2023 FULL YEAR U.S. DISCLOSURE DOCUMENT

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2023 Full Year U.S. Disclosure Document

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Presentation of information

This 2023 Full Year U.S. Disclosure Document has been prepared for use in conjunction with the Group's U.S. debt funding program offering documents to provide certain information regarding the Group's business and operations, as well as its financial position, as at September 30, 2023, and the results of operations for the full year then ended.

A reference in this 2023 Full Year U.S. Disclosure Document to the 'Group' or the 'NAB Group' is a reference to National Australia Bank Limited (NAB or the Company) and its controlled entities. All currency amounts in this 2023 Full Year U.S. Disclosure Document are expressed in Australian dollars, unless otherwise stated. References in this 2023 Full Year U.S. Disclosure Document to the September 2023 full year are references to the twelve months ended September 30, 2023. Other twelve month periods are referred to in a corresponding manner. References in this 2023 Full Year U.S. Disclosure Document to the September 2023 half year are references to the six months ended September 30, 2023. Other six month periods referred to in this 2023 Full Year U.S. Disclosure Document are referred to in a corresponding manner.

Unless otherwise stated, information for comparative periods has been stated on a consistent basis with the information for the September 2023 full year.

The definitions of certain terms used in this 2023 Full Year U.S. Disclosure Document are set out in the Glossary, beginning on page 294.

Presentation of financial information

Except as otherwise stated, the financial information presented in this 2023 Full Year U.S. Disclosure Document has been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) and International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB). Certain differences exist between Australian Accounting Standards, IFRS and the Generally Accepted Accounting Principles applicable in the United States of America (US GAAP) which might be material to the financial information herein.

The Group has not prepared a reconciliation of its consolidated financial statements and related disclosures between Australian Accounting Standards, IFRS and US GAAP. In making an investment decision, potential investors must rely upon their own examination of the Group, the terms of the offering and the financial information. Potential investors should consult their own professional advisors for an understanding of these differences, and if they affect the financial information herein.

Attached to this 2023 Full Year U.S. Disclosure Document as Annex A, B and C are the following extracts of the Group's 2023 Annual Report, as prepared by the Group and filed with the Australian Securities Exchange (ASX) in accordance with its rules:

- The 2023 Remuneration Report of the Group.
- The 2023 Financial Report of the Group (comprising the Group's financial statements, notes to the financial statements and directors' declaration) (hereafter referred to as the 2023 Financial Report), which is prepared in accordance with the *Corporations Act 2001* (Cth).
- The Independent Auditor's Report on the 2023 Financial Report.

Page numbers and cross references in the extracted information in the Annexes attached to this 2023 Full Year U.S. Disclosure Document are the references from the Group's 2023 Annual Report, from which that information is extracted, and may not refer to information included in this 2023 Full Year U.S. Disclosure Document. That referenced information, and any websites referenced or accessible through the information in the Annexes attached to this 2023 Full Year U.S. Disclosure Document do not form part of, and are not included or incorporated into, this U.S. Disclosure Document unless expressly stated otherwise herein.

Certain financial information included in this 2023 Full Year U.S. Disclosure Document is presented on a cash earnings basis. See below under "Information about cash earnings".

Information in this 2023 Full Year U.S. Disclosure Document is presented on a continuing operations basis, unless otherwise stated. Continuing operations are the components of the Group which are not discontinued operations.

The abbreviations $m and $bn represent millions and thousands of millions (i.e. billions) of Australian dollars respectively. This 2023 Full Year U.S. Disclosure Document contains translation of certain Australian dollar amounts into US dollars at specified rates. These translations should not be construed as representations that the Australian dollar amounts actually represent such US dollar amounts or could be converted into US dollars at the rate indicated. Unless otherwise stated, the translation of Australian dollars into US dollars have been made at the rate of US$0.6451 = A$1.00, the noon buying rate in New York City for cable transfers in Australian dollars as certified for customs purposes by the Federal Reserve Bank of New York on September 30, 2023.

Discontinued Operations

On 31 May 2021, the Group completed the sale of MLC Wealth. The final financial outcome of the sale remains subject to the finalisation of the completion accounts process and other contingencies associated with the sale. Refer to *Note 31 Commitments and contingent liabilities* of the 2023 Financial Report (attached to this 2023 Full Year U.S. Disclosure Document as part of Annex B Financial Statements) for further details.

Use of non-GAAP/IFRS performance measures

Non-IFRS key financial performance measures used by the Group

Certain financial measures detailed in this 2023 Full Year U.S. Disclosure Document are not accounting measures within the scope of IFRS and are "non-GAAP financial measures" (as defined in Regulation G under the United States Securities Act of 1933, as amended). Management use these financial metrics to measure the Group's overall financial performance and position and believe the presentation of these financial measures provide useful information to analysts and investors regarding the results of the Group's operations. These financial performance measures include:

- cash earnings
- statutory return on equity
- cash return on equity
- net interest margin
- average equity (adjusted)
- average interest earning assets
- total average assets.

The Group regularly reviews the non-IFRS measures included in its reporting documents to ensure that only relevant financial measures are incorporated. Certain other financial performance measures detailed in this 2023 Full Year U.S.

Disclosure Document are derived from IFRS measures and are similarly used by analysts and investors to assess the Group's performance. These measures are defined in the Glossary.

Any non-IFRS measures included in this 2023 Full Year U.S. Disclosure Document are not a substitute for IFRS measures and readers should consider the IFRS measures as well. These non-IFRS measures do not have a standardised meaning prescribed by either Australian Accounting Standards or IFRS and, therefore, may not be comparable to similarly titled measures presented by other entities, nor should they be construed as an alternative to other financial measures determined in accordance with Australian Accounting Standards or IFRS. They are not audited or reviewed in line with Australian Auditing Standards. Potential investors are cautioned, therefore, not to place undue reliance on any non-IFRS financial measures and ratios included in this 2023 Full Year U.S. Disclosure Document.

Further information in relation to these financial measures is set out below and in the Glossary beginning on page 294.

Information about cash earnings

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

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

Cash earnings for the September 2023 full year has been adjusted for the following:

- Hedging and fair value volatility
- Amortisation of acquired intangible assets
- Certain other items associated with acquisitions, disposals and business closures.

Certain information in Section 2 of this 2023 Full Year U.S. Disclosure Document is presented on a cash earnings basis. In addition, the Group results included in Section 3 of this 2023 Full Year U.S. Disclosure Document are presented on a cash earnings basis, unless otherwise stated. Presenting information on a cash earnings basis means that revenue and expenses have been adjusted from the statutory amounts disclosed in the 2023 Financial Report.

A discussion of non-cash earnings items and a full reconciliation of statutory net profit attributable to owners of the Company from continuing operations to cash earnings are set out in Section 3 of this 2023 Full Year U.S. Disclosure Document on pages 87 to 89.

This non-IFRS financial information included in this 2023 Full Year U.S. Disclosure Document should be read in conjunction with and is qualified in its entirety by reference to the Group's audited consolidated financial statements contained herein, which are prepared in accordance with the requirements of the *Corporations Act 2001* (Cth) and accounting standards and interpretations issued by the AASB.

Information about net interest margin

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

Information about average balances

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

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

Refer to page 23 for a five-year summary of the Group's average equity (adjusted), total average assets and average interest earning assets.

Forward-looking statements

This 2023 Full Year U.S. Disclosure Document contains statements that are, or may be deemed to be, forward-looking statements within the meaning of section 21E of the United States Securities Exchange Act 1934. Forward-looking statements include all statements, other than statements of historical or present facts. These forward-looking statements may be identified by the use of forward-looking terminology, including the terms "believe", "estimate", "plan", "project", "anticipate", "expect", "goal", "target", "intend", "likely", "may", "will", "could" or "should" or, in each case, their negative or other variations or other similar expressions, or by discussions of strategy, plans, objectives, targets, goals, future events or intentions. Indications of, and guidance on, future earnings and financial position and performance are also forward-looking statements. You are cautioned not to place undue reliance on such forward-looking statements. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of the Group, which may cause actual results to differ materially from those expressed or implied in such statements. There can be no assurance that actual outcomes will not differ materially from these statements.

There are a number of other important factors that could cause actual results to differ materially from those projected in such statements, including (without limitation), a significant change in the Group's financial performance or operating environment; a material change to law or regulation or changes to regulatory policy or interpretation, including changes to applicable capital requirements; the impact of actual or potential litigation or enforcement actions; and risks and uncertainties associated with the Russia-Ukraine conflict, the Israel - Gaza conflict and other geopolitical tensions, the Australian and global economic environment and capital market conditions. This 2023 Full Year U.S. Disclosure Document should be read in conjunction with the description of significant risk factors applicable to the Group set out in the section entitled *Risk factors* beginning on page 8 of this 2023 Full Year U.S. Disclosure Document and any risk factors discussed in the offering documents for the Group's U.S. debt funding programs.

Use of internet addresses

This 2023 Full Year U.S. Disclosure Document contains inactive textual addresses, links to internet websites and references to certain reports and other statements prepared by the Group. Unless expressly stated otherwise, reference to such websites or reports or statements is made for information purposes only, and information found on such websites or in such reports or statements is not incorporated by reference into this 2023 Full Year U.S. Disclosure Document.

Market and other data

This 2023 Full Year U.S. Disclosure Document contains information, including statistical data, about certain of the Group's markets and its competitive position. The Group cannot guarantee the accuracy of information taken from external sources, or that, in respect of internal estimates, a third party using different methods would obtain the same estimates as the Group.

Rounding of amounts

In accordance with Australian Securities & Investments Commission (ASIC) Corporations (Rounding in Financial / Directors' Reports) Instrument 2016/191, all amounts have been rounded to the nearest million dollars, except where indicated. Any discrepancies between total and sums of components in tables contained in this report are due to rounding.

Information on the Group

Information about NAB

History and development of NAB

The legal name of NAB is National Australia Bank Limited and it trades commercially as "National Australia Bank" and, particularly within Australia, as "NAB".

NAB is registered in the State of Victoria with Australian Business Number (ABN) 12 004 044 937.

NAB was incorporated on 23 June 1893.

NAB is the holding company for the NAB Group, as well as being the main operating company.

NAB is a public limited company incorporated in the Commonwealth of Australia and it operates under Australian legislation including the *Corporations Act 2001* (Cth). Its registered office is Level 28, 395 Bourke Street, Melbourne, Victoria 3000, Australia (telephone number +61 3 8615 3064). NAB's website is nab.com.au.

Business Overview

NAB's Business

NAB is a financial services organisation with more than 38,000 colleagues, operating through 643 branches and business banking centres, with more than 596,000 shareholders and serving about 10 million customers as at September 30, 2023.

The majority of the Group's businesses operate in Australia and New Zealand, with additional operations located in Asia, Europe and the United States.

The close of the 2023 financial year marks the third full year under NAB's refreshed long-term strategy. This strategy is centred on delivering better outcomes for customers and colleagues while keeping the bank safe. It is supported by disciplined execution and persistent investment to create a simpler, more streamlined business, which is more productive, resilient and efficient. Good progress has been made towards the NAB's strategic objectives over the past three years but there is more to do. NAB remains focused on executing its strategy and building on the progress made in recent years.

NAB exists to serve customers well and help our communities prosper. To achieve this, NAB is focused on key priorities that it believes will make a real difference to its customers and colleagues, and support over time its aim to be known for being:

- Relationship-led: building on market leading expertise, data and insights.
- Easy: a simpler, more seamless and digitally enabled bank that gets things done faster.
- Safe: protect customers and colleagues through financial and operational resilience.
- Long-term: deliver sustainable outcomes for stakeholders.

The Group operates the following divisions:

- Business and Private Banking focuses on NAB's priority small and medium (SME) customer segments. This includes the leading NAB Business franchise, specialised Agriculture, Health, Government, Education and Community services along with Private Banking and JBWere, as well as the small business segment.
- Personal Banking provides banking products and services to customers including securing a home loan and managing personal finances through deposits, credit card or personal loan facilities. Customers are supported through a network of branches and ATMs, call centres, digital capabilities as well as through proprietary lenders and mortgage brokers. Personal Banking results include the financial performance of Citigroup's Australian consumer business, acquired effective 1 June 2022 (Citi consumer business).
- Corporate and Institutional Banking provides a range of products and services including client coverage, corporate finance, markets, asset servicing, transactional banking and enterprise payments. The division serves its customers across Australia, United States, Europe and Asia, with specialised industry relationships and product teams. It includes BNZ's Markets Trading operations.
- New Zealand Banking provides banking and financial services across customer segments in New Zealand. It consists of Partnership Banking, servicing retail, business and private customers; Corporate and Institutional Banking, servicing corporate and institutional customers, and includes Markets Sales operations in New Zealand. New Zealand Banking also includes the Wealth franchise operating under the 'Bank of New Zealand' (BNZ) brand. It excludes BNZ's Markets Trading operations. New Zealand Banking results include the financial performance of the New Zealand liquidity management portfolio, effective 1 October 2022.
- Corporate Functions and Other includes ubank and enabling units that support all businesses including Treasury, Technology and Enterprise Operations, Data, Digital and Analytics, Support Units and eliminations.

Principal activities

The principal activities of the Group during the year were banking services, credit and access card facilities, leasing, housing and general finance, international, investment and private banking and wealth management services, funds management and custodian, trustee and nominee services.

Strategy

This is the third full year implementing the Group's strategy.

Our strategic ambition

nab bnz ubank JBWere

Why we are here

To serve customers well and help our communities prosper

Who we are here for

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

Customers
Choose NAB because we serve them well every day

What we will be known for

Relationship-led
Relationships are our strength

1. Exceptional bankers
2. Unrivalled customer value (expertise, data and analytics)
3. Truly personalised experiences

Easy
Simple to deal with

1. Simple products and experiences
2. Seamless – everything just works
3. Fast and decisive

Safe
Responsible & secure business

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

Long-term
A sustainable approach

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

Where we will grow

Business & Private
Clear market leadership

Corporate & Institutional
Disciplined growth

Personal
Simple & digital

BNZ
Personal & SME

ubank
Customer acquisition

How we work

Excellence for customers

Grow together

Be respectful

Own it

Measures for success

Engagement

NPS growth

Cash EPS growth

Return on Equity

Risk factors

Disclosure on risk factors

Risks specific to the Group

Set out below are the principal risks and uncertainties associated with the Company and its controlled entities (Group). It is not possible to determine the likelihood of these risks occurring with any certainty.

However, the risk in each category that the Company considers most material is listed first, based on the information available at the date of this Report and the Company's best assessment of the likelihood of each risk occurring and the potential magnitude of the negative impact to the Group should such risk materialise. In the event that one or more of these risks materialises, the Group's reputation, strategy, business, operations, financial condition, and future performance could be materially and adversely impacted.

The Group's Risk Management Framework and internal controls may not be adequate or effective in accurately identifying, evaluating, or addressing risks faced by the Group. There may be other risks that are unknown or deemed immaterial, but which may subsequently become known or material. These may individually, or in aggregate, adversely impact the Group. Accordingly, no assurances or guarantees of future performance, profitability, distributions or returns of capital are given by the Group.

Strategic risk

Strategic risk is the risk to earnings, capital, liquidity, funding, or reputation arising from an inadequate response to changes in the external environment and risk of failing to properly consider downstream impacts and achieve effective outcomes when executing material change programs.

Strategic initiatives may fail to be executed, may not deliver all anticipated benefits, or may otherwise change the Group's risk profile.

The Group's corporate strategy sets its purpose, ambition, and objectives.

The Group prioritises and invests significant resources in the execution of initiatives that are aligned to its chosen strategy, including transformation and change programs. These programs primarily focus on customers, technology, digital and data assets, infrastructure, business improvement, cultural transformation, regulatory compliance, and changes to associated controls, and may have dependencies on external suppliers or partners. There is a risk that these programs may not realise some or all of their anticipated benefits and outcomes. These programs may also increase operational, compliance, and other risks, and new or existing risks may not be appropriately assessed or controlled.

The Group's strategy includes Environmental, Social or Governance (ESG) related initiatives, including a climate strategy and various obligations, targets and goals. Setting and achieving the Group's sector decarbonisation targets and managing risks including climate change related financial risks and ESG-related risks are influenced by the Group's customers, policy makers, the emerging ESG-related regulatory and disclosure environment and other stakeholders.

Any failure by the Group to deliver in accordance with its strategy, or to deliver strategic programs effectively, may result in material losses to the Group, reputational damage, or a failure to achieve anticipated benefits, and ultimately, may materially and adversely impact the Group's operations and financial performance and position.

The Group faces a rapidly changing external environment.

The Group operates in a dynamic macro-economic environment. The impact of slowing global and domestic economic growth, rising unemployment and interest rates, and falling consumer confidence can reduce demand for credit, adversely impacting Group revenue. In addition, Group expense plans may be at risk if inflation does not normalise in line with expectations, particularly with respect to employee remuneration and technology costs.

There is also substantial competition across the markets in which the Group operates. The Group faces competition from established financial services providers and other parties, including foreign banks and non-bank competitors, such as fintechs, Buy Now Pay Later (BNPL) providers, digital platforms and large global technology companies, some of which have lower costs, or operating and business models, technology platforms or products that differ from or are more competitive than the Group's and some of which are subject to less regulatory oversight. In particular, there are some financial services providers focused on the business banking segment with investment in improved customer experiences. This poses a risk to the Group's position in that segment.

In addition, evolving industry trends, technology changes, and environmental factors have impacted, and may continue to impact customer needs and preferences and the Group may not predict these changes accurately or quickly enough, or have the resources and flexibility to adapt in sufficient time, to meet customer expectations and keep pace with competitors. These risks are heightened in the current context in which technologies, including those that may impact the financial services industry, continue to evolve at a rapid pace.

Other trends and recent regulatory and legislative developments that may impact the Group include, but are not limited to:

- Increased focus on digital, data and analytics capabilities with the objective of creating easy and seamless customer experiences. The rapid development and deployment of artificial intelligence (AI) capabilities has emerged as a key strategic consideration. Inadequate or lack of adoption of AI within business processes could pose a strategic disadvantage to the Group relative to its competitors who deploy AI tools and could result in unwanted financial and non-financial consequences for the Group. AI regulation is developing globally and its impact on the Group's business is currently unknown.
- Increased demand for green or sustainability-related products or increased lending to assist customers in achieving their ESG-related performance objectives, for example, sustainability-linked loans, or, correspondingly, increased scrutiny of products or lending that are perceived to be inconsistent with the ESG-related performance objectives of the Group or its stakeholders.
- Continued competitive pressures in home lending, particularly as customers of the Group revert to variable rate loans as fixed rate periods expire on loans entered into at historically low rates in recent years. This increases the risk that customers will refinance outside the Group.
- Increased competition for customer deposits in the context of an uncertain market and elevated interest rate environment, with the risk of further increases to the Group's cost of funds relative to its competitors.
- Ongoing growth of the broker market and the risk of disintermediating customer relationships.

- The continued implementation of the Consumer Data Right (CDR), known as 'Open Banking', in the Australian banking sector. The CDR seeks to increase competition and innovation between service providers by mandating and standardising the sharing of certain consumer and business customer data and data relating to their products and services. In response to the 2022 Statutory Review of the CDR recommendations proposed by the Australian Treasury, the Australian Government committed funding in its 2023-24 budget over the next two years to support the CDR to maturity in banking and energy, progress its expansion to non-bank lending, progress the design of action initiation, deliver cyber security enhancements, and develop a trust brand strategy that will support consumer confidence in the CDR. Where large global technology companies choose to participate in the CDR, there is potential for these companies to access more data which may increase their competitiveness including in other sectors, such as financial services.
- The New Zealand (NZ) Government's decision to establish a CDR in NZ and for banking to be the first sector designated under the legislation. An exposure draft of the Customer and Product Data Bill was released in June 2023 for industry feedback. The adoption of Open Banking in NZ is designed to increase competition in the NZ banking industry, and may increase compliance costs for established institutions, including Bank of New Zealand (BNZ) and may limit BNZ's ability to charge for access to payments or data.
- The evolving and increasingly complex payments landscape, including increasing use of digital payments, new payments infrastructures and emerging technology, and shift away from traditional payment methods. To this end, the Australian Government is consulting on proposed changes to the Payments Systems (Regulation) Act 1998 to address new payments-related risks following the release of its Strategic Plan for Australia's Payments System in June 2023.
- The Reserve Bank of Australia (RBA) proposes to enhance the competitiveness, efficiency and safety of Australia's debit card market, including expectations for tokenisation of payment cards and storage of primary account numbers in the Australian market. AusPayNet is working with the industry to meet the RBA's expectations including developing more specific tokenisation standards, if required. Standardisation of tokenised dual network debit cards will improve portability for both scheme and proprietary tokens to reduce the friction for merchants that wish to switch payment service providers.
- The continued consumer and institutional adoption of cryptocurrencies and other digital assets. The rate of digital asset adoption, digital asset product creation (for example, stable coins and decentralised finance) and government responses are expected to influence the future of the sector and its impact on the Group. The RBA has completed a research project exploring central bank digital currency (CBDC) use cases and identified legal, regulatory, technical and operational issues warranting further consideration in future research. The RBA's review of these matters remains ongoing. As part of its multi-stage reform agenda, the Australian Government recently completed consultations on token mapping and on the licensing of payment service providers to help formulate an appropriate regulatory framework for the crypto and digital assets ecosystem in Australia. A draft Digital Assets (Market Regulation) Bill 2023 was referred to the Senate Economics Legislation Committee which recommended the bill not be passed. Regulation of digital assets is nascent, but emerging, across all markets in which the Group operates, which may increase the Group's costs, or require the Group to invest in resources to adapt its products or systems to new technologies. The release of Basel Committee's final Prudential Treatment of Crypto-asset Exposures in December 2022 is expected to provide the basis for the development by the Australian Prudential Regulation Authority (APRA) of its prudential standard in this area. APRA has announced it will consult on the prudential treatment for crypto-assets in 2024, which is expected to come into effect in 2025.
- The commencement of a market study into competition for personal banking services in NZ by the NZ Commerce Commission. The NZ Commerce Commission's final report, which will set out its findings on factors that may affect competition in personal banking, including bank profitability, and any recommendations, is due to be released in August 2024.

