spot) ($m)	**31,720**	30,163	5.2	**31,720**	28,141	12.7

	Year to			Half Year to		
Asset Quality	**Sep 20**	**Sep 19**	**Sep 20 v Sep 19**	**Sep 20**	**Mar 20**	**Sep 20 v Mar 20**
90+ DPD and gross impaired assets to gross loans and acceptances	**1.32%**	0.95%	37 bps	**1.32%**	1.07%	25 bps
Credit impairment charge to gross loans and acceptances (annualised)	**0.16%**	0.17%	(1 bp)	**0.20%**	0.13%	7 bps

(1) *Comparative information has been restated for immaterial changes in NAB's organisational structure.*
(2) *Excludes collective provision charges for forward looking provisions as a result of COVID-19, included in Corporate Functions and Other.*

Business and Private Banking (continued)

September 2020 v September 2019

Cash earnings decreased by $328 million or 11.6%, driven by lower revenue mainly due to the low interest rate environment, and higher operating expenses due to the continued investment in technology and compliance initiatives.

Key movements	Key drivers
Net interest income down $234m, 4.2%	• Average interest earning assets decreased by $3.1 billion or 1.6% primarily due to a decline in housing lending as a result of competitive pressures and negative investor housing system growth. This was partially offset by growth in business lending due to support provided to customers under the Government's SME Guarantee Scheme with a continued focus on risk adjusted returns. • Customer deposits increased by $15.8 billion or 11.7% mainly due to changes in customer preferences in the low interest rate environment, and as a means of managing liquidity requirements. • Net interest margin decreased by 7 basis points primarily driven by a lower earnings rate on deposits and capital due to the low interest rate environment, and the impact of business lending initiatives to support customers in response to COVID-19. This was partially offset by repricing in the housing lending portfolio.
Other operating income down $126m, 12.5%	• Lower merchant acquiring income due to reduced transaction volumes and fee waivers to support customers during COVID-19. • Lower business lending fee income driven by a reduction in origination activity. • Lower credit card income mainly driven by lower net interchange revenue, foreign exchange and cash advance fees and suspension on late payment fees driven by the impact of COVID-19. • Lower foreign exchange revenue driven by a decline in margins due to competitive pressure.
Operating expenses up $139m, 6.1%	• Investment in technology capabilities including data insights and the cloud-first strategy, and increased spend to strengthen the compliance and control environment and improve customer experience. This was combined with higher restructuring-related costs, the impact of annual salary increases and increased customer support costs in response to COVID-19. • Partially offset by productivity benefits achieved through simplification of the business, reduction in third party spend and lower travel and entertainment costs as a result of COVID-19.
Credit impairment charge down $14m, 4.2%	• Lower collective provision charges for the mortgage portfolio due to the impact of house price movements and COVID-19 payment deferrals, combined with the write back of individual customers that moved to specific provision charges. • 90+ DPD and gross impaired assets to gross loans and acceptances increased by 37 basis points to 1.32%. This was primarily driven by increased delinquencies across the Australian mortgage portfolio from customers not on a COVID-19 payment deferral, and the impairment of a small number of larger exposures in the business lending portfolio. • Partially offset by higher specific provision charges due to a higher level of individual impaired exposures, combined with the non-repeat of write-backs for a small number of larger exposures in the September 2019 full year.
Risk-weighted assets up $5.4bn, 4.5%	• Deterioration in business lending asset quality, including an overlay for SME customers not yet reviewed, growth in business lending and higher operational risk risk-weighted assets, partially offset by a reduction in housing volumes.

Business and Private Banking (continued)

September 2020 v March 2020

Cash earnings decreased by $239 million or 17.5%, driven by lower revenue mainly due to the low interest rate environment, higher operating expenses due to the continued investment in technology and compliance initiatives, and higher credit impairment charges.

Key movements	Key drivers
Net interest income down $116m, 4.2%	• Average interest earning assets decreased by $2.3 billion or 1.2% primarily due to a decline in housing lending as a result of competitive pressures and negative investor housing system growth. This was partially offset by growth in business lending due to support provided to customers under the Government's SME Guarantee Scheme with a continued focus on risk adjusted returns. • Customer deposits increased by $10.6 billion or 7.5% mainly due to changes in customer preferences in the low interest rate environment, and as a means of managing liquidity requirements. • Net interest margin decreased by 9 basis points primarily driven by a lower earnings rate on deposits and capital due to the low interest rate environment, and the impact of business lending initiatives to support customers in response to COVID-19. This was partially offset by repricing in the housing lending portfolio.
Other operating income down $50m, 10.8%	• Lower foreign exchange revenue driven by a decline in margins due to competitive pressure. • Lower merchant acquiring income due to reduced transaction volumes and increased fee waivers to support customers through COVID-19. • Lower credit card income mainly driven by lower net interchange revenue, foreign exchange and cash advance fees and suspension on late payment fees driven by the impact of COVID-19.
Operating expenses up $96m, 8.3%	• Investment in technology capabilities including data insights and the cloud-first strategy, and increased spend to strengthen the compliance and control environment. This was combined with higher restructuring-related costs, higher performance-based compensation, the impact of annual salary increases and increased customer support costs in response to COVID-19. • Partially offset by productivity benefits achieved through simplification of the business, reduction in third party spend and lower travel and entertainment costs as a result of COVID-19.
Credit impairment charge up $70m, 55.6%	• Specific provision charges increased due to a higher level of individual impaired exposures in the September 2020 half year. • 90+ DPD and gross impaired assets to gross loans and acceptances increased by 25 basis points to 1.32%. This was primarily driven by increased delinquencies across the Australian mortgage portfolio from customers not on a COVID-19 payment deferral and the impairment of a small number of larger exposures in the business lending portfolio.
Risk-weighted assets up $5.1bn, 4.3%	• Deterioration in business lending asset quality, including an overlay for SME customers not yet reviewed, growth in business lending and higher operational risk risk-weighted assets, partially offset by a reduction in housing volumes.

Personal Banking(1)

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

	Year to			Half Year to		
	Sep 20 $m	Sep 19 $m	Sep 20 v Sep 19 %	Sep 20 $m	Mar 20 $m	Sep 20 v Mar 20 %
Net interest income	**4,017**	3,836	4.7	**1,985**	2,032	(2.3)
Other operating income	**514**	576	(10.8)	**248**	266	(6.8)
Net operating income	**4,531**	4,412	2.7	**2,233**	2,298	(2.8)
Operating expenses	**(2,292)**	(2,302)	(0.4)	**(1,136)**	(1,156)	(1.7)
Underlying profit	**2,239**	2,110	6.1	**1,097**	1,142	(3.9)
Credit impairment charge(2)	**(256)**	(314)	(18.5)	**(147)**	(109)	34.9
Cash earnings before tax	**1,983**	1,796	10.4	**950**	1,033	(8.0)
Income tax expense	**(603)**	(536)	12.5	**(293)**	(310)	(5.5)
Cash earnings	**1,380**	1,260	9.5	**657**	723	(9.1)
Volumes ($bn)						
Housing lending	**206.7**	208.5	(0.9)	**206.7**	208.1	(0.7)
Other lending	**4.6**	6.0	(23.3)	**4.6**	5.5	(16.4)
Gross loans and acceptances	**211.3**	214.5	(1.5)	**211.3**	213.6	(1.1)
Average interest earning assets	**196.9**	199.6	(1.4)	**196.2**	197.6	(0.7)
Total assets	**217.7**	219.2	(0.7)	**217.7**	218.1	(0.2)
Customer deposits	**118.9**	108.3	9.8	**118.9**	109.5	8.6
Total risk-weighted assets	**77.5**	77.1	0.5	**77.5**	78.1	(0.8)
Performance Measures						
Cash earnings on average assets	**0.63%**	0.58%	5 bps	**0.60%**	0.67%	(7 bps)
Cash earnings on average risk-weighted assets	**1.78%**	1.61%	17 bps	**1.69%**	1.87%	(18 bps)
Net interest margin	**2.04%**	1.92%	12 bps	**2.02%**	2.06%	(4 bps)
Cost to income ratio	**50.6%**	52.2%	(160 bps)	**50.9%**	50.3%	60 bps

	Year to			Half Year to		
Asset Quality	Sep 20	Sep 19	Sep 20 v Sep 19	Sep 20	Mar 20	Sep 20 v Mar 20
90+ DPD and gross impaired assets to gross loans and acceptances	**1.23%**	1.13%	10 bps	**1.23%**	1.19%	4 bps
Credit impairment charge to gross loans and acceptances (annualised)	**0.12%**	0.15%	(3 bps)	**0.14%**	0.10%	4 bps

(1) *Comparative information has been restated for immaterial changes in NAB's organisational structure.*
(2) *Excludes collective provision charges for forward looking provisions as a result of COVID-19, included in Corporate Functions and Other.*

Personal Banking (continued)

September 2020 v September 2019

Cash earnings increased by $120 million or 9.5%, driven by higher revenue as a result of home loan repricing and lower funding costs in the housing lending portfolio, combined with lower credit impairment charges and lower operating expenses.

Key movements	Key drivers
Net interest income up $181m, 4.7%	• Net interest margin increased by 12 basis points driven by repricing and lower funding costs in the housing lending portfolio. This was partially offset by continued competitive pressures, product mix impacts and a lower earnings rate on deposits and capital due to the low interest rate environment. • Customer deposits increased by $10.6 billion or 9.8% driven by growth in consumer savings and transaction accounts. • Average interest earning assets decreased by $2.7 billion or 1.4%, due to a decline in housing and unsecured lending volumes.
Other operating income down $62m, 10.8%	• Lower cards income due to a decline in volumes and increased use of cards for low-value payments resulting in lower net interchange revenue and higher scheme charges. • Lower foreign exchange revenue due to travel restrictions and suspension of late payment fees prompted by COVID-19.
Operating expenses down $10m, 0.4%	• Productivity benefits achieved through simplification of the business and reduction in third party spend, combined with lower operational costs and lower performance-based compensation. • Largely offset by investment in technology capabilities including data insights and the cloud-first strategy, increased spend to strengthen the compliance and control environment, and higher restructuring-related costs, combined with the impact of annual salary increases and increased customer support costs in response to COVID-19.
Credit impairment charge down $58m, 18.5%	• Lower credit impairment charge driven by non-repeat of charges for the housing lending portfolio due to increased delinquencies and the impact of house price movements in the prior period. Partially offset by higher charges in the unsecured lending portfolio due to deterioration of delinquencies. • 90+ DPD and gross impaired assets to gross loans and acceptances increased by 10 basis points to 1.23% primarily driven by an increase in 90+ DPD assets for the housing lending portfolio.
Risk-weighted assets up $0.4bn, 0.5%	• Increase in risk-weighted assets due to higher operational risk, partially offset by portfolio mix and lower lending volumes.

September 2020 v March 2020

Cash earnings decreased by $66 million or 9.1%, largely driven by lower revenue in the low interest rate environment, combined with higher credit impairment charges.

Key movements	Key drivers
Net interest income down $47m, 2.3%	• Average interest earning assets decreased by $1.4 billion or 0.7%, driven by a decline in housing and unsecured lending volumes. • Net interest margin decreased by 4 basis points driven by continued competitive pressures, product mix impacts and a lower earnings rate on deposits and capital due to the low interest rate environment, partially offset by repricing in the housing lending portfolio.
Other operating income down $18m, 6.8%	• Lower cards income driven by lower net interchange, foreign exchange revenue due to travel restrictions and suspension of late payment fees prompted by COVID-19.
Operating expenses down $20m, 1.7%	• Productivity benefits achieved through simplification of the business and reduction in third party spend. • Partially offset by investment in technology capabilities including data insights and the cloud-first strategy, and increased spend to strengthen the compliance and control environment. This was combined with higher restructuring-related costs, higher performance-based compensation, the impact of annual salary increases and increased customer support costs in response to COVID-19.
Credit impairment charge up $38m, 34.9%	• Higher collective provision charges for the Australian unsecured retail portfolio. • 90+ DPD and gross impaired assets to gross loans and acceptances increased by 4 basis points to 1.23% primarily driven by an increase in 90+ DPD assets for the housing lending portfolio.
Risk-weighted assets down $0.6bn, 0.8%	• Decrease in risk-weighted assets due to portfolio mix, combined with lower unsecured lending volumes, partially offset by higher operational risk.

Corporate and Institutional Banking

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

	Year to			Half Year to		
	Sep 20 $m	Sep 19 $m	Sep 20 v Sep 19 %	Sep 20 $m	Mar 20 $m	Sep 20 v Mar 20 %
Net interest income	**2,075**	1,827	13.6	**1,133**	942	20.3
Other operating income	**1,382**	1,539	(10.2)	**775**	607	27.7
Net operating income	**3,457**	3,366	2.7	**1,908**	1,549	23.2
Operating expenses	**(1,313)**	(1,281)	2.5	**(679)**	(634)	7.1
Underlying profit	**2,144**	2,085	2.8	**1,229**	915	34.3
Credit impairment (charge) / write-back(1)	**(170)**	(70)	large	**(176)**	6	large
Cash earnings before tax	**1,974**	2,015	(2.0)	**1,053**	921	14.3
Income tax expense	**(505)**	(507)	(0.4)	**(285)**	(220)	29.5
Cash earnings	**1,469**	1,508	(2.6)	**768**	701	9.6

Net operating income						
Lending and deposits income	**2,252**	2,201	2.3	**1,154**	1,098	5.1
Markets income (ex derivative valuation adjustments)	**948**	763	24.2	**592**	356	66.3
Derivative valuation adjustments(2)	**(86)**	(21)	large	**-**	(86)	large
Other income	**343**	423	(18.9)	**162**	181	(10.5)
Total net operating income	**3,457**	3,366	2.7	**1,908**	1,549	23.2

Volumes ($bn)						
Business lending	**95.6**	97.4	(1.8)	**95.6**	105.8	(9.6)
Other lending	**0.4**	0.4	-	**0.4**	0.6	(33.3)
Gross loans and acceptances	**96.0**	97.8	(1.8)	**96.0**	106.4	(9.8)
Average interest earning assets	**274.2**	257.5	6.5	**278.6**	269.8	3.3
Total assets	**317.3**	295.0	7.6	**317.3**	358.9	(11.6)
Customer deposits	**114.8**	101.3	13.3	**114.8**	113.7	1.0
Total risk-weighted assets	**129.9**	127.6	1.8	**129.9**	137.8	(5.7)

Performance Measures						
Cash earnings on average assets	**0.47%**	0.53%	(6 bps)	**0.47%**	0.46%	1 bp
Cash earnings on average risk-weighted assets	**1.13%**	1.26%	(13 bps)	**1.15%**	1.07%	8 bps
Net interest margin	**0.76%**	0.71%	5 bps	**0.81%**	0.70%	11 bps
Net interest margin (ex Markets)	**1.65%**	1.66%	(1 bp)	**1.72%**	1.59%	13 bps
Cost to income ratio	**38.0%**	38.1%	(10 bps)	**35.6%**	40.9%	(530 bps)

	Year to			Half Year to		
Asset Quality	Sep 20	Sep 19	Sep 20 v Sep 19	Sep 20	Mar 20	Sep 20 v Mar 20
90+ DPD and gross impaired assets to gross loans and acceptances	**0.19%**	0.47%	(28 bps)	**0.19%**	0.34%	(15 bps)
Credit impairment charge to gross loans and acceptances (annualised)	**0.18%**	0.07%	11 bps	**0.37%**	(0.01%)	38 bps

(1) Excludes collective provision charges for forward looking provisions as a result of COVID-19, included in Corporate Functions and Other.
(2) Derivative valuation adjustments, which include credit valuation adjustments and funding valuation adjustments, are shown net of hedging costs or benefits.

Corporate and Institutional Banking (continued)

September 2020 v September 2019

Cash earnings decreased by $39 million or 2.6%, driven by higher credit impairment charges and higher operating expenses, partially offset by higher revenue reflecting higher Markets income.

Key movements	Key drivers
Net interest income up $248m, 13.6%	• Includes an increase of $172 million due to movements in economic hedges offset in other operating income. The underlying increase was $76 million. • Net interest margin (ex Markets) decreased by 1 basis point to 1.65% primarily driven by a lower earnings rate on capital, partially offset by increased lending margin on deals originated in the September 2020 half year. • Gross loans and acceptances decreased by $1.8 billion or 1.8%. Excluding a decrease of $1.3 billion driven by exchange rate movements, the underlying decrease of $0.4 billion was due to higher repayments and lower facility utilisation under current market conditions. • Customer deposits increased by $13.5 billion or 13.3%. Excluding $0.3 billion decrease driven by exchange rate movements, the underlying increase of $13.8 billion was primarily driven by an increase in on-demand deposits of $21.0 billion, partially offset by a reduction in term deposits of $7.2 billion due to changes in customer preferences in the low interest rate environment and as a means of managing liquidity requirements.
Other operating income down $157m, 10.2%	• Includes a decrease of $172 million due to movements of economic hedges, offset in net interest income. • Underlying increase of $15 million mainly due to higher risk management income, offset by lower sales of interest rate risk management products.
Operating expenses up $32m, 2.5%	• Driven by increased investment in technology capabilities including data insights and the cloud-first strategy, increased spend to strengthen the compliance and control environment, higher restructuring-related costs and the impact of annual salary increases. • Partially offset by productivity benefits achieved through simplification of the business, reduction in third party spend, lower performance-based compensation and lower travel and entertainment costs as a result of COVID-19.
Credit impairment charge up $100m	• An increase of $100 million due to rating downgrades across COVID-19 impacted sectors, primarily aviation and tourism, partially offset by a reduction in a small number of larger exposures in the current period.
Risk-weighted assets up $2.3bn, 1.8%	• Increase due to focus on growth segments and model and regulatory prescribed methodology changes, partially offset by continued returns focused portfolio management and market movements.

Corporate and Institutional Banking (continued)

September 2020 v March 2020

Cash earnings increased by $67 million or 9.6%, driven by higher revenue reflecting higher Markets income and increased margins (ex Markets), partially offset by higher credit impairment charges and higher operating expenses.

Key movements	Key drivers
Net interest income up $191m, 20.3%	• Includes an increase of $103 million due to movements in economic hedges offset in other operating income. The underlying increase was $88 million. • Net interest margin (ex Markets) increased by 13 basis points to 1.72% primarily driven by higher deposit income and higher business lending margin on deals originated since March 2020, partially offset by a lower earnings rate on capital. • Gross loans and acceptances decreased by $10.4 billion or 9.8%. Excluding a decrease of $4.8 billion driven by exchange rate movements, the underlying decrease of $5.6 billion was largely due to repayment of additional drawdowns which occurred in March 2020 by existing customers managing the impacts of COVID-19, partially offset by continued focus on growth segments. • Customer deposits increased by $1.1 billion or 1.0%. Excluding $1.1 billion decrease driven by exchange rate movements, the underlying increase of $2.2 billion was primarily driven by an increase in on-demand deposits of $6.6 billion, partially offset by a reduction in term deposits of $4.4 billion due to changes in customer preferences in the low interest rate environment and as a means of managing liquidity requirements.
Other operating income up $168m, 27.7%	• Includes a decrease of $103 million due to movements of economic hedges, offset in net interest income. • Underlying increase of $271 million mainly due to higher risk management income, primarily due to mark-to-market impact on the high quality liquids portfolio of $149 million including the reversal of the March 2020 half year losses, and derivative valuation adjustment of $86 million, combined with higher income from interest rate and foreign exchange risk management. This was partially offset by lower sales of customer risk management products and lower fee income.
Operating expenses up $45m, 7.1%	• Driven by increased investment in technology capabilities including data insights and the cloud-first strategy and increased spend to strengthen the compliance and control environment. This was combined with higher restructuring-related costs, higher performance-based compensation and the impact of annual salary increases. • Partially offset by productivity benefits achieved through simplification of the business, reduction in third party spend and lower travel and entertainment costs as a result of COVID-19.
Credit impairment charge up $182m	• An increase of $182 million due to rating downgrades across COVID-19 impacted sectors, primarily aviation and tourism, combined with a small number of larger exposures in the current period.
Risk-weighted assets down $7.9bn, 5.7%	• Decrease due to market movements and continued returns focused portfolio management, partially offset by a focus on growth segments and model and regulatory prescribed methodology changes.

New Zealand Banking

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

Results presented in New Zealand dollars. See page 42 for results in Australian dollars and page 101 for foreign exchange rates.