Competition for customers, which remains heightened in the current interest rate environment, can lead to compression in profit margins and loss of market share. Intense competition increases the risk of additional price pressure, especially in commoditised lines of business, such as mortgages, where the providers with the lowest unit cost may gain market share and industry profit pools may be eroded. Such factors may ultimately impact the Group's financial performance and position, profitability and returns to investors.

Risks may arise from pursuing acquisitions and divestments.

The Group regularly considers a range of corporate opportunities, including acquisitions, divestments, joint ventures, and investments.

Pursuit of corporate opportunities inherently involves transaction risks, including the risk that the Group over-values an acquisition or investment, or under-values a divestment, as well as exposure to reputational damage or regulatory intervention. The Group may encounter difficulties in integrating or separating businesses, including failure to realise expected synergies, disruption to operations, diversion of management resources, or higher than expected costs. These risks and difficulties may ultimately have an adverse impact on the Group's financial performance and position.

The Group may incur unexpected financial losses following an acquisition, joint venture, or investment if the business it invests in does not perform as planned or causes unanticipated changes to the Group's risk profile. Additionally, there can be no assurance that customers, employees, suppliers, counterparties, and other relevant stakeholders will remain with an acquired business following the transaction, and any failure to retain such stakeholders may have an adverse impact on the Group's overall financial performance and position.

Risks related to the Company's acquisition of Citigroup's Australian consumer business which completed on 1 June 2022 continue to exist.

The Company continues to rely on Citigroup's regional shared technology infrastructure for transitional services (and will do so through the transition period), as well as Citigroup's support for data migration activities after the development of technology systems within the Group. There is a risk that as the integration project and the development of technology systems within the Group continues, costs may be higher than anticipated, more internal resourcing is required than anticipated, or that key employees, customers, suppliers, or other stakeholders required for a successful transition, will not be retained. Additionally, there is a risk that the timeline for the integration is extended, which may result in further costs being incurred by the Company.

Citigroup has provided the Company with indemnities relating to certain matters which may have occurred pre-completion, as well as covenants and warranties in favour of the Company. There is a risk that these protections may be insufficient to fully cover liabilities relating to these matters, which may have an adverse impact on the Group's financial performance and position.

The Group may also have ongoing exposures to divested businesses, including through a residual shareholding, the provision of continued services and infrastructure, or an agreement to retain certain liabilities of the divested businesses through warranties and indemnities. These ongoing exposures may have an adverse impact on the Group's business and financial performance and position. The Group may also enter into non-compete arrangements as part of divestments, which may limit the future operations of the Group.

The Company completed the sale of its advice, platforms, superannuation and investments and asset management businesses to IOOF Holdings in May 2021, now named Insignia Financial (MLC Wealth Transaction). As part of the MLC Wealth Transaction, the Company provided Insignia Financial with indemnities relating to certain pre-completion matters, including a remediation program relating to workplace superannuation matters, breaches of anti-money laundering laws and regulations, regulatory fines and penalties, and certain litigation and regulatory investigations. The Company also provided covenants and warranties in favour of Insignia Financial. A breach or triggering of these contractual protections may result in the Company being liable to Insignia Financial.

As part of the MLC Wealth Transaction, the Company retained the companies that operated the advice businesses, such that the Group has retained all liabilities associated with the conduct of these businesses pre-completion. From completion, the Company has agreed to provide Insignia Financial with certain transitional services and continuing access to records, as well as support for data migration activities. The Company may be liable to Insignia Financial if it fails to perform its obligations. There is a risk that costs associated with separation activities and the costs incurred by the Company in satisfying its obligations may be higher than anticipated. If so, or if the Company fails to perform its obligations, there may be an adverse impact on the Group's financial performance and position.

On 17 November 2022, the Company announced its intention to exit its custody business, NAB Asset Servicing. The exit is expected to be effected through the transfer of all of NAB Asset Servicing's clients to alternative custody providers over a period of approximately three years. The transfer of all clients over a relatively short period is a complex exercise that is subject to operational/transitional risks that will need to be managed carefully. There is a risk that this does not occur to plan, and that there may be a potential adverse impact on the Group if not managed appropriately.

Credit risk

Credit risk is the risk that a customer will fail to meet their obligations to the Group in accordance with agreed terms. Credit risk arises from both the Group's lending activities and markets and trading activities.

Elevated interest rates to combat persistent inflation may result in deterioration in the Group's credit risk profile in the short term through increases in defaulted loans.

Globally, central banks (including in Australia and NZ) have rapidly increased policy rates in response to elevated levels of inflation.

Inflation remains high and above the targets of many central banks, including those in the locations in which the Group operates. This may increase the risks arising from further rate rises in 2023 and beyond, or from elevated rates, relative to recent historical levels, persisting.

Elevated interest rates, coupled with existing inflationary pressures, may increase household and business financial stress across Australia and NZ, particularly for underprepared customers. Higher rates typically lead to reduced disposable income for households leaving sectors exposed to changes in household discretionary spending (including retail trade, tourism, hospitality, and personal services) vulnerable to significant financial stress in the event of changes to consumer spending behaviour. This includes a heightened risk of corporate and business bankruptcies, job losses and higher unemployment, particularly in the event of an economic slowdown. The increased credit risk in affected sectors and elevated levels of household and business financial stress may result in an increase in losses if customers default on their loan obligations and/or higher capital requirements through an increase in the probability of default.

A decline in property market valuations may give rise to higher losses on defaulting loans.

Lending activities account for most of the Group's credit risk exposure. The Group's lending portfolio is largely based in Australia and NZ. Residential housing loans and commercial real estate loans constitute a material component of the Group's total gross loans and acceptances.

The Group may have higher credit risk, or experience higher credit losses, to the extent its loans are concentrated by loan type, industry segment, borrower type, or location of the borrower or collateral. For example, the Group's credit risk and credit losses can increase if borrowers who engage in similar activities are uniquely or disproportionately affected by extreme weather events, economic or market conditions, or by regulation, such as regulation related to climate change. Deterioration in economic conditions or real estate values in Australia and NZ, where the Group has relatively larger concentrations of lending, including for residential or commercial real estate, could result in higher credit losses and costs.

Residential and commercial property prices in Australia and NZ increased for some years up until 2021, but experienced decline in 2022 following the central banks' moves to increase policy rates. House prices have stabilised to date in 2023, with some markets recording price increases, however the recovery has not covered the declines experienced in 2022. Any declines in the value of residential or commercial property used as collateral (including in business lending) may give rise to greater losses to the Group resulting from customer defaults. This may, in turn, impact the Group's financial performance and position, profitability and returns to investors. The most significant impact, in the event of default, is likely to come through residential mortgage customers in high loan-to-value-ratio brackets.

Adverse business conditions in Australia and New Zealand, particularly in the agricultural sector, may give rise to increasing customer defaults.

The Group has a large market share among lenders to the Australian and NZ agricultural sectors. These sectors may be negatively impacted by several factors, including:

- Vulnerability to labour constraints.
- Trade restrictions and tariffs.
- Volatility in commodity prices (particularly agricultural product prices).
- Foreign exchange rate movements.
- Changes in consumer preference.
- Disease and introduction of pathogens and pests (for example the threat of a local foot and mouth disease outbreak and spread in Australia of the varroa mite – impacting European honey bees).
- Export and quarantine restrictions.
- Supply chain constraints.
- Extreme weather events (including substantial rainfall or drought).
- Increasing weather volatility.
- Longer-term changes in climatic conditions.

Some customers are facing significant challenges from extreme weather events such as the floods in NZ in 2023, Australian bushfires in 2019/20 and floods in New South Wales (NSW) and Queensland (2022 and 2023), which caused stock, crop and plant and equipment loss and damage. These events, combined with changes to future insurance affordability and availability, may result in increased losses to the Group from customer defaults, and ultimately may have an adverse impact on the Group's financial performance and position. More broadly, physical and transition risks associated with climate change may also increase current levels of customer defaults in other sectors.

Adverse business conditions (including supply chain disruptions, labour constraints and rising input costs, including from volatile commodity and energy prices and the impact of rapid technological change) may also lead to stress in certain other sectors such as construction, wholesale trade and manufacturing. Rising household financial pressures (including inflationary pressures) also pose a risk to sectors that are reliant on household expenditure.

Market declines and increased volatility may result in the Group incurring losses.

Some of the Group's assets and liabilities comprise financial instruments that are carried at fair value, with changes in fair value recognised in the Group's income statement. Movements in interest rates can affect prepayment assumptions and thus fair value. Market declines and increased volatility could negatively impact the value of such financial instruments and cause the Group to incur losses.

Other macro-economic, geopolitical, climate, other nature-related or social risks may adversely affect the Group and pose a credit risk.

The majority of the Group's businesses operate in Australia and NZ, with additional operations located in Asia, the United Kingdom, France and the US. Levels of borrowing are heavily dependent on customer confidence, employment trends, market interest rates, and other economic and financial market conditions and forecasts.

Domestic and international economic conditions and forecasts are influenced by a number of macro-economic factors, such as: economic growth rates, environmental and social issues (including emerging issues such as modern slavery and nature-related risks), cost and availability of capital, central bank intervention, inflation and deflation rates, level of interest rates, yield curves, market volatility, and uncertainty. Deterioration in any of these factors may lead to the following negative impacts on the Group:

- Deterioration in the value and liquidity of assets (including collateral).
- The inability to price certain assets.
- Environmental conditions and social and governance issues impacting the risk and return profile and/or value of customers' security or business operations.
- An increase in customer or counterparty default and credit losses.
- Higher provisions for credit impairment.
- Mark-to-market losses in equity and trading positions, including the Company's high-quality liquid asset (HQLA) portfolios.
- A lack of available or suitable derivative instruments for hedging purposes.
- Increased cost of insurance, lack of available or suitable insurance, or failure of the insurance underwriter.

Economic conditions may also be negatively impacted by climate change and major shock events, such as natural disasters, epidemics and pandemics, war and terrorism, cyber-attacks, political and social unrest, banking instability and sovereign debt restructuring and defaults.

The following macro-economic and financial market conditions are, as of the date of this Report, of most relevance to the credit risk facing the Group and may affect revenue growth and/or customer balance sheets:

- Global economic growth has slowed to date in calendar year 2023, consistent with expectations of below average growth in both calendar years 2023 and 2024. Weaker economic conditions reflect the impact of tightening monetary policy and lending standards, particularly in advanced economies, along with energy disruptions in Europe and weak growth rates in China. The risk of recessions in one or more major economies in calendar year 2024 remains.
- Inflationary pressures emerged at the start of calendar year 2021 and have continued through calendar year 2023, increasing the cost of living and reducing disposable income for consumers. The lift in inflation reflected a broad range of factors, including the impact of fiscal stimulus in a range of countries, disruptions to global supply chains, shortages of key inputs, commodities, and labour in various locations and the impact of the Russia-Ukraine conflict. The conflict in Israel-Palestine will also likely impact inflation, particularly through the impact on global commodity prices, most notably oil. Although inflation has slowed in calendar year 2023 to date, it remains above the targets set by most major central banks.
- Persistent inflation and fears that households' inflation expectations could become unanchored from central bank targets (driving increased wage demands) drove global central banks (including in Australia and NZ) to rapidly lift policy rates starting in early 2022 and this trend continued in 2023. Market pricing suggests most major central banks are either at or near the peak of the rate cycle, although forward guidance from these banks indicates that they still have a tightening bias (indicating that policy rates could rise further should the current slowing in inflation falter).

- A sustained period of increased policy rates, and/or further increases in rates, accompanied by tighter lending standards in many countries, may expose imbalances or weaknesses in balance sheets, including those of financial institutions, and asset markets that have built up over time. This may increase pressure on borrowers, particularly those that are highly geared and/or face reduced income due to weaker economic activity. Where concerns over the viability of financial institutions arise, it can trigger contagion fears, potentially destabilising global markets and, in turn, negatively affecting economic activity. More generally, higher policy rates may adversely affect the Group's cost of funds, trading income, margins and the value of the Group's lending and investments.
- Risk of contagion due to financial system instability remains an ongoing concern for the Group due to the interdependency of financial market participants. Where concerns over the viability of financial institutions arise, it can trigger contagion fears, potentially destabilising global markets and, in turn, negatively affecting economic activity and adversely affecting the Group's results.
- China is a major trading partner for Australia and NZ, with export incomes and business investment exposed to changes in China's economic growth and trade policies. China's economic growth slowed in the June quarter of 2023, pointing to the loss of momentum in China's post-zero-COVID recovery – with domestic demand remaining subdued. There remains considerable uncertainty around household consumption and the property sector in China (including as a result of defaults by major property developers), which could negatively impact the global economy generally, and the Australian and NZ economy in particular (including by reducing demand for Australian and NZ exports). A range of medium to longer-term risks also continue to be present, including high corporate debt levels and demographic pressures from China's ageing population. Although diplomatic tensions between the Chinese and Australian governments appear to have eased since mid-calendar year 2022, the risk of trade restrictions being imposed on Australian exports remains. Such restrictions could have a negative impact on the Group's customers and may give rise to increasing levels of customer defaults.
- As commodity exporting economies, Australia and NZ are exposed to shifts in global commodity prices that can be sudden, sizeable, and difficult to predict. Fluctuations in commodity markets can affect key economic variables like national income tax receipts and exchange rates. Commodity price volatility remains substantial and, given the Group's sizeable exposures to commodity producing and trading businesses, this volatility poses a credit risk to the Group.
- Ongoing geopolitical instability, such as that caused by the ongoing conflict between Russia and Ukraine, has negatively impacted, and could in the future negatively impact, the global and Australian economies, including by causing supply chain disruptions, rising prices for oil and other commodities, volatility in capital markets and foreign currency exchange rates, rising interest rates and heightened cybersecurity risks. In response to the Russia-Ukraine conflict, several countries (including Australia and NZ) imposed wide ranging economic sanctions and export controls on individuals and firms closely connected to the Russian Government or conducting economic activity in certain regions of Ukraine. These sanctions, as well as responsive measures, continue to impact the European and global economy, including through volatile energy and commodity prices. Prices may remain elevated for an extended period, which would negatively impact most businesses and households, and may lead to increased credit losses for the Group.
- Other geopolitical risks continue to present uncertainty to the global economic outlook, with negative impacts on consumption and business investment. Tensions between the US and China, including in relation to Taiwan, the Russia-Ukraine conflict and China's trade and technology policies, continue to persist, which could impact global economic growth and global supply chains. Similarly, geopolitical tensions in the Asia-Pacific region could increase as a result of the AUKUS pact or other similar agreements. The possibility of the war between Israel and Hamas expanding to become a wider regional conflict in the Middle East, poses a fresh threat to the global economy including potential implications for energy prices, inflation and confidence levels.

Market risk

The Group may suffer losses as a result of a change in the value of the Group's positions in financial instruments, bank assets and liabilities, or their hedges due to adverse movements in market prices. Adverse price movements impacting the Group may occur in credit spreads, interest rates, foreign exchange rates, and commodity and equity prices, particularly during periods of heightened market volatility or reduced liquidity. Market volatility has increased in response to increased geopolitical risk, rising inflation and central banks lifting interest rates.

The occurrence of any event giving rise to material market risk losses may have a negative impact on the Group's financial performance and position.

The Group is exposed to credit spread risk.

Credit spread risk is the risk that the Group may suffer losses from adverse movements in credit spreads. This is a significant risk in the Group's trading and banking books.

The Group's trading book is exposed to credit risk movements in the value of securities and derivatives as a result of changes in the perceived credit quality of the underlying company or issuer. Credit spread risk accumulates in the Group's trading book when it provides risk transfer services to customers seeking to buy or sell fixed income securities (such as corporate bonds). The Group may also be exposed to credit spread risk when holding an inventory of fixed income securities in anticipation of customer demand or undertaking market-making activity (i.e., quoting buy and sell prices to customers) in fixed income securities. The Group's trading book is also exposed to credit spread risk through credit valuation adjustments. A widening of credit spreads could negatively impact the value of the credit valuation adjustments.

The Group's banking book houses the Group's liquidity portfolio. While the Group hedges the interest rate risk on this portfolio, it is subject to credit spread risk through changes in spreads on its holdings of semi-government bonds. These positions form part of the required holdings of HQLAs used in managing the Group's liquidity risk and can give rise to material profit and loss volatility within the Group's Treasury portfolio during periods of adverse credit spread movements. Positions in Residential Mortgage-Backed Securities that arise through the Group's warehousing, underwriting, and syndication operations also form part of the banking book and are exposed to changes in credit spreads.

The Group is exposed to interest rate risk.

The Group's financial performance and capital position are impacted by changes in interest rates.

The Group's trading book is exposed to changes in the value of securities and derivatives as a result of changes in interest rates. The Group's trading book accumulates interest rate risk when the Group provides interest rate hedging solutions for customers, holds interest rate risk in anticipation of customer requirements, or undertakes market-making activity in fixed income securities or interest rate derivatives. The level of volatility in interest rate markets has increased in the post-pandemic period after a broadening of inflationary pressures saw major central banks unwind stimulus and rapidly tighten monetary policy. Market volatility has increased in response to increased geopolitical risk, rising and sustained inflation, central banks lifting interest rates and other macroeconomic risks.

Balance sheet and off-balance sheet items can create an interest rate risk exposure within the Group. As interest rates and yield curves change over time, the Group may be exposed to a loss in earnings and economic value due to the interest rate profile of its balance sheet. Such exposure may arise from a mismatch between the maturity profile of the Group's lending portfolio compared to its deposit portfolio (and other funding sources), as well as the extent to which lending and deposit products can be repriced should interest rates change, thereby impacting the Group's net interest margin.

The Group is exposed to foreign exchange risk.

Foreign exchange risks are evident in the Group's trading and banking books.

Foreign exchange and translation risks arise from the impact of currency movements on the value of the Group's positions in financial instruments, profits and losses, and assets and liabilities due to participation in global financial markets and international operations.

The Group's ownership structure includes investment in overseas subsidiaries and associates which gives rise to foreign currency exposures, including through the repatriation of capital and dividends. The Group's businesses may therefore be affected by a change in currency exchange rates, and movements in the mark-to-market valuation of derivatives and hedging contracts.

The Group's financial statements are prepared and presented in Australian dollars unless otherwise stated, and any adverse fluctuations in the Australian dollar against other currencies in which the Group invests or transacts, and generates profits (or incurs losses), may adversely impact its financial performance and position.

The Group is exposed to market risk should it be unable to sell down its underwriting risk.

As financial intermediaries, members of the Group underwrite or guarantee different types of transactions, risks and outcomes, including the placement of listed and unlisted debt, equity-linked and equity securities. The underwriting obligation or guarantee may be over the pricing and placement of these securities, and the Group may therefore be exposed to potential losses, which may be significant, if it fails to sell down some or all of this risk to other market participants.

Capital, funding and liquidity risk

The Group is exposed to funding and liquidity risk.

Liquidity risk is the risk that the Group is unable to meet its financial obligations as they fall due. These obligations include the repayment of deposits on demand or at their contractual maturity, the repayment of wholesale borrowings and loan capital as they mature, the payment of interest on borrowings and the payment of operational expenses and taxes. The Group must also comply with prudential and regulatory liquidity obligations across the jurisdictions in which it operates. Any significant deterioration in the Group's liquidity position may lead to an increase in the Group's funding costs, constrain the volume of new lending or cause the Group to breach its prudential or regulatory liquidity obligations. This may adversely impact the Group's reputation and financial performance and position.

Funding risk is the risk that the Group is unable to raise short and long-term funding to support its ongoing operations, regulatory requirements, strategic plans, and objectives. The Group accesses domestic and global capital markets to help fund its business, along with using customer deposits. The final maturity dates of the additional and Supplementary Allowance of the drawn Term Funding Facility (TFF) (a three-year facility established by the RBA to support lending to the Group's customers) are concentrated during 2024 for all participating Authorised Deposit-taking Institutions (ADIs) including the Group (the Initial Allowance matured in 2023). The Group relies on offshore wholesale funding to support its funding and liquidity position. Periods of heightened market volatility may limit the Group's access to this funding source. Disruption in global capital markets, reduced investor interest in the Group's securities and/or reduced customer deposits, may adversely affect the Group's funding and liquidity position. This may increase the cost of obtaining funds, reduce the tenor of available funds or impose unfavourable terms on the Group's access to funds, constrain the volume of new lending, or adversely affect the Group's capital position.

The Group's capital position may be constrained by prudential requirements.

Capital risk is the risk that the Group does not hold sufficient capital and reserves to cover exposures and to protect against unexpected losses. Capital is the cornerstone of the Group's financial strength. It supports the Group's operations by providing a buffer to absorb unanticipated losses from its activities.