	Year to			Half Year to		
	Sep 20 $m	**Sep 19 $m**	**Sep 20 v Sep 19 %**	**Sep 20 $m**	**Mar 20 $m**	**Sep 20 v Mar 20 %**
Net interest income	**1,985**	1,933	2.7	**979**	1,006	(2.7)
Other operating income	**552**	604	(8.6)	**267**	285	(6.3)
Net operating income	**2,537**	2,537	-	**1,246**	1,291	(3.5)
Operating expenses	**(948)**	(963)	(1.6)	**(481)**	(467)	3.0
Underlying profit	**1,589**	1,574	1.0	**765**	824	(7.2)
Credit impairment charge(1)	**(148)**	(110)	34.5	**(106)**	(42)	large
Cash earnings before tax	**1,441**	1,464	(1.6)	**659**	782	(15.7)
Income tax expense	**(405)**	(409)	(1.0)	**(185)**	(220)	(15.9)
Cash earnings	**1,036**	1,055	(1.8)	**474**	562	(15.7)

Volumes ($bn)						
Housing lending	**46.0**	43.0	7.0	**46.0**	44.8	2.7
Business lending	**41.1**	42.9	(4.2)	**41.1**	43.6	(5.7)
Other lending	**1.0**	1.3	(23.1)	**1.0**	1.2	(16.7)
Gross loans and acceptances	**88.1**	87.2	1.0	**88.1**	89.6	(1.7)
Average interest earning assets	**90.7**	86.1	5.3	**91.6**	89.8	2.0
Total assets	**93.3**	90.9	2.6	**93.3**	94.1	(0.9)
Customer deposits	**65.4**	61.5	6.3	**65.4**	63.8	2.5
Total risk-weighted assets	**62.8**	64.0	(1.9)	**62.8**	64.3	(2.3)

Performance Measures						
Cash earnings on average assets	**1.11%**	1.19%	(8 bps)	**1.00%**	1.21%	(21 bps)
Cash earnings on average risk-weighted assets	**1.63%**	1.69%	(6 bps)	**1.49%**	1.77%	(28 bps)
Net interest margin	**2.19%**	2.25%	(6 bps)	**2.14%**	2.24%	(10 bps)
Cost to income ratio	**37.4%**	38.0%	(60 bps)	**38.6%**	36.2%	240 bps

	Year to			Half Year to		
Asset Quality	**Sep 20**	**Sep 19**	**Sep 20 v Sep 19**	**Sep 20**	**Mar 20**	**Sep 20 v Mar 20**
90+ DPD and gross impaired assets to gross loans and acceptances	**0.89%**	0.92%	(3 bps)	**0.89%**	1.00%	(11 bps)
Credit impairment charge to gross loans and acceptances (annualised)	**0.17%**	0.13%	4 bps	**0.24%**	0.09%	15 bps

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

New Zealand Banking (continued)

September 2020 v September 2019

Cash earnings decreased by $19 million or 1.8%, driven by higher credit impairment charges, partially offset by lower operating expenses.

Key movements	Key drivers
Net interest income up $52m, 2.7%	• Average interest earning assets increased by $4.6 billion or 5.3% due to growth in housing, partially offset by lower business and credit card lending. • Customer deposits increased by $3.9 billion or 6.3% driven by growth in on-demand deposits. • Net interest margin decreased by 6 basis points primarily driven by a lower earnings rate on deposits and capital due to the low interest rate environment, partially offset by increased lending margins.
Other operating income down $52m, 8.6%	• Lower card income driven by decline in transaction volumes due to COVID-19, lower sales of customer risk management products combined with the reduction and removal of certain customer fees.
Operating expenses down $15m, 1.6%	• Decreased due to productivity benefits achieved through continued simplification of the business and lower performance-based compensation. • Partially offset by increased spend to improve customer experience and strengthen the compliance and control environment, as well as impact of annual salary increases, higher annual leave costs and increased customer support costs in response to COVID-19.
Credit impairment charge up $38m, 34.5%	• Credit impairment charge to gross loans and acceptances increased by 4 basis points, driven by a small number of larger corporate exposures. • 90+ DPD and gross impaired assets to gross loans and acceptances decreased by 3 basis points mainly due to lower impaired loans in the dairy portfolio.
Total risk-weighted assets down $1.2bn, 1.9%	• Decreased due to lower business lending and active portfolio management, partially offset by a deterioration in business lending asset quality and higher operational risk capital.

September 2020 v March 2020

Cash earnings decreased by $88 million or 15.7%, driven by lower revenue, higher operating expenses and higher credit impairment charges.

Key movements	Key drivers
Net interest income down $27m, 2.7%	• Average interest earning assets increased by $1.8 billion or 2.0% due to growth in housing, partially offset by lower business and credit card lending. • Customer deposits increased by $1.6 billion or 2.5% with growth mainly in on-demand deposits. • Net interest margin decreased by 10 basis points primarily driven by a lower earnings rate on deposits and capital due to the low interest rate environment, partially offset by increased lending margins.
Other operating income down $18m, 6.3%	• Lower card income driven by decline in transaction volumes due to COVID-19, and lower line fees combined with the reduction and removal of certain customer fees. • Partially offset by higher Insurance revenue driven by lower claims and increased investment returns.
Operating expenses up $14m, 3.0%	• Increased due to continued investment in technology and increased spend to improve customer experience and strengthen the compliance and control environment, as well as higher annual leave costs and increased customer support costs in response to COVID-19. • Partially offset by productivity benefits achieved through continued simplification of the business.
Credit impairment charge up $64m	• Credit impairment charge to gross loans and acceptances increased by 15 basis points, driven by a small number of larger corporate exposures. • 90+ DPD and gross impaired assets to gross loans and acceptances decreased by 11 basis points mainly due to lower impaired loans in the dairy portfolio.
Total risk-weighted assets down $1.5bn, 2.3%	• Decreased due to lower business lending and active portfolio management, partially offset by a deterioration in business lending asset quality.

New Zealand Banking (continued)

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

	Year to			Half Year to		
	Sep 20 $m	Sep 19 $m	Sep 20 v Sep 19 %	Sep 20 $m	Mar 20 $m	Sep 20 v Mar 20 %
Net interest income	1,872	1,828	2.4	913	959	(4.8)
Other operating income	520	571	(8.9)	248	272	(8.8)
Net operating income	2,392	2,399	(0.3)	1,161	1,231	(5.7)
Operating expenses	(894)	(911)	(1.9)	(449)	(445)	0.9
Underlying profit	1,498	1,488	0.7	712	786	(9.4)
Credit impairment charge[(1)]	(140)	(103)	35.9	(99)	(41)	large
Cash earnings before tax	1,358	1,385	(1.9)	613	745	(17.7)
Income tax expense	(381)	(388)	(1.8)	(171)	(210)	(18.6)
Cash earnings	977	997	(2.0)	442	535	(17.4)

Impact of foreign exchange rate movements

Favourable / (unfavourable) 30 September 2020	Year since Sep 19 $m	Sep 20 v Sep 19 Ex FX %	Half Year since Mar 20 $m	Sep 20 v Mar 20 Ex FX %
Net interest income	(5)	2.7	(20)	(2.7)
Other operating income	(2)	(8.6)	(6)	(6.6)
Operating expenses	2	(1.6)	10	3.1
Credit impairment charge	1	36.9	1	large
Income tax expense	2	(1.3)	5	(16.2)
Cash earnings	(2)	(1.8)	(10)	(15.5)

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

Corporate Functions and Other[1][2]

The Group's 'Corporate Functions and Other' business includes UBank and enabling units that support all businesses including Treasury, Technology and Enterprise Operations, Strategy and Innovation, Support Units and Eliminations.

	Year to			Half Year to		
	Sep 20 $m	Sep 19 $m	Sep 20 v Sep 19 %	Sep 20 $m	Mar 20 $m	Sep 20 v Mar 20 %
Net operating income[3]	**661**	769	(14.0)	**526**	135	large
Customer-related remediation[4]	**(129)**	(150)	(14.0)	**(49)**	(80)	(38.8)
Net operating income	**532**	619	(14.1)	**477**	55	large
Operating expenses[5]	**(776)**	(769)	0.9	**(418)**	(358)	16.8
Customer-related and payroll remediation[4]	**(244)**	(123)	98.4	**(194)**	(50)	large
Capitalised software policy change[4]	**(950)**	(489)	94.3	**-**	(950)	large
Impairment of property-related assets[4]	**(134)**	-	large	**(134)**	-	large
Underlying loss	**(1,572)**	(762)	large	**(269)**	(1,303)	(79.4)
Credit impairment charge	**(1,874)**	(96)	large	**(983)**	(891)	10.3
Cash deficit before tax and distributions	**(3,446)**	(858)	large	**(1,252)**	(2,194)	(42.9)
Income tax benefit	**880**	212	large	**271**	609	(55.5)
Cash deficit before distributions	**(2,566)**	(646)	large	**(981)**	(1,585)	(38.1)
Distributions	**(39)**	(83)	(53.0)	**(17)**	(22)	(22.7)
Cash deficit	**(2,605)**	(729)	large	**(998)**	(1,607)	(37.9)
Cash deficit (excluding large notable items)[4]	**(1,582)**	(193)	large	**(734)**	(848)	(13.4)

September 2020 v September 2019

Cash deficit increased by $1,876 million including an increase of $487 million in large notable items. Cash deficit (excluding large notable items) increased by $1,389 million mainly due to higher credit impairment charges and lower net operating income.

Key movements	Key drivers
Net operating income down $108m, 14.0%	• Excludes a decrease of customer-related remediation of $21 million. • Lower NAB risk management income in Treasury due to a lower level of mark-to-market gains on the high quality liquids portfolio. • Gains from asset sales in the prior period not repeated and lower share of associate's profit in MLC Life. • Partially offset by higher UBank income driven by growth in the housing lending portfolio of $1.0 billion.
Operating expenses up $7m, 0.9%	• Excludes an increase in large notable items of $716 million. • Higher business support costs combined with an increase in professional fees, offset by lower regulatory and legal costs.
Credit impairment charge up $1,778m	• Higher charges for forward looking economic adjustments due to deterioration in broader macro-economic factors as a result of COVID-19. • Higher level of net FLAs raised for targeted sectors impacted by COVID-19 including aviation, tourism, hospitality, entertainment, retail trade and commercial property.
Distributions are down $44m, 53.0%	• Distributions reduced due to Trust Preferred Securities redeemed in December 2018, combined with a decrease in distribution rate.

(1) *Information is presented on a continuing operations basis. Prior periods have been restated for the presentation of costs incurred by NAB specifically related to MLC Wealth as a discontinued operation.*
(2) *Comparative information has been restated for immaterial changes in NAB's organisational structure.*
(3) *Excludes customer-related remediation.*
(4) *Refer to Section 1 Large notable items for further information.*
(5) *Excludes large notable items.*

Corporate Functions and Other (continued)

September 2020 v March 2020

Cash deficit decreased by $609 million including a decrease of $495 million in large notable items. Cash deficit (excluding large notable items) decreased by $114 million mainly due to higher NAB risk management income in Treasury, partially offset by higher credit impairment charges and operating expenses.

Key movements	Key drivers
Net operating income up $391m	• Excludes a decrease of customer-related remediation of $31 million. • Higher NAB risk management income in Treasury due to the mark-to-market impact on the high quality liquids portfolio of $300 million including the reversal of March 2020 half year losses.
Operating expenses up $60m, 16.8%	• Excludes a decrease in large notable items of $672 million. • Higher business support costs combined with an increase in professional fees.
Credit impairment charge up $92m, 10.3%	• Higher level of net FLAs raised for targeted sectors impacted by COVID-19 including aviation, tourism, hospitality, entertainment, retail trade and commercial property. • Partially offset by lower charges for forward looking economic adjustments, combined with the non-repeat of charges for planned model refinements, and the release of provisions raised for planned model refinements in prior periods.
Distributions are down $5m, 22.7%	• Distributions reduced in line with a decrease in distribution rate.

Section 3

Financial Report

Consolidated Financial Statements

Income Statement[1]

		Year to		Half Year to	
	Note	Sep 20[2] $m	Sep 19 $m	Sep 20 $m	Mar 20 $m
Interest income					
Effective interest income		**20,921**	26,500	**9,361**	11,560
Fair value through profit or loss		**2,190**	2,694	**1,015**	1,175
Interest expense		**(9,234)**	(15,639)	**(3,387)**	(5,847)
Net interest income		**13,877**	13,555	**6,989**	6,888
Other income	3	**3,384**	3,980	**1,830**	1,554
Operating expenses	4	**(9,346)**	(8,263)	**(4,323)**	(5,023)
Credit impairment charge	8	**(2,752)**	(927)	**(1,585)**	(1,167)
Profit before income tax		**5,163**	8,345	**2,911**	2,252
Income tax expense	5	**(1,665)**	(2,440)	**(954)**	(711)
Net profit for the period from continuing operations		**3,498**	5,905	**1,957**	1,541
Net loss after tax for the period from discontinued operations	14	**(935)**	(1,104)	**(709)**	(226)
Net profit for the period		**2,563**	4,801	**1,248**	1,315
Profit attributable to non-controlling interests		**4**	3	**2**	2
Net profit attributable to owners of NAB		**2,559**	4,798	**1,246**	1,313

	cents	cents	cents	cents
Basic earnings per share	**82.1**	168.6	**38.2**	44.2
Diluted earnings per share	**80.5**	164.4	**37.6**	42.6
Basic earnings per share from continuing operations	**112.7**	208.2	**60.3**	52.0
Diluted earnings per share from continuing operations	**108.6**	201.0	**58.1**	49.5

(1) *Information is presented on a continuing operations basis, unless otherwise stated. Prior periods have been restated for the presentation of MLC Wealth as a discontinued operation.*
(2) *Current year amounts reflect the adoption of AASB 16 Leases on 1 October 2019. As permitted by AASB 16 comparative information has not been restated. For details on the adoption of AASB 16 refer to Note 1 Basis of preparation.*

Consolidated Financial Statements (continued)

Statement of Comprehensive Income(1)

		Year to		Half Year to	
		Sep 20(2)	Sep 19	Sep 20	Mar 20
	Note	$m	$m	$m	$m
Net profit for the period from continuing operations		**3,498**	5,905	**1,957**	1,541
Other comprehensive income					
Items that will not be reclassified to profit or loss					
Actuarial gains on defined benefit superannuation plans		**1**	1	**1**	-
Fair value changes on financial liabilities designated at fair value attributable to the Group's own credit risk		**(118)**	167	**(1,337)**	1,219
Revaluation of land and buildings		**(1)**	(2)	**(1)**	-
Equity instruments at fair value through other comprehensive income reserve:					
Revaluation gains / (losses)		**(1)**	15	**(3)**	2
Tax on items transferred directly to equity		**32**	(50)	**393**	(361)
Total items that will not be reclassified to profit or loss		**(87)**	131	**(947)**	860
Items that will be reclassified subsequently to profit or loss					
Cash flow hedge reserve:					
Gains / (losses) on cash flow hedging instruments		**121**	284	**(413)**	534
Cost of hedging reserve		**(234)**	(260)	**(364)**	130
Foreign currency translation reserve:					
Currency adjustments on translation of foreign operations, net of hedging		**(37)**	104	**(488)**	451
Transfer to the income statement on disposal of foreign operations		**(22)**	8	**-**	(22)
Debt instruments at fair value through other comprehensive income reserve:					
Revaluation gains / (losses)		**40**	37	**322**	(282)
Gains / (losses) from sale transferred to the income statement		**3**	(2)	**7**	(4)
Tax on items transferred directly to equity		**29**	(37)	**138**	(109)
Total items that will be reclassified subsequently to profit or loss		**(100)**	134	**(798)**	698
Other comprehensive income for the period, net of income tax		**(187)**	265	**(1,745)**	1,558
Total comprehensive income for the period from continuing operations		**3,311**	6,170	**212**	3,099
Net loss for the period from discontinued operations	14	**(935)**	(1,104)	**(709)**	(226)
Other comprehensive income for the period from discontinued operations, net of income tax		**(2)**	(41)	**(6)**	4
Total comprehensive income for the period		**2,374**	5,025	**(503)**	2,877
Attributable to non-controlling interests	14	**4**	3	**2**	2
Total comprehensive income attributable to owners of NAB		**2,370**	5,022	**(505)**	2,875

(1) *Information is presented on a continuing operations basis, unless otherwise stated. Prior periods have been restated for the presentation of MLC Wealth as a discontinued operation.*
(2) *Current year amounts reflect the adoption of AASB 16 Leases on 1 October 2019. As permitted by AASB 16 comparative information has not been restated. For details on the adoption of AASB 16 refer to Note 1 Basis of preparation.*

Consolidated Financial Statements (continued)

Balance Sheet

		As at		
		30 Sep 20[1]	31 Mar 20	30 Sep 19
	Note	$m	$m	$m
Assets				
Cash and liquid assets		**64,388**	58,338	55,457
Due from other banks		**52,351**	60,884	32,130
Trading instruments		**95,851**	124,647	96,828
Debt instruments		**40,355**	40,275	40,205
Other financial assets		**3,860**	5,974	7,110
Hedging derivatives		**3,830**	13,287	4,689
Loans and advances		**582,485**	601,798	587,749
Due from customers on acceptances		**1,477**	2,010	2,490
Deferred tax assets		**3,647**	2,970	2,670
Property, plant and equipment		**2,374**	2,291	1,117
Goodwill and other intangible assets		**3,809**	4,696	5,576
Other assets		**10,659**	10,458	11,103
Assets held for sale	14	**1,479**	-	-
Total assets		**866,565**	927,628	847,124
Liabilities				
Due to other banks		**50,556**	53,076	34,273
Trading instruments		**30,021**	56,669	34,318
Other financial liabilities		**29,971**	35,119	33,283
Hedging derivatives		**2,255**	6,664	4,037
Deposits and other borrowings	10	**546,176**	544,498	522,085
Current tax liabilities		**192**	300	468
Provisions		**3,820**	3,446	3,507
Bonds, notes and subordinated debt		**126,384**	148,873	143,258
Other debt issues		**6,191**	5,636	6,482
Deferred tax liabilities		**25**	-	-
Other liabilities		**9,460**	14,969	9,809
Liabilities directly associated with assets held for sale	14	**221**	-	-
Total liabilities		**805,272**	869,250	791,520
Net assets		**61,293**	58,378	55,604
Equity				
Contributed equity	11	**45,476**	41,193	38,707
Reserves	11	**99**	870	306
Retained profits		**15,717**	16,314	16,583
Total equity (parent entity interest)		**61,292**	58,377	55,596
Non-controlling interest in controlled entities		**1**	1	8
Total equity		**61,293**	58,378	55,604

(1) *Current year amounts reflect the adoption of AASB 16 Leases on 1 October 2019. As permitted by AASB 16 comparative information has not been restated. For details on the adoption of AASB 16 refer to Note 1 Basis of preparation.*

Consolidated Financial Statements (continued)

Condensed Cash Flow Statement[1]

	Note	Year to Sep 20[2] $m	Year to Sep 19 $m	Half Year to Sep 20 $m	Half Year to Mar 20 $m
Cash flows from operating activities					
Interest received		**23,160**	29,471	**10,475**	12,685
Interest paid		**(10,151)**	(15,992)	**(3,881)**	(6,270)
Dividends received		**43**	28	**4**	39
Income tax paid		**(2,580)**	(2,251)	**(1,067)**	(1,513)
Other cash flows from operating activities before changes in operating assets and liabilities		**(6,117)**	(5,363)	**(5,460)**	(657)
Changes in operating assets and liabilities		**29,537**	4,517	**24,671**	4,866
Net cash provided by / (used in) operating activities		**33,892**	10,410	**24,742**	9,150
Cash flows from investing activities					
Movement in debt instruments					
Purchases		**(21,066)**	(22,567)	**(7,762)**	(13,304)
Proceeds from disposal and maturity		**21,411**	25,947	**8,132**	13,279
Net movement in associates and joint ventures, and other debt and equity instruments		**(148)**	347	**(92)**	(56)
Purchase of property, plant, equipment and software		**(972)**	(1,135)	**(494)**	(478)
Proceeds from sale of property, plant, equipment and software, net of costs		**73**	21	**-**	73
Net cash provided by / (used in) investing activities		**(702)**	2,613	**(216)**	(486)
Cash flows from financing activities					
Repayments of bonds, notes and subordinated debt		**(34,524)**	(31,001)	**(15,692)**	(18,832)
Proceeds from issue of bonds, notes and subordinated debt, net of costs		**14,996**	27,159	**2,650**	12,346
Proceeds from issue of ordinary shares, net of costs		**4,904**	1,000	**4,204**	700
Repayments of other contributed equity		**-**	(722)	**-**	-
Proceeds from other debt issues, net of costs		**1,098**	1,858	**598**	500
Repayments of other debt issues		**(649)**	(799)	**(42)**	(607)
Dividends and distributions paid (excluding dividend reinvestment plan)		**(2,323)**	(3,266)	**(832)**	(1,491)
Repayments of lease liabilities		**(322)**	-	**(166)**	(156)
Net cash provided by / (used in) financing activities		**(16,820)**	(5,771)	**(9,280)**	(7,540)
Net increase in cash and cash equivalents		**16,370**	7,252	**15,246**	1,124
Cash and cash equivalents at beginning of period		**47,026**	37,946	**52,498**	47,026
Effects of exchange rate changes on balance of cash held in foreign currencies		**(1,355)**	1,828	**(5,703)**	4,348
Cash and cash equivalents at end of period	12	**62,041**	47,026	**62,041**	52,498