The Group must comply with prudential requirements in relation to capital across the jurisdictions in which it operates. Compliance with these requirements, and any further changes to these requirements may:

- Limit the Group's ability to manage capital across the entities within the Group.
- Limit payment of dividends or distributions on shares and hybrid instruments.
- Require the Group to raise more capital (in an absolute sense) or raise more capital of higher quality.
- Restrict balance sheet growth.

Current regulatory changes that could present a risk to the Group's capital position include loss-absorbing requirements for Domestic Systemically Important Banks (D-SIBs), which include the Group. These changes require an increase to total capital by 4.5% of risk weighted assets (RWA) by 1 January 2026, with an interim increase by 3% of RWA by 1 January 2024. These requirements are expected to be satisfied primarily through the issue of additional Tier 2 Capital which will further increase the Group's funding costs due to the higher cost of Tier 2 Capital issuance relative to senior debt.

On 21 September 2023, APRA released a Discussion Paper, outlining potential options for, and seeking feedback from stakeholders on, improving the effectiveness of Additional

Tier 1 (AT1) capital in Australia. APRA intends to follow this process with a formal consultation in 2024 on any proposed amendments to prudential standards. Changes to the requirements for AT1 capital may impact the Group's capital position.

In addition, revisions to the Reserve Bank of New Zealand capital requirements (to be phased in by 2028) will require the Group to hold more capital in NZ.

If the information or the assumptions upon which the Group's capital requirements are assessed prove to be inaccurate, this may adversely impact the Group's operations, financial performance and financial position.

A downgrade in the Group's credit ratings or outlook may adversely impact its cost of funds and capital market access.

Credit ratings are an assessment of a borrower's creditworthiness and may be used by market participants in evaluating the Group and its products, services, and securities. Credit rating agencies conduct ongoing review activities, which can result in changes to credit rating settings and outlooks for the Group, or credit ratings of sovereign jurisdictions where the Group conducts business. Credit ratings may be affected by operational and other market factors (e.g. ESG-related), or changes in a credit rating agency's rating methodologies.

A downgrade in the credit ratings or outlook of the Group, the Group's securities, or the sovereign rating of one or more of the countries in which the Group operates, may increase the Group's cost of funds or limit its access to capital markets. This may also cause a deterioration of the Group's liquidity position and trigger additional collateral requirements in derivative contracts and other secured funding arrangements. A downgrade to the Group's credit ratings relative to its peers may also adversely impact the Group's competitive position and financial performance and position.

Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or external events. This includes legal risk but excludes strategic risk.

Disruption to technology may adversely impact the Group's reputation and operations.

Most of the Group's operations depend on technology and therefore the reliability, resilience, and security of the Group's (and its third- party vendors') information technology systems and infrastructure are essential to the effective operation of the Group's business and consequently to its financial performance and position. The reliability, security and resilience of the Group's technology may be impacted by the complex technology environment, failure to keep technology systems up-to-date, an inability to restore or recover systems and data in acceptable timeframes, or a physical or cyber-attack against the Group or its external providers including suppliers of cloud services to the Group.

The rapid evolution of technology in the financial services industry and the increased expectations of customers for internet and mobile services on demand expose the Group to changing operational scenarios.

Any disruption to the Group's technology (including disruption to the technology systems of the Group's external providers) may be wholly or partially beyond the Group's control and may result in operational disruption, regulatory enforcement actions, customer redress, litigation, financial losses, theft or loss of customer data, loss of market share, loss of property or information, or may adversely impact the Group's speed and agility in the delivery of change and innovation.

In addition, any such disruption may adversely affect the trust that internal and external stakeholders have in the Group's ability to protect key information (such as customer and employee records) and infrastructure. This may in turn affect the Group's reputation, which may result in loss of customers, a reduction in share price, ratings downgrades and regulatory censure or penalties.

Privacy, information security and data breaches may adversely impact the Group's reputation and operations.

The Group collects, processes, stores and transmits large amounts of personal and confidential information through its people, technology systems and networks and the technology systems and networks of its external service providers. Threats to information security are constantly evolving and techniques used to perpetrate cyber-attacks are increasingly sophisticated. In addition, the number, nature and resources of adverse actors that could pose a cyber threat to the Group is growing, including individual cybercriminals, criminal or terrorist syndicate networks and large sophisticated foreign governments with significant resources and capabilities.

There is a risk that the Group's efforts to improve its technology systems and networks and its information security policies, procedures and controls may not be adequate to address these threats. While the Group participates in internal and external reviews and testing and is subject to regulatory oversight, which collectively helps to identify weaknesses and areas for improvement, remediation of weaknesses is sometimes difficult to complete in a timely manner due to the complex technology environment (including third party involvement) and the rapidly evolving nature of the threats, which leads to the continuing emergence of new vulnerabilities.

As cyber threats continue to evolve, the Group may be required to expend significant additional resources to continue to modify or enhance its layers of defence or to investigate and remediate any information security vulnerabilities.

The Group may also not always be able to anticipate a security threat, or be able to implement effective information security policies, procedures, and controls to prevent or minimise the resulting damage. The Group may also inadvertently retain information which is not specifically required or is not permitted by legislation, thus increasing the impact of a potential data breach or non-compliance. A successful cyber-attack could persist for an extended period before being detected and, following detection, it could take considerable time for the Group to obtain full and reliable information about the cybersecurity incident and the extent, amount and type of information compromised. During an investigation, the Group may not necessarily know the full effects of the incident or how to remediate it, and actions and decisions that are taken or made in an effort to mitigate risk may further increase the costs and other negative consequences of the incident. Moreover, the Group may be required to disclose information about a cybersecurity event before it has been resolved or fully investigated. Additionally, the Group uses select external providers (in Australia and overseas) to process and store confidential data and to develop and provide its technology services, including the increasing use of cloud infrastructure. While the Group negotiates comprehensive risk-based controls with its service providers, it is limited in its ability to monitor and control the security protocols that service providers implement on a day-to-day basis. The Group may also submit confidential information to its key regulators under a legal obligation and as part of regulatory reporting.

A breach of security at any of these external providers, regulators or within the Group may result in operational disruption, theft or loss of customer or employee data, a breach of privacy laws, regulatory enforcement actions, civil penalties, customer or employee redress, litigation, financial losses, or loss of market share, property, or information. This may be wholly or partially beyond the control of the Group and may adversely impact its financial performance and position. For example, some large Australian organisations have experienced significant cyber-attacks in recent years leading to intense public reactions and increased political and regulatory focus.

In addition, any such event may give rise to increased regulatory scrutiny or adversely affect the view of ratings agencies. Social media commentary, and the Group's responses to the relevant event, may exacerbate the impact on the Group's reputation.

The threat environment has also seen a new vector appear in the form of generative AI, the threat of which is uncertain, but which is a step-change in AI. While generative AI has potential to support significant service advances for customers, it also has potential to assist and enable and enhance existing methods for criminals to perpetrate fraud, scams, and cyber threats against the Company and its customers.

Complexity of infrastructure, processes and models, gives rise to a significant risk to the Group's operations.

The Group's business involves the execution of many processes and transactions with varying degrees of complexity. The Group is reliant on its policies, processes, controls, and supporting infrastructure functioning as designed, and on third parties appropriately managing their own operational risk and delivering services to the Group as required. A failure in the design or operation of these policies, processes, controls, and infrastructure, failure of the Group to manage external service providers, or the disablement of a supporting system, all pose a significant risk to the Group's operations and consequently its financial performance, reputation and the timeliness and accuracy of its statutory and prudential reporting.

Models are used extensively in the conduct of the Group's business, for example, in calculating capital requirements or customer compensation payments, and in measuring and stressing exposures. If the models used prove to be inadequate, or are based on incorrect or invalid assumptions, judgements or inputs, this may adversely affect the Group's customers and the Group's financial performance and position.

The Group is exposed to the risk of human error.

The Group's business, including the internal processes and systems that support business decisions, relies on appropriate actions and inputs from its employees, agents, and external providers. The Group is exposed to operational risk due to process or human error, including incorrect or incomplete data capture and records maintenance, incorrect or incomplete documentation to support activities, or inadequate design of processes or controls. The Group uses select external providers (in Australia and overseas) to provide services to the Group and is exposed to similar risks arising from such failures in the operating environment of its external providers.

The materialisation of any of these risks could lead to direct financial loss, loss of customer, employee or commercially sensitive data, regulatory penalties, and reputational damage.

The Group may not be able to attract and retain suitable talent.

The Group is dependent on its ability to attract and retain key executives, employees, and Board members with a deep understanding of banking and technology, who are qualified to execute the Group's strategy, including the technology transformation the Group is undertaking to meet the changing needs of its customers. Potential weaknesses in employment practices, including diversity, anti-discrimination, workplace flexibility, payroll compliance, workplace health and safety and employee wellbeing, together with a competitive labour market for critical skills, are sources of operational risk that can impact the Group's ability to attract and retain qualified personnel with the requisite knowledge, skills and capability. The effective management of psychosocial risk (including relating to workplace factors such as customer aggression, workload issues or poor change management) is an area of focus within the Group to support colleague wellbeing and retain talent. It is also an area of increasing regulatory scrutiny and reputational risk.

The Group's capacity to attract and retain key talent, in addition to providing attractive career opportunities, also depends on its ability to design and implement effective remuneration and talent structures. This may be constrained by several factors, including by regulatory requirements (particularly in the highly regulated financial services sector).

The unexpected loss of key resources or the inability to attract personnel with suitable experience may adversely impact the Group's ability to operate effectively and efficiently, or to meet the Group's strategic objectives. This risk may also impact third party vendors (including offshore vendors) engaged by the Group, who may be experiencing similar personnel related challenges.

External events may adversely impact the Group's operations.

Operational risk can arise from external events such as biological hazards, climate change, natural disasters, widespread disease or pandemics, or acts of terrorism and geopolitical conflict.

The Group has branches across Australia in locations that are prone to seasonal natural disasters. Recent examples are the bushfires over the 2019/2020 summer period in NSW and Victoria, and severe flooding events in Eastern Australia in 2021 and 2022 and North-Eastern Australia in 2023. In addition, the Group has branches and office buildings in NZ, which is prone to extreme weather events and has experienced significant flooding and earthquakes in recent years, as well as a severe and damaging tropical cyclone in February 2023, and which may be exposed to the risk of future extreme weather events and earthquakes.

Given the Group's physical presence in major cities in Australia, NZ and other countries where it has, or is intending to establish, offshore operations, it may also be exposed to the risk of a terrorist attack.

The Group has operations in India and Vietnam conducting a range of essential business functions and processes including transaction processing and technology development. Disruption to these centres may have a material impact on the Group's operations.

Geopolitical risks continue to present uncertainty to the Group's operations. Tensions between the US and China, including in relation to Taiwan, the Russia-Ukraine and Israel-Gaza conflicts and China's trade and technology policies, continue to persist, which could impact the Group's operations adversely, for example through disruption to global supply chains and availability of talent.

External events, such as extreme weather, natural disasters, biological hazards, and acts of terrorism may cause property damage and business disruption, which may adversely impact the Group's financial performance. In addition, if the Group is unable to manage the impacts of such external events, it may compromise the Group's ability to provide a safe workplace for its personnel and/or lead to reputational damage. The environment the Group is operating in has become more complex and more uncertain and could create operational risks that are yet to be identified.

Sustainability risk

Sustainability risk is the risk that ESG-related events or conditions arise that could negatively impact the sustainability, resilience, risk and return profile, value, or reputation of the Group or its customers and suppliers. Inadequate management of ESG risks by the Group or its customers may expose the Group to other potential risks across risk categories such as strategic, credit, compliance, conduct, operational risk and capital, funding and liquidity risk.

Physical and transition risks arising from climate change, other environmental impacts and nature-related risks may lead to increasing customer defaults and decrease the value of collateral.

Extreme weather, increasing weather volatility, and longer-term changes in climatic conditions, as well as environmental impacts such as land contamination and other nature-related risks such as deforestation, biodiversity loss and ecosystem degradation, may affect water security, property and asset values or cause customer losses due to damage, crop losses, existing land use ceasing to be viable, and/or interruptions to, or impacts on, business operations and supply chains.

Globally, an increasing number of countries are prone to, and have experienced, acute physical climate events. In Australia and NZ these have included drought conditions, bushfires over summer periods, and severe floods, particularly in Eastern Australia over the past three years including in 2023. NZ also experienced a severe and damaging tropical cyclone in February 2023. Extreme weather events are expected to increase globally and locally in frequency and severity, which may have adverse macroeconomic impacts. The impact of extreme weather events can take time to be fully realised and be widespread, extending beyond residents, businesses, and primary producers in highly impacted areas, to supply chains in other cities and towns relying on agricultural and other products from within these areas. The impact of these losses on the Group may be exacerbated by a decline in the value and liquidity of assets held as collateral and the extent to which these assets are insured or insurable, which may impact the Group's ability to recover its funds when loans default.

Climate-related transition risks are increasing as economies, governments, and companies seek to transition to low-carbon alternatives and adapt to climate change. Certain customer segments may be adversely impacted as the economy transitions to renewable and low-emissions technology. Decreasing investor appetite and customer demand for carbon intensive products and services, increasing climate-related litigation, and changing regulations and government policies designed to mitigate climate change, may negatively impact revenue and access to capital for some businesses, and/or the Group's products or services that serve those customers. Furthermore, management of transition risk is more challenging given the presence of social risks such as modern slavery in relevant supply chains e.g., input materials and equipment required to support the low carbon transition.

NZ also faces geological risk associated with major earthquakes and certain areas of Australia have also more recently experienced some earthquake-related damage.

Nature-related risks (caused by impacts and dependencies on nature), such as deforestation and illegal land clearing, and biodiversity loss and ecosystem degradation, may disrupt business activities and supply chains, and may cause business impacts including contributing to raw material and/or commodity price volatility, stranded assets, changes in customer demand and changes in the regulatory environment. Examples include: the decline of bee populations which provide pollination services to agriculture, the collapse of fishing or agricultural yields, and a decrease in air or water quality.

These risks may increase expected and actual levels of customer defaults, thereby increasing the credit risk facing the Group and adversely impacting the Group's financial performance and position, profitability and returns to investors.

The Group, its customers, or its suppliers may fail to comply with legal, regulatory or voluntary standards or broader shareholder, community and stakeholder expectations concerning ESG risk performance.

ESG issues have been subject to increasing legal, regulatory, voluntary, and prudential standards and increasing (and sometimes differing) community and stakeholder expectations. These include:

- Environmental issues – such as climate change, deforestation and illegal land clearing, biodiversity loss, ecosystem degradation, and pollution. Supervisory and regulatory guidance and requirements for banks are increasingly focusing on ESG risks, as regulators seek to understand and manage system- wide impacts such as those arising from climate-related risks. This focus is quickly evolving to broader environmental issues, such as nature-related risks, as the links between nature and economic prosperity and societal wellbeing are becoming better understood. This has been a particular focus of the Task Force on Nature-related Financial Disclosures, whose recommendations were released in September 2023, and the development of which has been supported by the Australian and United Kingdom governments.
- Social issues – such as human rights (including modern slavery), compliance with recognised labour standards and fair working conditions, unfair and inequitable treatment of people including discrimination, product responsibility, appropriate remuneration, and indigenous land rights and cultural heritage including any such potential impacts on these matters from a customer's operations and/or projects.
- Governance issues – such as bribery and corruption, tax avoidance, greenwashing and other false or misleading environmental or sustainability claims, poor governance, lack of transparency, and not fulfilling accountabilities.

As certain issues become better understood and the associated risks can be more accurately quantified, corporate ESG commitments, and performance against those commitments, are being more closely monitored by external stakeholders. Globally, and particularly in Australia, regulators have strengthened their policy guidance in relation to sustainability-related disclosures and governance practices, with particular emphasis on greenwashing. Consumer and fair-trading issues in relation to environmental and sustainability claims are a 2023-24 compliance and enforcement priority of the Australian Competition and Consumer Commission (ACCC), aimed at improving the integrity of environmental and sustainability claims and to protect consumers from greenwashing. Effective regulatory frameworks underpinning sustainable finance continues to be a key theme and strategic priority of the Australian Securities and Investments Commission (ASIC) in 2023. In 2022, Australian regulators (in particular, ASIC) increased enforcement activity in relation to sustainability-related disclosures and that trend has continued in 2023.

ESG due diligence requirements may become mandatory in some jurisdictions in which the Group operates, placing increasing demands on the Group's processes and capability to manage, monitor and address ESG risks.

The impacts associated with climate change-related legislative and regulatory initiatives, customer requirements and the transition to a low carbon economy, including meeting new regulatory expectations, retrofitting of assets, energy efficient and low carbon investments, purchasing carbon credits or paying carbon taxes, may result in operational changes and additional expenditures that could adversely affect the Group and/or its customers.

The Group's reputation and business prospects may also be damaged if it does not, or is perceived not to, effectively prepare for the potential business and operational opportunities and risks associated with climate change, including through the development and marketing of effective and competitive products and services designed to address clients' climate risk-related needs. These risks include negative market perception, reduced market share and regulatory and litigation consequences associated with greenwashing claims or driven by association with clients, industries or products that may be inconsistent with the Group's stated positions on climate change issues.

Failure by the Group to:

- Comply with ESG-related regulatory requirements or standards, including emerging ESG-related disclosure requirements arising globally and following the release of the International Sustainability Standards Board's Sustainability and Climate disclosure standards, the proposed introduction of climate-related disclosure requirements by the Australian Accounting Standards Board, and recently introduced disclosure requirements in NZ, related to the recommendations of the Task Force on Climate-related Financial Disclosures.
- Meet ESG-related commitments, goals and targets set by the Group, or Group ESG-related policies.
- Meet community and stakeholder expectations in relation to ESG.
- Apply appropriate ESG standards to its customers, or to entities in the Group's supply chain.
- Appropriately make representations about its ESG-related products and performance.

may adversely impact the Group's reputation, and shareholder, customer and employee sentiment towards the Group, may increase the risk of ESG-related litigation against the Group, or may result in regulatory fines or penalties, including litigation or regulatory action related to green washing. Risk also exists due to well-funded and strategic private litigants actively seeking opportunities to take litigation action in Australia.

Certain products, services or industries may become subject to heightened public scrutiny, either generally or following a specific adverse event, or because of activism by shareholders, investors or special interest groups. This could result in a sudden and significant decrease in demand for these products or services and a negative impact on revenue and access to capital for some businesses and increasing litigation risk. Reputational damage to impacted suppliers, customers or customer sectors may give rise to associated reputational damage to the Group. In addition, levels of customer defaults in an impacted sector may increase, adversely impacting the Group's financial performance and position, profitability and returns to investors.

Conduct risk

Conduct risk is the risk that any action (or inaction) of the Group, or those acting on behalf of the Group, will result in unfair outcomes for any of the Group's customers.

The Group is reliant on its employees, contractors and external suppliers acting in an appropriate and ethical way.

Organisational culture can greatly influence individual and group behaviours. Poor culture can expose an organisation and lead to customer harm, financial loss and detriment. The behaviours that could expose the Group to conduct risk include:

- Failure to design products and services that are transparent, accessible, and easy for the Group's customers to understand.
- Unmanaged conflicts of interest that could influence behaviour that is not in the customer's best interest.
- Non-adherence to applicable learning and competency training requirements.
- Selling, providing, or unduly influencing customers to purchase or receive products or services that may not meet their existing needs or that place the customer at risk of future hardship.
- Use of Artificial Intelligence (AI) that is inappropriate or inconsistent with community and customer expectations, or the overreliance on algorithmic outcomes without adequate human supervision.
- Making representations to customers about products or services of the Group which are inaccurate, misleading or deceptive, including representations which may mislead customers on the extent to which the Group's practices are environmentally friendly, sustainable or ethical.
- Being a party to fraud.
- Failure to protect customers from fraud or scams when banking through digital channels or failure to respond adequately to customers impacted by external fraud or scams.
- Non-adherence to applicable requirements or providing financial advice which is not appropriate or in a customer's interests.
- Delays in appropriately escalating regulatory and compliance issues.
- Failure to resolve issues and remediate customers in a timely manner and in accordance with community expectations.
- Failure to deliver on product and service commitments.
- Failure to remediate ineffective business processes and stop re-occurrence of issues in a timely manner.
- Failure to act in accordance with the Group's Code of Conduct or Financial Markets Conduct Policy.

If the Group's conduct related controls were to fail significantly, be designed inappropriately, or not meet legal or regulatory requirements or community expectations, then the Group may be exposed to, among other things:

- Increased costs of compliance, fines, additional capital requirements, public censure, loss of customer confidence, class actions and other litigation, settlements, and restitution to customers or communities.
- Increased supervision, oversight, or enforcement by regulators or other stakeholders.
- Unenforceability of contracts such as loans, guarantees, and other security documents.
- Enforced suspension of operations, amendments to licence conditions, or loss of licence to operate all or part of the Group's businesses.
- Other enforcement or administrative action or agreements, including legal proceedings.

A failure of the Group's conduct-related controls to accurately reflect relevant legal, regulatory or community expectations may adversely impact the Group's reputation, financial performance and position, profitability, operations and returns to investors and can result in customer harm, financial loss and detriment.

Compliance risk

Compliance risk is the risk of failing to understand and comply with relevant laws, regulations, licence conditions, supervisory requirements, self-regulatory industry codes of conduct and voluntary initiatives, as well as the internal policies, standards, procedures, and frameworks that support fair and equitable treatment of customers.