(1) *The cash flow statements include net cash inflows / (outflows) from operating, investing and financing activities on discontinued operations. Refer to Note 14 Discontinued operations for further information.*
(2) *Current year amounts reflect the adoption of AASB 16 Leases on 1 October 2019. As permitted by AASB 16 comparative information has not been restated. For details on the adoption of AASB 16 refer to Note 1 Basis of preparation.*

Consolidated Financial Statements (continued)

Statement of Changes in Equity[1]

Group - Yearly

	Contributed equity[2] $m	Reserves[2] $m	Retained profits $m	Total $m	Non-controlling interest in controlled entities $m	Total equity $m
Balance at 1 October 2018	35,982	46	16,673	52,701	11	**52,712**
Net profit for the period from continuing operations	-	-	5,905	5,905	-	**5,905**
Net profit / (loss) for the period from discontinued operations	-	-	(1,107)	(1,107)	3	**(1,104)**
Other comprehensive income for the period from continuing operations	-	154	111	265	-	**265**
Other comprehensive income for the period from discontinued operations	-	(40)	(1)	(41)	-	**(41)**
Total comprehensive income for the period	-	114	4,908	5,022	3	**5,025**
Transactions with owners, recorded directly in equity:						
Contributions by and distributions to owners						
Issue of ordinary shares	2,803	-	-	2,803	-	**2,803**
Conversion of preference shares	750	-	-	750	-	**750**
Transfer from / (to) retained profits	-	(99)	99	-	-	**-**
Transfer from equity-based compensation reserve	147	(147)	-	-	-	**-**
Equity-based compensation	-	105	-	105	-	**105**
Dividends paid	-	-	(4,983)	(4,983)	(4)	**(4,987)**
Distributions on other equity instruments	-	-	(83)	(83)	-	**(83)**
Redemption of Trust Preferred Securities	(975)	287	(31)	(719)	-	**(719)**
Changes in ownership interests[3]						
Movement of non-controlling interest in controlled entities	-	-	-	-	(2)	**(2)**
Balance at 30 September 2019	**38,707**	**306**	**16,583**	**55,596**	**8**	**55,604**
Restatement for adoption of AASB 16 *Leases*	-	-	(83)	(83)	-	**(83)**
Restated Balance at 30 September 2019[4]	**38,707**	**306**	**16,500**	**55,513**	**8**	**55,521**
Net profit for the period from continuing operations	-	-	3,498	3,498	-	**3,498**
Net profit / (loss) for the period from discontinued operations	-	-	(939)	(939)	4	**(935)**
Other comprehensive income for the period from continuing operations	-	(104)	(83)	(187)	-	**(187)**
Other comprehensive income for the period from discontinued operations	-	1	(3)	(2)	-	**(2)**
Total comprehensive income for the period	-	(103)	2,473	2,370	4	**2,374**
Transactions with owners, recorded directly in equity:						
Contributions by and distributions to owners						
Issue of ordinary shares	5,880	-	-	5,880	-	**5,880**
Conversion of convertible notes	750	-	-	750	-	**750**
Transfer from / (to) retained profits	-	(39)	39	-	-	**-**
Transfer from equity-based compensation reserve	139	(139)	-	-	-	**-**
Equity-based compensation	-	74	-	74	-	**74**
Dividends paid	-	-	(3,256)	(3,256)	(4)	**(3,260)**
Distributions on other equity instruments	-	-	(39)	(39)	-	**(39)**
Changes in ownership interests[3]						
Movement of non-controlling interest in controlled entities	-	-	-	-	(7)	**(7)**
Balance at 30 September 2020	**45,476**	**99**	**15,717**	**61,292**	**1**	**61,293**

(1) *Information is presented on a continuing operations basis, unless otherwise stated. Prior periods have been restated for the presentation of MLC Wealth as a discontinued operation.*
(2) *Refer to Note 11 Contributed equity and reserves.*
(3) *Changes in ownership interests in controlled entities that does not result in a loss of control.*
(4) *The group adopted AASB 16 Leases on 1 October 2019. As permitted by AASB 16, the Group recognised the cumulative effect of initially applying the standard as an adjustment to opening retained profits at 1 October 2019. Comparative information has not been restated. For details on the adoption of AASB 16 refer to Note 1 Basis of preparation.*

Consolidated Financial Statements (continued)

Statement of Changes in Equity (continued)[(1)]

Group - Half Yearly

	Contributed equity[(2)] $m	Reserves[(2)] $m	Retained profits $m	Total $m	Non-controlling interest in controlled entities $m	Total equity $m
Balance at 1 October 2019	38,707	306	16,500	55,513	8	**55,521**
Net profit for the period from continuing operations	-	-	1,541	1,541	-	**1,541**
Net profit / (loss) for the period from discontinued operations	-	-	(228)	(228)	2	**(226)**
Other comprehensive income for the period from continuing operations	-	696	862	1,558	-	**1,558**
Other comprehensive income for the period from discontinued operations	-	4	-	4	-	**4**
Total comprehensive income for the period	-	700	2,175	2,875	2	**2,877**
Transactions with owners, recorded directly in equity:						
Contributions by and distributions to owners						
Issue of ordinary shares	1,603	-	-	1,603	-	**1,603**
Conversion of convertible notes	750	-	-	750	-	**750**
Transfer from / (to) retained profits	-	(30)	30	-	-	**-**
Transfer from equity-based compensation reserve	133	(133)	-	-	-	**-**
Equity-based compensation	-	27	-	27	-	**27**
Dividends paid	-	-	(2,369)	(2,369)	(3)	**(2,372)**
Distributions on other equity instruments	-	-	(22)	(22)	-	**(22)**
Changes in ownership interests[(3)]						
Movement of non-controlling interest in controlled entities	-	-	-	-	(6)	**(6)**
Balance at 31 March 2020	**41,193**	**870**	**16,314**	**58,377**	**1**	**58,378**
Net profit for the period from continuing operations	-	-	1,957	1,957	-	**1,957**
Net profit / (loss) for the period from discontinued operations	-	-	(711)	(711)	2	**(709)**
Other comprehensive income for the period from continuing operations	-	(800)	(945)	(1,745)	-	**(1,745)**
Other comprehensive income for the period from discontinued operations	-	(3)	(3)	(6)	-	**(6)**
Total comprehensive income for the period	-	(803)	298	(505)	2	**(503)**
Transactions with owners, recorded directly in equity:						
Contributions by and distributions to owners						
Issue of ordinary shares	4,277	-	-	4,277	-	**4,277**
Transfer from / (to) retained profits	-	(9)	9	-	-	**-**
Transfer from equity-based compensation reserve	6	(6)	-	-	-	**-**
Equity-based compensation	-	47	-	47	-	**47**
Dividends paid	-	-	(887)	(887)	(1)	**(888)**
Distributions on other equity instruments	-	-	(17)	(17)	-	**(17)**
Changes in ownership interests[(3)]						
Movement of non-controlling interest in controlled entities	-	-	-	-	(1)	**(1)**
Balance at 30 September 2020	**45,476**	**99**	**15,717**	**61,292**	**1**	**61,293**

(1) *Information is presented on a continuing operations basis, unless otherwise stated. Prior periods have been restated for the presentation of MLC Wealth as a discontinued operation.*
(2) *Refer to Note 11 Contributed equity and reserves.*
(3) *Changes in ownership interests in controlled entities that does not result in a loss of control.*

Notes to the Consolidated Financial Statements

1. Basis of Preparation

This preliminary financial report (the report) for the September 2020 full year has been prepared in accordance with the Australian Securities Exchange (ASX) Listing Rules and policies of the Australian Accounting Standards Board (AASB), but does not contain all disclosures of the type normally found within the Group's 2020 Annual Financial Report and is not designed or intended to be a suitable substitute.

This report should be read in conjunction with the Group's 2019 Annual Financial Report, the 31 March 2020 half year results, any public announcements made during the year and, when released, the Group's 2020 Annual Financial Report.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the income statement. The results of discontinued operations are presented separately in the income statements and statements of comprehensive income with comparative information restated accordingly. The balance sheet is not required to be restated for the effect of discontinued operations.

Accounting policies

The accounting policies and methods of computation applied in this report are consistent with those applied in the Group's 2019 Annual Financial Report with the exception of policies associated with new standards and interpretations adopted during the period as discussed below.

The Group adopted the following new accounting standards and interpretations effective 1 October 2019:

- AASB 16 *Leases*.
- AASB 2019-3 *Amendments to Australian Accounting Standards - Interest Rate Benchmark Reform*.
- AASB Interpretation 23 *Uncertainty over Income Tax Treatments*.

AASB 16 Leases

AASB 16 significantly changes accounting for lessees, requiring recognition of all leases (subject to certain exceptions) on balance sheet in a manner comparable to how finance leases were previously accounted for under AASB 117 *Leases*, including related interpretations. Lessor accounting remains largely unchanged compared to AASB 117.

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone selling prices. For the leases of land and buildings where the Group is the lessee, the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset, less any lease incentives received.

The right-of-use asset is subsequently measured under the cost model and depreciated using the straight-line method from the commencement date to the end of the lease term. In addition, the right-of-use asset is reviewed for impairment and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that have not been paid at the commencement date, discounted using the Group's incremental borrowing rate. The lease liability is subsequently measured at amortised cost using the effective interest method. It is remeasured when there is a lease modification that is not accounted for as a separate lease, there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases and leases of low-value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all the risks and rewards incidental to ownership of the underlying asset. Where this is the case, the lease is a finance lease. All other leases are classified as operating leases.

Notes to the Consolidated Financial Statements (continued)

1. Basis of Preparation (continued)

The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of other income.

The Group adopted AASB 16 using the modified retrospective transition option, and as a result, comparative information from prior periods has not been restated.

On transition, AASB 16 requires the lease liability to be measured based on the future lease payments and permits two options for the measurement of the right-of-use asset. The right-of-use asset may either be measured with reference to the value of the lease liability or retrospectively (independently from the lease liability). The standard allows for these measurement options to be applied on a lease-by-lease basis.

The impact of the adoption of AASB 16 was disclosed in the Group's 2019 Annual Financial Report. In making these disclosures, the right-of-use assets were measured with reference to the value of the lease liability.

Subsequently, the Group determined that retrospective measurement of the right-of-use asset provides a more accurate reflection of the remaining utility of the assets. Consequently, the Group has recalculated the right-of-use assets for its most significant building leases using the retrospective measurement option.

The impact of adopting AASB 16 as at 1 October 2019 is as follows:

	$m
Opening retained profits at 1 October 2019	**16,583**
Right-of-use assets	1,393
Net deferred tax asset	35
Lease liabilities	(1,425)
Make-good provisions	(86)
Net impact on retained profits	**(83)**
Adjusted retained profits at 1 October 2019	**16,500**

As at 30 September 2020, right-of-use assets included within 'property, plant and equipment' were $1,363 million and lease liabilities included within 'other liabilities' were $1,555 million. During the year ended 30 September 2020, 'depreciation of property, plant and equipment' included the depreciation charge relating to right-of-use assets of $361 million and 'interest expense' included interest relating to the lease liability of $31 million.

The following table reconciles the operating lease commitments disclosed under AASB 117 as at 30 September 2019 to the opening lease liabilities recognised under AASB 16 as at 1 October 2019.

	$m
Operating lease commitments at 30 September 2019	**2,888**
Less leases committed but not yet commenced	(1,308)
Less short-term and low value leases	(65)
Add reassessments under AASB 16	2
Effect of discounting at a weighted average incremental borrowing rate of 2.2%	(92)
Opening lease liability at 1 October 2019	**1,425**

On transition the Group, as lessee, applied the following practical expedients as permitted by AASB 16:

- Relied on previous assessments of contracts that were identified as leases under AASB 117.
- Applied a single discount rate to a portfolio of leases with reasonably similar characteristics.
- Relied on previous assessments in relation to whether leases are onerous.
- Accounted for leases for which the lease term ends within 12 months of 1 October 2019 as short-term leases.
- Excluded initial direct costs from the measurement of right-of-use assets.
- Used hindsight to determine the lease term.

Interest Rate Benchmark Reform

The Group has early adopted AASB 2019-3 *Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform* released by the AASB in October 2019. AASB 2019-3 amends AASB 7 *Financial Instruments: Disclosures* and AASB 9 *Financial Instruments,* modifying some specific hedge accounting requirements to provide relief from the potential effects of the uncertainty caused by interest rate benchmark reform (IBOR reform).

Notes to the Consolidated Financial Statements (continued)

1. Basis of Preparation (continued)

In accordance with the transitional provisions, the amendments have been applied retrospectively to hedging relationships that existed at the start of the reporting period and that were designated thereafter. The standard did not have a significant impact on the Group as it enables the Group to continue applying its existing hedge accounting.

AASB Interpretation 23 Uncertainty over Income Tax Treatments

AASB Interpretation 23 clarifies the application of the recognition and measurement criteria in AASB 112 *Income Taxes* where there is uncertainty over income tax treatments. The interpretation requires an assessment of each uncertain tax position and consideration of whether it is probable that a taxation authority will accept the entity's position. Where it is not probable that the taxation authority will accept the position, the effect of the uncertainty is reflected in determining the relevant taxable profit or loss, tax bases, unused tax losses and unused tax credits or tax rates.

The Group's existing income tax recognition and measurement accounting policies, and related judgements, were materially aligned with the requirements of the interpretation. Consequently, no transition adjustment to retained earnings was required.

There were no other substantial amendments to Australian Accounting Standards adopted during the period that have a material impact on the Group.

Critical accounting judgements and estimates

The preparation of this report requires the use of critical accounting estimates, judgements and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Except as explained below, there have been no significant changes to the accounting estimates, judgements and assumptions used in the September 2020 full year reporting period compared to those applied in the 2019 Annual Financial Report.

Measurement of expected credit losses

The impact of COVID-19 remains uncertain and represents a material downside risk to the economy. While the methodologies applied in the expected credit loss (ECL) calculations remained unchanged from those applied in the 2019 Annual Financial Report, the Group has incorporated estimates, assumptions and judgements specific to the impact of COVID-19 and the associated support packages in the measurement of ECL through forward looking economic adjustments. These are explained further in *Note 8 Provision for credit impairment on loans at amortised cost*.

Goodwill

The Group's cash-generating units (CGUs) are impacted by the risks associated with COVID-19. The Group has utilised estimates, assumptions and judgements that reflect this uncertainty.

The key assumptions used in determining the recoverable amount of CGUs, to which goodwill has been allocated, are as follows:

	Goodwill		Discount rate per annum	Terminal growth rate per annum
	2020	2019	2020	2020
	$m	$m	%	%
Cash generating unit				
Business and Private Banking	**68**	68	**9.4**	**3.8**
New Zealand Banking	**258**	258	**9.6**	**3.7**
Consumer Banking and Wealth	**-**	2,538	**n/a**	**n/a**
Personal Banking	**1,512**	-	**9.4**	**3.8**
Total goodwill	**1,838**	2,864	**n/a**	n/a

Whilst there is no impairment in any of the CGUs, changes to the key assumptions would affect the recoverable amount of the CGUs. For the Personal Banking CGU either an increase in the discount rate of 25 basis points or a decrease in the growth rate of 90 basis points would result in impairment first becoming evident. The New Zealand Banking CGU would become impaired if the discount rate increased by 89 basis points or the growth rate decreased by 369 basis points. These sensitivities assume the specific assumptions move in isolation and all other assumptions are held constant.

Notes to the Consolidated Financial Statements (continued)

1. Basis of Preparation (continued)

Uncertainty over income tax treatments

The Group estimates the amount expected to be paid to tax authorities based on its understanding and interpretation of relevant tax laws which may require the exercise of judgement.

Disposal group held for sale

MLC Wealth has been presented as a disposal group held for sale. Although third party approvals remain outstanding, it is considered highly probable that the contracted sale will be completed within 12 months. The classification and presentation as a disposal group held for sale is a matter of judgement and the status of the transaction will be reviewed on an ongoing basis to ensure that the classification remains appropriate.

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.

Notes to the Consolidated Financial Statements (continued)

2. Segment Information[(1)]

Overview

For the September 2020 full 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; Corporate Functions and Other; and MLC Wealth.

On 27 April 2020, the Group announced a new operational structure to support the Group's refreshed strategy including the operational separation of UBank. In accordance with AASB 8 *Operating Segments*, a segment is separately reported only if it meets certain quantitative thresholds or if the Group elects to report it separately. Based on these criteria, UBank has been included in the Corporate Functions and Other segment.

The new operational structure has also resulted in changes to the allocation of income and costs within the reportable segments. These changes have not impacted the Group's net profit or balance sheet but have resulted in reallocations of net profit and balance sheet items between the reportable segments. In addition, MLC Wealth is now presented as a discontinued operation. The prior period segment information has been restated to reflect the change in segments as well as income and cost allocation and the presentation of MLC Wealth as a discontinued operation.

The Group evaluates reportable segments' performance on the basis of cash earnings. Cash earnings is a non-IFRS key financial performance measure used by NAB, the investment community and NAB's major Australian bank peers with similar business portfolios. Cash earnings is defined as net profit attributable to owners of NAB from continuing operations, adjusted for items the Group considers appropriate to better reflect the underlying performance of the Group. Cash earnings for the September 2020 full year has been adjusted for distributions, fair value and hedge ineffectiveness, and amortisation and impairment of acquired intangible assets. 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[(2)]

	Year ended 30 September 2020						
	Business and Private Banking	Personal Banking	Corporate and Institutional Banking	New Zealand Banking	Corporate Functions and Other[(3)]	MLC Wealth	Total
Segment information	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**
Net interest income[(4)]	5,400	4,017	2,075	1,872	507	-	13,871
Other operating income[(4)(2)]	878	514	1,382	520	25	-	3,319
Net operating income	6,278	4,531	3,457	2,392	532	-	17,190
Operating expenses[(4)(2)]	(2,404)	(2,292)	(1,313)	(894)	(2,104)	-	(9,007)
Underlying profit / (loss)	3,874	2,239	2,144	1,498	(1,572)	-	8,183
Credit impairment charge	(322)	(256)	(170)	(140)	(1,874)	-	(2,762)
Cash earnings / (deficit) before tax and distributions	3,552	1,983	1,974	1,358	(3,446)	-	5,421
Income tax (expense) / benefit	(1,063)	(603)	(505)	(381)	880	-	(1,672)
Cash earnings / (deficit) before distributions	2,489	1,380	1,469	977	(2,566)	-	3,749
Distributions	-	-	-	-	(39)	-	(39)
Cash earnings / (deficit)	2,489	1,380	1,469	977	(2,605)	-	3,710
Fair value and hedge ineffectiveness	(9)	(1)	(31)	(20)	27	-	(34)
Other non-cash earnings items	-	-	-	-	(178)	-	(178)
Net profit / (loss) for the period from continuing operations	2,480	1,379	1,438	957	(2,756)	-	3,498
Net loss after tax for the period from discontinued operations	-	-	-	-	(788)	(151)	(939)
Net profit / (loss) attributable to the owners of NAB	2,480	1,379	1,438	957	(3,544)	(151)	2,559
Reportable segment assets[(5)]	196,772	217,712	317,342	86,413	46,214	2,112	866,565

(1) *Information is presented on a continuing operations basis, unless otherwise stated. Prior periods have been restated for the presentation of MLC Wealth as a discontinued operation.*
(2) *Comparative information has been restated for immaterial changes in NAB's organisational structure.*
(3) *Corporate Functions and Other includes Group Eliminations.*
(4) *Includes large notable items. Refer to Section 1 Large notable items for further information.*
(5) *Reportable segment assets include inter-company balances which are eliminated within the Corporate Functions and Other segment.*

Notes to the Consolidated Financial Statements (continued)

2. Segment Information (continued)[1]

Reportable segments (continued)[2]