The Group may be involved in a breach or alleged breach of laws governing bribery, corruption and financial crime.

Supervision and regulation of financial crime and enforcement of anti- bribery and corruption (ABC), anti-money laundering and counter-terrorism financing (AML/CTF) laws have increased in recent years.

On 29 April 2022, the Company entered into an enforceable undertaking (EU) with the Australian Transaction Reports and Analysis Centre (AUSTRAC) to address AUSTRAC's concerns with the Group's compliance with certain AML and CTF requirements. Under the terms of the EU, the Company and the relevant members of the Group are required to:

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

In May 2022, the Company appointed an external auditor (as required under the EU). The Company obtains interim reports from the external auditor on a quarterly basis and an annual basis. The external auditor will provide a final report to the Company for the period up to 31 March 2025.

The Company has completed approximately three-quarters of its required activities under the RAP. A number of these activities require review by the External Auditor, and some of the more complex activities under the RAP have longer timeframes for completion. The Company continues to oversee delivery of the RAP commitments through dedicated EU Governance forums.

The Group continues to investigate and remediate a number of known AML/CTF compliance issues and weaknesses, including in accordance with the EU. As this work progresses, further compliance issues may be identified and reported to AUSTRAC or equivalent foreign regulators, and additional enhancements of the Group's systems and processes may be required.

A negative outcome to any investigation or remediation process, or a failure to comply with the EU, may adversely impact the Group's reputation, business operations, financial position, and results.

As a bank engaged in global finance and trade, the Group faces risks relating to compliance with AML/CTF, ABC and financial sanctions laws across multiple jurisdictions. Undetected failure of internal controls, or the ineffective remediation of compliance issues could lead to breaches of AML/CTF and/or ABC obligations or sanctions violations, resulting in potentially significant monetary and regulatory penalties, which, in turn, may adversely impact the Group's reputation, financial performance, and position.

The risks of sanctions violations are increased in the context of additional, wide ranging economic sanctions and export controls imposed in 2022 and 2023 as a result of the Russia-Ukraine conflict and the continued attempts by those subject to sanctions to evade and circumvent their impact. NAB's sanctions compliance function continues to monitor the sanctions issued as a result of rising tensions in the Middle East. NAB's sanctions controls remain well equipped to support compliance with new and anticipated sanctions measures imposed by regulators. Refer to *Note 31 Commitments and contingent liabilities* of the 2023 Financial Report (attached to this 2023 Full Year U.S. Disclosure Document as part of Annex B Financial Statements), 'Regulatory activity, compliance investigations and associated proceedings – AML and CTF program uplift and compliance issues' for more information.

The Group may fail to comply with applicable laws and regulations which may expose the Group to significant compliance and remediation costs, regulatory enforcement action or litigation, including class actions.

The Group is highly regulated and subject to various regulatory regimes which differ across the jurisdictions in which it operates, trades, and raises funds.

Ensuring compliance with all applicable laws is complex. There is a risk the Group will be unable to implement the processes and controls required by relevant laws and regulations in a timely manner, or that the Group's internal controls will prove to be inadequate or ineffective in ensuring compliance. There is also a potential risk of misinterpreting new or existing regulations.

There is significant cost associated with the systems, processes, controls, and personnel required to comply with applicable laws and regulations. Such costs may negatively impact the Group's financial performance and position. Any failure to comply with relevant laws and regulations may have a negative impact on the Group's reputation and financial performance and position and may give rise to class actions, litigation, or regulatory enforcement, which may in turn result in the imposition of civil or criminal penalties, or additional regulatory capital requirements, on the Group.

Entities within the Group have been, and may continue to be, involved from time to time in regulatory enforcement and other legal proceedings arising from the conduct of their business. There is inherent uncertainty regarding the possible outcome of any legal or regulatory proceedings involving the Group. It is also possible that further class actions, regulatory investigations, compliance reviews, civil or criminal proceedings, or the imposition of new licence conditions or regulatory capital requirements could arise in relation to known matters or other matters of which the Group is not yet aware. The aggregate potential liability and costs associated with legal proceedings cannot be estimated with any certainty.

A negative outcome to regulatory investigations or litigation involving the Group may impact the Group's reputation, divert management time from operations, and affect the Group's financial performance and position, profitability, and returns to investors. Refer to *Note 31 Commitments and contingent liabilities* of the 2023 Financial Report (attached to this 2023 Full Year U.S. Disclosure Document as part of Annex B Financial Statements) for details in relation to certain current legal and regulatory proceedings, compliance reviews and associated remediation, and other contingent liabilities which may impact the Group.

Extensive regulatory change poses a significant risk to the Group.

Globally, the financial services and banking industries are subject to significant and increasing levels of regulatory change, reviews and political scrutiny, including in Australia, NZ and other countries where the Group has, or is intending to establish, offshore operations.

Examples of regulatory change in other jurisdictions that may directly or indirectly impact the Group's Australian operations include changes relating to the Group of 20 (G20) over-the-counter derivative products, potential updates to the Foreign Exchange Global Code, U.K. and European market abuse regulations, European Union directives relating to Corporate Sustainability Reporting and Corporate Sustainability Due Diligence and the French Duty of Vigilance legislation. The pace, volume, and complexity of change may also expose the Group to the increased risk of failure to adequately identify all applicable regulatory changes. Changes to laws and regulations or their interpretation and application can be unpredictable, are beyond the Group's control, and may not be harmonised across the jurisdictions in which the Group operates.

Regulatory change may result in significant capital and compliance costs, changes to the Group's corporate structure, and increasing demands on management, colleagues and information technology systems. This may also impact the competitiveness of the Group in certain of its businesses, the viability of the Group's participation in certain markets or require the divestment of a part of the Group's business.

Operationalising large volumes of regulatory change presents ongoing risks for the Group. Extensive work is done to assess proposed design solutions and to test design effectiveness of controls for each regulatory change before the effective date, however, the operating effectiveness of some controls cannot be fully tested until the go-live date for the relevant regulatory change has occurred. There are also inherent risks associated with the dependency on third parties for the effectiveness of some controls.

The Group is in the process of implementing key regulatory changes that have yet to take effect. These include the Financial Accountability Regime Act 2023, Operational Risk Management (CPS 230), Public Disclosure (APS 330) and Recovery and Exit Planning (CPS 190). Other notable changes which have taken effect recently include the Compensation Scheme of Last Resort (which facilitates payment of compensation for eligible consumers who have received a determination from the Australian Financial Claims Authority that remains unpaid) and ASIC's Indigenous Financial Services Framework (which aims to encourage financial institutions to provide suitable products and services to First Nations peoples).

Since coming into power in May 2022, the Australian Government has released its inaugural Strategic Plan for the Payments System, an initial Data and Digital Government Strategy and a proposed 2023-2030 Australian Cyber Security Strategy. It is also progressing discussions with the RBA on recommendations from the Review of the Reserve Bank of Australia which may have implications for the Group and for the Australian economy. The Group will be subject to significant regulatory and process changes as the Australian Government finalises and implements its strategic policy priorities and digitalisation agenda in the period ahead.

Ongoing and proposed regulatory changes, reviews and inquiries relevant to the Group include operational resilience (including cyber security), market risk capital reform, liquidity reforms, CDR reforms (expansion to non-bank lenders, action initiation, and consent), crypto assets (prudential treatment, licensing and custody), governance, vulnerability (including hardship, domestic violence, accessible and inclusive banking and regional branch closures), financial claims scheme, personal property securities framework reform, financial advice reforms, market abuse or conduct-related regulations, changes to financial benchmarks, derivatives reform, modification of legislation applicable to deposit takers in NZ, payments, data quality, protection and privacy law reforms, competition inquiries (ACCC Retail Deposits Inquiry, Treasury Review of Competition Policy Settings), financial crime legislation (including de-banking), accounting, disclosure and reporting requirements (financial, sustainability and climate risk, reportable situations, complaints and remuneration), bankruptcy and personal and corporate insolvency, human rights, modern slavery, tax reform and the Australian Securities Exchange CHESS replacement.

Current consumer-centric regulatory changes due to take effect in the coming months include enhancements to the Unfair Contract Terms (UCT) regime for consumers and small businesses and the Banking Code of Practice. The changes to UCT will allow Courts to impose substantial penalties on businesses and individuals who include unfair terms in their standard form contracts. Regulatory priorities may also direct or influence the manner in which the Group is currently meeting its obligations to customers.

With increasing evidence of consumers experiencing financial distress and difficulty due to cost-of-living pressures, ASIC expects lenders to work constructively with their customers to find a sustainable solution in the period ahead. In addition, ASIC's strategic priority to take action to address poor product design and distribution and poor consumer outcomes is expected to drive both issuers' and distributors' focus on the application of the 'reasonable steps' obligations to ensure financial products are appropriately distributed to their respective target markets.

Further inquiries and regulatory reviews impacting the financial services industry may be commissioned by the Australian and NZ governments, which, depending on their scope, findings and recommendations, may adversely impact the Group.

Examples of specific reviews and regulatory reforms currently relevant to the Group, and which present a potential material regulatory risk include those set out below.

- The Financial Markets (Conduct of Institutions) Amendment Act 2022 (CoFI Act) will create an oversight and licensing regime for regulating conduct in the banking, non-bank deposit taking and insurance sectors in NZ. The CoFI Act is expected to come into force in early 2025.

- Legislation was introduced into Parliament in November 2022 to enable 'write access' or 'action initiation' within the CDR regime which may present additional cyber and fraud risks in the CDR ecosystem, if passed. Governance mechanisms including accountabilities, controls, and frameworks are still evolving and, under the Open Banking regime, customer data may be shared with, and received from, a broader range of stakeholders. Significant Group resources and management time have been, and will continue to be, utilised to implement and progress Open Banking (including supporting the CDR to mature in the banking sector).
- At the direction of the Treasurer in February 2023, the ACCC is conducting an inquiry into the market for the supply of retail deposit products to ensure that there is competition between Australian banks in relation to the pricing and features of retail deposit products offered to customers. The inquiry will look at matters including the interest rates paid by ADIs for retail deposits, how the interest rates are set between retail deposit products and lending products (including home loans), decisions made in light of changes to the RBA target cash rate, the extent of competition in the market for retail deposit products and how deposit products are a source of funding for the supply of credit. The ACCC is to provide its report by 1 December 2023.
- Globally, regulators increasingly expect that the financial services industry, including banks, will play a more substantive role in protecting customers from scams and other fraudulent activity. While recognising the potential for regulatory change to address the impact of scams, the Group continues to proactively educate its customers about scams and further enhance its systems and processes to detect and protect customers and the Group from scams and fraud. In this way, the Group seeks to mitigate the risk to customers from scam or fraud activity that may be difficult for the Group to anticipate or control. Although no government policy or position in relation to a contingent reimbursement scheme has been promulgated in Australia, the Group's strategic planning and enhancement of systems and processes will also prepare it for expected regulatory change in this regard. Given the considerable growth in industry and customer losses from scams and fraud, the potential costs associated with control failures and transferal of risk from the customer may be significant.
- New Base Erosion and Profit Shifting rules (Pillar Two model rules) have been released by the OECD that are designed to ensure that multinational enterprises pay a minimum tax of 15% tax on income arising in each jurisdiction. The rules will come into effect for NAB globally commencing 2025. The rules are complex and will require global implementation resulting in increased compliance costs. Substantial changes will be required to existing tax operations with a focus on an increase in global data analytics capabilities.
- Proposed ESG-related regulatory regimes, including increasing obligations relating to modern slavery, human rights, sustainable finance, climate, and other sustainability risk-related prudential guidance, and regulatory and disclosure requirements. These include:
  - The climate-related disclosures regime under the Financial Markets Conduct Act 2013 in NZ, which requires mandatory climate-related reporting from early 2024, and the expected introduction of similar requirements in Australia in 2024/2025 following the consultations by Australian Treasury in 2023 on the design and implementation of standardised, internationally-aligned requirements for disclosure of climate-related financial risks and opportunities in Australia.
  - Changes to international accounting standards on disclosure of sustainability and climate-related financial information published by the International Sustainability Standards Board in 2023 and amendments to Australian Accounting Standards proposed by the Australian Accounting Standards Board (AASB) to introduce three Australian Sustainability Reporting Standards.
  - The final recommendations of the Taskforce on Nature-related Financial Disclosures which were published in September 2023.
  - Expansion of modern slavery and sustainability due diligence requirements in Australia, New Zealand and the European Union.

The full scope, timeline and impact of current and potential inquiries and regulatory reforms such as those mentioned above, or how they will be implemented (if at all in some cases), is not known.

Depending on the specific nature of the regulatory change requirements and how and when they are implemented or enforced, they may have an adverse impact on the Group's business, operations, structure, compliance costs or capital requirements, and ultimately its competitiveness, reputation, financial performance, or financial position.

The Group may be exposed to losses if critical accounting judgements and estimates are subsequently found to be incorrect.

Preparation of the Group's financial statements requires management to make estimates and assumptions and to exercise judgement in applying relevant accounting policies, each of which may directly impact the reported amounts of assets, liabilities, income, and expenses. A higher degree of judgement is required for the recognition and estimates used in the measurement of provisions (including for customer-related remediation and other regulatory matters), the determination of income tax, the valuation of financial assets and liabilities (including fair value and credit impairment of loans and advances), and the valuation of goodwill and intangible assets arising from business acquisitions.

If the judgements, estimates, and assumptions used by the Group in preparing the financial statements are subsequently found to be incorrect, there could be a significant loss to the Group beyond that anticipated or provided for, which may adversely impact the Group's reputation, financial performance and financial position.

2023 Full Year U.S. Disclosure Document

Operating and financial review

Financial performance summary

The following financial discussion and analysis in this Section 2 of this 2023 Full Year US. Disclosure Document is derived from the 2023 Financial Report and is based on statutory information unless otherwise stated. The statutory information is presented in accordance with the *Corporations Act 2001* (Cth) and Australian Accounting Standards.

Certain information in this Section 2 of this 2023 Full Year US. Disclosure Document is presented on a cash earnings basis. Cash earnings is a non-IFRS key performance measure. This information should be read in conjunction with and is qualified in its entirety by reference to the 2023 Financial Report. For a discussion of non-IFRS key performance measures, non-cash earnings items and a full reconciliation of statutory net profit from continuing operations attributable to owners of the Company, refer to pages 3 to 4 and 87 to 89.

5 Year Financial Performance Summary

	Group				
	2023	**2022**	**2021**	**2020**	**2019**
	$m	**$m**	**$m**	**$m**	**$m**
Net interest income	**16,807**	14,840	13,793	13,877	13,555
Other income	**3,841**	3,730	2,936	3,259	3,980
Operating expenses	**(9,382)**	(8,702)	(7,863)	(9,221)	(8,263)
Credit Impairment (charge) / write-back	**(816)**	(124)	202	(2,752)	(927)
Profit before income tax	**10,450**	9,744	9,068	5,163	8,345
Income tax expense	**(2,980)**	(2,684)	(2,597)	(1,665)	(2,440)
Net profit for the year from continuing operations	**7,470**	7,060	6,471	3,498	5,905
Net loss after tax for the year from discontinued operations	**(51)**	(169)	(104)	(935)	(1,104)
Net profit for the year	**7,419**	6,891	6,367	2,563	4,801
Profit attributable to non-controlling interests	**5**	-	3	4	3
Net profit attributable to owners of the Company	**7,414**	6,891	6,364	2,559	4,798

5 Year Key Performance Indicators

	Group				
	2023	**2022**	**2021**	**2020**	**2019**
Key indicators					
Statutory earnings per share (cents) - basic	**236.4**	214.1	193.0	82.1	168.6
Statutory earnings per share (cents) - diluted	**228.7**	205.6	185.2	80.5	164.4
Statutory return on equity	**12.3%**	11.3%	10.4%	4.4%	9.1%
Cash return on equity[1]	**12.9%**	11.7%	10.7%	6.5%	11.4%
Profitability, performance and efficiency measures					
Dividend per share (cents)	**167**	151	127	60	166
Net interest margin	**1.74%**	1.65%	1.71%	1.77%	1.78%
Total Group capital					
Common Equity Tier 1 (CET1) capital ratio	**12.22%**	11.51%	13.00%	11.47%	10.38%
Tier 1 capital ratio	**14.19%**	13.14%	14.64%	13.20%	12.36%
Total capital ratio	**19.88%**	18.17%	18.91%	16.62%	14.68%
Risk-weighted assets ($bn)	**435.0**	449.9	417.2	425.1	415.8
Volumes ($bn)					
Gross loans and acceptances (GLAs)[2]	**708.5**	687.7	629.1	594.1	601.4
Average interest earning assets	**966.7**	900.3	805.0	781.7	758.8
Total average assets	**1,065.1**	991.5	889.6	877.0	835.9
Total customer deposits	**587.4**	566.7	500.3	468.2	424.6
Average equity (adjusted)[3]	**60.1**	60.8	61.2	56.7	51.6
Asset quality					
90+ days past due and gross impaired assets to GLAs	**0.75%**	0.66%	0.94%	1.03%	0.93%
Full-time equivalent employees (FTE)[4]					
FTE (spot)	**38,516**	35,558	33,275	34,944	34,370
FTE (average)	**37,290**	34,022	34,217	34,841	33,950

(1) Full detail on how cash earnings is defined, a discussion of non-cash earnings items and a full reconciliation of statutory net profit attributable to owners of the Company is set out in *Note 2 Segment information* of the Financial Report (attached to this Full Year U.S. Disclosure Document as part of Annex B Financial Statements). Statutory return on equity and statutory earnings per share (EPS) are presented on page 23.
(2) Including loans and advances at fair value.
(3) Average equity on a cash and statutory basis are equal.
(4) Excluding discontinued operations, FTE (spot) is 38,128 (2022: 35,128) and FTE (average) is 36,895 (2022: 33,530).

Financial performance

	Group 2023 $m	Group 2022 $m
Net interest income	**16,807**	14,840
Other income	**3,841**	3,730
Net operating income	**20,648**	18,570
Operating expenses	**(9,382)**	(8,702)
Credit Impairment charge	**(816)**	(124)
Profit before income tax	**10,450**	9,744
Income tax expense	**(2,980)**	(2,684)
Net profit for the year from continuing operations	**7,470**	7,060
Net loss after tax for the year from discontinued operations	**(51)**	(169)
Net profit for the year	**7,419**	6,891
Profit / (loss) attributable to non-controlling interests	**5**	-
Net profit attributable to owners of the Company	**7,414**	6,891

September 2023 v September 2022

Net profit attributable to owners of the Company (statutory net profit) increased by $523 million or 7.6%.

Net interest income increased by $1,967 million or 13.3%. Excluding the Citi consumer business, net interest income increased by $1,776 million or 12.1%. This includes a decrease of $318 million due to movements in economic hedges, offset in other operating income. Excluding these movements, the underlying increase of $2,094 million or 14.3% was primarily due to higher earnings on deposits and capital driven by the rising interest rate environment and higher average interest earning assets. These movements were partially offset by lower housing lending margins, deposit mix impact due to growth in term deposits and higher wholesale funding costs.

Other income increased by $111 million or 3.0%. Excluding the Citi consumer business, other operating income increased by $53 million or 1.4%. This includes an increase of $318 million due to movements in economic hedges, offset in net interest income. Excluding these movements, the underlying decrease of $265 million or 7.1% was primarily due to lower volumes of realised gains on bond sales in Treasury (high-quality liquids portfolio), and the impact of one-off gain on the disposal of BNZ Life not repeated in the September 2023 full year. These were partially offset by higher NAB risk management income in Markets, combined with a positive derivative valuation adjustment.

Operating expenses increased by $680 million or 7.8%. Excluding the Citi consumer business, operating expenses increased by $440 million or 5.2%. This includes an increase of $40 million for a provision in respect of a one-off levy for the Compensation Scheme of Last Resort (CSLR). Excluding these movements, the underlying increase of $400 million or 4.7% was primarily driven by higher personnel expenses due to an increase in average FTE and salary and related costs, together with continued investment in technology and compliance capabilities including fraud and cyber security. This was partially offset by productivity benefits achieved through continued process improvements and simplification of the Group's operations, lower costs associated with the acquisition, disposals and closure of Group businesses, combined with lower remediation charges.

Credit impairment charge increased by $692 million driven by a higher level of collective credit impairment charges across the Group's lending portfolio, combined with a higher level of specific credit impairment charges off a low base.

Income tax expense increased by $296 million or 11.0% largely due to a higher profit before tax.

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

Review of group and divisional results

September 2023 v September 2022

Group

Net profit increased by $523 million or 7.6%.

Business and Private Banking

Net profit increased by $298 million or 9.9%, driven by higher revenue as a result of volume growth and higher net interest margin. This was partially offset by increased operating expenses and credit impairment charges.

Personal Banking

Net profit decreased by $170 million or 10.7%, driven by higher credit impairment charges and operating expenses, partially offset by an increase in revenue.

Corporate and Institutional Banking

Net profit increased by $57 million or 3.3%, driven by higher revenue partially offset by higher expenses and credit impairment charges.

New Zealand Banking

Net profit increased by $61 million or 4.6%, driven by higher revenue, partially offset by higher operating expenses and credit impairment charges.

Corporate Functions and Other

Net loss decreased by $277 million or 36.3%, driven by lower credit impairment charges and higher NAB risk management income in Treasury, partially offset by higher operating expenses combined with the impact of the one-off gain on the disposal of BNZ Life not repeated in the September 2023 full year.