	Year ended 30 September 2019						
Segment information	**Business and Private Banking $m**	**Personal Banking $m**	**Corporate and Institutional Banking $m**	**New Zealand Banking $m**	**Corporate Functions and Other[3] $m**	**MLC Wealth $m**	**Total $m**
Net interest income[4]	5,634	3,836	1,827	1,828	417	-	13,542
Other operating income[4]	1,004	576	1,539	571	202	-	3,892
Net operating income	6,638	4,412	3,366	2,399	619	-	17,434
Operating expenses[4]	(2,265)	(2,302)	(1,281)	(911)	(1,381)	-	(8,140)
Underlying profit / (loss)	4,373	2,110	2,085	1,488	(762)	-	9,294
Credit impairment charge	(336)	(314)	(70)	(103)	(96)	-	(919)
Cash earnings / (deficit) before tax and distributions	4,037	1,796	2,015	1,385	(858)	-	8,375
Income tax (expense) / benefit	(1,220)	(536)	(507)	(388)	212	-	(2,439)
Cash earnings / (deficit) before distributions	2,817	1,260	1,508	997	(646)	-	5,936
Distributions	-	-	-	-	(83)	-	(83)
Cash earnings / (deficit)	2,817	1,260	1,508	997	(729)	-	5,853
Fair value and hedge ineffectiveness	(3)	(1)	(23)	12	(9)	-	(24)
Other non-cash earnings items	-	-	-	-	76	-	76
Net profit / (loss) for the period from continuing operations	2,814	1,259	1,485	1,009	(662)	-	5,905
Net profit / (loss) after tax for the period from discontinued operations	-	-	-	-	(1,260)	153	(1,107)
Net profit / (loss) attributable to the owners of NAB	2,814	1,259	1,485	1,009	(1,922)	153	4,798
Reportable segment assets[5]	200,910	219,238	295,042	84,307	44,039	3,588	847,124

	Half Year ended 30 September 2020						
Segment information	**Business and Private Banking $m**	**Personal Banking $m**	**Corporate and Institutional Banking $m**	**New Zealand Banking $m**	**Corporate Functions and Other[3] $m**	**MLC Wealth $m**	**Total $m**
Net interest income[4]	**2,642**	**1,985**	**1,133**	**913**	**312**	**-**	**6,985**
Other operating income[4]	**414**	**248**	**775**	**248**	**165**	**-**	**1,850**
Net operating income	**3,056**	**2,233**	**1,908**	**1,161**	**477**	**-**	**8,835**
Operating expenses[4]	**(1,250)**	**(1,136)**	**(679)**	**(449)**	**(746)**	**-**	**(4,260)**
Underlying profit / (loss)	**1,806**	**1,097**	**1,229**	**712**	**(269)**	**-**	**4,575**
Credit impairment charge	**(196)**	**(147)**	**(176)**	**(99)**	**(983)**	**-**	**(1,601)**
Cash earnings / (deficit) before tax and distributions	**1,610**	**950**	**1,053**	**613**	**(1,252)**	**-**	**2,974**
Income tax (expense) / benefit	**(485)**	**(293)**	**(285)**	**(171)**	**271**	**-**	**(963)**
Cash earnings / (deficit) before distributions	**1,125**	**657**	**768**	**442**	**(981)**	**-**	**2,011**
Distributions	**-**	**-**	**-**	**-**	**(17)**	**-**	**(17)**
Cash earnings / (deficit)	**1,125**	**657**	**768**	**442**	**(998)**	**-**	**1,994**
Fair value and hedge ineffectiveness	**(12)**	**(8)**	**(86)**	**(15)**	**67**	**-**	**(54)**
Other non-cash earnings items	**-**	**-**	**-**	**-**	**17**	**-**	**17**
Net profit / (loss) for the period from continuing operations	**1,113**	**649**	**682**	**427**	**(914)**	**-**	**1,957**
Net loss after tax for the period from discontinued operations	**-**	**-**	**-**	**-**	**(534)**	**(177)**	**(711)**
Net profit / (loss) attributable to the owners of NAB	**1,113**	**649**	**682**	**427**	**(1,448)**	**(177)**	**1,246**
Reportable segment assets[5]	**196,772**	**217,712**	**317,342**	**86,413**	**46,214**	**2,112**	**866,565**

(1) *Information is presented on a continuing operations basis, unless otherwise stated. Prior periods have been restated for the presentation of MLC Wealth as a discontinued operation.*
(2) *Comparative information has been restated for immaterial changes in NAB's organisational structure.*
(3) *Corporate Functions and Other includes Group Eliminations.*
(4) *Includes large notable items. Refer to Section 1 Large notable items for further information.*
(5) *Reportable segment assets include inter-company balances which are eliminated within the Corporate Functions and Other segment.*

Notes to the Consolidated Financial Statements (continued)

2. Segment Information (continued)[(1)]

Reportable segments (continued)[(2)]

	Half Year ended 31 March 2020						
Segment information	**Business and Private Banking $m**	**Personal Banking $m**	**Corporate and Institutional Banking $m**	**New Zealand Banking $m**	**Corporate Functions and Other[(3)] $m**	**MLC Wealth $m**	**Total Group $m**
Net interest income[(4)]	2,758	2,032	942	959	195	-	6,886
Other operating income[(4)]	464	266	607	272	(140)	-	1,469
Net operating income	3,222	2,298	1,549	1,231	55	-	8,355
Operating expenses[(4)]	(1,154)	(1,156)	(634)	(445)	(1,358)	-	(4,747)
Underlying profit / (loss)	2,068	1,142	915	786	(1,303)	-	3,608
Credit impairment (charge) / write-back	(126)	(109)	6	(41)	(891)	-	(1,161)
Cash earnings / (deficit) before tax and distributions	1,942	1,033	921	745	(2,194)	-	2,447
Income tax (expense) / benefit	(578)	(310)	(220)	(210)	609	-	(709)
Cash earnings / (deficit) before distributions	1,364	723	701	535	(1,585)	-	1,738
Distributions	-	-	-	-	(22)	-	(22)
Cash earnings / (deficit)	1,364	723	701	535	(1,607)	-	1,716
Fair value and hedge ineffectiveness	3	7	55	(5)	(40)	-	20
Other non-cash earnings items	-	-	-	-	(195)	-	(195)
Net profit / (loss) for the period from continuing operations	1,367	730	756	530	(1,842)	-	1,541
Net profit / (loss) after tax for the period from discontinued operations	-	-	-	-	(254)	26	(228)
Net profit / (loss) attributable to the owners of NAB	1,367	730	756	530	(2,096)	26	1,313
Reportable segment assets[(5)]	198,463	218,143	358,937	91,703	57,974	2,408	927,628

(1) *Information is presented on a continuing operations basis, unless otherwise stated. Prior periods have been restated for the presentation of MLC Wealth as a discontinued operation.*
(2) *Comparative information has been restated for immaterial changes in NAB's organisational structure.*
(3) *Corporate Functions and Other includes Group Eliminations.*
(4) *Includes large notable items. Refer to Section 1 Large notable items for further information.*
(5) *Reportable segment assets include inter-company balances which are eliminated within the Corporate Functions and Other segment.*

Notes to the Consolidated Financial Statements (continued)

3. Other Income[(1)]

	Year to		Half Year to	
	Sep 20	Sep 19	Sep 20	Mar 20
	$m	$m	$m	$m
Gains less losses on financial instruments at fair value				
Trading instruments	**1,279**	2,315	**736**	543
Hedge ineffectiveness[(2)]	**26**	103	**(7)**	33
Financial instruments designated at fair value	**(217)**	(984)	**(1)**	(216)
Total gains less losses on financial instruments at fair value	**1,088**	1,434	**728**	360
Other operating income				
Dividend revenue	**36**	26	**1**	35
Banking fees	**1,020**	1,064	**497**	523
Money transfer fees	**440**	551	**204**	236
Fees and commissions[(3)(4)]	**496**	525	**243**	253
Investment management fees[(4)]	**194**	188	**95**	99
Other income[(4)]	**110**	192	**62**	48
Total other operating income	**2,296**	2,546	**1,102**	1,194
Total other income	**3,384**	3,980	**1,830**	1,554

Customer-related remediation[(5)]

In the September 2020 full year, the Group recognised charges for customer-related remediation matters of $80 million ($78 million in the September 2019 full year) as a reduction in fees and commissions. This related to progression of work on banking-related matters.

In the September 2020 half year, the Group recognised charges for customer-related remediation matters of $22 million ($58 million in the March 2020 half year) as a reduction in fees and commissions.

(1) *Information is presented on a continuing operations basis, unless otherwise stated. Prior periods have been restated for the presentation of MLC Wealth as a discontinued operation.*
(2) *Represents hedge ineffectiveness of designated hedging relationships.*
(3) *Includes customer-related remediation.*
(4) *Comparative information has been restated to align to the presentation in the current period to reflect revised product classification.*
(5) *Included in Corporate Functions and Other.*

Notes to the Consolidated Financial Statements (continued)

4. Operating Expenses[1]

	Year to		Half Year to	
	Sep 20 $m	Sep 19 $m	Sep 20 $m	Mar 20 $m
Personnel expenses				
Salaries and related on-costs	**3,429**	3,167	**1,740**	1,689
Superannuation costs-defined contribution plans	**285**	260	**144**	141
Performance-based compensation	**291**	366	**208**	83
Other expenses	**455**	225	**278**	177
Total personnel expenses	**4,460**	4,018	**2,370**	2,090
Occupancy and depreciation expenses[2]				
Rental expense[3]	**92**	416	**39**	53
Depreciation of property, plant and equipment[4]	**776**	294	**466**	310
Other expenses	**95**	98	**53**	42
Total occupancy and depreciation expenses	**963**	808	**558**	405
General expenses				
Fees and commission expense	**48**	47	**23**	25
Amortisation of intangible assets[5]	**1,263**	1,070	**127**	1,136
Advertising and marketing	**162**	189	**87**	75
Charge to provide for operational risk event losses[6]	**257**	312	**164**	93
Communications, postage and stationery	**171**	176	**86**	85
Computer equipment and software	**741**	715	**366**	375
Data communication and processing charges	**84**	80	**43**	41
Professional fees	**681**	567	**362**	319
Impairment losses recognised	**225**	19	**10**	215
Other expenses	**291**	262	**127**	164
Total general expenses	**3,923**	3,437	**1,395**	2,528
Total operating expenses	**9,346**	8,263	**4,323**	5,023

Customer-related remediation[7]

In the September 2020 full year, the Group recognised costs for customer-related remediation matters of $136 million ($123 million in the September 2019 full year) as a charge to provide for operational risk event losses. This includes increased costs for executing the remediation programs.

In the September 2020 half year, customer-related remediation of $86 million was recognised ($50 million in the March 2020 half year) as a charge to provide for operational risk event losses.

Payroll remediation[7]

In the September 2020 full year, the Group recognised charges of $108 million before tax, as a charge to provide for operational risk event losses, to address potential payroll issues relating to both current and former Australian colleagues, comprising payments to colleagues and costs to execute the remediation program.

Capitalised software policy change[7]

In the September 2020 full year, the Group made a change to the application of the software capitalisation policy by increasing the threshold for capitalisation of software from $2 million to $5 million. This reflects a change in approach to managing projects which is intended to improve business accountability for projects less than $5 million. The impact of this change was an accelerated amortisation charge of $950 million recognised in the amortisation of intangible assets.

In the September 2019 full year, the Group made a change to the application of the software capitalisation policy by increasing the threshold for capitalisation of software from $0.5 million to $2 million. The impact of this change was an accelerated amortisation charge of $489 million recognised in the amortisation of intangible assets.

(1) *Information is presented on a continuing operations basis, unless otherwise stated. Prior periods have been restated for the presentation of MLC Wealth as a discontinued operation.*
(2) *Current year amounts reflect the adoption of AASB 16 Leases on 1 October 2019. As permitted by AASB 16 comparative information has not been restated. For details on the adoption of AASB 16 refer to Note 1 Basis of preparation.*
(3) *Current year amount primarily relates to short term and low value leases.*
(4) *Includes impairment of property-related assets.*
(5) *Includes a change to the application of the software capitalisation policy.*
(6) *Includes customer-related and payroll remediation.*
(7) *Included in Corporate Functions and Other.*

Notes to the Consolidated Financial Statements (continued)

4. Operating Expenses (continued)[(1)]

Impairment of property-related assets[(2)]

In the September 2020 full year, the Group recognised a charge of $134 million for the impairment of property-related assets which is reflected within depreciation of property, plant and equipment. This primarily relates to plans to consolidate NAB's Melbourne office space with more colleagues expected to adopt a flexible and hybrid approach to working over the longer term.

Impairment of investment in MLC Life

In the September 2020 full year, the Group recognised an impairment loss of $214 million on its investment in MLC Life, a 20% owned associate. The impairment was driven by a reduction in the embedded value of MLC Life as a result of adverse assumption changes, as well as the challenging operating environment within the life insurance industry. The recoverable amount of the investment was determined with reference to its value in use.

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(1) *Information is presented on a continuing operations basis, unless otherwise stated. Prior periods have been restated for the presentation of MLC Wealth as a discontinued operation.*
(2) *Included in Corporate Functions and Other.*

Notes to the Consolidated Financial Statements (continued)

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

	Year to		Half Year to	
	Sep 20 $m	Sep 19 $m	Sep 20 $m	Mar 20 $m
Profit before income tax[1]	**5,163**	8,345	**2,911**	2,252
Prima facie income tax expense at 30%	**1,549**	2,504	**873**	676
Tax effect of permanent differences				
Assessable foreign income	**5**	7	**2**	3
Foreign tax rate differences	**(60)**	(67)	**(40)**	(20)
Foreign branch income not assessable	**(56)**	(50)	**(31)**	(25)
Over provision in prior years	**3**	(1)	**4**	(1)
Offshore banking unit adjustment	**23**	(53)	**60**	(37)
Restatement of deferred tax balances for tax rate changes	**10**	2	**7**	3
Non-deductible hybrid distributions	**61**	73	**27**	34
Losses not tax effected	**32**	2	**(1)**	33
Impairment of investment in MLC Life	**64**	-	**-**	64
Other	**34**	23	**53**	(19)
Total income tax expense	**1,665**	2,440	**954**	711
Effective tax rate (%)	**32.2%**	29.2%	**32.8%**	31.6%

(1) *Information is presented on a continuing operations basis, unless otherwise stated. Prior periods have been restated for the presentation of MLC Wealth as a discontinued operation.*

Notes to the Consolidated Financial Statements (continued)

6. Dividends and Distributions

The Group has recognised the following dividends on ordinary shares:

	Year to			
	Sep 20		Sep 19	
Dividends on ordinary shares	**Amount per share cents**	**Total amount $m**	**Amount per share cents**	**Total amount $m**
Final dividend (in respect of prior year)	**83**	**2,393**	99	2,707
Interim dividend (in respect of current year)	**30**	**895**	83	2,333
Deduct: Bonus shares in lieu of dividend	**n/a**	**(32)**	n/a	(57)
Dividends paid by NAB	**n/a**	**3,256**	n/a	4,983
Add: Dividends paid to non-controlling interest in controlled entities	**n/a**	**4**	n/a	4
Total dividend paid	**n/a**	**3,260**	n/a	4,987

Franked dividends paid during the period were fully franked at a tax rate of 30% (2019: 30%).

Final dividend

On 5 November 2020, the Directors determined the following dividend:

	Amount per share cents	**Franked amount per share %**	**Total amount $m**
Final dividend determined in respect of the year ended 30 September 2020	30	100	**987**

The final 2020 ordinary dividend is payable on 10 December 2020. The Dividend Reinvestment Plan (DRP) discount is nil, with no participation limit, and the DRP is expected to be satisfied by the issuance of new shares. The financial effect of this dividend has not been brought to account in the financial statements for the year ended 30 September 2020 and will be recognised in subsequent financial reports.

	Year to			
	Sep 20		Sep 19	
Distributions on other equity instruments	**Amount per security[(1)] $**	**Total amount $m**	**Amount per security[(1)] $**	**Total amount $m**
National Income Securities	**1.97**	**39**	3.12	62
Trust Preferred Securities[(2)]	**-**	**-**	50.42	21
Total distributions on other equity instruments		**39**		83

Trust Preferred Securities (TPS) issued by National Capital Trust I and guaranteed (on a limited basis) by NAB were redeemed on 17 December 2018, their first optional redemption date. The TPS were redeemed for cash at their par value plus accrued distribution.

Dividend and distribution plans

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 16 November 2020 at 5pm (Australian Eastern Daylight time).

(1) *Amount per security is based on actual dollar value divided by the number of units on issue.*
(2) *$A equivalent.*

Notes to the Consolidated Financial Statements (continued)

7. Loans and Advances including Acceptances

	As at		
	30 Sep 20 $m	**31 Mar 20 $m**	**30 Sep 19 $m**
Housing loans	**341,729**	346,044	343,915
Other term lending	**223,206**	234,320	222,556
Asset and lease financing	**13,009**	12,692	12,763
Overdrafts	**4,347**	5,516	5,820
Credit card outstandings	**5,259**	6,439	6,774
Other	**4,780**	6,839	6,703
Fair value adjustment	**245**	303	331
Gross loans and advances	**592,575**	612,153	598,862
Acceptances	**1,477**	2,010	2,490
Gross loans and advances including acceptances	**594,052**	614,163	601,352
Represented by:			
Loans and advances at fair value[1]	**3,860**	5,214	6,761
Loans and advances at amortised cost	**588,715**	606,939	592,101
Acceptances	**1,477**	2,010	2,490
Gross loans and advances including acceptances	**594,052**	614,163	601,352
Unearned income and deferred net fee income	**(219)**	(306)	(452)
Provision for credit impairment	**(6,011)**	(4,835)	(3,900)
Net loans and advances including acceptances	**587,822**	609,022	597,000
Securitised loans and loans supporting covered bonds[2]	**36,505**	33,014	34,711

By product and geographic location	**Australia $m**	**New Zealand $m**	**Other International $m**	**Total Group $m**
As at 30 September 2020				
Housing loans	299,102	42,581	46	**341,729**
Other term lending	170,633	36,241	16,332	**223,206**
Asset and lease financing	12,611	-	398	**13,009**
Overdrafts	2,472	1,863	12	**4,347**
Credit card outstandings	4,426	833	-	**5,259**
Other	4,074	317	389	**4,780**
Fair value adjustment	256	(11)	-	**245**
Gross loans and advances	493,574	81,824	17,177	**592,575**
Acceptances	1,477	-	-	**1,477**
Gross loans and advances including acceptances	495,051	81,824	17,177	**594,052**
Represented by:				
Loans and advances at fair value	2,552	1,308	-	**3,860**
Loans and advances at amortised cost	491,022	80,516	17,177	**588,715**
Acceptances	1,477	-	-	**1,477**
Gross loans and advances including acceptances	495,051	81,824	17,177	**594,052**

(1) On the balance sheet, this amount is included within other financial assets. This amount is included in the product and geographical analysis below.
(2) Loans supporting securitisation and covered bonds are included within the balance of net loans and advances including acceptances.

Notes to the Consolidated Financial Statements (continued)

7. Loans and Advances including Acceptances (continued)

By product and geographic location	Australia $m	New Zealand $m	Other International $m	Total Group $m
As at 31 March 2020				
Housing loans	302,368	43,619	57	**346,044**
Other term lending	175,479	40,247	18,594	**234,320**
Asset and lease financing	12,181	-	511	**12,692**
Overdrafts	3,229	2,270	17	**5,516**
Credit card outstandings	5,427	1,012	-	**6,439**
Other	5,393	429	1,017	**6,839**
Fair value adjustment	288	16	(1)	**303**
Gross loans and advances	504,365	87,593	20,195	**612,153**
Acceptances	2,010	-	-	**2,010**
Gross loans and advances including acceptances	506,375	87,593	20,195	**614,163**
Represented by:				
Loans and advances at fair value	3,483	1,731	-	**5,214**
Loans and advances at amortised cost	500,882	85,862	20,195	**606,939**
Acceptances	2,010	-	-	**2,010**
Gross loans and advances including acceptances	506,375	87,593	20,195	**614,163**

By product and geographic location	Australia $m	New Zealand $m	Other International $m	Total Group $m
As at 30 September 2019				
Housing loans	303,942	39,901	72	**343,915**
Other term lending	168,563	37,839	16,154	**222,556**
Asset and lease financing	12,230	-	533	**12,763**
Overdrafts	3,249	2,555	16	**5,820**
Credit card outstandings	5,717	1,057	-	**6,774**
Other	4,928	461	1,314	**6,703**
Fair value adjustment	307	24	-	**331**
Gross loans and advances	498,936	81,837	18,089	**598,862**
Acceptances	2,490	-	-	**2,490**
Gross loans and advances including acceptances	501,426	81,837	18,089	**601,352**
Represented by:				
Loans and advances at fair value	4,868	1,893	-	**6,761**
Loans and advances at amortised cost	494,068	79,944	18,089	**592,101**
Acceptances	2,490	-	-	**2,490**
Gross loans and advances including acceptances	501,426	81,837	18,089	**601,352**

Notes to the Consolidated Financial Statements (continued)

8. Provision for Credit Impairment on Loans at Amortised Cost

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

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

Key estimates and assumptions

- In determining ECL, management judgement is applied, using objective, reasonable and supportable information about current and forecast economic conditions and granular probability of default and loss given default assumptions.
- Macro-economic variables used in these scenarios, include (but are not limited to) the cash rate, unemployment rates, GDP growth rates and residential and commercial property price indices.
- Forward looking macro-economic information and assumptions relating to COVID-19 have been considered in these scenarios, including impacts of COVID-19, recognising that uncertainty still exists in relation to the duration of COVID-19-related restrictions and the anticipated impact of government stimulus and regulatory actions.
- 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.
- Consistent with industry guidance, customer support payment deferrals as part of COVID-19 support packages in isolation will not necessarily result in a significant increase in credit risk, and therefore will not trigger an automatic migration from stage 1 (12-month ECL) to stage 2 (Lifetime ECL) in the credit impairment provision for such loans.

Credit impairment charge on loans at amortised cost

	Year to		Half Year to	
	Sep 20 $m	Sep 19 $m	Sep 20 $m	Mar 20 $m
New and increased provisions (net of collective provision releases)	**2,990**	1,154	**1,713**	1,277
Write-backs of specific provisions	**(169)**	(170)	**(94)**	(75)
Recoveries of specific provisions	**(69)**	(57)	**(34)**	(35)
Total charge to the income statement	**2,752**	927	**1,585**	1,167

Notes to the Consolidated Financial Statements (continued)

8. Provision for Credit Impairment on Loans at Amortised Cost (continued)

Movement in provision for credit impairment on loans at amortised cost

Group - Yearly

	Stage 1	Stage 2	Stage 3		
	12-mth expected credit losses (ECL) Collective provision	Lifetime ECL not credit impaired Collective provision	Lifetime ECL credit impaired Collective provision	Lifetime ECL credit impaired Specific provision	Total
	$m	$m	$m	$m	$m
Balance at 1 October 2018	324	2,125	391	673	**3,513**
Changes due to financial assets recognised in the opening balance that have:					
Transferred to 12-mth ECL - collective provision	358	(348)	(10)	-	**-**
Transferred to Lifetime ECL not credit impaired - collective provision	(48)	104	(56)	-	**-**
Transfer to Lifetime ECL credit impaired - collective provision	(2)	(65)	67	-	**-**
Transfer to Lifetime ECL credit impaired - specific provision	(2)	(49)	(106)	157	**-**
New and increased provisions (net of collective provision releases)	(264)	456	236	726	**1,154**
Write-backs of specific provisions	-	-	-	(170)	**(170)**
Write-offs from specific provisions	-	-	-	(600)	**(600)**
Foreign currency translation and other adjustments	2	4	1	(4)	**3**
Balance at 30 September 2019	**368**	**2,227**	**523**	**782**	**3,900**
Changes due to financial assets recognised in the opening balance that have:					
Transferred to 12-mth ECL - collective provision	335	(319)	(16)	-	**-**
Transferred to Lifetime ECL not credit impaired - collective provision	(83)	142	(59)	-	**-**
Transfer to Lifetime ECL credit impaired - collective provision	(2)	(83)	85	-	**-**
Transfer to Lifetime ECL credit impaired - specific provision	(1)	(46)	(107)	154	**-**
New and increased provisions (net of collective provision releases)	(146)	1,981	399	756	**2,990**
Write-backs of specific provisions	-	-	-	(169)	**(169)**
Write-offs from specific provisions	-	-	-	(700)	**(700)**
Foreign currency translation and other adjustments	(1)	(5)	(1)	(3)	**(10)**
Balance at 30 September 2020	**470**	**3,897**	**824**	**820**	**6,011**

Notes to the Consolidated Financial Statements (continued)

8. Provision for Credit Impairment on Loans at Amortised Cost (continued)

Movement in provision for credit impairment on loans at amortised cost (continued)

Group - Half Yearly

	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 2019	368	2,227	523	782	**3,900**
Changes due to financial assets recognised in the opening balance that have:					
Transferred to 12-mth ECL - collective provision	252	(242)	(10)	-	-
Transferred to Lifetime ECL not credit impaired - collective provision	(34)	83	(49)	-	-
Transfer to Lifetime ECL credit impaired - collective provision	(1)	(77)	78	-	-
Transfer to Lifetime ECL credit impaired - specific provision	(1)	(27)	(86)	114	-
New and increased provisions (net of collective provision releases)	(206)	959	223	301	**1,277**
Write-backs of specific provisions	-	-	-	(75)	**(75)**
Write-offs from specific provisions	-	-	-	(302)	**(302)**
Foreign currency translation and other adjustments	6	19	3	7	**35**
Balance at 31 March 2020	**384**	**2,942**	**682**	**827**	**4,835**
Changes due to financial assets recognised in the opening balance that have:					
Transferred to 12-mth ECL - collective provision	236	(227)	(9)	-	-
Transferred to Lifetime ECL not credit impaired - collective provision	(88)	162	(74)	-	-
Transfer to Lifetime ECL credit impaired - collective provision	(2)	(65)	67	-	-
Transfer to Lifetime ECL credit impaired - specific provision	-	(24)	(88)	112	-
New and increased provisions (net of collective provision releases)	(53)	1,133	250	383	**1,713**
Write-backs of specific provisions	-	-	-	(94)	**(94)**
Write-offs from specific provisions	-	-	-	(398)	**(398)**
Foreign currency translation and other adjustments	(7)	(24)	(4)	(10)	**(45)**
Balance at 30 September 2020	**470**	**3,897**	**824**	**820**	**6,011**

ECL Scenario analysis

The following table shows the key macro-economic variables used in the base case and downside scenario at 30 September 2020.

	Base case			Downside		
	Calendar year			Calendar year		
	2020 %	2021 %	2022 %	2020 %	2021 %	2022 %
GDP change (year ended December)	**(5.7)**	3.1	2.8	**(8.0)**	1.5	2.5
Unemployment (end of year)	**9.2**	7.6	6.6	**12.0**	12.8	9.9
House price change (peak-to-trough)		**(11.6)**			**(20.7)**	

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

Total provisions for ECL as at 30 September 2020 for key portfolios	Probability weighted $m	100% Base case $m	100% Downside $m
Housing	1,245	1,188	1,672
Business	4,252	3,925	5,501
Total Group	**6,011**	**5,611**	**7,774**

Notes to the Consolidated Financial Statements (continued)

8. Provision for Credit Impairment on Loans at Amortised Cost (continued)

The table below shows weightings applied to the Australian portfolio at 30 September 2020 to derive the probability weighted ECL.

	2020		
Macro-economics scenario weightings	**Housing %**	**Business %**	**Total Group %**
Upside	15	15	15
Base Case	60	60	60
Downside	25	25	25

Notes to the Consolidated Financial Statements (continued)

9. Asset Quality

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

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

	As at		
	30 Sep 20	31 Mar 20	30 Sep 19
Summary of total impaired assets	$m	$m	$m
Impaired assets	**1,844**	2,000	1,965
Restructured loans	**22**	37	7
Gross impaired assets[(1)]	**1,866**	2,037	1,972
Specific provisions for credit impairment[(2)]	**(840)**	(827)	(782)
Net impaired assets	**1,026**	1,210	1,190

Movement in gross impaired asset	Australia $m	New Zealand $m	Other International $m	Total Group $m
Balance at 1 April 2019	1,227	300	37	**1,564**
New	388	419	-	**807**
Written-off	(130)	(18)	(2)	**(150)**
Returned to performing, repaid or no longer impaired	(155)	(78)	-	**(233)**
Foreign currency translation adjustments	-	(15)	(1)	**(16)**
Balance at 30 September 2019	1,330	608	34	**1,972**
New	362	190	1	**553**
Written-off	(134)	(23)	-	**(157)**
Returned to performing, repaid or no longer impaired	(259)	(108)	(1)	**(368)**
Foreign currency translation adjustments	-	32	5	**37**
Balance at 31 March 2020	1,299	699	39	**2,037**
New	425	114	-	**539**
Written-off	(237)	(28)	-	**(265)**
Returned to performing, repaid or no longer impaired	(211)	(191)	(7)	**(409)**
Foreign currency translation adjustments	1	(33)	(4)	**(36)**
Gross impaired assets as at 30 September 2020	1,277	561	28	**1,866**

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

	As at		
	30 Sep 20	31 Mar 20	30 Sep 19
90+ days past due loans - by geographic location	$m	$m	$m
Australia	**4,082**	3,705	3,457
New Zealand	**163**	177	136
Other International	**10**	9	10
90+ days past due loans	**4,255**	3,891	3,603

(1) *Gross impaired assets include $38 million (March 2020: $nil, September 2019: $5 million) of gross impaired other financial assets at fair value.*
(2) *Includes $20 million (March 2020: $nil, September 2019: $nil) of specific provision on loans at fair value.*

Notes to the Consolidated Financial Statements (continued)

10. Deposits and Other Borrowings

	As at		
	30 Sep 20 $m	31 Mar 20 $m	30 Sep 19 $m
Term deposits	**134,743**	151,596	160,383
On-demand and short-term deposits	**261,260**	236,402	210,557
Certificates of deposit	**35,564**	43,285	40,875
Deposits not bearing interest[(1)]	**72,221**	59,199	53,672
Borrowings	**21,767**	31,403	30,092
Repurchase agreements	**25,127**	30,459	31,362
Fair value adjustment	**1**	6	9
Total deposits and other borrowings	**550,683**	552,350	526,950
Represented by:			
Total deposits and other borrowings at fair value	**4,507**	7,852	4,865
Total deposits and other borrowings at amortised cost	**546,176**	544,498	522,085
Total deposits and other borrowings	**550,683**	552,350	526,950

By product and geographic location	Australia $m	New Zealand $m	Other International $m	Total Group $m
As at 30 September 2020				
Term deposits	101,512	27,699	5,532	**134,743**
On-demand and short-term deposits	226,978	26,810	7,472	**261,260**
Certificates of deposit	26,613	856	8,095	**35,564**
Deposits not bearing interest[(1)]	64,163	8,058	-	**72,221**
Borrowings	18,362	3,088	317	**21,767**
Repurchase agreements	1,402	-	23,725	**25,127**
Fair value adjustment	-	1	-	**1**
Total deposits and other borrowings	439,030	66,512	45,141	**550,683**
Represented by:				
Total deposits and other borrowings at fair value	-	4,507	-	**4,507**
Total deposits and other borrowings at amortised cost	439,030	62,005	45,141	**546,176**
Total deposits and other borrowings	439,030	66,512	45,141	**550,683**

By product and geographic location	Australia $m	New Zealand $m	Other International $m	Total Group $m
As at 31 March 2020				
Term deposits	112,003	32,159	7,434	**151,596**
On-demand and short-term deposits	204,352	25,372	6,678	**236,402**
Certificates of deposit	29,732	2,002	11,551	**43,285**
Deposits not bearing interest[(1)]	51,966	7,229	4	**59,199**
Borrowings	26,398	4,328	677	**31,403**
Repurchase agreements	3,515	-	26,944	**30,459**
Fair value adjustment	-	6	-	**6**
Total deposits and other borrowings	427,966	71,096	53,288	**552,350**
Represented by:				
Total deposits and other borrowings at fair value	-	7,852	-	**7,852**
Total deposits and other borrowings at amortised cost	427,966	63,244	53,288	**544,498**
Total deposits and other borrowings	427,966	71,096	53,288	**552,350**

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

Notes to the Consolidated Financial Statements (continued)

10. Deposits and Other Borrowings (continued)

By product and geographic location	Australia $m	New Zealand $m	Other International $m	Total Group $m
As at 30 September 2019				
Term deposits	122,318	32,386	5,679	**160,383**
On-demand and short-term deposits	182,234	20,273	8,050	**210,557**
Certificates of deposit	30,769	1,255	8,851	**40,875**
Deposits not bearing interest[1]	47,857	5,811	4	**53,672**
Borrowings	25,902	3,283	907	**30,092**
Repurchase agreements	1,032	-	30,330	**31,362**
Fair value adjustment	-	9	-	**9**
Total deposits and other borrowings	410,112	63,017	53,821	**526,950**
Represented by:				
Total deposits and other borrowings at fair value	-	4,865	-	**4,865**
Total deposits and other borrowings at amortised cost	410,112	58,152	53,821	**522,085**
Total deposits and other borrowings	410,112	63,017	53,821	**526,950**

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

Notes to the Consolidated Financial Statements (continued)

11. Contributed Equity and Reserves

Contributed equity	As at 30 Sep 20 $m	31 Mar 20 $m	30 Sep 19 $m
Issued and paid-up ordinary share capital			
Ordinary shares, fully paid	**43,531**	39,248	36,762
Other contributed equity			
National Income Securities	**1,945**	1,945	1,945
Total contributed equity	**45,476**	41,193	38,707

Movement in issued and paid-up ordinary share capital	Year to Sep 20 $m	Year to Sep 19 $m	Half Year to Sep 20 $m	Half Year to Mar 20 $m
Balance at beginning of period	**36,762**	33,062	**39,248**	36,762
Shares issued:				
Institutional share placement	**2,954**	-	**2,954**	-
Retail share purchase plan	**1,250**	-	**1,250**	-
Dividend reinvestment plan	**976**	1,803	**73**	903
Dividend reinvestment plan underwritten allotments	**700**	1,000	**-**	700
Conversion of convertible preference shares and convertible notes	**750**	750	**-**	750
Transfer from equity-based compensation reserve	**139**	147	**6**	133
Balance at end of period	**43,531**	36,762	**43,531**	39,248

Reserves	As at 30 Sep 20 $m	31 Mar 20 $m	30 Sep 19 $m
Foreign currency translation reserve	**(38)**	453	20
Asset revaluation reserve	**26**	30	80
Cash flow hedge reserve	**307**	601	201
Cost of hedging reserve	**(396)**	(141)	(235)
Equity-based compensation reserve	**115**	73	190
Debt instruments at fair value through other comprehensive income reserve	**77**	(157)	46
Equity instruments at fair value through other comprehensive income reserve	**8**	11	4
Total reserves	**99**	870	306

Notes to the Consolidated Financial Statements (continued)

12. Notes to the Condensed Cash Flow Statement

(a) Reconciliation of cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents includes cash and liquid assets and amounts due from other banks (including reverse repurchase agreements and short-term government securities), net of amounts due to other banks that are readily convertible to known amounts of cash within three months.

Cash and cash equivalents as shown in the condensed cash flow statement is reconciled to the related items on the balance sheet as follows:

	As at		
Cash and cash equivalents	**30 Sep 20 $m**	**31 Mar 20 $m**	**30 Sep 19 $m**
Assets			
Cash and liquid assets[1]	**64,560**	58,338	55,457
Treasury and other eligible bills	**1,607**	285	795
Due from other banks (excluding mandatory deposits with supervisory central banks)	**31,806**	43,566	23,705
Total cash and cash equivalents assets	**97,973**	102,189	79,957
Liabilities			
Due to other banks	**(35,932)**	(49,691)	(32,931)
Total cash and cash equivalents	**62,041**	52,498	47,026

(b) Non-cash financing and investing transactions

	Year to		Half Year to	
	Sep 20 $m	**Sep 19 $m**	**Sep 20 $m**	**Mar 20 $m**
New share issues				
Dividend reinvestment plan	**976**	1,803	**73**	903
Conversion of convertible preference shares and convertible notes	**750**	750	**-**	750

The Group did not offer a discount on the Dividend Reinvestment Plan for the interim or final dividends in respect of the year ended 30 September 2020. The Group offered a 1.5% discount on the Dividend Reinvestment Plans for dividends paid in respect of the year ended 30 September 2019.

On 23 March 2020, the Group completed the resale of all NAB Capital Notes (NCN) issued on 23 March 2015 to a nominated purchaser, in accordance with the resale notice issued on 17 February 2020. Following the resale, $750 million of NCN were converted into ordinary shares, and the remaining balance of approximately $593 million NCN were redeemed.

On 20 March 2019, the Group completed the resale of all convertible preference shares (CPS) issued on 20 March 2013 to a nominated purchaser, in accordance with the resale notice issued on 11 February 2019. Following the resale, $750 million of CPS were converted into ordinary shares, and the remaining balance of approximately $764 million CPS was redeemed.

(1) *Includes cash and liquid assets held in MLC Wealth. Refer to Note 14 Discontinued operations.*

Notes to the Consolidated Financial Statements (continued)

13. Contingent Liabilities

General

From time to time the Group is exposed to contingent risks and liabilities arising from the conduct of its business including:

- actual and potential disputes, claims and legal proceedings
- investigations into past conduct, including actual and potential regulatory breaches, carried out by regulatory authorities on either an industry-wide or Group-specific basis
- internal investigations and reviews into past conduct, including actual and potential regulatory breaches, carried out by the Group (sometimes with the assistance of third parties)
- contracts that involve giving contingent commitments such as warranties, indemnities or guarantees.

Overall, the number and scale of investigations, reviews and litigation involving Australian and New Zealand financial institutions has increased significantly in recent years. Some matters have related customer remediation programs which are expected to continue beyond the 2020 financial year. Some of these matters may result in enforcement proceedings.

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

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

Legal proceedings

Bank Bill Swap Reference Rate US class action

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

In February 2020, the Court dismissed all claims against NAB. The decision could potentially be appealed or reconsidered. However, any appeal would not occur until after final judgment against the rest of the defendants in the class action is delivered.

NULIS and MLCN – class actions

In October 2019, litigation funder Omni Bridgeway (formally 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 defence in the proceeding in February 2020.

In January 2020, Maurice Blackburn commenced a class action 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. NULIS and MLCN filed their joint defence in the proceeding in April 2020.

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

UK conduct issues – class actions and insurance claims in relation to UK customer-related remediation matters

In May 2019, RGL Management Limited (a claims management company) commenced proceedings against CYBG and NAB on behalf of three customers of CYBG (the First Claim) in the English Courts. The First Claim concerns tailored business loans (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 breaking fixed interest rate periods; and (2) the composition of fixed interest rates offered under the TBLs. The alleged misconduct is said to give rise to several causes of action, including negligent misstatement, misrepresentation and deceit.

In November 2019, a further claim (the Second Claim) was served on behalf of 146 claimants. The Second Claim is in similar terms to the First Claim and is currently stayed.

On 14 October 2020, RGL issued a further claim (the Third Claim) in respect of a further 350 claimants (a number of which appear to be Scottish claimants from their addresses). This claim has not yet been served on NAB or CYBG. NAB expects RGL's lawyers to seek a stay of the Third Claim (as they did with the Second Claim).

RGL has been quoted in the press as saying that there are up to 2,000 further potential claimants on behalf of whom it has authority to bring similar claims. NAB does not have any details of these potential further claimants.

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

In prior periods the Group suffered losses in relation to certain UK customer-related remediation matters. NAB made insurance claims in relation to these losses. NAB and the reinsurers reached agreement for the settlement of the claims during the 2020 financial year. The net settlement proceeds have been set off against operating expenses where the original conduct expenses and the legal fees incurred were recognised.

Notes to the Consolidated Financial Statements (continued)

13. Contingent Liabilities (continued)

Regulatory activity, compliance investigations and associated proceedings

Adviser service fees, fee disclosure statements (FDS) and plan service fees (PSF)

In 2015, ASIC commenced an industry-wide investigation into financial advice fees paid by customers pursuant to ongoing service arrangements with financial advice firms, including entities within the Group. Under the service arrangements, customers pay an adviser service fee to receive ongoing financial review services. In some instances, customers did not receive the agreed services or, in other cases, there may not be sufficient evidence that the agreed services were provided or that customers were adequately informed of their ability to terminate the service fee. NAB is undertaking a remediation program in relation to this matter for the Wealth business, including NAB Financial Planning, NAB Advice Partnerships and JBWere.

NAB Financial Planning has made payments to most impacted customers, with only some complex cases still being assessed. NAB Advice Partnerships and JBWere are identifying the cohorts of potentially impacted customers for review. Provisions for customer compensation have been taken based on current best estimates. However given the early stage of the process, these estimates are subject to considerable uncertainty.

Key variables contributing to uncertainty about customer remediation amounts include ‘no evidence’ rates and recovery rates from advisers. The total ongoing advice fees received within the period 2009-2018 are estimated to be approximately $1.3 billion for NAB Advice Partnerships and approximately $650 million for NAB Financial Planning.

On 12 October 2018, ASIC announced that it was conducting an industry-wide review of compliance with requirements for FDSs and Renewal Notices in the financial advice sector. ASIC also continues to review compliance in relation to plan service fees.

NAB continues to assess its compliance with the FDS regime. NAB has ceased charging ongoing fees for customers of NAB Financial Planning employed advisers resulting from concerns about the accuracy of the FDSs. NAB has commenced refunding fees paid by NAB Financial Planning customers from 1 June 2018 up until they entered a new advice arrangement or the fees were switched off. NAB Financial Planning no longer offers ongoing services arrangements to its customers. NAB Advice Partnerships is also phasing out ongoing fee arrangements.

On 17 December 2019, ASIC commenced Federal Court proceedings against NAB alleging that between December 2013 and February 2019, NAB Financial Planning failed to comply with a number of provisions of the *Australian Securities and Investments Commission Act 2001* (Cth) (ASIC Act) and the *Corporations Act 2001* (Cth) (Corporations Act) in relation to the ongoing service arrangements and FDSs, including misleading conduct and unconscionable conduct. NAB has filed its response to ASIC’s claim making some admissions about FDS noncompliance and misleading conduct but has denied that it acted unconscionably.