Group balance sheet review

	Group 2023 $m	Group 2022 $m
Assets		
Cash and liquid assets	**24,699**	56,451
Due from other banks	**117,306**	141,861
Collateral placed	**11,286**	13,115
Trading assets	**101,168**	40,573
Debt instruments	**46,357**	42,080
Other financial assets	**1,430**	2,061
Derivative assets	**34,269**	61,016
Loans and advances	**702,702**	680,434
All other assets	**19,866**	17,535
Total assets	**1,059,083**	1,055,126
Liabilities		
Due to other banks	**39,516**	74,679
Collateral received	**10,672**	17,245
Other financial liabilities	**66,352**	23,286
Derivative liabilities	**35,633**	57,486
Deposits and other borrowings	**682,120**	683,526
Bonds, notes and subordinated debt	**135,645**	119,283
Debt issues	**8,561**	7,318
All other liabilities	**19,081**	13,271
Total liabilities	**997,580**	996,094
Total equity	**61,503**	59,032
Total liabilities and equity	**1,059,083**	1,055,126

September 2023 v September 2022

Assets

Total assets increased by $3,957 million or 0.4%. The key movements are as follows:

- Cash and liquid assets decreased by $31,752 million or 56.2% predominantly due to the commencement of measuring certain reverse repurchase agreements at fair value through profit or loss which are now presented within Trading assets.
- Due from other banks decreased by $24,555 million or 17.3% primarily due to a decrease in the Exchange Settlement Account (ESA) balance with the RBA and the commencement of measuring certain reverse repurchase agreements at fair value through profit or loss which are now presented within Trading assets, partly offset by an increase in deposits with overseas central banks.
- Collateral placed decreased by $1,829 million or 13.9% as a result of a decrease in derivative liabilities.
- Trading assets increased by $60,595 million driven by the commencement of measuring certain reverse repurchase agreements at fair value through profit or loss.
- Debt instruments increased by $4,277 million or 10.2% due to an increase in semi-government bonds, notes and securities.
- Derivative assets decreased by $26,747 million or 43.8% predominantly driven by foreign exchange and interest rate movements during the period.
- Loans and advances increased by $22,268 million or 3.3% primarily due to growth in housing lending.
- All other assets increased by $2,331 million or 13.3% primarily due to an increase in accrued interest receivable and outstanding settlements for securities sold.

Liabilities

Total liabilities increased by $1,486 million or 0.1%. The key movements are as follows:

- Due to other banks decreased by $35,163 million or 47.1% predominantly due to the commencement of measuring certain repurchase agreements at fair value through profit or loss which are now presented within Other financial liabilities, and a reduction in TFF owing to the RBA.
- Collateral received decreased by $6,573 million or 38.1% due to a decrease in derivative assets.
- Other financial liabilities increased by $43,066 million due to the commencement of measuring certain repurchase agreements at fair value through profit or loss.
- Derivative liabilities decreased by $21,853 million or 38.0% predominantly driven by foreign exchange and interest rate movements during the period.
- Deposits and other borrowings decreased by $1,406 million or 0.2% primarily due to the commencement of measuring certain repurchase agreements at fair value through profit or loss which are now presented within Other financial liabilities, partly offset by growth in customer deposits.
- Bonds, notes and subordinated debt increased by $16,362 million or 13.7% primarily driven by net new issuances in line with the Group's funding requirements.
- All other liabilities increased by $5,810 million or 43.8% primarily due to an increase in accrued interest payable and payables for securities purchased.

Equity

Total equity increased by $2,471 million or 4.2%. The key movements are as follows:

- Contributed equity decreased by $853 million or 2.2% primarily driven by share buy-backs during the period.
- Reserves increased by $647 million primarily due to movements in the foreign currency translation reserve.
- Retained profits increased by $2,328 million or 10.8% reflecting current period statutory profits, partially offset by dividends paid.

Strategic highlights[1]

The close of 2023 marks the third full year under the Group's refreshed long-term strategy. This strategy is centred on delivering better outcomes for customers and colleagues while keeping the bank safe. It is supported by disciplined execution and persistent investment to create a simpler, more streamlined business, which is more productive, resilient and efficient. Good progress has been made towards the Group's strategic objectives over the past three years with more to do. The Group remains focused on executing its strategy and building on the progress made in recent years.

The Group exists to serve customers well and help our communities prosper. To achieve this, the Group is focused on key priorities that it believes will make a real difference to its customers and colleagues, and support over time its aim to be known for being:

- Relationship-led; building on market leading expertise, data and insights.
- Easy; a simpler, more seamless and digitally enabled bank that gets things done faster.

(1) Amounts presented in this section are based on cash earnings.

- Safe; protect customers and colleagues through financial and operational resilience.
- Long-term; deliver sustainable outcomes for stakeholders.

Executing the Group's strategy is expected to deliver better customer outcomes, more engaged colleagues and improved shareholder value. The Group will measure the success of its strategy and execution according to four key ambitions:

- Colleague Engagement – top quartile.
- Customer NPS – strategic NPS[(1)] positive and ranked first among Australian banks
- Cash EPS growth[(2)] – delivered through a focus on market share growth in target segments while managing risk and pricing disciplines, and a disciplined approach to managing costs and investment.
- Return on Equity (ROE)[(2)] – targeting double digit cash ROE.

Execution of the Group's strategy over the past three years has positioned it well with strong, safe balance sheet settings and attractive growth options. This has allowed the Group to continue to grow in 2023, in a selective and targeted manner, despite a more challenging operating environment.

In Business and Private Banking, where the Group has the leading SME business lending market share, it is continuing to leverage growth opportunities across its franchise through a relationship-led approach increasingly enabled by digital, data and analytics. Following a strong growth year in 2022, business lending balances rose 8% over 2023 including 24% growth in small business lending, benefiting from simplified origination, enhanced digital capability and specialist local small business bankers. Heightened focus and increasing simplification and digitisation of the account opening process is also supporting strong growth in SME deposits. New business transaction account openings grew 50% over the three years to September 2023, including an 11% increase over the September 2023 financial year. Delivering better payments experiences remains a key priority and 2023 has seen the rollout of nextgen terminals for healthcare providers and SMEs, increased self service functionality via the Group's new payment portal and continued launch of innovative solutions such as NAB Flex-Flow Lending which gives merchant customers fast access to unsecured lending.

In Personal Banking, the Group remains focused on providing simpler, more digital banking experiences to drive quicker, better outcomes for customers and colleagues. Simple everyday banking products opened digitally increased to 74% in 2023 from 71% in 2022 and 62% in 2020. Australian home lending remains a key market, and the Group is continuing to invest to deliver better customer experiences including further progressing its simple and digital home loan initiative with rollout to brokers and Business and Private Banking underway in 2023. However, given a number of sector headwinds in 2023 including heightened refinancing activity and competitive pressures, the Group adopted a disciplined approach to originating new home loans, which saw its share of system growth[(3)] reduce from 1.1x in 2022 to 0.7x in 2023.

The Group remains excited about growth in unsecured lending and ubank where it is leveraging capability from recent acquisitions to deliver better, more targeted customer propositions and diversify its portfolio. Over 2023, the Group's credit card balances and market share increased. Over the same period ubank recorded continued strong new customer acquisition with the addition of approximately 175,000 net new customers in 2023, weighted towards its target segment of 18 to 35 year-olds.

Corporate and Institutional Banking delivered improved returns and continued strong customer outcomes despite lower lending balances. In a difficult market, New Zealand Banking achieved good growth in home lending and deposits, while business lending was more subdued reflecting weak system growth and disciplined portfolio management.

Having a strong customer franchise and engaged colleagues are key to the Group's ability to grow sustainably, and is supported by a consistent focus on improving customer and colleague experiences. The Group's most recent colleague engagement score of 78 at July 2023 is up two points since August 2022 and one point higher than the top quartile benchmark[(4)] which is consistent with its ambition. Customer outcomes in key segments in 2023 have remained first or second ranked versus major Australian bank peers. But there is more to do to achieve the Group's objective of being number one of the major Australian banks with positive NPS scores. Over the 12 months to September 2023, Business NPS improved from -5 to 5 with NAB continuing to rank second among major Australian banks while Consumer NPS declined from 0 to -2 with NAB ranking first among major Australian banks. Customer outcomes for 2023 in Corporate and Institutional Banking include Institutional NPS[(5)] declining five points to 36 and Relationship Strength Index (RSI)[(6)] declining 29 points to 593, in both cases reducing the Group's ranking versus major Australian banks from first to second, although pleasingly RSI continues to rank first across a range of specialist focus areas including Transactional Banking[(7)] and Debt Capital Markets[(8)].

A key focus of the Group's investment over recent years has been on simplifying, automating and digitising its business and increasing the use of data and analytics. These initiatives are delivering better outcomes for customers and colleagues by allowing bankers to spend more time with customers and provide more insights and quicker responses, while at the same time letting customers increasingly self serve when they want to. They are also making the Group more efficient, helping it manage costs while investing to grow. In 2023 the Group achieved productivity benefits of $398 million. During a period of elevated inflationary pressures, this allowed the Group to limit growth in cash costs in 2023 to 5.6%[(9)]

(1) Net Promoter® and NPS® are registered trademarks and Net Promoter Score and Net Promoter Systems are trademarks of Bain & Company, Inc., NICE Systems, Inc., and Fred Reichheld. Sourced from DBM Business and Consumer Atlas (part of RFI Global), measured on 6 month rolling average to September 2023. Business NPS is based on equal (25:25:25:25) combined weighting of NAB turnover segments: Micro (Up to $100k turnover), Small ($100k - $5m turnover), Medium ($5m - $50m turnover), Large ($50m+). Consumer NPS excludes consumers with Personal income of $260k+ and/or investible assets $1m+. Ranking based on absolute scores, not statistically significant differences.
(2) Full detail on how cash earnings is defined, a discussion of non-cash earnings items and a full reconciliation of statutory net profit attributable to owners of the Company is set out in *Note 2 Segment information* of the Financial Report (attached to this Full Year U.S. Disclosure Document as part of Annex B Financial Statements). Statutory return on equity and statutory EPS are presented on page 23.
(3) APRA Monthly Authorised Deposit-taking Institution statistics. Latest data as at September 2023 (adjusted for reclassification of the Citi consumer business). 2022 multiple of system growth excludes impact of Citi consumer business balances acquired by NAB Group on 1 June 2022.
(4) Engagement scores refer to Glint 'Heartbeat' outcomes. Top quartile comparison is based upon Glint's client group (domestic and global, from all industries).
(5) Peter Lee Associates Australia - Corporate and Institutional Relationship Banking Survey 2023. Ranking against the four major domestic banks. 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.
(6) Peter Lee Associates Australia - Corporate and Institutional Relationship Banking Survey 2023. Ranking against all banks included in survey. Relationship Strength Index (RSI) is based on the results of key qualitative measures.
(7) Peter Lee Associates Australia - Transaction Banking Survey 2023. Ranking against the four major domestic banks.
(8) Peter Lee Associates Australia - Debt Capital Markets Survey 2023. Ranking against the four major domestic banks.

(excluding Citi consumer business costs and a provision of $40 million in respect of a one-off levy for the Compensation Scheme of Last Resort), while maintaining investment spend at approximately $1.4 billion. Looking to 2024, the Group expects to continue its balanced approach of maintaining cost discipline while investing for sustainable growth, and is targeting investment spend remaining at approximately $1.4 billion and further productivity savings of approximately $400 million.

Safety is a key pillar of the Group's long term strategy and keeping customers safe remains an important focus. Over 2023 the Group accelerated efforts to protect customers against the rapid rise in fraud and scams. This includes investment in customer awareness and education, 24/7 account monitoring, security alerts and proactive payment prompts, along with additional resourcing and working with telecommunication providers to help limit NAB-related spoofing calls and messages. More can and will be done at a customer, bank, industry, government and community level to deter criminals. The Group also recognises the current environment is more challenging for its customers including the impact of cost of living pressures. To support those customers needing help, the Group has increased resourcing in its customer assistance and hardship teams during 2023.

Safety also requires that the Group maintain prudent balance sheet settings and manage risk with discipline to ensure it can grow sustainably. At September 2023 collective provisions as a ratio of credit risk weighted assets were 1.47% and the share of lending funded by deposits was above 80% - both materially stronger than pre COVID-19 levels. Liquidity increased over 2023 and remains well above regulatory minimums and the Group continued to access term wholesale funding across a range of products, currencies and tenors, issuing $40 billion[(1)] in 2023. The Group continues to target a CET1 capital ratio of 11-11.5% reflecting a balance between maintaining a strong balance sheet through the cycle while improving shareholder returns. Over 2023, Group CET1 ratio increased 71 basis points to 12.22% at September 2023. This includes a 47 basis point benefit from implementation of APRA's revised capital framework at 1 January 2023, partly offset by a reduction of 20 basis points from share buy-backs during the period. Adjusting for the remaining $1.2 billion share buy-back outstanding at September 2023, proforma Group CET1 is approximately 11.94%[(2)].

Despite retaining strong balance sheet settings over 2023, the Group has delivered improved returns for shareholders consistent with its strategic ambition. These outcomes reflect the ongoing execution of the Group's strategy combined with benefits from the higher interest rate environment. Cash EPS[(3)] increased 26% compared with 2022 and cash ROE[(3)] increased to 12.9% compared with 11.7% in 2022. The final 2023 dividend has been set at 84 cents per share, bringing total dividends for the year ended 30 September 2023 to 167 cents per share which is 10.6% higher than 2022. This represents a 2023 cash earnings payout ratio of 67.7%, consistent with the Group's target dividend payout ratio which is guided by a range of 65% – 75% of cash earnings[(4)], subject to Board determination based on circumstances at the relevant time.

Capital management and funding review

For a discussion of capital management and funding, see Section 3 Capital management and funding, beginning on page 49 of this 2023 Full Year U.S. Disclosure Document.

Significant change in the state of affairs

- On 28 February 2023, the Group completed the $2.5 billion on-market buy-back announced on 24 March 2022. On 15 August 2023, the Group announced its intention to buy back up to $1.5 billion of NAB ordinary shares on-market to progressively manage its CET1 capital ratio towards its target range. Including the previous buy-back, the Group has bought back and cancelled 29,832,512 ordinary shares ($0.9 billion) in the full year ended 30 September 2023 including $0.3 billion (0.07% of CET1 capital) in the half year ended 30 September 2023.
- Changes to the composition of the Executive Leadership Team have occurred or were announced during 2023 and up until the date of this report, namely:
  - On 21 March 2023, NAB announced Group Chief Financial Officer Gary Lennon would retire from NAB effective 1 October 2023. Group Executive Strategy & Innovation Nathan Goonan was appointed Group Chief Financial Officer in an expanded role, effective 1 July 2023.
  - On 4 July 2023, NAB announced Group Executive People and Culture Susan Ferrier would retire from NAB effective 31 October 2023. On 3 August 2023 Sarah White, previously Chief of Staff to the NAB Group CEO, was appointed Group Executive People & Culture, effective 18 August 2023.
  - On 5 October 2023, NAB announced Group Chief Digital, Data & Analytics Officer Angela Mentis would retire from NAB. Group Chief Operating Officer Les Matheson was appointed Group Executive Digital, Data and Chief Operating Officer in an expanded role. Both changes were effective 1 November 2023.
  - No other changes to the composition of the Executive Leadership Team occurred during 2023 and up until the date of this report.
- Changes to the Board occurred or were announced during 2023 and up until the date of this report, namely:
  - Christine Fellowes was appointed as an independent non-executive director, effective 5 June 2023.
  - Carolyn Kay was appointed as an independent non-executive director, effective 31 July 2023.
  - Alison Kitchen was appointed as an independent non-executive director, effective 27 September 2023.
  - Two current non-executive directors, David Armstrong and Peeyush Gupta, will stand down following the Company's 2023 AGM in December, having served three terms of three years on the Board.
  - No other changes to the composition of the Board have occurred during 2023 and up until the date of this report.

There were no other significant changes in the state of affairs of the Group that occurred during the financial year under review that are not otherwise disclosed in this report.

(9) On a cash earnings basis. On a statutory basis, expenses in 2023 increased by 7.8% compared with 2022.
(1) Includes RBNZ's Funding for Lending Programme (FLP) of $1.3 billion.
(2) On 28 February 2023 the Group completed its $2.5 billion on-market share buy-back announced in March 2022. This includes $0.6 billion (19,270,329 ordinary shares) bought back and cancelled in the March 2023 half year. On 15 August 2023 the Group announced its intention to acquire up to $1.5 billion ordinary shares via an on-market buyback. This buy-back is expected to be undertaken over approximately 12 months, with approximately $0.3 billion (10,562,183 ordinary shares) acquired as at 30 September 2023.
(3) Full detail on how cash earnings is defined, a discussion of non-cash earnings items and a full reconciliation of statutory net profit attributable to owners of the Company is set out in *Note 2 Segment information* of the Financial Report (attached to this Full Year U.S. Disclosure Document as part of Annex B Financial Statements). Statutory return on equity and statutory EPS are presented on page 23.
(4) Statutory dividend payout ratio is 70.6%.

Environmental, Social and Governance disclosure

Environmental regulation and climate-related disclosures

The Group's operations are not subject to any site-specific environmental licences or permits which would be considered particular or significant under the laws of the Commonwealth of Australia or of an Australian state or territory.

As a lender, the Group may incur environmental liabilities in circumstances where it takes possession of a borrower's assets and those assets have associated environmental risks. The Group has developed and implemented credit policies that aim to ensure that these risks are minimised and managed appropriately.

The Group's operations are subject to the *National Greenhouse and Energy Reporting Act 2007* (Cth) (NGER Act) in Australia. While this legislation is not particular to the Group or significant in its impact, the Group complied with its requirements. The NGER Act requires the Group to report on the period from 1 July to 30 June (the environmental reporting year), therefore, all of the Group's energy and GHG emissions reporting is aligned to this reporting period.

The Group's United Kingdom-based operations are subject to the *Energy Savings Opportunities Scheme* (ESOS), introduced by the United Kingdom ESOS Regulations 2014 which came into force in July 2014. The ESOS requires mandatory energy assessments (audits) of an organisation's buildings and transport to be conducted every four years. The Group fulfilled its most recent ESOS obligation in December 2019 and will resubmit as required in June 2024.

The Group is voluntarily reporting data required for the *Streamlined Energy and Carbon Reporting (*SECR) requirements which are implemented through the *Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018* (United Kingdom) as part of the legislative response to climate change in the United Kingdom. This information is now provided in the Group's 2023 Climate Report.

Modern slavery

The Group is subject to modern slavery legislation in Australia and the United Kingdom. The Group has prepared a Modern Slavery Act statement which sets out actions taken by the Group during 2023 to ensure that its business operations, and its supply chain, are free from slavery and human trafficking. This statement is made available online at nab.com.au/modernslaverystatement in accordance with both the UK Modern Slavery Act and the *Modern Slavery Act 2018* (Cth).

Litigation and disputes

From time to time entities within the Group may be involved in disputes or legal proceedings arising from the conduct of their business. The outcomes and total costs associated with such ongoing disputes and proceedings are typically uncertain. Any material legal proceedings may adversely impact the Group's reputation and financial performance and position.

Refer to *Note 31 Commitments and contingent liabilities* of the 2023 Financial Report (attached to this 2023 Full Year U.S. Disclosure Document as part of Annex B Financial Statements) for details of the Group's material legal proceedings and contingent liabilities.

Operating environment

Global business environment

Global economic growth has been volatile over recent quarters. This is in part due to the impact of China's zero-COVID-19 policies, including a temporary bounce in the March quarter 2023 following their removal. Overall, average growth is expected to slow in calendar year 2023 and again in 2024, before a modest upturn in 2025. Growth over this period is expected to remain below the long-term average.

In part, the slowing trend for global growth reflects the impact of the rapid tightening in monetary policy (together with more restrictive lending standards by banks in many advanced economies) since early calendar year 2022, intended to control inflation. The outlook for China is weak, reflecting a downturn in its property sector, while domestic consumption and export demand is subdued.

Global consumer price growth has trended lower since the cycle peak of September 2022, as supply side pressures triggered by COVID-19 have gradually eased. However, inflation remains above central bank targets in most regions and global energy prices increased between late June and end of September 2023.

The slowing inflation trend in advanced economies has increased the likelihood that most major central banks have either reached the end of their tightening cycle or are near the peak.

Other risks to the outlook include the Russia-Ukraine war and conflict in the Middle East (including the potential impact on energy supply and prices) and geopolitical tensions between the United States and China.

Australian economy

The Australian economy has continued to expand but growth has slowed. While the labour market remains tight, and inflation high, there are signs of easing labour market and price pressures.

Gross Domestic Product (GDP), after solid growth of 0.7% in the December quarter 2022, grew by a subdued 0.4% in both the March and June 2023 quarters. By expenditure component, between the September quarter 2022 and June quarter 2023:

- Household consumption was particularly subdued, only growing 0.7%.
- Residential investment fell 1.9%.
- Business and government fixed capital investment, and exports grew strongly. Export growth was assisted by a continued recovery in overseas tourist and international student numbers.

Most industry sectors grew between the September quarter 2022 and June quarter 2023, with only four out of the 19 broad industry groups (utilities, wholesale trade, retail trade and professional services) seeing a fall in gross value added. Similarly, over the same period, state final demand grew in most state and territories, except for Tasmania and the Northern Territory where it declined.