Following on from ASIC’s May 2017 report about its industry-wide investigation into financial advice fees, the Group has finalised the payment of refunds to customers who were charged PSF, including refunds to customers who did not have a plan adviser attached to their superannuation account and customers who left an employer and were transferred to the personal division of the relevant corporate superannuation product. The Federal Court has also delivered its judgement in the ASIC proceedings against two Group entities – NULIS and MLCN – in relation to PSF, imposing a civil penalty of $57.5 million on NULIS and MLCN.

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

Anti-Money Laundering (AML) and Counter-Terrorist Financing (CTF) program uplift and compliance issues

Since July 2016, NAB has been working to uplift and strengthen the Group AML and CTF program and its implementation. The work involves significant investment in systems and personnel, to ensure an effective and efficient control environment and uplift compliance capability. In addition to a general uplift in capability, the program of work aims to remediate specific compliance issues and weaknesses.

When significant AML or CTF compliance issues are identified, they are notified to the Australian Transaction Reports and Analysis Centre (AUSTRAC) or equivalent foreign regulators. The Group has reported compliance breaches to relevant regulators, including over the last financial year, and has responded to a number of requests from regulators requiring the production of documents and information. Identified issues include certain weaknesses with the Group’s implementation of ‘Know Your Customer’ (KYC) requirements, other financial crime risks, as well as systems and process issues that impacted transaction monitoring and reporting in some specific areas. In particular, the Group has identified issues with collection and verification of identity information and enhanced customer due diligence for non-individual customers. This is the subject of a dedicated remediation program that is underway.

The Group continues to keep AUSTRAC (and where applicable, relevant foreign regulators) informed of its progress in resolving these issues, and will continue to cooperate with, and respond to queries from, such regulators. As this work progresses, further compliance breaches may be identified and reported to AUSTRAC or

Notes to the Consolidated Financial Statements (continued)

13. Contingent Liabilities (continued)

equivalent foreign regulators, and additional uplifting and strengthening may be required. The potential outcome and total costs associated with these investigations and remediation processes for specific issues identified to date, and for any issues identified in the future, remain uncertain.

Banking matters

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

- incorrect fees were applied in connection with certain products, including in relation to periodic payments
- customers may not have been provided notice of increases to loan repayments within the timeframe required by the National Credit Code
- incorrect interest rates were applied in relation to certain products, including home lending products on conversion from interest only to principal and interest
- there were issues in delivering electronic statements, capturing customer consent to receive electronic statements and inconsistencies with recording statement preferences
- business term lending facilities were not amortising in accordance with approved facilities; and
- various responsible lending matters such as where business loans were used for residential purposes.

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

Breach reporting

In the Final Report of the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry, NAB was criticised for failing to comply with breach reporting requirements under section 912D of the Corporations Act. There is an ongoing ASIC investigation in relation to this matter. The potential outcome and total costs associated with this matter remains uncertain.

Consumer Credit Insurance (CCI)

In 2017, as part of an industry-wide review, ASIC requested that NAB and other lenders undertake a review of their compliance with ASIC Report 256 Consumer Credit Insurance: A review of sales practices by authorised deposit-taking institutions.

On 12 May 2020, the Federal Court approved the settlement of a class action brought by plaintiff law firm Slater & Gordon against NAB and MLC Limited in connection with the issuance and sale of NAB Credit Card Cover (NCCC) and NAB Personal Loan Cover (PLC).

NAB is currently making remediation payments to NAB Mortgage Protect (NMP) customers (the third and final CCI product sold by NAB) who are potentially impacted. Where customer compensation is able to be reliably estimated, provisions have been taken.

There is also an ongoing ASIC investigation into the sale of CCI products.

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

Contingent tax risk

The tax affairs of the Group are subject to regular reviews by the Australian Taxation Office as well as the Revenue Offices of the various Australian States and Territories. Innovation and Science Australia is currently reviewing various prior year claims made by the Group for research and development tax incentives. Risk reviews and audits are also being undertaken by tax authorities in other jurisdictions in which the Group conducts business, as part of normal tax authority review activity in those countries. NAB continues to respond to any notices and requests for information it receives from relevant tax authorities.

The reviews, notices and requests described above may result in additional tax liabilities (including interest and penalties). Where appropriate, provisions have been made. The potential outcome and total costs associated with these activities remain uncertain.

Deceased estates

There are certain instances where fees were incorrectly charged to deceased estates. There is an ongoing ASIC investigation into deceased estates. The outcome and total costs associated with this matter remain uncertain.

NZ Ministry of Business, Innovation and Employment compliance audit

The Labour Inspectorate of the New Zealand Ministry of Business, Innovation and Employment (MBIE) has undertaken a program of compliance audits of a number of New Zealand organisations, including BNZ, in respect of the *New Zealand Holidays Act 2003* (Holidays Act). Since 2017, BNZ has worked with MBIE to review its compliance with the Holidays Act, including in respect of annual and public holiday payments to certain employees, and is completing remediation, as agreed with MBIE. In addition, the legislative interpretation of the definition of "discretionary payments" under the Holidays Act is not yet certain and, once it has been definitively determined, any potential implications for BNZ will need to be considered.

Other wealth matters

A number of investigations into wealth advice related matters are being carried out across the Group. These include a review of the implementation of financial advice provided by NAB Financial Planning in relation to reinvestment as well as into the disclosure of a customer's cost base in a product. The potential outcome and total costs associated with these matters remain uncertain.

Notes to the Consolidated Financial Statements (continued)

13. Contingent Liabilities (continued)

Payroll review

In December 2019, NAB announced an investigation into payments of both current and former Australian employees. The review has identified a range of potential payroll under and over payment issues and a remediation program has been established. Provisions have been taken but the final outcome and total costs associated with this 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. These cases are progressing through the Customer Response Initiative review program, with compensation offered and paid in a number of cases. Customers may also be compensated where regular audit reviews identify non-compliant advice which warrants compensation. 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.

Workplace super

A number of investigations are being carried out in relation to workplace super, 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. The potential outcome and total costs associated with these matters remain uncertain.

Contractual commitments

Financial Planning Subsidiaries

Some financial planning subsidiaries have agreements which allow authorised representatives to sell their client book to those subsidiaries in certain circumstances contingent upon a number of key conditions being met. The agreements provide for the sale at a multiple of ongoing revenue subject to a range of criteria. It is not currently possible to reliably estimate the financial impact of these agreements.

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. The parties also entered into long-term agreements for the distribution of life insurance products and continued use of the MLC brand. In addition, NAB agreed to take certain actions to establish MLC Life as a standalone entity, including by providing transitional services as well as support for data migration activities and the development of technology systems. The final financial impact associated with this transaction remains uncertain.

MLC Wealth transaction

On 31 August 2020, NAB announced that it had agreed to sell MLC Wealth, comprising its advice, platforms, superannuation & investments and asset management businesses to IOOF Holdings Ltd (IOOF).

As part of this transaction, NAB has provided IOOF with indemnities relating to certain pre-completion matters, including a remediation program relating to workplace superannuation, breaches of anti-money laundering laws and regulations, regulatory fines and penalties and certain litigation and regulatory investigations. NAB also provided covenants and warranties in favour of IOOF. NAB also agreed a process to reassess certain provisions for pre-completion matters as part of the completion accounts process, which may involve increases to such provisions. A breach or triggering of these contractual protections may result in NAB being liable to IOOF.

The Group will retain the companies that operate the Advice business, such that the Group will retain all liabilities associated with the conduct of that business pre-completion.

From completion, NAB will provide IOOF with certain transitional services and continuing access to records, as well as support for data migration activities. NAB may be liable to IOOF if it fails to perform its obligations under these agreements.

The final financial impact associated with this transaction remains uncertain.

Notes to the Consolidated Financial Statements (continued)

14. Discontinued Operations

Sale of MLC Wealth

On 31 August 2020, the Group entered into an agreement for the sale of 100% of MLC Wealth, including the advice, platforms, superannuation & investments and asset management businesses, to IOOF Holdings Limited for $1,440 million, subject to completion adjustments. The agreement follows the strategic decision announced by NAB in 2018 to pursue an exit of MLC Wealth and is in line with NAB's strategy to simplify and focus on its core banking business, while creating a stronger future for MLC Wealth. The business being disposed of was previously presented as the MLC Wealth reportable segment.

The transaction is subject to certain conditions, including certain regulatory approvals. Subject to the timing of regulatory approvals, completion is expected to occur before 30 June 2021. Management have concluded that MLC Wealth meets the criteria to be classified as a disposal group held for sale and a discontinued operation as at 30 September 2020.

Loss upon classification as held for sale

Based on the selling price of $1,440 million and the carrying value of the disposal group, net of expected completion adjustments $1,639 million, an impairment loss of $199 million was recognised within the 'net loss from discontinued operations' for the year ended 30 September 2020. The impairment loss was attributed to the $1,027 million of goodwill allocated to the MLC Wealth cash generating unit in the March 2020 half year.

A provision of $284 million has been recognised in respect of estimated separation costs, and the after tax expense of $200 million has been recognised within 'net loss from discontinued operations'.

The combined effect of the impairment loss and separation costs of $483 million ($399 million after tax) represents the loss that has been recognised in the 2020 financial year as a result of the transaction. The final loss on the sale will be determined at completion and will be impacted by separation and transaction costs, net assets at completion and other adjustments.

MLC Life discontinued operation

Amounts presented in the MLC Life discontinued operation relate to the Group's life insurance business. The Group disposed of 80% of its investment in MLC Life to Nippon Life Insurance Company in 2016. The amounts presented relate to a reassessment of customer-related remediation provisions associated with the MLC Life business and additional costs associated with the sale. Refer to *Note 13 Contingent liabilities* for further information.

Notes to the Consolidated Financial Statements (continued)

14. Discontinued Operations (continued)

Analysis of net loss from discontinued operations

	Year to		Half Year to	
	Sep 20	Sep 19[1]	Sep 20	Mar 20[1]
MLC Wealth discontinued operation	$m	$m	$m	$m
Net operating income	**1,258**	1,486	**606**	652
Operating expenses	**(1,194)**	(1,270)	**(574)**	(620)
MLC reportable segment profit before tax	**64**	216	**32**	32
MLC Wealth-related items[2]	**(1,308)**	(1,384)	**(812)**	(496)
Income tax benefit	**340**	353	**207**	133
Net loss related to MLC wealth	**(904)**	(815)	**(573)**	(331)
Impairment of goodwill	**(199)**	-	**(199)**	-
Net loss from MLC Wealth discontinued operation	**(1,103)**	(815)	**(772)**	(331)
MLC Life discontinued operation				
Net profit / (loss) from MLC Life discontinued operation	**168**	(289)	**63**	105
Net loss from discontinued operations	**(935)**	(1,104)	**(709)**	(226)
Attributable to owners of NAB	**(939)**	(1,107)	**(711)**	(228)
Attributable to non-controlling interests	**4**	3	**2**	2

Cash flows provided by / (used in) discontinued operations

	Year to
	Sep 20
MLC Wealth discontinued operation	$m
Net cash provided by / (used in) operating activities	**(728)**
Net cash provided by / (used in) investing activities	**27**
Net cash provided by / (used in) financing activities	**(71)**
Net cash inflows / (outflows) from MLC Wealth discontinued operation	**(772)**
MLC Life discontinued operation	
Net cash provided by / (used in) operating activities	**(98)**
Net cash inflows / (outflows) from life insurance business discontinued operation	**(98)**

Disposal group held for sale

The major classes of assets and liabilities included in the MLC Wealth disposal group as at 30 September 2020 are summarised below:

	Year to
	Sep 20
MLC Wealth disposal group[3]	$m
Assets	
Cash and liquid assets	**172**
Other financial assets	**226**
Deferred tax assets	**91**
Property, plant and equipment	**1**
Goodwill and other intangibles	**827**
Other assets	**162**
Assets held for sale	**1,479**
Liabilities	
Provisions	**96**
Deferred tax liabilities	**6**
Other liabilities	**119**
Liabilities directly associated with assets held for sale	**221**

As at 30 September 2020, the fair value of total assets in the disposal group held for sale is $1,479 million and the fair value of total liabilities in the disposal group held for sale is $221 million. These fair values are categorised within Level 2 of the fair value hierarchy.

(1) *Prior periods have been restated for the presentation of MLC Wealth as a discontinued operation.*
(2) *Primarily relates to customer-related remediation, MLC Wealth separation costs, the impact of the change in the application of the software capitalisation policy and changes in the provision for litigation.*
(3) *Amounts are shown net of inter-company balances.*

Notes to the Consolidated Financial Statements (continued)

15. Events Subsequent to Reporting Date

On 19 October 2020, the Federal Court of Australia delivered its judgement in proceedings brought by ASIC against NAB in connection with the introducer payments program, imposing a civil penalty of $15 million on NAB. The financial impact has been reflected in the Group's 2020 full year results.

On 5 November 2020, with the prior consent of APRA, NAB announced it would exercise its option to redeem the $1.72 billion NAB CPS II on 17 December 2020. Each NAB CPS II will be redeemed for cash at its par value of $100.

There are no other items, transactions or events of a material or unusual nature that have arisen in the interval between 30 September 2020 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.

Compliance Statement

The preliminary final report for the year ended 30 September 2020 is prepared:

- In accordance with the ASX Listing Rules.
- In accordance with the recognition and measurement requirements of applicable Australian Accounting Standards.
- Based on the financial statements of the Group, which are in the process of being audited.

This report should be read in conjunction with any announcements to the market made by the Group during the period.

Louise Thomson
Company Secretary

5 November 2020

Section 4

Supplementary Information

1. Average Balance Sheet and Related Interest

Average Assets and Interest Income[(1)]

	Year ended Sep 20			Year ended Sep 19		
	Average balance $m	Interest $m	Average rate %	Average balance $m	Interest $m	Average rate %
Average interest earning assets						
Due from other banks						
Australia	21,653	81	0.4	16,537	210	1.3
New Zealand	5,663	36	0.6	3,671	72	2.0
Other International	22,021	159	0.7	14,790	224	1.5
Total due from other banks	49,337	276	0.6	34,998	506	1.4
Marketable debt securities						
Australia	83,472	1,446	1.7	82,062	2,075	2.5
New Zealand	8,669	92	1.1	7,176	144	2.0
Other International	9,768	60	0.6	11,076	116	1.0
Total marketable debt securities	101,909	1,598	1.6	100,314	2,335	2.3
Loans and advances - housing						
Australia	271,394	9,357	3.4	276,267	11,490	4.2
New Zealand	40,178	1,602	4.0	37,333	1,700	4.6
Other International	57	1	1.8	93	4	4.3
Total loans and advances - housing	311,629	10,960	3.5	313,693	13,194	4.2
Loans and advances - non-housing						
Australia	198,611	7,431	3.7	194,534	9,364	4.8
New Zealand	41,731	1,636	3.9	42,213	1,994	4.7
Other International	17,672	477	2.7	15,841	545	3.4
Total loans and advances - non-housing	258,014	9,544	3.7	252,588	11,903	4.7
Other interest earning assets						
Australia	9,979	96	n/a	7,707	165	n/a
New Zealand	1,330	47	n/a	737	44	n/a
Other International	49,481	590	n/a	48,799	1,047	n/a
Total other interest earning assets	60,790	733	n/a	57,243	1,256	n/a
Total average interest earning assets and interest income by:						
Australia	585,109	18,411	3.1	577,107	23,304	4.0
New Zealand	97,571	3,413	3.5	91,130	3,954	4.3
Other International	98,999	1,287	1.3	90,599	1,936	2.1
Total average interest earning assets and interest income	781,679	23,111	3.0	758,836	29,194	3.8

(1) *Information is presented on a continuing operations basis, unless otherwise stated. Prior periods have been restated for the presentation of MLC Wealth as a discontinued operation.*

1. Average Balance Sheet and Related Interest (continued)

Average Assets

	Year ended Sep 20 $m	Year ended Sep 19 $m
Average non-interest earning assets		
Investments relating to life insurance business		
New Zealand	**98**	96
Total investments relating to life insurance business	**98**	96
Other assets	**99,687**	80,616
Total average non-interest earning assets	**99,785**	80,712
Provision for credit impairment		
Australia	**(3,730)**	(3,054)
New Zealand	**(704)**	(582)
Other International	**(46)**	(50)
Total provision for credit impairment	**(4,480)**	(3,686)
Total average assets	**876,984**	835,862

1. Average Balance Sheet and Related Interest (continued)

Average Liabilities and Interest Expense[(1)]

	Year ended Sep 20			Year ended Sep 19		
	Average balance $m	Interest $m	Average rate %	Average balance $m	Interest $m	Average rate %
Average interest bearing liabilities						
Due to other banks						
Australia	22,684	110	0.5	21,802	309	1.4
New Zealand	2,845	7	0.2	2,418	18	0.7
Other International	17,914	151	0.8	14,513	311	2.1
Total due to other banks	43,443	268	0.6	38,733	638	1.6
On-demand and short-term deposits						
Australia	202,991	1,105	0.5	174,382	2,057	1.2
New Zealand	24,283	96	0.4	20,527	175	0.9
Other International	5,830	32	0.5	5,001	86	1.7
Total on-demand and short-term deposits	233,104	1,233	0.5	199,910	2,318	1.2
Certificates of deposit						
Australia	30,633	239	0.8	32,287	635	2.0
New Zealand	1,623	17	1.0	1,638	29	1.8
Other International	10,816	150	1.4	10,113	184	1.8
Total certificates of deposit	43,072	406	0.9	44,038	848	1.9
Term deposits						
Australia	110,280	1,666	1.5	128,627	3,198	2.5
New Zealand	31,462	838	2.7	32,594	1,087	3.3
Other International	5,890	81	1.4	7,405	165	2.2
Total term deposits	147,632	2,585	1.8	168,626	4,450	2.6
Other borrowings						
Australia	25,786	445	1.7	22,897	673	2.9
New Zealand	3,564	54	1.5	2,694	70	2.6
Other International	27,866	455	1.6	32,191	932	2.9
Total other borrowings	57,216	954	1.7	57,782	1,675	2.9
Bonds, notes and subordinated debt						
Australia	122,124	1,782	1.5	126,875	3,472	2.7
New Zealand	21,201	357	1.7	20,878	550	2.6
Other International	18,755	523	2.8	19,730	550	2.8
Total bonds, notes and subordinated debt	162,080	2,662	1.6	167,483	4,572	2.7
Other interest bearing liabilities						
Australia	9,273	1,112	n/a	8,272	1,138	n/a
New Zealand	266	6	n/a	-	-	n/a
Other International	291	8	n/a	-	-	n/a
Total other interest bearing liabilities	9,830	1,126	n/a	8,272	1,138	n/a
Total average interest bearing liabilities and interest expense by:						
Australia	523,771	6,459	1.2	515,142	11,482	2.2
New Zealand	85,244	1,375	1.6	80,749	1,929	2.4
Other International	87,362	1,400	1.6	88,953	2,228	2.5
Total average interest bearing liabilities and interest expense	696,377	9,234	1.3	684,844	15,639	2.3

(1) *Information is presented on a continuing operations basis, unless otherwise stated. Prior periods have been restated for the presentation of MLC Wealth as a discontinued operation.*

1. Average Balance Sheet and Related Interest (continued)

Average Liabilities and Equity

	Year ended	
	Sep 20 $m	**Sep 19 $m**
Average non-interest bearing liabilities		
Deposits not bearing interest		
Australia[(1)]	**53,583**	46,270
New Zealand	**6,885**	5,656
Other International	**4**	5
Total deposits not bearing interest	**60,472**	51,931
Other liabilities	**61,478**	45,363
Total average non-interest bearing liabilities	**121,950**	97,294
Total average liabilities	**818,327**	782,138
Average equity		
Total equity (parent entity interest)	**58,655**	53,715
Non-controlling interest in controlled entities	**2**	9
Total average equity	**58,657**	53,724
Total average liabilities and equity	**876,984**	835,862

(1) *Includes $30,505 million (September 2019: $28,875 million) of mortgage offset accounts.*

1. Average Balance Sheet and Related Interest (continued)

Average Assets and Interest Income[1]