Inflation has eased but remains high. In the September quarter 2023, the annual growth rate in the Consumer Price Index (CPI) was 5.4%, down from 7.8% in the December quarter 2022.

Household budgets have come under pressure from elevated inflation and rising interest payments. Household disposable income, after adjustment for inflation, declined by 4.2% between the March quarter 2022 and the June quarter 2023. Households have adjusted by slowing consumption growth and reducing their savings rate. Business operating profits have been volatile - while in the June quarter 2023 they were 11% below their June quarter 2022 level, reflecting a large fall in mining sector profits, the average level over the four quarters to June 2023 was 5.3% higher than in the previous year.

Agriculture conditions have been mixed. Prices have been falling for over a year; in September 2023 the NAB rural commodity price index was 34% below its June 2022 peak. However, the 2022-23 winter crop is estimated to have been the third consecutive record high, although a crop slightly below its average of the ten prior years is expected in 2023-24.

The labour market remains tight, but there are signs of easing:

- The unemployment rate was 3.6% in September 2023, low by historical standards but up slightly from October 2022 (3.4%).
- The number of job vacancies remained very high in the September quarter 2023 but has come off its peak, aided by strong population growth.
- The wage price index (excluding bonuses) grew by 3.6% between the June quarter 2022 and the June quarter 2023, up from 2.6% in the prior four-quarter period.

Dwelling prices have rebounded. After falling by 8.1% from their peak in April 2022, the eight capital city CoreLogic Hedonic Home Value Index increased by 7.9% between January 2023 and September 2023.

With high inflation still weighing on households, and the full impact of interest rate increases still coming through, GDP growth is expected to remain subdued over the rest of calendar year 2023 and 2024, leading to a rise in the unemployment rate.

The RBA increased the cash rate from 0.1% in April 2022 to 4.35% in November 2023. If the economy evolves as expected, the cash rate is likely at or near its peak, with the possibility of rate cuts starting from around the end of calendar year 2024.

Annual system credit growth has eased. Between September 2022 and September 2023:

- Housing and non-financial business credit growth slowed to 4.2% and 6.4% respectively (from 7.4% and 13.3% over the year to September 2022), only partially offset by stronger other personal credit growth (2.3%, up from -0.2%).
- However, housing credit growth may have stabilised, with the monthly growth rate largely unchanged since the end of calendar 2022.

New Zealand economy

Growth in the New Zealand economy has slowed in recent quarters. While GDP increased by 0.9% in the June quarter 2023, over the last three quarters it only grew by 0.3%. The quarterly pattern of growth has been affected by the severe weather events that impacted the North Island in January (flooding) and February (Cyclone Gabrielle).

The slowdown in growth has occurred even as population growth has accelerated. Over the year to the June quarter 2023, the population grew by 2.1%, driven by high rates of net inward migration.

The weakening in economic growth, together with strong population growth, has seen labour market pressures ease, with businesses reporting much less difficulty in finding staff. In the September quarter 2023:

- Employment was 2.4% higher than in the September quarter 2022, slightly below growth in the working again population (2.6%) over the same period.
- The unemployment rate was 3.9%, up from 3.2% in the September quarter 2022 but still low by historical standards.

With the economy's capacity constraints abating, inflation has gradually fallen, but it remains high. In the September quarter 2023 annual CPI inflation was 5.6%, down from 7.3% in the June quarter 2022.

Commodity export prices fell 11.1% between September 2022 and September 2023 in New Zealand dollar terms, this included a 20.8% fall in dairy export prices. However, prices showed signs of stabilising at the end of this period.

Housing market activity has stabilised. The REINZ House Price Index fell 18% between November 2021 and May 2023, but has since (to September) increased 2.8%. Sales volumes remain low but have come off their trough of early 2023.

System credit grew by 2.4% over the year to September 2023, down from 5.6% over the year to September 2022 . This reflected slower housing credit (3.0% over year to September 2023) and non-agricultural business credit (0.9%) growth, although credit to agriculture, which had been negative, turned positive (1.4%).

The RBNZ increased the Official Cash Rate (OCR) from 0.25% to 5.50% between October 2021 and May 2023. The RBNZ is expected to remain on hold for some time. While there is some chance of the RBNZ tightening further, the most likely next change in the OCR is a cut.

Looking ahead, economic growth is likely to be weak into the first half of calendar 2024, before recovering, which is expected to lead to an increase in the unemployment rate. This outlook reflects the lagged impact of monetary policy tightening, curtailed commodity income, reductions in government spending, and weaker goods exports due to slow global growth and weather-related reductions in agricultural output. Fiscal policy settings are also uncertain with the formation of a new government following October's election.

Outlook

The outlook for the Group's financial performance and outcomes is closely linked to the levels of economic activity in each of the Group's key markets that are outlined above.

2023 Full Year U.S. Disclosure Document

Group Highlights

This Section 3 of the 2023 Full Year U.S. Disclosure Document is derived from the Group's 2023 Full Year Results Management Discussion and Analysis for the year ended September 30, 2023, filed with the ASX in accordance with its rules. In addition to this information, refer to Operating and Financial review in Section 2 of this 2023 Full Year U.S. Disclosure Document for comparative discussion and analysis of the Group's results of operations and financial condition along with a discussion of balance sheet, capital and liquidity matters, and key performance indicators.

Save for the information included in the summary tables beginning on page 63, the Group results included in this Section 3 of this 2023 Full Year U.S. Disclosure Document are presented on a cash earnings basis, unless otherwise stated. Information in the Summary Tables included in this Section 3 is presented on a statutory basis unless otherwise stated. Cash earnings is a non-IFRS key performance measure. This information should be read in conjunction with and is qualified in its entirety by reference to the 2023 Financial Report. For a discussion of non-IFRS key performance measures, non-cash earnings items and a full reconciliation of statutory net profit attributable to owners of NAB from continuing operations, refer to pages 3 to 4 and 87 to 89.

Group performance indicators - statutory basis

	Year to		Half Year to	
	Sep 23	**Sep 22**	**Sep 23**(1)	**Mar 23**(1)
Key indicators				
Net profit on average equity	**12.4%**	11.6%	**11.4%**	13.4%
Net profit on average risk-weighted assets	**1.69%**	1.62%	**1.60%**	1.79%
Profitability, performance and efficiency measures				
Dividend payout ratio	**70.2%**	68.9%	**75.5%**	65.5%
Net profit on average assets	**0.70%**	0.71%	**0.65%**	0.75%
Net profit per average FTE ($'000)	**202**	211	**184**	221
Net interest margin	**1.74%**	1.65%	**1.71%**	1.77%
Cost to income ratio	**45.4%**	46.9%	**47.7%**	43.3%

(1) Where appropriate, half year key performance measures are annualised.

Group performance results

	Year to			Half Year to		
	Sep 23 $m	Sep 22 $m	Sep 23 v Sep 22 %	Sep 23 $m	Mar 23 $m	Sep 23 v Mar 23 %
Net interest income	**16,807**	14,852	13.2	**8,331**	8,476	(1.7)
Other operating income	**3,847**	3,444	11.7	**1,794**	2,053	(12.6)
Net operating income	**20,654**	18,296	12.9	**10,125**	10,529	(3.8)
Operating expenses	**(9,023)**	(8,274)	9.1	**(4,602)**	(4,421)	4.1
Underlying profit	**11,631**	10,022	16.1	**5,523**	6,108	(9.6)
Credit impairment charge	**(802)**	(125)	large	**(409)**	(393)	4.1
Cash earnings before income tax	**10,829**	9,897	9.4	**5,114**	5,715	(10.5)
Income tax expense	**(3,093)**	(2,793)	10.7	**(1,448)**	(1,645)	(12.0)
Cash earnings before non-controlling interests	**7,736**	7,104	8.9	**3,666**	4,070	(9.9)
Non-controlling interests	**(5)**	-	large	**(5)**	-	large
Cash earnings	**7,731**	7,104	8.8	**3,661**	4,070	(10.0)
Non-cash earnings items (after tax):						
Hedging and fair value volatility	**(29)**	69	large	**(24)**	(5)	large
Amortisation of acquired intangible assets	**(30)**	(17)	76.5	**(15)**	(15)	-
Acquisitions, disposals and business closures	**(207)**	(96)	large	**(139)**	(68)	large
Net profit attributable to owners of the Company from continuing operations	**7,465**	7,060	5.7	**3,483**	3,982	(12.5)
Net loss attributable to owners of the Company from discontinued operations	**(51)**	(169)	(69.8)	**(36)**	(15)	large
Net profit attributable to owners of the Company	**7,414**	6,891	7.6	**3,447**	3,967	(13.1)
Cash earnings by division:						
Business and Private Banking	**3,318**	3,013	10.1	**1,604**	1,714	(6.4)
Personal Banking	**1,446**	1,591	(9.1)	**661**	785	(15.8)
Corporate and Institutional Banking	**1,870**	1,628	14.9	**930**	940	(1.1)
New Zealand Banking	**1,404**	1,295	8.4	**645**	759	(15.0)
Corporate Functions and Other	**(307)**	(423)	(27.4)	**(179)**	(128)	39.8
Cash earnings	**7,731**	7,104	8.8	**3,661**	4,070	(10.0)

Shareholder summary

	Year to			Half Year to		
	Sep 23	Sep 22	Sep 23 v Sep 22	Sep 23	Mar 23	Sep 23 v Mar 23
Group - Including discontinued operations						
Dividend per share (cents)	**167**	151	16	**84**	83	1
Statutory dividend payout ratio	**70.6%**	70.5%	10 bps	**76.3%**	65.7%	large
Statutory earnings per share (cents) - basic	**236.4**	214.1	22.3	**110.1**	126.3	(16.2)
Statutory earnings per share (cents) - diluted	**228.7**	205.6	23.1	**107.3**	121.2	(13.9)
Statutory return on equity	**12.3%**	11.3%	100 bps	**11.3%**	13.3%	(200 bps)
Net tangible assets per ordinary share ($)	**17.96**	17.24	4.2%	**17.96**	18.04	(0.4%)
Group - Continuing operations						
Cash dividend payout ratio	**67.7%**	68.4%	(70 bps)	**71.8%**	64.1%	770 bps
Statutory dividend payout ratio from continuing operations	**70.2%**	68.9%	130 bps	**75.5%**	65.5%	large
Statutory earnings per share from continuing operations (cents) - basic	**238.0**	219.3	18.7	**111.3**	126.7	(15.4)
Statutory earnings per share from continuing operations (cents) - diluted	**230.2**	210.5	19.7	**108.3**	121.7	(13.4)
Cash earnings per share (cents) - basic	**246.5**	220.7	25.8	**117.0**	129.5	(12.5)
Cash earnings per share (cents) - diluted	**238.0**	211.7	26.3	**113.6**	124.3	(10.7)
Cash return on equity	**12.9%**	11.7%	120 bps	**12.0%**	13.7%	(170 bps)

Review of Group performance results

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

September 2023 v September 2022

Statutory net profit increased by $523 million or 7.6%. Excluding the impact of discontinued operations, statutory net profit increased by $405 million or 5.7%[1].

Cash earnings increased by $627 million or 8.8%.

Net interest income increased by $1,955 million or 13.2%. Excluding the Citi consumer business, net interest income increased by $1,764 million or 12.0%. This includes a decrease of $318 million due to movements in economic hedges, offset in other operating income. Excluding these movements, the underlying increase of $2,082 million or 14.2% was primarily due to higher earnings on deposits and capital due to the rising interest rate environment and higher average interest earning assets. These movements were partially offset by lower housing lending margins, deposit mix impact due to growth in term deposits and higher wholesale funding costs.

Other operating income increased by $403 million or 11.7%. Excluding the Citi consumer business, other operating income increased by $345 million or 10.0%. This includes an increase of $318 million due to movements in economic hedges, offset in net interest income. Excluding these movements, the underlying increase of $27 million or 0.8% was primarily due to higher NAB risk management income in Markets, combined with a positive derivative valuation adjustment. These were partially offset by lower volumes of realised gains on bond sales in Treasury (high-quality liquids portfolio).

Operating expenses increased by $749 million or 9.1%. Excluding the Citi consumer business, operating expenses increased by $497 million or 6.1%. This includes an increase of $40 million for a provision in respect of the one-off levy for the Compensation Scheme of Last Resort (CSLR). Excluding these movements, the underlying increase of $457 million or 5.6% was primarily driven by higher personnel expenses due to an increase in average full-time equivalent employees (FTE) and salary and related costs, together with continued investment in technology and compliance capabilities including fraud and cyber security. This was partially offset by productivity benefits achieved through continued process improvements and simplification of the Group's operations combined with lower remediation charges.

Credit impairment charge increased by $677 million, driven by a higher level of collective credit impairment charges across the Group's lending portfolio, combined with a higher level of specific credit impairment charges off a low base.

September 2023 v March 2023

Statutory net profit decreased by $520 million or 13.1%. Excluding the impact of discontinued operations, statutory net profit decreased by $499 million or 12.5%[1].

Cash earnings decreased by $409 million or 10.0%.

Net interest income decreased by $145 million or 1.7%. This includes an increase of $69 million due to movements in economic hedges, offset in other operating income. Excluding this movement, the underlying decrease of $214 million or 2.5% was primarily due to lower housing lending margins, higher term deposit costs and deposit mix impacts from growth in term deposits. These movements were partially offset by higher average interest earning assets and higher earnings on deposits and capital due to the rising interest rate environment.

Other operating income decreased by $259 million or 12.6%. This includes a decrease of $69 million due to movements in economic hedges, offset in net interest income. Excluding this movement, the underlying decrease of $190 million or 9.3% was primarily due to lower NAB risk management income in Markets combined with lower volumes of realised gains on bond sales in Treasury (high-quality liquids portfolio).

Operating expenses increased by $181 million or 4.1%. This includes an increase of $40 million for a provision in respect of the one-off levy for the CSLR. Excluding this movement, the underlying increase of $141 million or 3.2% was primarily driven by higher personnel expenses due to an increase in average FTE and salary and related costs, together with continued investment in technology and compliance capabilities including fraud and cyber security. This was partially offset by productivity benefits achieved through process improvements and simplification of the Group's operations combined with lower remediation charges.

Credit impairment charge increased by $16 million driven by a higher level of specific credit impairment charges off a low base, partially offset by a lower level of collective credit impairment charges.

(1) The results of discontinued operations primarily relate to costs associated with managing the run-off of the MLC Wealth retained entities, combined with a re-assessment of the provisions for customer-related remediation.

Key performance indicators

	Year to			Half Year to		
	Sep 23	Sep 22	Sep 23 v Sep 22	Sep 23	Mar 23	Sep 23 v Mar 23
Group performance - cash earnings basis						
Cash earnings on average assets	**0.73%**	0.72%	1 bp	**0.68%**	0.77%	(9 bps)
Cash earnings on average risk-weighted assets	**1.75%**	1.63%	12 bps	**1.68%**	1.82%	(14 bps)
Cash earnings per average FTE ($'000)	**210**	212	(0.9%)	**194**	226	(14.2%)
Cost to income ratio	**43.7%**	45.2%	(150 bps)	**45.5%**	42.0%	350 bps
Net interest margin	**1.74%**	1.65%	9 bps	**1.71%**	1.77%	(6 bps)
Group performance - statutory basis						
Statutory earnings on average assets	**0.70%**	0.70%	-	**0.64%**	0.75%	(11 bps)
Statutory earnings on average risk-weighted assets	**1.68%**	1.58%	10 bps	**1.58%**	1.78%	(20 bps)
Statutory earnings per average FTE ($'000)	**201**	206	(2.4%)	**183**	220	(16.8%)
Cost to income ratio	**45.4%**	46.9%	(150 bps)	**47.7%**	43.3%	440 bps
Net interest margin	**1.74%**	1.65%	9 bps	**1.71%**	1.77%	(6 bps)
Total group capital						
CET1 capital ratio	**12.22%**	11.51%	71 bps	**12.22%**	12.21%	1 bp
Tier 1 capital ratio	**14.19%**	13.14%	105 bps	**14.19%**	13.89%	30 bps
Total capital ratio	**19.88%**	18.17%	171 bps	**19.88%**	19.76%	12 bps
Risk-weighted assets ($bn)	**435.0**	449.9	(3.3%)	**435.0**	436.2	(0.3%)
Volumes ($bn)						
Gross loans and acceptances (GLAs)	**708.5**	687.7	3.0%	**708.5**	700.5	1.1%
Average interest earning assets	**966.7**	900.3	7.4%	**973.6**	959.1	1.5%
Total average assets	**1,065.1**	991.5	7.4%	**1,069.4**	1,060.7	0.8%
Total customer deposits	**587.4**	566.7	3.7%	**587.4**	574.9	2.2%
Asset quality						
90+ days past due (DPD) and gross impaired assets to GLAs	**0.75%**	0.66%	9 bps	**0.75%**	0.66%	9 bps
Collective provision to credit risk-weighted assets	**1.47%**	1.31%	16 bps	**1.47%**	1.42%	5 bps
Total provision to credit risk-weighted assets	**1.62%**	1.46%	16 bps	**1.62%**	1.57%	5 bps
Full-time equivalent employees (FTE)						
Group - Continuing operations (spot)	**38,128**	35,128	8.5%	**38,128**	36,963	3.2%
Group - Continuing operations (average)	**36,895**	33,530	10.0%	**37,659**	36,140	4.2%
Group - Including discontinued operations (spot)	**38,516**	35,558	8.3%	**38,516**	37,346	3.1%
Group - Including discontinued operations (average)	**37,290**	34,022	9.6%	**38,045**	36,542	4.1%

	As at		
	30 Sep 23	31 Mar 23	30 Sep 22
Market share			
Australia(1)			
Business lending(2)	**21.7%**	21.6%	21.6%
Business deposits	**20.4%**	19.9%	20.1%
Housing lending	**14.7%**	14.7%	14.9%
Household deposits	**13.8%**	13.8%	13.8%
New Zealand(3)			
Housing lending	**16.6%**	16.5%	16.3%
Agribusiness	**21.5%**	21.4%	21.4%
Business lending	**22.4%**	22.5%	22.4%
Total deposits	**18.1%**	17.7%	17.8%

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

	As at		
	30 Sep 23	31 Mar 23	30 Sep 22
Distribution			
Number of retail branches and business banking centres			
Australia	**513**	546	578
New Zealand	**130**	134	136

Net interest income

	Year to			Half Year to		
	Sep 23	Sep 22	Sep 23 v Sep 22 %	Sep 23	Mar 23	Sep 23 v Mar 23 %
Net interest income ($m)	**16,807**	14,852	13.2	**8,331**	8,476	(1.7)
Average interest earning assets ($bn)	**966.7**	900.3	7.4	**973.6**	959.1	1.5
Net interest margin (%)	**1.74**	1.65	9 bps	**1.71**	1.77	(6 bps)

September 2023 v September 2022

Net interest income increased by $1,955 million or 13.2%. Excluding the Citi consumer business, net interest income increased by $1,764 million or 12.0%. This includes a decrease of $318 million due to movements in economic hedges, offset in other operating income. Excluding these movements, the underlying increase of $2,082 million or 14.2% was due to:

- Higher earnings on deposits and capital due to the rising interest rate environment.
- Higher average interest earning assets.

These increases were partially offset by:

- Lending margin compression primarily driven by competitive pressures impacting the housing lending portfolio.
- Deposit mix impacts due to growth in term deposits.
- Higher wholesale funding costs.

September 2023 v March 2023

Net interest income decreased by $145 million or 1.7%. This includes an increase of $69 million due to movements in economic hedges, offset in other operating income. Excluding this movement, the underlying decrease of $214 million or 2.5% was due to:

- Lending margin compression primarily driven by competitive pressures impacting the housing lending portfolio.
- Higher term deposit costs and deposit mix impacts due to growth in term deposits.

These decreases were partially offset by:

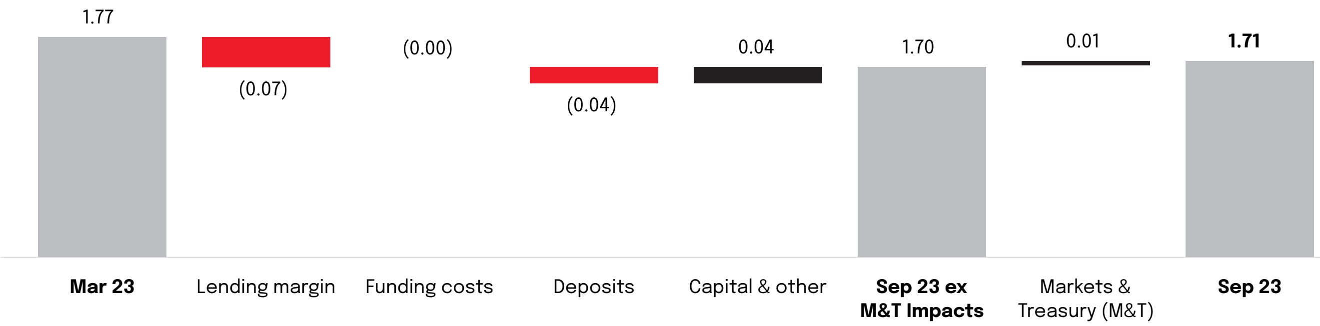
- Higher average interest earning assets.
- Higher earnings on deposits and capital due to the rising interest rate environment.

Net interest margin

	Year to			Half Year to		
	Sep 23 %	Sep 22 %	Sep 23 v Sep 22	Sep 23 %	Mar 23 %	Sep 23 v Mar 23
Group net interest margin	**1.74**	1.65	9 bps	**1.71**	1.77	(6 bps)
Business and Private Banking	**3.18**	2.92	26 bps	**3.09**	3.27	(18 bps)
Personal Banking	**1.98**	1.96	2 bps	**1.87**	2.08	(21 bps)
Corporate and Institutional Banking[1]	**0.91**	0.75	16 bps	**0.97**	0.86	11 bps
New Zealand Banking[1]	**2.32**	2.48	(16 bps)	**2.27**	2.36	(9 bps)

(1) For the year to September 2023, the New Zealand liquidity management portfolio is reported within New Zealand Banking. In the year to September 2022 the assets and liabilities together with the related income was reported as part of Corporate and Institutional Banking. Comparative information has not been restated.

Group net interest margin movement (%)



September 2023 v September 2022

The Group's **net interest margin** increased by 9 basis points. Excluding a decrease of 5 basis points in Markets and Treasury, the underlying margin was up 14 basis points due to:

- An increase of 25 basis points driven by higher earnings on deposits due to the rising interest rate environment, partially offset by deposit mix impacts due to growth in term deposits.
- An increase of 7 basis points driven by higher earnings on capital due to the rising interest rate environment.

These increases were partially offset by:

- A decrease of 15 basis points in lending margin primarily driven by competitive pressures in the housing lending portfolio.
- A decrease of 3 basis points driven by higher wholesale funding costs.

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

- A decrease of 3 basis points driven by economic hedges, offset in other operating income.
- A decrease of 2 basis points driven by higher volumes of lower yielding high-quality liquid assets (HQLA).
- A decrease of 1 basis point driven by mix impacts due to higher volumes of lower yielding securities in Markets.
- An increase of 1 basis point driven by higher NAB risk management income in Treasury.

September 2023 v March 2023

The Group's **net interest margin** decreased by 6 basis points. Excluding an increase of 1 basis point in Markets and Treasury, the underlying margin was down 7 basis points due to:

- A decrease of 7 basis points in lending margin primarily driven by competitive pressures in the housing lending portfolio.
- A decrease of 4 basis points driven by higher term deposit costs and deposit mix impacts due to growth in term deposits, partially offset by higher earnings on deposits due to the rising interest rate environment.

These decreases were partially offset by:

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

The increase of 1 basis point in Markets and Treasury was driven by economic hedges, offset in other operating income.

Other operating income

	Year to			Half Year to		
	Sep 23 $m	Sep 22 $m	Sep 23 v Sep 22 %	Sep 23 $m	Mar 23 $m	Sep 23 v Mar 23 %
Net fees and commissions	**2,183**	2,119	3.0	**1,081**	1,102	(1.9)
Trading income	**1,542**	978	57.7	**674**	868	(22.4)
Other	**122**	347	(64.8)	**39**	83	(53.0)
Total other operating income	**3,847**	3,444	11.7	**1,794**	2,053	(12.6)

September 2023 v September 2022

Other operating income increased by $403 million or 11.7%. Excluding the Citi consumer business, other operating income increased by $345 million or 10.0%.

Net fees and commissions increased by $64 million or 3.0%. Included in the September 2023 full year is a charge of $29 million (September 2022 full year: $71 million) for customer-related remediation. Excluding the impact of lower customer-related remediation charges and the $58 million increase associated with the Citi consumer business, the underlying decrease was $36 million. This decrease was primarily due to lower fee income in housing lending, from a shift to lower fee products, combined with lower fee income in merchant acquiring due to higher scheme fees. These were partially offset by an increase in fee income from business lending and higher deposit fee income.

Trading income increased by $564 million or 57.7%. This includes an increase of $318 million due to movements in economic hedges, offset in net interest income. Excluding this movement, the underlying increase of $246 million was primarily due to higher NAB risk management income in Markets, combined with a positive derivative valuation adjustment.

Other income decreased by $225 million or 64.8% primarily due to lower volumes of realised gains on bond sales in Treasury (high-quality liquids portfolio) and a decrease in insurance revenue due to the sale of BNZ Life on 30 September 2022.

September 2023 v March 2023

Other operating income decreased by $259 million or 12.6%.

Net fees and commissions decreased by $21 million or 1.9%. Included in the September 2023 half year is a charge of $6 million (March 2023 half year: $23 million) for customer-related remediation. Excluding the impact of lower customer-related remediation charges, the underlying decrease was $38 million. This decrease was primarily due to lower fee income in cards and merchant acquiring from higher scheme fees and loyalty costs, combined with a seasonal decrease in transaction volumes. These were partially offset by an increase in fee income from business lending.

Trading income decreased by $194 million or 22.4%. This includes a decrease of $69 million due to movements in economic hedges, offset in net interest income. Excluding this movement, the underlying decrease of $125 million was primarily due to lower NAB risk management income in Markets.

Other income decreased by $44 million or 53.0% primarily due to lower volumes of realised gains on bond sales in Treasury (high-quality liquids portfolio).

Markets and Treasury income

	Year to			Half Year to		
	Sep 23 $m	Sep 22 $m	Sep 23 v Sep 22 %	Sep 23 $m	Mar 23 $m	Sep 23 v Mar 23 %
Net interest income	**92**	196	(53.1)	**83**	9	large
Other operating income	**1,581**	1,179	34.1	**679**	902	(24.7)
Total Markets and Treasury income	**1,673**	1,375	21.7	**762**	911	(16.4)
Customer risk management[(1)]						
Foreign exchange	**553**	531	4.1	**268**	285	(6.0)
Rates	**242**	267	(9.4)	**120**	122	(1.6)
Total customer risk management income	**795**	798	(0.4)	**388**	407	(4.7)
NAB risk management[(2)]						
Markets	**359**	323	11.1	**148**	211	(29.9)
Treasury	**464**	308	50.6	**197**	267	(26.2)
Total NAB risk management income	**823**	631	30.4	**345**	478	(27.8)
Derivative valuation adjustment[(3)]	**55**	(54)	large	**29**	26	11.5
Total Markets and Treasury income	**1,673**	1,375	21.7	**762**	911	(16.4)
Average Markets traded market risk Value at Risk (VaR)[(4)]	**8.4**	10.9	(22.9)	**8.0**	8.7	(8.0)

(1) Customer risk management forms part of other operating income and reflects customer risk management in respect of Personal Banking, Business and Private Banking, Corporate and Institutional Banking and New Zealand Banking.
(2) NAB risk management forms part of net interest income and other operating income and is defined as management of interest rate risk in the banking book, wholesale funding and liquidity requirements and trading market risk to support the Group's franchises. Markets forms part of Corporate and Institutional Banking revenue. Treasury forms part of Corporate Functions and Other, and from 1 October 2022 the New Zealand liquidity management portfolio is reflected in New Zealand Baking.
(3) Derivative valuation adjustment is shown net of hedging costs or benefits and includes credit valuation adjustments and funding valuation adjustments.
(4) Excludes the impact of hedging activities related to derivative valuation adjustments.

September 2023 v September 2022

Markets and Treasury income increased by $298 million or 21.7% primarily due to higher NAB risk management income and higher derivative valuation adjustment income.

Customer risk management income decreased by $3 million or 0.4% due to lower interest rate sales income offset by higher foreign exchange sales income.

NAB risk management income increased by $192 million or 30.4% due to higher interest rate risk management income in Markets and Treasury.

Derivative valuation income increased by $109 million primarily due to decreased market volatility in the September 2023 full year.

September 2023 v March 2023

Markets and Treasury income decreased by $149 million or 16.4% primarily due to lower interest rate risk management income in Markets and Treasury.

Customer risk management income decreased by $19 million or 4.7% driven by lower income from both foreign exchange and interest rate sales.

NAB risk management income decreased by $133 million or 27.8% primarily due to lower interest rate risk management income in Markets and Treasury.

Derivative valuation income increased by $3 million, broadly unchanged.

Operating expenses

	Year to			Half Year to		
	Sep 23 $m	Sep 22 $m	Sep 23 v Sep 22 %	Sep 23 $m	Mar 23 $m	Sep 23 v Mar 23 %
Personnel expenses	**5,236**	4,786	9.4	**2,678**	2,558	4.7
Occupancy and depreciation expenses	**745**	719	3.6	**382**	363	5.2
General expenses	**2,640**	2,619	0.8	**1,350**	1,290	4.7
Operating expenses (excluding Citi consumer business)	**8,621**	8,124	6.1	**4,410**	4,211	4.7
Citi consumer business operating expenses	**402**	150	large	**192**	210	(8.6)
Total operating expenses	**9,023**	8,274	9.1	**4,602**	4,421	4.1

September 2023 v September 2022

Operating expenses increased by $749 million or 9.1%. Excluding the Citi consumer business, operating expenses increased by $497 million or 6.1%. This includes an increase of $40 million for a provision in respect of the one-off levy for the CSLR. Excluding these movements, the underlying increase was $457 million or 5.6%.

Personnel expenses increased by $450 million or 9.4%. The increase was primarily driven by an increase in average FTE and salary and related expenses, together with continued investment in technology and compliance capabilities including fraud and cyber security. This was partially offset by productivity benefits achieved through continued process improvements and simplification of the Group's operations.

Occupancy and depreciation expenses increased by $26 million or 3.6%. The increase was driven by higher depreciation on new leases, fitouts and hardware combined with higher energy costs.

General expenses increased by $21 million or 0.8%. Excluding the provision of $40 million in respect of the one-off levy for CSLR, the underlying decrease was $19 million or 0.7% . This was primarily due to productivity benefits achieved through continued process improvements and simplification of the Group's operations combined with lower remediation charges. This was partially offset by continued investment in technology and compliance capabilities including fraud and cyber security.

September 2023 v March 2023

Operating expenses increased by $181 million or 4.1%. This includes an increase of $40 million for a provision in respect of the one-off levy for the CSLR. Excluding this movement, the underlying increase was $141 million or 3.2%.

Personnel expenses increased by $120 million or 4.7%. The increase was primarily driven by an increase in average FTE and salary and related expenses, together with continued investment in technology and compliance capabilities including fraud and cyber security. This was partially offset by productivity benefits achieved through continued process improvements and simplification of the Group's operations.

Occupancy and depreciation expenses increased by $19 million or 5.2%. The increase was driven by higher depreciation on new leases and hardware.

General expenses increased by $60 million or 4.7%. Excluding the provision of $40 million in respect of the one-off levy for the CSLR, the underlying increase was $20 million or 1.6%. This was primarily due to continued investment in technology and compliance capabilities including fraud and cyber security. This was partially offset by productivity benefits achieved through continued process improvements and simplification of the Group's operations combined with lower remediation charges.

Investment spend

	Year to			Half Year to		
	Sep 23 $m	Sep 22 $m	Sep 23 v Sep 22 %	Sep 23 $m	Mar 23 $m	Sep 23 v Mar 23 %
Expensed	**649**	693	(6.3)	**335**	314	6.7
Capitalised software and fixed assets	**764**	700	9.1	**434**	330	31.5
Total investment spend	**1,413**	1,393	1.4	**769**	644	19.4
Represented by:						
Infrastructure	**437**	515	(15.1)	**248**	189	31.2
Compliance and risk	**489**	399	22.6	**261**	228	14.5
Customer experience, efficiency and sustainable revenue	**487**	479	1.7	**260**	227	14.5
Total investment spend	**1,413**	1,393	1.4	**769**	644	19.4

Investment spend is expenditure on initiatives designed to enhance the customer experience, comply with legal and regulatory requirements, and improve capabilities and efficiencies in the Group's business processes. Investment spend excludes expenditure in respect of NAB's new unsecured lending platform and ongoing investment in technology resilience.

September 2023 v September 2022

Investment spend increased by $20 million or 1.4%, driven by increased investment in compliance, risk and customer experience initiatives.

Investment in **infrastructure** initiatives decreased by $78 million or 15.1%. The decrease was primarily driven by declining spend on cloud migration and a shift of New Zealand Banking spend to customer experience programs, partially offset by additional investment to build financial crime capabilities.

Investment in **compliance and risk** initiatives increased by $90 million or 22.6% reflecting continued investment in meeting regulatory commitments, including uplifting financial crime capabilities, cyber security, and managing risk across the Group.

Investment in **customer experience, efficiency and sustainable revenue** initiatives increased by $8 million or 1.7%. There is continued investment in core strategic priorities, such as business and home lending, merchant services capabilities and a simplified customer onboarding experience.

September 2023 v March 2023

Investment spend increased by $125 million or 19.4%, driven by increased investment in infrastructure, customer experience, compliance and risk initiatives.

Investment in **infrastructure** initiatives increased by $59 million or 31.2%. The increase was primarily driven by investment in building data platform and capabilities, the timing of spend on cloud migration, technology simplification and refresh activity, and the Group's branch network including frontline technology.

Investment in **compliance and risk** initiatives increased by $33 million or 14.5%, reflecting continued investment in meeting regulatory commitments, including uplifting financial crime capabilities, cyber security, and managing risk across the Group.

Investment in **customer experience, efficiency and sustainable revenue** initiatives increased by $33 million or 14.5%. The increase was primarily driven by investment in digital channel capabilities and a simplified customer onboarding experience.

Taxation

	Year to			Half Year to		
	Sep 23	Sep 22	Sep 23 v Sep 22	Sep 23	Mar 23	Sep 23 v Mar 23
Income tax expense ($m)	**3,093**	2,793	10.7%	**1,448**	1,645	(12.0%)
Effective tax rate (%)	**28.6**	28.2	40 bps	**28.3**	28.8	(50 bps)

September 2023 v September 2022

Cash earnings income tax expense increased by $300 million or 10.7% primarily due to higher cash earnings before tax.

The **cash earnings effective tax rate** increased by 40 basis points to 28.6% due to:

- An increase in the amount of non-deductible interest on convertible instruments.
- A decrease in the net earnings of the concessionally taxed offshore banking unit.
- A decrease in the amount of non-assessable foreign branch income.

These increases to the effective tax rate were partially offset by an adjustment in the current period to recognise a deferred tax asset for U.S. tax losses from prior periods.

September 2023 v March 2023

Cash earnings income tax expense decreased by $197 million or 12.0% due to lower cash earnings before tax.

The **cash earnings effective tax rate** decreased by 50 basis points to 28.3%, due to an adjustment in the current period to recognise a deferred tax asset for U.S. tax losses from prior periods.

Lending

	As at				
	30 Sep 23 $bn	31 Mar 23 $bn	30 Sep 22 $bn	Sep 23 v Sep 22 %	Sep 23 v Mar 23 %
Housing					
Business and Private Banking	**109.2**	105.6	100.1	9.1	3.4
Personal Banking	**230.6**	229.4	230.5	-	0.5
New Zealand Banking	**53.7**	52.8	48.3	11.2	1.7
Corporate Functions and Other	**12.8**	11.4	10.2	25.5	12.3
Total housing	**406.3**	399.2	389.1	4.4	1.8
Non-housing					
Business and Private Banking	**147.1**	140.7	135.9	8.2	4.5
Personal Banking	**9.4**	9.0	8.5	10.6	4.4
Corporate and Institutional Banking	**104.1**	109.3	114.8	(9.3)	(4.8)
New Zealand Banking	**41.6**	42.3	39.4	5.6	(1.7)
Total non-housing	**302.2**	301.3	298.6	1.2	0.3
Gross loans and advances	**708.5**	700.5	687.7	3.0	1.1

September 2023 v September 2022

Lending increased by $20.8 billion or 3.0% including an increase of $5.8 billion driven by exchange rate movements.

Housing lending increased by $17.2 billion or 4.4% due to:

- An increase of $9.1 billion or 9.1% in Business and Private Banking driven by growth in both owner occupier and investor lending.
- An increase of $5.4 billion or 11.2% in New Zealand Banking, including an increase of $2.7 billion driven by exchange rate movements. The underlying increase of $2.7 billion driven by growth in both owner occupier and investor lending.
- An increase of $2.6 billion or 25.5% in Corporate Functions and Other reflecting growth in ubank.
- An increase of $0.1 billion in Personal Banking, driven by growth of $1.8 billion primarily in owner occupier lending, offset by a decrease of $1.7 billion in the Citi consumer business, reflecting the anticipated run-off since acquisition.

Non-housing lending increased by $3.6 billion or 1.2% due to:

- An increase of $11.2 billion or 8.2% in Business and Private Banking driven by growth in business lending across a broad range of industries.
- An increase of $2.2 billion or 5.6% in New Zealand Banking, including an increase of $2.4 billion driven by exchange rate movements. The underlying decrease of $0.2 billion reflects a decline in business lending.
- An increase of $0.9 billion in Personal Banking primarily driven by growth in unsecured lending due to an increase in accounts and increased spend activity.
- A decrease of $10.7 billion or 9.3% in Corporate and Institutional Banking, including an increase of $0.7 billion driven by exchange rate movements. The underlying decrease of $11.4 billion is primarily due to lower utilisation in funds, reduced securitisation exposures and disciplined portfolio management.

September 2023 v March 2023

Lending increased by $8.0 billion or 1.1% including an increase of $0.1 billion driven by exchange rate movements.

Housing lending increased by $7.1 billion or 1.8% due to:

- An increase of $3.6 billion or 3.4% in Business and Private Banking driven by growth in both owner occupier and investor lending.
- An increase of $1.4 billion or 12.3% in Corporate Functions and Other reflecting growth in ubank.
- An increase of $1.2 billion or 0.5% in Personal Banking, driven by growth of $2.5 billion in owner occupier and investor lending partially offset by a decrease of $1.3 billion in the Citi consumer business, reflecting the anticipated run-off since acquisition.
- An increase of $0.9 billion or 1.7% in New Zealand Banking, including a decrease of $0.3 billion driven by exchange rate movements. The underlying increase of $1.2 billion driven by growth in both owner occupier and investor lending.

Non-housing lending increased by $0.9 billion or 0.3% due to:

- An increase of $6.4 billion or 4.5% in Business and Private Banking driven by growth in business lending across a broad range of industries.
- An increase of $0.4 billion or 4.4% in Personal Banking primarily driven by growth in unsecured lending due to an increase in accounts and increased spend activity.
- A decrease of $0.7 billion or 1.7% in New Zealand Banking, including a decrease of $0.3 billion driven by exchange rate movements. The underlying decrease of $0.4 billion reflects a decline in business lending.
- A decrease of $5.2 billion or 4.8% in Corporate and Institutional Banking, including an increase of $0.7 billion driven by exchange rate movements. The underlying decrease of $5.9 billion is primarily due to lower utilisation in funds, reduced securitisation exposures and disciplined portfolio management.

Goodwill and other intangible assets

Goodwill

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

The movement in goodwill is as follows:

	Year ended		Half Year ended	
	Sep 23	Sep 22	Sep 23	Mar 23
	$m	$m	$m	$m
Balance at beginning of period	**2,089**	1,964	**2,089**	2,089
Acquisition of controlled entities and business combinations	**(19)**	125	**(19)**	-
Goodwill	**2,070**	2,089	**2,070**	2,089

Other intangible assets

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

The movement in capitalised software is as follows:

	Year ended		Half Year ended	
	Sep 23	Sep 22	Sep 23	Mar 23
	$m	$m	$m	$m
Balance at beginning of period	**2,382**	2,133	**2,518**	2,382
Acquisition of controlled entities and business combinations	**-**	40	**-**	-
Additions	**935**	766	**521**	414
Disposals and write-offs	**(13)**	(23)	**(4)**	(9)
Amortisation	**(602)**	(538)	**(311)**	(291)
Foreign currency translation adjustments	**20**	4	**(2)**	22
Capitalised software	**2,722**	2,382	**2,722**	2,518

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

- Additions includes *Investment spend* on page 41 and $83 million for the year ended 30 September 2023 (September 2022: $23 million) and $43 million for the half year ended 30 September 2023 (March 2023: $37 million) in respect of the new unsecured lending platform.
- Amortisation is included as part of operating expenses.

The movement in other intangible assets is as follows:

	Year ended		Half Year ended	
	Sep 23	Sep 22	Sep 23	Mar 23
	$m	$m	$m	$m
Balance at beginning of period	**181**	16	**171**	181
Acquisition of controlled entities and business combinations	**(3)**	171	**(3)**	-
Amortisation	**(17)**	(6)	**(7)**	(10)
Foreign currency translation adjustments	**(1)**	-	**(1)**	-
Other intangible assets	**160**	181	**160**	171

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

Customer deposits

	As at				
	30 Sep 23 $bn	31 Mar 23 $bn	30 Sep 22 $bn	Sep 23 v Sep 22 %	Sep 23 v Mar 23 %
Business and Private Banking	**206.1**	201.4	191.3	7.7	2.3
Personal Banking	**151.3**	147.4	148.1	2.2	2.6
Corporate and Institutional Banking	**138.1**	137.5	146.2	(5.5)	0.4
New Zealand Banking	**72.3**	69.0	63.6	13.7	4.8
Corporate Functions and Other	**19.6**	19.6	17.5	12.0	-
Total customer deposits	**587.4**	574.9	566.7	3.7	2.2

September 2023 v September 2022

Customer deposits increased by $20.7 billion or 3.7% including an increase of $4.4 billion driven by exchange rate movements. The increase is due to:

- An increase of $14.8 billion or 7.7% in Business and Private Banking driven by an increase in term deposits of $21.5 billion, partially offset by a decrease in non-interest bearing accounts of $4.9 billion and on-demand deposits of $1.8 billion.
- An increase of $8.7 billion or 13.7% in New Zealand Banking, including an increase of $3.9 billion driven by exchange rate movements. The underlying increase of $4.8 billion was due to an increase in term deposits of $6.0 billion and non-interest bearing accounts of $0.8 billion, partially offset by a decrease in on-demand deposits of $2.0 billion.
- An increase of $3.2 billion or 2.2% in Personal Banking, driven by growth in term deposits of $7.0 billion, partially offset by a decrease in on-demand deposits of $3.1 billion, and non-interest bearing accounts of $0.7 billion. This includes a decrease of $1.6 billion in the Citi consumer business, reflecting the anticipated run-off since acquisition.
- An increase of $2.1 billion or 12.0% in Corporate Functions and Other driven by growth in on-demand deposits and non-interest bearing accounts of $4.2 billion in ubank. This was partially offset by a reduction of $1.8 billion primarily relating to balances transferred to other segments of the Group as a result of ubank's product offering simplification, combined with a decrease of $0.3 billion in wholesale deposits reflecting Treasury funding and liquidity management activities.
- A decrease of $8.1 billion or 5.5% in Corporate and Institutional Banking, including an increase of $0.5 billion driven by exchange rate movements. The underlying decrease of $8.6 billion was driven largely by a decline in custody and on-demand deposits.