	Half Year ended Sep 20			Half Year ended Mar 20		
	Average balance $m	Interest $m	Average rate %	Average balance $m	Interest $m	Average rate %
Average interest earning assets						
Due from other banks						
Australia	23,192	21	0.2	20,114	61	0.6
New Zealand	6,883	9	0.3	4,443	27	1.2
Other International	25,291	36	0.3	18,750	122	1.3
Total due from other banks	55,366	66	0.2	43,307	210	1.0
Marketable debt securities						
Australia	84,127	627	1.5	82,816	819	2.0
New Zealand	10,081	37	0.7	7,258	55	1.5
Other International	9,628	24	0.5	9,908	37	0.7
Total marketable debt securities	103,836	688	1.3	99,982	911	1.8
Loans and advances - housing						
Australia	270,088	4,366	3.2	272,701	4,991	3.7
New Zealand	40,361	760	3.8	39,995	841	4.2
Other International	49	1	4.1	64	1	3.1
Total loans and advances - housing	310,498	5,127	3.3	312,760	5,833	3.7
Loans and advances - non-housing						
Australia	200,118	3,394	3.4	197,104	4,037	4.1
New Zealand	40,578	725	3.6	42,885	911	4.2
Other International	17,649	203	2.3	17,693	274	3.1
Total loans and advances - non-housing	258,345	4,322	3.3	257,682	5,222	4.1
Other interest earning assets						
Australia	12,547	26	n/a	7,410	69	n/a
New Zealand	1,264	24	n/a	1,396	23	n/a
Other International	48,034	123	n/a	50,929	467	n/a
Total other interest earning assets	61,845	173	n/a	59,735	559	n/a
Total average interest earning assets and interest income by:						
Australia	590,072	8,434	2.9	580,145	9,977	3.4
New Zealand	99,167	1,555	3.1	95,977	1,857	3.9
Other International	100,651	387	0.8	97,344	901	1.9
Total average interest earning assets and interest income	789,890	10,376	2.6	773,466	12,735	3.3

(1) *Information is presented on a continuing operations basis, unless otherwise stated. Prior periods have been restated for the presentation of MLC Wealth as a discontinued operation.*

1. Average Balance Sheet and Related Interest (continued)

Average Assets

	Half Year ended	
	Sep 20 $m	Mar 20 $m
Average non-interest earning assets		
Investments relating to life insurance business		
New Zealand	**102**	89
Total investments relating to life insurance business	**102**	89
Other assets	**107,131**	92,248
Total average non-interest earning assets	**107,233**	92,337
Provision for credit impairment		
Australia	**(4,218)**	(3,242)
New Zealand	**(775)**	(634)
Other International	**(44)**	(47)
Total provision for credit impairment	**(5,037)**	(3,923)
Total average assets	**892,086**	861,880

1. Average Balance Sheet and Related Interest (continued)

Average Liabilities and Interest Expense[(1)]

	Half Year ended Sep 20			Half Year ended Mar 20		
	Average balance $m	Interest $m	Average rate %	Average balance $m	Interest $m	Average rate %
Average interest bearing liabilities						
Due to other banks						
Australia	23,439	26	0.2	21,928	84	0.8
New Zealand	3,143	1	0.1	2,547	5	0.4
Other International	18,664	32	0.3	17,166	120	1.4
Total due to other banks	45,246	59	0.3	41,641	209	1.0
On-demand and short-term deposits						
Australia	219,232	434	0.4	186,750	670	0.7
New Zealand	26,153	30	0.2	22,413	66	0.6
Other International	5,791	2	0.1	5,869	30	1.0
Total on-demand and short-term deposits	251,176	466	0.4	215,032	766	0.7
Certificates of deposit						
Australia	30,661	72	0.5	30,605	167	1.1
New Zealand	1,638	7	0.9	1,607	11	1.4
Other International	9,691	37	0.8	11,942	113	1.9
Total certificates of deposit	41,990	116	0.6	44,154	291	1.3
Term deposits						
Australia	104,388	641	1.2	116,173	1,025	1.8
New Zealand	30,083	357	2.4	32,842	481	2.9
Other International	5,813	26	0.9	5,965	55	1.8
Total term deposits	140,284	1,024	1.5	154,980	1,561	2.0
Other borrowings						
Australia	22,066	116	1.1	29,506	329	2.2
New Zealand	3,014	13	0.9	4,115	41	2.0
Other International	26,938	71	0.5	28,792	384	2.7
Total other borrowings	52,018	200	0.8	62,413	754	2.4
Bonds, notes and subordinated debt						
Australia	117,870	597	1.0	126,378	1,185	1.9
New Zealand	21,399	146	1.4	21,002	211	2.0
Other International	17,630	247	2.8	19,881	275	2.8
Total bonds, notes and subordinated debt	156,899	990	1.3	167,261	1,671	2.0
Other interest bearing liabilities						
Australia	9,218	526	n/a	9,330	587	n/a
New Zealand	334	3	n/a	196	3	n/a
Other International	198	3	n/a	383	5	n/a
Total other interest bearing liabilities	9,750	532	n/a	9,909	595	n/a
Total average interest bearing liabilities and interest expense by:						
Australia	526,874	2,412	0.9	520,670	4,047	1.6
New Zealand	85,764	557	1.3	84,722	818	1.9
Other International	84,725	418	1.0	89,998	982	2.2
Total average interest bearing liabilities and interest expense	697,363	3,387	1.0	695,390	5,847	1.7

(1) *Information is presented on a continuing operations basis, unless otherwise stated. Prior periods have been restated for the presentation of MLC Wealth as a discontinued operation.*

1. Average Balance Sheet and Related Interest (continued)

Average Liabilities and Equity

	Half Year ended	
	Sep 20 $m	Mar 20 $m
Average non-interest bearing liabilities		
Deposits not bearing interest		
Australia[1]	**57,518**	49,648
New Zealand	**7,461**	6,309
Other International	**3**	6
Total deposits not bearing interest	**64,982**	55,963
Other liabilities	**68,918**	53,948
Total average non-interest bearing liabilities	**133,900**	109,911
Total average liabilities	**831,263**	805,301
Average equity		
Total equity (parent entity interest)	**60,821**	56,577
Non-controlling interest in controlled entities	**2**	2
Total average equity	**60,823**	56,579
Total average liabilities and equity	**892,086**	861,880

2. Net Interest Margins and Spreads[2]

	Year to			Half Year to		
Group	Sep 20 %	Sep 19 %	Sep 20 v Sep 19	Sep 20 %	Mar 20 %	Sep 20 v Mar 20
Net interest spread	**1.63**	1.56	7 bps	**1.66**	1.61	5 bps
Benefit of net free liabilities, provisions and equity	**0.15**	0.23	(8 bps)	**0.11**	0.17	(6 bps)
Net interest margin - statutory basis	**1.78**	1.79	(1 bp)	**1.77**	1.78	(1 bp)

(1) *Includes $31,356 million (March 2020: $29,654 million) of mortgage offset accounts.*
(2) *Information is presented on a statutory basis, compared to Section 1 Net interest margin which is prepared on a cash earnings basis.*

3. Capital Adequacy

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

	As at		
	30 Sep 20 $m	**31 Mar 20 $m**	**30 Sep 19 $m**
Contributed equity	**45,476**	41,193	38,707
Reserves	**99**	870	306
Retained profits	**15,717**	16,314	16,583
Non-controlling interest in controlled entities	**1**	1	8
Total equity per consolidated balance sheet	**61,293**	58,378	55,604
Additional Tier 1 capital classified as equity before application of transitional arrangements	**(1,945)**	(1,945)	(1,945)
Adjustments between the Group and Level 2 regulatory group balance sheets	**(200)**	(193)	(253)
Common Equity Tier 1 capital before regulatory adjustments	**59,148**	56,240	53,406
Goodwill and other intangible assets, net of tax	**(2,676)**	(2,877)	(2,876)
Investment in non-consolidated controlled entities	**(417)**	(417)	(416)
Deferred tax assets in excess of deferred tax liabilities	**(3,164)**	(2,690)	(2,296)
Capitalised expenses and deferred fee income	**(776)**	(745)	(698)
Software, net of tax	**(2,372)**	(2,324)	(2,878)
Defined benefit superannuation plan asset, net of tax	**(31)**	(33)	(34)
Change in own creditworthiness, net of tax	**64**	(881)	(19)
Cash flow hedge reserve	**(307)**	(601)	(201)
Equity exposures	**(575)**	(503)	(670)
Expected loss in excess of eligible provisions	**(94)**	(69)	(74)
Other	**(50)**	(140)	(106)
Common Equity Tier 1 capital	**48,750**	44,960	43,138
Basel III eligible Additional Tier 1 capital instruments	**6,190**	5,590	6,433
Transitional Additional Tier 1 capital instruments	**1,211**	1,211	1,817
Regulatory adjustments to Additional Tier 1 capital	**(20)**	-	-
Additional Tier 1 capital	**7,381**	6,801	8,250
Tier 1 capital	**56,131**	51,761	51,388
Basel III eligible Tier 2 capital instruments	**11,388**	9,031	8,527
Transitional Tier 2 capital instruments	**788**	814	472
Basel III eligible Tier 2 capital instruments issued by subsidiaries and held by third parties	**393**	437	422
IRB approach surplus provisions on non-defaulted exposures	**1,983**	1,199	281
Standardised approach general reserve for credit losses	**75**	61	46
Regulatory adjustments to Tier 2 capital	**(93)**	(100)	(90)
Tier 2 capital	**14,534**	11,442	9,658
Total capital	**70,665**	63,203	61,046
Risk-weighted assets			
Credit risk	**353,991**	364,550	351,646
Market risk	**12,678**	10,035	10,023
Operational risk	**49,993**	50,604	47,698
Interest rate risk in the banking book	**8,485**	7,477	6,404
Total risk-weighted assets	**425,147**	432,666	415,771
Risk-based regulatory capital ratios			
Common Equity Tier 1	**11.47%**	10.39%	10.38%
Tier 1	**13.20%**	11.96%	12.36%
Total capital	**16.62%**	14.61%	14.68%

3. Capital Adequacy (continued)

	Risk-Weighted Assets as at		
	30 Sep 20 $m	**31 Mar 20 $m**	**30 Sep 19 $m**
Credit risk			
Subject to the internal ratings-based approach			
Corporate (including Small and Medium Enterprises (SME))	**132,922**	135,362	127,049
Sovereign	**2,143**	1,489	1,407
Bank	**8,856**	10,120	10,430
Residential mortgage	**106,269**	108,108	106,209
Qualifying revolving retail	**2,524**	3,258	3,494
Retail SME	**5,983**	6,326	6,467
Other retail	**2,281**	3,002	3,104
Total internal ratings-based approach	**260,978**	267,665	258,160
Specialised lending	**59,465**	59,632	58,320
Subject to standardised approach			
Residential mortgage	**1,296**	1,359	1,560
Corporate	**4,355**	4,720	4,798
Other	**418**	440	472
Total standardised approach	**6,069**	6,519	6,830
Other			
Securitisation exposures	**5,237**	5,197	4,865
Credit value adjustment	**12,703**	15,596	15,006
Central counterparty default fund contribution guarantee	**83**	137	306
Other[1]	**9,456**	9,804	8,159
Total other	**27,479**	30,734	28,336
Total credit risk	**353,991**	364,550	351,646
Market risk	**12,678**	10,035	10,023
Operational risk	**49,993**	50,604	47,698
Interest rate risk in the banking book	**8,485**	7,477	6,404
Total risk-weighted assets	**425,147**	432,666	415,771

(1) *Other includes non-lending assets and risk-weighted assets overlay adjustments for regulatory prescribed methodology requirements.*

4. Earnings Per Share

	Year to			
	Basic		Diluted	
Earnings per share	**Sep 20**	**Sep 19**	**Sep 20**	**Sep 19**
Earnings ($m)				
Net profit attributable to owners of NAB	**2,559**	4,798	**2,559**	4,798
Distributions on other equity instruments	**(39)**	(83)	**(39)**	(83)
Potential dilutive adjustments (after tax)				
Interest expense on convertible notes	**-**	-	**162**	165
Interest expense on convertible preference shares(1)	**-**	-	**-**	90
Adjusted earnings	**2,520**	4,715	**2,682**	4,970
Net loss from discontinued operations attributable to owners of NAB	**939**	1,107	**939**	1,107
Adjusted earnings from continuing operations(2)	**3,459**	5,822	**3,621**	6,077
Weighted average number of ordinary shares (millions)				
Weighted average number of ordinary shares (net of treasury shares)	**3,068**	2,797	**3,068**	2,797
Potential dilutive weighted average number of ordinary shares				
Convertible notes	**-**	-	**258**	133
Convertible preference shares(1)	**-**	-	**-**	88
Share-based payments	**-**	-	**7**	6
Total weighted average number of ordinary shares	**3,068**	2,797	**3,333**	3,024
Earnings per share (cents) attributable to owners of NAB	**82.1**	168.6	**80.5**	164.4
Earnings per share (cents) from continuing operations	**112.7**	208.2	**108.6**	201.0

	Half Year to			
	Basic		Diluted	
Earnings per share	**Sep 20**	**Mar 20**	**Sep 20**	**Mar 20**
Earnings ($m)				
Net profit attributable to owners of NAB	**1,246**	1,313	**1,246**	1,313
Distributions on other equity instruments	**(17)**	(22)	**(17)**	(22)
Potential dilutive adjustments (after tax)				
Interest expense on convertible notes	**-**	-	**70**	92
Interest expense on convertible preference shares(1)	**-**	-	**-**	27
Adjusted earnings	**1,229**	1,291	**1,299**	1,410
Net loss from discontinued operations attributable to owners of NAB	**711**	228	**711**	228
Adjusted earnings from continuing operations(2)	**1,940**	1,519	**2,010**	1,638
Weighted average number of ordinary shares (millions)				
Weighted average number of ordinary shares (net of treasury shares)	**3,217**	2,919	**3,217**	2,919
Potential dilutive weighted average number of ordinary shares				
Convertible notes	**-**	-	**238**	279
Convertible preference shares(1)	**-**	-	**-**	100
Share-based payments	**-**	-	**4**	8
Total weighted average number of ordinary shares	**3,217**	2,919	**3,459**	3,306
Earnings per share (cents) attributable to owners of NAB	**38.2**	44.2	**37.6**	42.6
Earnings per share (cents) from continuing operations	**60.3**	52.0	**58.1**	49.5

(1) *Convertible preference shares have been excluded from the calculation of diluted earnings per share in the current period as the conversion conditions have not been met as at 30 September 2020.*
(2) *Information is presented on a continuing operations basis, unless otherwise stated. Prior periods have been restated for the presentation of MLC Wealth as a discontinued operation.*

4. Earnings Per Share (continued)

Cash earnings per share	Year to Basic Sep 20	Basic Sep 19	Diluted Sep 20	Diluted Sep 19
Earnings ($m)				
Cash earnings[1]	**3,710**	5,853	**3,710**	5,853
Potential dilutive adjustments (after tax)				
Interest expense on convertible notes	**-**	-	**162**	165
Interest expense on convertible preference shares[2]	**-**	-	**-**	90
Adjusted cash earnings	**3,710**	5,853	**3,872**	6,108
Weighted average number of ordinary shares (millions)				
Weighted average number of ordinary shares (net of treasury shares)	**3,068**	2,797	**3,068**	2,797
Potential dilutive weighted average number of ordinary shares				
Convertible notes	**-**	-	**258**	133
Convertible preference shares[2]	**-**	-	**-**	88
Share-based payments	**-**	-	**7**	6
Total weighted average number of ordinary shares	**3,068**	2,797	**3,333**	3,024
Earnings per share (cents) attributable to owners of NAB	**120.9**	209.3	**116.2**	202.0

Cash earnings per share	Half Year to Basic Sep 20	Basic Mar 20	Diluted Sep 20	Diluted Mar 20
Earnings ($m)				
Cash earnings[1]	**1,994**	1,716	**1,994**	1,716
Potential dilutive adjustments (after tax)				
Interest expense on convertible notes	**-**	-	**70**	92
Interest expense on convertible preference shares[2]	**-**	-	**-**	27
Adjusted cash earnings	**1,994**	1,716	**2,064**	1,835
Weighted average number of ordinary shares (millions)				
Weighted average number of ordinary shares (net of treasury shares)	**3,217**	2,919	**3,217**	2,919
Potential dilutive weighted average number of ordinary shares				
Convertible notes	**-**	-	**238**	279
Convertible preference shares[2]	**-**	-	**-**	100
Share-based payments	**-**	-	**4**	8
Total weighted average number of ordinary shares	**3,217**	2,919	**3,459**	3,306
Earnings per share (cents) attributable to owners of NAB	**62.0**	58.8	**59.7**	55.5

5. Net Tangible Assets

	As at 30 Sep 20	31 Mar 20	30 Sep 19
Net tangible assets per ordinary share ($)[3]	**16.88**	17.34	16.68

(1) Refer to Section 4 Reconciliation between statutory net profit (after tax) from continuing operations and cash earnings for further information.
(2) Convertible preference shares have been excluded from the calculation of diluted earnings per share in the current period as the conversion conditions have not been met as at 30 September 2020.
(3) Represents net assets excluding intangible assets, non-controlling interests, preference shares and other equity instruments divided by ordinary shares on issue at the end of the period.

6. Asset Funding

Core assets	30 Sep 20 $m	31 Mar 20 $m	30 Sep 19 $m	Sep 20 v Sep 19 %	Sep 20 v Mar 20 %
Loans and advances at amortised cost	**588,715**	606,939	592,101	(0.6)	(3.0)
Loans and advances at fair value	**3,860**	5,214	6,761	(42.9)	(26.0)
Acceptances	**1,477**	2,010	2,490	(40.7)	(26.5)
Other debt instruments at amortised cost	**345**	367	366	(5.7)	(6.0)
Total core assets	**594,397**	614,530	601,718	(1.2)	(3.3)
Funding and equity					
Customer deposits	**468,224**	447,197	424,612	10.3	4.7
Term wholesale funding	**156,778**	181,341	176,334	(11.1)	(13.5)
Certificates of deposit	**35,564**	43,285	40,875	(13.0)	(17.8)
Securities sold under agreements to repurchase	**25,127**	30,459	31,362	(19.9)	(17.5)
Due to other banks[1]	**50,556**	53,076	34,273	47.5	(4.7)
Other short-term liabilities	**24,967**	33,884	33,864	(26.3)	(26.3)
Total equity excluding preference shares and other contributed equity	**59,347**	56,433	53,659	10.6	5.2
Total funding liabilities and equity	**820,563**	845,675	794,979	3.2	(3.0)
Other liabilities					
Trading instruments	**30,021**	56,669	34,318	(12.5)	(47.0)
Hedging derivatives	**2,255**	6,664	4,037	(44.1)	(66.2)
Other liabilities	**13,726**	18,620	13,790	(0.5)	(26.3)
Total liabilities and equity	**866,565**	927,628	847,124	2.3	(6.6)

(Columns 30 Sep 20, 31 Mar 20 and 30 Sep 19 are "As at".)

Funded Balance Sheet

Funding sources[2]	30 Sep 20 $m	31 Mar 20 $m	30 Sep 19 $m	Sep 20 v Sep 19 %	Sep 20 v Mar 20 %
Stable customer deposits[3]	**425,188**	410,498	385,638	10.3	3.6
Term wholesale funding with greater than 12 months to maturity	**120,209**	143,905	139,067	(13.6)	(16.5)
Term funding facility	**14,270**	-	-	large	large
Equity	**59,347**	56,433	53,659	10.6	5.2
Total stable funding	**619,014**	610,836	578,364	7.0	1.3
Short-term wholesale funding	**83,572**	106,494	93,632	(10.7)	(21.5)
Term wholesale funding with less than 12 months to maturity	**36,569**	37,436	37,267	(1.9)	(2.3)
Other deposits[4]	**43,036**	36,699	38,974	10.4	17.3
Total funding	**782,191**	791,465	748,237	4.5	(1.2)
Funded assets					
Liquid assets[5]	**170,141**	154,118	129,578	31.3	10.4
Other short-term assets[6]	**16,478**	21,086	17,403	(5.3)	(21.9)
Total short-term assets	**186,619**	175,204	146,981	27.0	6.5
Business and other lending[7]	**248,851**	263,188	252,785	(1.6)	(5.4)
Housing lending	**341,729**	346,044	343,915	(0.6)	(1.2)
Other assets[8]	**4,992**	7,029	4,556	9.6	(29.0)
Total long-term assets	**595,572**	616,261	601,256	(0.9)	(3.4)
Total funded assets	**782,191**	791,465	748,237	4.5	(1.2)

(Columns 30 Sep 20, 31 Mar 20 and 30 Sep 19 are "As at".)

(1) *Includes repurchase agreements due to other banks.*
(2) *Excludes repurchase agreements, trading and hedging derivatives, and any accruals, receivables and payables that do not provide net funding.*
(3) *Includes operational deposits, non-financial corporate deposits and retail / SME deposits. Excludes certain offshore deposits.*
(4) *Includes non-operational financial institution deposits and certain offshore deposits.*
(5) *Market value of liquid assets including HQLA and non-HQLA securities that are central bank repo-eligible.*
(6) *Includes trade finance loans.*
(7) *Excludes trade finance loans.*
(8) *Includes net derivatives, goodwill, property, plant and equipment and net of accruals, receivables and payables.*

7. Number of Ordinary Shares

	Year to Sep 20 No. '000	Year to Sep 19 No. '000
Ordinary shares, fully paid		
Balance at beginning of period	**2,883,019**	2,734,119
Shares issued:		
Institutional share placement	**212,014**	-
Retail share purchase plan	**88,337**	-
Conversion of convertible preferences shares and convertible notes	**35,141**	30,185
Dividend reinvestment plan	**39,745**	73,265
Dividend reinvestment plan underwritten allotments	**26,898**	38,053
Bonus share plan	**1,445**	2,307
Share-based payments	**3,494**	5,084
Paying up of partly paid shares	**-**	6
Total ordinary shares, fully paid	**3,290,093**	2,883,019
Ordinary shares, partly paid to 25 cents		
Balance at beginning of period	**19**	25
Paying up of partly paid shares	**-**	(6)
Total ordinary shares, partly paid to 25 cents	**19**	19
Total ordinary shares (including treasury shares)	**3,290,112**	2,883,038
Less: Treasury shares	**(5,572)**	(7,524)
Total ordinary shares (excluding treasury shares)	**3,284,540**	2,875,514

	Half Year to Sep 20 No. '000	Half Year to Mar 20 No. '000
Ordinary shares, fully paid		
Balance at beginning of period	**2,984,149**	2,883,019
Shares issued:		
Institutional shares placement	**212,014**	-
Retail share purchase plan	**88,337**	-
Conversion of convertible preference shares and convertible notes	**-**	35,141
Dividend reinvestment plan	**4,738**	35,007
Dividend reinvestment plan underwritten allotments	**-**	26,898
Bonus share plan	**516**	929
Share-based payments	**339**	3,155
Total ordinary shares, fully paid	**3,290,093**	2,984,149
Ordinary shares, partly paid to 25 cents		
Balance at beginning of period	**19**	19
Total ordinary shares, partly paid to 25 cents	**19**	19
Total ordinary shares (including treasury shares)	**3,290,112**	2,984,168
Less: Treasury shares	**(5,572)**	(5,584)
Total ordinary shares (excluding treasury shares)	**3,284,540**	2,978,584

8. Non-cash Earnings Items

Distributions

Distributions relating to hybrid equity instruments are treated as an expense for cash earnings purposes and as a reduction in equity (dividend) for statutory reporting purposes. The distributions on other equity instruments are set out in Section 3, *Note 6 Dividends and distributions*. The effect of this in the September 2020 full year is to reduce cash earnings by $39 million.

Fair Value and Hedge Ineffectiveness

Fair value and hedge ineffectiveness causes volatility in statutory profit, which is excluded from cash earnings as it is income neutral over the full term of the transactions. This arises from fair value movements relating to trading derivatives held for risk management purposes; fair value movements relating to assets, liabilities and derivatives designated in hedge relationships; and fair value movements relating to assets and liabilities designated at fair value.

In the September 2020 full year, there was a decrease in statutory profit of $39 million ($34 million after tax) from fair value and hedge ineffectiveness.

The decrease in the current period relates to mark-to-market losses on derivatives used to hedge the Group's long-term funding issuances.

Amortisation and Impairment of Acquired Intangible Assets

The amortisation and impairment of acquired intangibles represents the amortisation and impairment of intangible assets arising from the acquisition of controlled entities and associates such as management agreements and contracts in force. In the September 2020 full year, there was a decrease in statutory profit of $219 million ($217 million after tax) due to the amortisation and impairment of acquired intangible assets.

9. Reconciliation between Statutory Net Profit (after Tax) from Continuing Operations and Cash Earnings(1)

Year ended 30 September 2020	Statutory net profit from continuing operations $m	Expenses reclassification adj.(2) $m	Distributions $m	Fair value and hedge ineffec. $m	Amortisation and impairment of acquired intangible assets $m	Cash earnings $m
Net interest income(3)	13,877	-	-	(6)	-	**13,871**
Other operating income(3)	3,384	(125)	-	55	5	**3,319**
Net operating income	17,261	(125)	-	49	5	**17,190**
Operating expenses(3)	(9,346)	125	-	-	214	**(9,007)**
Profit before credit impairment charge	7,915	-	-	49	219	**8,183**
Credit impairment charge	(2,752)	-	-	(10)	-	**(2,762)**
Profit before tax	5,163	-	-	39	219	**5,421**
Income tax expense	(1,665)	-	-	(5)	(2)	**(1,672)**
Net profit on continuing operations before distributions	3,498	-	-	34	217	**3,749**
Distributions	-	-	(39)	-	-	**(39)**
Net profit / (loss) attributable to owners of NAB from continuing operations	**3,498**	**-**	**(39)**	**34**	**217**	**3,710**

Year ended 30 September 2019	Statutory net profit from continuing operations $m	Expenses reclassification adj.(4) $m	Distributions $m	Fair value and hedge ineffec. $m	Amortisation and impairment of acquired intangible assets $m	Cash earnings $m
Net interest income(3)	13,555	(8)	-	(5)	-	**13,542**
Other operating income(3)	3,980	(115)	-	15	12	**3,892**
Net operating income	17,535	(123)	-	10	12	**17,434**
Operating expenses(3)	(8,263)	125	-	-	(2)	**(8,140)**
Profit before credit impairment charge	9,272	2	-	10	10	**9,294**
Credit impairment (charge) / write-back	(927)	-	-	8	-	**(919)**
Profit before tax	8,345	2	-	18	10	**8,375**
Income tax (expense) / benefit	(2,440)	(2)	-	6	(3)	**(2,439)**
Net profit on continuing operations before distributions	5,905	-	-	24	7	**5,936**
Distributions	-	-	(83)	-	-	**(83)**
Net profit / (loss) attributable to owners of NAB from continuing operations	**5,905**	**-**	**(83)**	**24**	**7**	**5,853**

(1) *Information is presented on a continuing operations basis, unless otherwise stated. Prior periods have been restated for the presentation of MLC Wealth as a discontinued operation.*
(2) *In the cash earnings view, volume-related expenses for JBWere and BNZ Investment Services Limited, and BNZ Life Insurance are reclassified between operating expenses with other operating income.*
(3) *Includes large notable items. Refer to Section 1 Large notable items for further information.*
(4) *In the cash earnings view, volume-related expenses for JBWere and BNZ Investment Services Limited, and BNZ Life Insurance are reclassified between operating expenses and net interest income with other operating income.*

9. Reconciliation between Statutory Net Profit (after Tax) from Continuing Operations and Cash Earnings (continued)[1]

Half Year ended 30 September 2020	Statutory net profit from continuing operations $m	Expenses reclassification adj.[2] $m	Distributions $m	Fair value and hedge ineffec. $m	Cash earnings $m
Net interest income[3]	6,989	-	-	(4)	**6,985**
Other operating income[3]	1,830	(63)	-	83	**1,850**
Net operating income	8,819	(63)	-	79	**8,835**
Operating expenses[3]	(4,323)	63	-	-	**(4,260)**
Profit before credit impairment charge	4,496	-	-	79	**4,575**
Credit impairment charge	(1,585)	-	-	(16)	**(1,601)**
Profit before tax	2,911	-	-	63	**2,974**
Income tax expense	(954)	-	-	(9)	**(963)**
Net profit on continuing operations before distributions	1,957	-	-	54	**2,011**
Distributions	-	-	(17)	-	**(17)**
Net profit / (loss) attributable to owners of NAB from continuing operations	**1,957**	**-**	**(17)**	**54**	**1,994**

Half Year ended 31 March 2020	Statutory net profit from continuing operations $m	Expenses reclassification adj.[2] $m	Distributions $m	Fair value and hedge ineffec. $m	Amortisation and impairment of acquired intangible assets $m	Cash earnings $m
Net interest income[3]	6,888	-	-	(2)	-	**6,886**
Other operating income[3]	1,554	(62)	-	(28)	5	**1,469**
Net operating income	8,442	(62)	-	(30)	5	**8,355**
Operating expenses[3]	(5,023)	62	-	-	214	**(4,747)**
Profit / (loss) before credit impairment charge	3,419	-	-	(30)	219	**3,608**
Credit impairment (charge) / write-back	(1,167)	-	-	6	-	**(1,161)**
Profit / (loss) before tax	2,252	-	-	(24)	219	**2,447**
Income tax (expense) / benefit	(711)	-	-	4	(2)	**(709)**
Net profit / (loss) on continuing operations before distributions	1,541	-	-	(20)	217	**1,738**
Distributions	-	-	(22)	-	-	**(22)**
Net profit / (loss) attributable to owners of NAB from continuing operations	**1,541**	**-**	**(22)**	**(20)**	**217**	**1,716**

(1) *Information is presented on a continuing operations basis, unless otherwise stated. Prior periods have been restated for the presentation of MLC Wealth as a discontinued operation.*

(2) *In the cash earnings view, volume-related expenses for JBWere and BNZ Investment Services Limited, and BNZ Life Insurance are reclassified between operating expenses with other operating income.*

(3) *Includes large notable items. Refer to Section 1 Large notable items for further information.*

10. Impact of Exchange Rate Movements on Group Results[1]

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 full year ended 30 September 2020 is translated at average foreign exchange rates for the year ended 30 September 2019 and the half year ended 30 September 2020 is translated at average foreign exchange rates for the half year ended 31 March 2020.

	Year to			**Half Year to**		
Cash Earnings	**Sep 20 v Sep 19 %**	**FX $m**	**Sep 20 v Sep 19 Ex FX %**	**Sep 20 v Mar 20 %**	**FX $m**	**Sep 20 v Mar 20 Ex FX %**
Net interest income	2.4	3	**2.4**	1.4	(24)	**1.8**
Other operating income	(14.7)	23	**(15.3)**	25.9	(17)	**27.1**
Net operating income	(1.4)	26	**(1.5)**	5.7	(41)	**6.2**
Operating expenses	10.7	(10)	**10.5**	(10.3)	17	**(9.9)**
Underlying profit	(12.0)	16	**(12.1)**	26.8	(24)	**27.5**
Credit impairment charge	200.5	-	**200.5**	37.9	3	**38.2**
Cash earnings before tax and distributions	(35.3)	16	**(35.5)**	21.5	(21)	**22.4**
Income tax expense	(31.4)	(2)	**(31.5)**	35.8	6	**36.7**
Cash earnings before distributions	(36.8)	14	**(37.1)**	15.7	(15)	**16.6**
Distributions	(53.0)	(2)	**(55.4)**	(22.7)	1	**(18.2)**
Cash earnings	(36.6)	12	**(36.8)**	16.2	(14)	**17.0**

11. Exchange Rates

	Income statement - average				**Balance sheet - spot**		
	Year to		**Half Year to**		**As at**		
One Australian dollar equals	**Sep 20**	**Sep 19**	**Sep 20**	**Mar 20**	**30 Sep 20**	**31 Mar 20**	**30 Sep 19**
British pounds	**0.5322**	0.5514	**0.5413**	0.5228	**0.5540**	0.5011	0.5491
Euros	**0.6056**	0.6238	**0.6041**	0.6071	**0.6061**	0.5613	0.6172
United States dollars	**0.6787**	0.7039	**0.6861**	0.6711	**0.7107**	0.6183	0.6749
New Zealand dollars	**1.0606**	1.0575	**1.0720**	1.0493	**1.0801**	1.0260	1.0785

12. ASX Appendix 4E

(1) *Information is presented on a continuing operations basis, unless otherwise stated. Prior periods have been restated for the presentation of MLC Wealth as a discontinued operation.*

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Section 5

Glossary of Terms

Glossary of Terms

Terms	Description
12-months expected credit losses (ECL)	The portion of lifetime expected credit losses that represent the expected losses arising from default events that could occur within 12 months of the reporting date.
90+ days past due (DPD) and gross impaired assets to GLAs	Loans and advances 90+ DPD but not impaired and impaired assets expressed as a percentage of gross loans and acceptances. Calculated as the sum of ‘Loans and advances past due but not impaired (past due over 90 days)’ and ‘Gross impaired assets’ divided by gross loans and acceptances.
90+ DPD assets	90+ DPD assets consist of well-secured assets that are more than 90 days past due and portfolio-managed facilities that are not well secured and between 90 and 180 days past due.
AASB	Australian Accounting Standards Board.
ADI	Authorised Deposit-taking Institution.
APRA	Australian Prudential Regulation Authority.
APS	Prudential Standards issued by APRA applicable to ADIs.
ASIC	Australian Securities and Investments Commission.
ASX	Australian Securities Exchange Limited (or the market operated by it).
Available Stable Funding (ASF)	The portion of an ADI's capital and liabilities expected to be a reliable source of funds over a one-year time horizon.
Average equity (adjusted)	Average equity (adjusted) is 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.
Business lending	Lending to non-retail customers including overdrafts, asset and lease financing, term lending, bill acceptances, foreign currency loans, international and trade finance, securitisation and specialised finance.
Cash earnings	Cash earnings is defined as net profit attributable to owners of NAB from continuing operations, adjusted for the items NAB considers appropriate to better reflect the underlying performance of the Group. Cash earnings for the 2020 financial year has been adjusted for the following: - Distributions - Fair value and hedge ineffectiveness - Amortisation and impairment of acquired intangible assets.
Cash earnings on average risk-weighted assets	Calculated as cash earnings (annualised) divided by average risk-weighted assets. Average risk-weighted assets are calculated as the average of the current and previous two quarters' risk-weighted assets.
Cash return on equity	Cash earnings after tax expressed as a percentage of average equity (adjusted), calculated on a cash earnings basis.
Committed Liquidity Facility (CLF)	A facility provided by the RBA to certain ADIs to assist them in meeting the Basel III liquidity requirements.
Common Equity Tier 1 (CET1) capital	The highest quality component of capital. It is subordinated to all other elements of funding, absorbs losses as and when they occur, has full flexibility of dividend payments and has no maturity date. It is predominately comprised 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 ratio	CET1 capital divided by risk-weighted assets.
Continuing operations	Continuing operations are the components of the Group which are not discontinued operations.
Core assets	Represents gross loans and advances including acceptances, financial assets at fair value, and other debt instruments at amortised cost.
Cost to income ratio (CTI)	Represents operating expenses as a percentage of operating revenue.
Customer deposits	The sum of interest bearing, non-interest bearing and term deposits (including retail and corporate deposits).
Customer Funding Index (CFI)	Customer deposits (excluding certain short dated institutional deposits used to fund liquid assets) divided by core assets.
Customer risk management	Activities to support customers to manage their financial risks (predominantly foreign exchange and interest rate risks).
CYBG	Virgin Money UK PLC (formerly CYBG PLC).
Dilutive potential ordinary share	A financial instrument or other contract that may entitle its holder to ordinary shares and which would have the effect of decreasing earnings per share. For the Group, these include convertible preference shares, convertible notes and shares 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, such as National Income Securities and Trust Preferred Securities.
Dividend payout ratio	Dividends paid on ordinary shares divided by cash earnings per share.
Earnings per share (EPS) - basic	Calculated as net profit attributable to ordinary equity holders of the parent (statutory basis) or cash earnings (cash earnings basis) divided by the weighted average number of ordinary shares.
Earnings per share (EPS) - diluted	Calculated as net profit attributable to ordinary equity holders of the parent (statutory basis) or cash earnings (cash earnings basis) divided by the weighted average number of ordinary shares, after adjusting both earnings and the weighted average number of ordinary shares for the impact of dilutive potential ordinary shares.
Effective tax rate	Income tax expense divided by profit before income tax expense.
Fair value	The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at measurement date.
Fair value and hedge ineffectiveness	Represents volatility from the Group’s assets and liabilities designated at fair value, hedge accounting ineffectiveness from designated accounting hedge relationships, or from economic hedges where hedge accounting has not been applied.
Forward looking adjustment (FLA)	The portion of ECL that is derived from the forward looking outlook for targeted sectors.
Full-time equivalent employees (FTEs)	Includes all full-time, part-time, temporary, fixed term and casual employee equivalents, as well as agency temporary employees and external contractors either self-employed or employed by a third party agency. Note: This excludes consultants, IT professional services, outsourced service providers and non-executive directors.
General reserve for credit losses (GRCL)	An estimate of the reasonable and prudent ECL over the remaining life of the portfolio of non-defaulted assets, as set out under APS 220 *Credit Quality*. The GRCL is calculated as a collective provision for credit impairment, excluding securitisation exposures and provisions classified as regulatory specific provisions. Where the GRCL (regulatory reserve) is greater than the accounting provision, the difference is covered with an additional top-up, created through an appropriation of retained profits to a non-distributable reserve.
Gross loans and acceptances (GLAs)	The 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 at fair value' and ‘Total gross loans and advances’.

Glossary of Terms (continued)

Terms	Description
Group	NAB and its controlled entities.
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.
Impaired assets	Consist of: - Retail loans (excluding unsecured portfolio managed facilities) which are contractually 90 days past due with insufficient security to cover principal and interest. - Non-retail loans which are contractually past due and / or there is sufficient doubt exists about the ability to collect principal and interest in a timely manner. - Off-balance sheet credit exposures where current circumstances indicate that losses may be incurred. - Unsecured portfolio managed facilities that are 180 days past due (if not written off).
Internal ratings-based (IRB)	The processes employed by the Group to estimate credit risk through the use of internally developed models to assess the potential credit losses using the outputs from the probability of default, loss given default and exposure at default models.
Leverage ratio	Tier 1 capital divided by exposures as defined by APS 110 *Capital Adequacy*. It is a simple, non-risk based measure to supplement the risk-weighted assets based capital requirements. Exposures include on-balance sheet exposures, derivative exposures, securities financing transaction exposures and other off-balance sheet exposures.
Lifetime expected credit losses (ECL)	The ECL that result from all possible default events over the expected life of a financial instrument.
Liquidity Coverage Ratio (LCR)	A metric that measures the adequacy of HQLA available to meet net cash outflows over a 30-day period during a severe liquidity stress scenario.
Marketable debt securities	Comprises trading securities and debt instruments.
MLC Life	MLC Limited.
MLC Wealth	MLC Wealth is the Group's Wealth division which provides superannuation, investments, asset management and financial advice to retail, corporate and institutional clients, supported by several brands including MLC, Plum and investment brands under MLC Asset Management.
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 to the amount of required stable funding.
Other banking products	Personal lending, credit cards (consumer and commercial), investment securities, margin lending, insurance, and fees and commissions associated with managing JBWere client's investments.
RBA	Reserve Bank of Australia.
RBNZ	Reserve Bank of New Zealand.
Regulatory specific provisions	In line with APRA's July 2017 guidance "*Provisions for regulatory purposes and AASB 9 Financial Instruments*", regulatory specific provisions include collective provisions for facilities in Stage 2 with identified deterioration (that do not meet the two exception clauses per the APRA guidance), and Stage 3 in default. All other facilities are classified as GRCL.
Required Stable Funding (RSF)	A function of the liquidity characteristics and residual maturities of an ADI's assets and off-balance sheet activities.
Risk-weighted assets	A quantitative measure of risk required by the APRA risk-based capital adequacy framework, covering credit risk for on and off-balance sheet exposures, market risk, operational risk and interest rate risk in the banking book.
Royal Commission	The Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry established on 14 December 2017 by the Governor-General of the Commonwealth of Australia to conduct a formal public inquiry into Australian financial institutions.
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.
SME Guarantee Scheme	The Australian government's Coronavirus SME Guarantee Scheme which is supporting up to $40 billion of lending to SMEs (including sole traders and not-for-profits) by guaranteeing 50 per cent of new loans issued by participating lenders to SMEs.
Stable Funding Index (SFI)	Term Funding Index (TFI) plus Customer Funding Index (CFI).
Standardised approach	An alternative approach to the assessment of credit, operational and traded market risk whereby an ADI uses external rating agencies to assist in assessing credit risk and / or the application of specific values provided by regulators to determine risk-weighted assets.
Statutory net profit	Net profit attributable to owners of NAB.
Statutory return on equity	Statutory earnings after tax expressed as a percentage of Average equity (adjusted), calculated on a statutory basis.
Term Funding Index (TFI)	Term wholesale funding (with remaining maturity to first call date greater than 12 months, including Term Funding Facility (TFF) drawdowns divided by core assets.
Tier 1 capital	Tier 1 capital comprises Common Equity Tier 1 (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 includes other components of capital that, to varying degrees, fall short of the quality of 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	The sum of Tier 1 capital and Tier 2 capital.
Total capital ratio	Total capital divided by risk-weighted assets.
Treasury shares	Shares issued to meet the requirements of employee incentive schemes which have not yet been distributed.
Underlying profit / loss	Underlying profit / loss is a performance measure used by NAB. It represents cash earnings / deficit before various items, including income tax expense and the credit impairment charge as presented in the table on page 3. It is not a statutory financial measure and is not presented in accordance with Australian Accounting Standards.
Weighted average number of ordinary shares	The number of ordinary shares outstanding at the beginning of the period, adjusted by the number of ordinary shares bought back or issued during the period multiplied by a time-weighting factor. The time-weighting factor is the number of days that the shares are outstanding as a proportion of the total number of days in the period.