September 2023 v March 2023

Customer deposits increased by $12.5 billion or 2.2% including a decrease of $0.1 billion driven by exchange rate movements. The increase is due to:

- An increase of $4.7 billion or 2.3% in Business and Private Banking primarily driven by an increase in term deposits of $7.8 billion, partially offset by a reduction in on-demand deposits of $1.6 billion and non-interest bearing accounts of $1.5 billion.
- An increase of $3.9 billion or 2.6% in Personal Banking, driven by growth in on-demand deposits of $1.8 billion, term deposits of $1.7 billion and non-interest bearing accounts of $0.4 billion. This includes a decrease of $1.2 billion in the Citi consumer business, reflecting the anticipated run-off since acquisition.
- An increase of $3.3 billion or 4.8% in New Zealand Banking, including a decrease of $0.4 billion driven by exchange rate movements. The underlying increase of $3.7 billion was due to an increase in term deposits of $4.0 billion and on-demand deposits of $0.9 billion, partially offset by a decrease in non-interest bearing accounts of $1.2 billion.
- An increase of $0.6 billion or 0.4% in Corporate and Institutional Banking including an increase of $0.3 billion driven by exchange rate movements. The underlying increase of $0.3 billion was primarily driven by an increase in term deposits partially offset by a decline in on-demand and custody deposits.
- Corporate Functions remained flat, driven by growth in on-demand deposits and non-interest bearing accounts of $1.6 billion in ubank, offset by a reduction in wholesale deposits of $1.6 billion reflecting Treasury funding and liquidity management activities.

Asset quality

Credit impairment charge

	Year to			Half Year to		
	Sep 23 $m	Sep 22 $m	Sep 23 v Sep 22 %	Sep 23 $m	Mar 23 $m	Sep 23 v Mar 23 %
Specific credit impairment charge - new and increased[1]	**560**	402	39.3	**298**	262	13.7
Specific credit impairment charge - write-backs[1]	**(148)**	(161)	(8.1)	**(58)**	(90)	(35.6)
Specific credit impairment charge - recoveries	**(79)**	(70)	12.9	**(33)**	(46)	(28.3)
Specific credit impairment charge	**333**	171	94.7	**207**	126	64.3
Collective credit impairment charge / (write-back)	**469**	(46)	large	**202**	267	(24.3)
Total credit impairment charge	**802**	125	large	**409**	393	4.1

(1) Comparative information has been restated to align to the presentation in the current period.

	Year to			Half Year to		
	Sep 23 %	Sep 22 %	Sep 23 v Sep 22	Sep 23 %	Mar 23 %	Sep 23 v Mar 23
Credit impairment charge to GLAs - annualised	**0.11**	0.02	9 bps	**0.12**	0.11	1 bp
Net write-offs to GLAs - annualised	**0.05**	0.04	1 bp	**0.05**	0.04	1 bp

September 2023 v September 2022

Credit impairment charge increased by $677 million, driven by a higher level of collective credit impairment charges across the Group's lending portfolio, combined with a higher level of specific credit impairment charges off a low base.

Specific credit impairment charge increased by $162 million or 94.7% driven by an increase in charges in Business and Private Banking off a low base due to a small number of individual impairments and increased charges for the Australian unsecured retail portfolio, including $31 million from the full year impact of the acquisition of the Citi consumer business.

Collective credit impairment charge increased by $515 million.

The charge for the September 2023 full year was $469 million driven by deterioration in asset quality across the Group's lending portfolio combined with volume growth and updated methodology in Business and Private Banking. This was partially offset by a net release of $218 million in forward looking provisions primarily reflecting modest improvement in the overall economic outlook and credit deterioration in underlying outcomes.

The September 2022 full year write-back was $46 million driven by improved asset quality for the Australian lending portfolio, the impact of house price increases and a net release of $6 million in forward looking provisions. This was partially offset by volume growth for the Australian business lending portfolio.

The Group ratio of **net write-offs to GLAs** increased by 1 basis point to 0.05% due to a higher level of write-off activity across the Group's lending portfolio off a low base.

September 2023 v March 2023

Credit impairment charge increased by $16 million driven by a higher level of specific credit impairment charges off a low base, partially offset by a lower level of collective credit impairment charges.

Specific credit impairment charge increased by $81 million or 64.3% driven by an increase in charges in Business and Private Banking due to a small number of individual impairments and the Australian unsecured retail portfolio off a low base, combined with the non-recurrence of write-backs for a small number of larger exposures in New Zealand Banking in the prior period.

Collective credit impairment charge decreased by $65 million or 24.3%.

The charge for the September 2023 half was $202 million driven by deterioration in asset quality across the Group's lending portfolio combined with volume growth in Business and Private Banking. This was partially offset by the impact of house price increases and a net release of $150 million in forward looking provisions primarily reflecting modest improvement in the overall economic outlook and credit deterioration in underlying outcomes.

The charge for the March 2023 half was $267 million driven by the impact of house price declines, volume growth and updated methodology in Business and Private Banking and an increase in retail arrears off a low base. This was partially offset by a net release of $68 million in forward looking provisions.

The Group ratio of **net write-offs to GLAs** increased by 1 basis point to 0.05% due to a higher level of write-off activity across the Group's lending portfolio off a low base.

Provision for credit impairment

	As at				
	30 Sep 23 $m	31 Mar 23 $m	30 Sep 22 $m	Sep 23 v Sep 22 %	Sep 23 v Mar 23 %
Collective provision on loans at amortised cost	**5,046**	4,849	4,541	11.1	4.1
Collective provision on loans at fair value	**33**	32	33	-	3.1
Collective provision on derivatives at fair value	**135**	175	252	(46.4)	(22.9)
Total collective provision for credit impairment	**5,214**	5,056	4,826	8.0	3.1
Total specific provision for credit impairment(1)	**539**	521	531	1.5	3.5
Total provision for credit impairment	**5,753**	5,577	5,357	7.4	3.2

	As at				
	30 Sep 23 %	31 Mar 23 %	30 Sep 22 %	Sep 23 v Sep 22	Sep 23 v Mar 22
Total provision to GLAs	**0.81**	0.80	0.78	3 bps	1 bp
Total provision to credit risk-weighted assets	**1.62**	1.57	1.46	16 bps	5 bps
Specific provision to gross impaired assets	**42.8**	42.9	51.6	(880 bps)	(10 bps)
Collective provision to credit risk-weighted assets	**1.47**	1.42	1.31	16 bps	5 bps
Collective provision to GLAs	**0.74**	0.72	0.70	4 bps	2 bps

(1) Includes $nil (March 2023: $nil, September 2022: $16 million) of specific provision on loans at fair value.

September 2023 v September 2022

Provisions for credit impairment increased by $396 million or 7.4% to $5,753 million.

Specific provisions increased by $8 million or 1.5% mainly due to new and increased specific provisions in the Business and Private Banking business lending portfolio, partially offset by work-outs for a small number of larger exposures in the business lending portfolio in Australia and New Zealand.

Collective provisions increased by $388 million or 8.0%. This was mainly due to:

- An increase in collective provisions held for the Business and Private Banking business lending portfolio due to volume growth, deterioration in asset quality and updated methodology.
- An increase in collective provisions held for the Australian retail portfolio due to an increase in arrears.
- An increase in collective provisions held for New Zealand Banking due to deterioration in asset quality.

This was partially offset by:

- A decrease of $204 million in net forward looking provisions (including the impact of foreign exchange movements) primarily reflecting modest improvement in the overall economic outlook and credit deterioration in underlying outcomes.
- A decrease in collective provisions held for the derivatives portfolio.

The **collective provision to credit risk-weighted assets** ratio increased by 16 basis points to 1.47% due to an increase in collective provisions held and a reduction in credit risk-weighted assets partly due to the implementation of the revised capital framework from 1 January 2023.

September 2023 v March 2023

Provisions for credit impairment increased by $176 million or 3.2% to $5,753 million.

Specific provisions increased by $18 million or 3.5% mainly due to new and increased specific provisions in the Business and Private Banking business lending portfolio, partially offset by work-outs for a small number of larger exposures in the Australian business lending portfolio.

Collective provisions increased by $158 million or 3.1%. This was mainly due to:

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

This was partially offset by:

- A decrease of $150 million in net forward looking provisions (including the impact of foreign exchange movements) primarily reflecting modest improvement in the overall economic outlook and credit deterioration in underlying outcomes.
- A decrease in collective provisions held for the derivatives portfolio.

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

Non-performing exposures

	As at				
	30 Sep 23 $m	31 Mar 23 $m	30 Sep 22 $m	Sep 23 v Sep 22 %	Sep 23 v Mar 23 %
90+ DPD assets	**4,033**	3,409	3,481	15.9	18.3
Gross impaired assets	**1,260**	1,215	1,029	22.4	3.7
90+ DPD and gross impaired assets	**5,293**	4,624	4,510	17.4	14.5
Default <90 DPD but not impaired assets	**2,699**	2,104	1,993	35.4	28.3
Non-performing exposures[(1)(2)]	**7,992**	6,728	6,503	22.9	18.8

	As at				
	30 Sep 23 %	31 Mar 23 %	30 Sep 22 %	Sep 23 v Sep 22	Sep 23 v Mar 23
90+ DPD assets to GLAs	**0.57**	0.49	0.51	6 bps	8 bps
Gross impaired assets to GLAs	**0.18**	0.17	0.15	3 bps	1 bp
90+ DPD and gross impaired assets to GLAs	**0.75**	0.66	0.66	9 bps	9 bps
Default <90 DPD but not impaired assets to GLAs	**0.38**	0.30	0.29	9 bps	8 bps
Non-performing exposures to GLAs	**1.13**	0.96	0.95	18 bps	17 bps

(1) Non-performing exposures is aligned to the definitions in *APS 220 Credit Risk Management*.
(2) Includes $nil (March 2023: $nil, September 2022: $32 million) of non-performing loans at fair value.

September 2023 v September 2022

The Group ratio of **90+ DPD assets to GLAs** increased by 6 basis points to 0.57%. This was primarily due to an increase in delinquencies across the business lending portfolio in both Business and Private Banking and New Zealand Banking and the Group's home lending portfolio.

The Group ratio of **gross impaired assets to GLAs** increased by 3 basis points to 0.18%. This was primarily driven by the restructure of a number of customers affected by severe weather events in New Zealand and a small number of individual impairments in Business and Private Banking. This was partially offset by work-outs for a small number of large exposures in Corporate and Institutional Banking and New Zealand Banking.

The Group ratio of **default <90 DPD but not impaired assets to GLAs** increased by 9 basis points to 0.38%. This was primarily driven by an increase across the Business and Private Banking business lending portfolio.

September 2023 v March 2023

The Group ratio of **90+ DPD assets to GLAs** increased by 8 basis points to 0.57%. This was primarily due to an increase in delinquencies across the Australian home lending portfolio and the business lending portfolio in both Business and Private Banking and New Zealand Banking.

The Group ratio of **gross impaired assets to GLAs** increased by 1 basis point to 0.18%. This was primarily driven by a small number of individual impairments in Business and Private Banking and an increase in the number of restructured customers affected by severe weather events in New Zealand, partially offset by work-outs for a small number of larger exposures in Corporate and Institutional Banking and New Zealand Banking.

The Group ratio of **default <90 DPD but not impaired assets to GLAs** increased by 8 basis points to 0.38%. This was primarily due to an increase across the Business and Private Banking business lending portfolio.

Capital management and funding

Balance sheet management overview and regulatory reform

Balance sheet management overview

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

Regulatory reform

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

Revisions to the capital framework

- APRA prudential standards for the revised capital framework came into effect on 1 January 2023. From 31 March 2023, capital ratios presented in this report are in accordance with the revised framework. APRA's revisions to the framework include:
  - Improving flexibility via increasing regulatory capital buffers.
  - Implementing more risk-sensitive risk-weights.
  - Introducing a capital floor for internal ratings-based (IRB) ADIs.
  - Improving transparency and comparability through the disclosure of risk-weighted assets (RWA) under the standardised approach.
- The Group has applied APS 115 *Capital Adequacy: Standardised Measurement Approach to Operational Risk* from 1 January 2022.
- APRA's revised leverage ratio exposure measurement methodology came into effect on 1 January 2023, as did the minimum leverage ratio requirement of 3.5% for IRB ADIs. The 30 September 2023 leverage ratio of 5.2% is in accordance with the revised methodology.
- APRA has announced that revisions to APS 117 *Capital Adequacy: Interest Rate Risk in the Banking Book* will be released for consultation in late 2023 with an expected effective date in 2025.
- Following the APS 117 finalisation, APRA plans to consult on revisions to the market risk capital standards over 2024. The process will implement the Basel Committee on Banking Supervision's fundamental review of the trading book, effective from 2026.
- APRA has also deferred the implementation date for Basel III reforms to APS 180 *Capital Adequacy: Counterparty Credit Risk* to 2026.

Increased loss-absorbing capacity for ADIs

In December 2021, APRA released its finalised requirements for the Australian loss-absorbing capacity framework. The final requirements represent a further increase in the amount of Total capital required by domestic systemically important banks (D-SIBs) equal to 1.5% of RWA, with a total increase of 4.5% of RWA required by January 2026. The interim requirement of an increase in the Total capital requirement of 3% of RWA by 1 January 2024 remains in place. Based on the Group's RWA and Total capital position as at 30 September 2023, NAB has met the interim requirement.

RBNZ capital review

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

- An increase in credit RWA for banks that use the RBNZ's internal ratings-based approach due to:
  - The use of the standardised approach for bank and sovereign exposures, and the introduction of an overall minimum standardised floor, implemented on 1 January 2022.
  - An increase in the RWA scalar, implemented on 1 October 2022.
- An increase in the Tier 1 capital requirement to 16% of RWA, and an increase in the Total capital requirement to 18% of RWA, to be phased in by 2028.
- As at 30 September 2023, BNZ Tier 1 and Total capital ratios were 14.6% and 15.7%.

Additional Tier 1 capital discussion paper

In September 2023, APRA released a discussion paper outlining potential options for, and seeking feedback from stakeholders on, improving the effectiveness of Additional Tier 1 (AT1) capital in Australia. APRA intends to follow this process with a formal consultation in 2024 on any proposed amendments to prudential standards.

Liquidity requirements

APRA expects to conduct a comprehensive review of APS 210 *Liquidity* in 2024, with an expected effective date in 2026.

Capital management

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

The Group's capital ratio operating targets are regularly reviewed in the context of the external economic and regulatory outlook with the objective of maintaining balance sheet strength. From 1 January 2023, the Group's Common Equity Tier 1 (CET1) capital target range moved to 11.00-11.50% to align with the new calculation methodology under APRA's revised capital framework.

On 28 February 2023, the Group completed the $2.5 billion on-market buy-back announced on 24 March 2022.

On 15 August 2023, the Group announced its intention to buy back up to $1.5 billion of NAB ordinary shares on-market to progressively manage its CET1 capital ratio towards its target range. NAB commenced the further buy-back on 29 August 2023. Including the previous buy-back, NAB has bought back and cancelled 29,832,512 ordinary shares ($0.9 billion) in the full year ended 30 September 2023 including $0.3 billion (0.07% of CET1 capital) in the half year ended 30 September 2023.

Pillar 3 disclosures

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

Capital ratios

	As at				
	30 Sep 23 %	31 Mar 23 %	30 Sep 22 %	Sep 23 v Sep 22	Sep 23 v Mar 23
Capital ratios					
CET1	**12.22**	12.21	11.51	71 bps	1 bp
Tier 1	**14.19**	13.89	13.14	105 bps	30 bps
Total capital	**19.88**	19.76	18.17	171 bps	12 bps

	As at				
	30 Sep 23 $m	31 Mar 23 $m	30 Sep 22 $m	Sep 23 v Sep 22 %	Sep 23 v Mar 23 %
Risk-weighted assets					
Credit risk	**355,554**	356,307	367,261	(3.2)	(0.2)
Market risk	**8,811**	8,496	7,907	11.4	3.7
Operational risk	**41,178**	41,178	41,124	0.1	-
Interest rate risk in the banking book	**29,463**	30,192	33,626	(12.4)	(2.4)
Total risk-weighted assets	**435,006**	436,173	449,918	(3.3)	(0.3)

Movements in CET1 capital ratio (%)

(1) Excludes foreign exchange (FX) translation.

Capital movements during the September 2023 half year

The Group's CET1 capital ratio was 12.22% as at 30 September 2023. The key movements in CET1 capital over the September 2023 half year included:

- Cash earnings less the 2023 interim dividend resulting in an increase of 24 basis points.
- A decrease in credit RWA increasing the CET1 capital ratio by 4 basis points, driven by:
  - Volume growth contributing to a decrease of 15 basis points.
  - Derivatives (excluding FX translation) contributing to an increase of 2 basis points.
  - Asset quality deterioration contributing to a decrease of 8 basis points.
  - Model and methodology changes contributing to an increase of 24 basis points.
  - Other credit RWA contributing to an increase of 1 basis point.
- A decrease in Other (non-credit) RWA increasing the CET1 capital ratio by 1 basis point, driven by:
  - Interest rate risk in the banking book contributing to an increase of 2 basis points.
  - Traded market risk contributing to a decrease of 1 basis point.
- The impact of $307 million of the on-market buy-back completed in the half resulting in a decrease of 7 basis points.
- Other items decreasing the CET1 capital ratio by 21 basis points, including capitalised software, deferred tax assets, non-cash earnings and other miscellaneous items.

Dividend and Dividend Reinvestment Plan (DRP)

The final dividend in respect of the year ended 30 September 2023 has been increased to 84 cents, 100% franked, payable on 15 December 2023.

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

The Group periodically adjusts its DRP to reflect its capital position and outlook. The DRP discount for the 2023 final dividend is nil. Eligible shareholders have the ability to participate in the DRP for the 2023 final dividend for up to 5 million NAB ordinary shares per participant. The Group expects to satisfy the DRP in full by an on-market purchase of shares.

Additional Tier 1 capital initiatives

On 14 September 2023, the Group issued $1,250 million of NAB Capital Notes 7, which will mandatorily convert into NAB ordinary shares on 17 June 2033, provided certain conditions are met.

With APRA's prior written approval, NAB may elect to convert, redeem or resell these NAB Capital Notes 7 on 17 September 2030, 17 December 2030, 17 March 2031, 17 June 2031, 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 2023 full year included the following:

- On 12 January 2023, NAB issued US$1.25 billion of Subordinated Notes.
- On 9 March 2023, NAB issued $1.25 billion of Subordinated Notes.
- On 19 May 2023, NAB redeemed SGD450 million of Subordinated Notes.
- On 6 June 2023, NAB issued HKD640 million of Subordinated Notes.
- On 20 September 2023, NAB redeemed $943,210,100 of NAB Subordinated Notes 2 issued on 20 March 2017, in accordance with the redemption notice issued on 11 July 2023.

BNZ capital initiatives

On 14 June 2023, BNZ issued NZD375 million of Perpetual Preference Shares (PPS), which qualify as AT1 capital under RBNZ rules. With RBNZ's prior approval, BNZ may elect to redeem the PPS on the first optional redemption date (14 June 2029) and each subsequent distribution payment date, provided certain conditions are met.

Funding and liquidity

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

Funding

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

As at 30 September 2023, the Group's NSFR was 116% down 3% compared to 30 September 2022, with the movement primarily driven by impacts associated with the maturity of the Initial Allowance of the Term Funding Facility (TFF) and the 2024 maturities of the Additional and Supplementary Allowances of the TFF.

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

For the 30 September 2023 full year, the SFI remained at 102% as term wholesale funding and remaining TFF moving within 12 months to maturity was met with a similar increase in new term wholesale funding. The increase in lending growth was largely funded by deposit inflows.

Group funding metrics

	As at		
	30 Sep 23	31 Mar 23	30 Sep 22
	%	%	%
CFI	**82**	81	81
TFI	**20**	21	20
SFI	**102**	102	101
NSFR	**116**	117	119

The Group's deposit strategy is to grow a stable and reliable deposit base informed by market conditions, funding requirements and customer relationships. Further information on deposits is provided in the Customer Deposits section of this document.

Term wholesale funding

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

In March 2023 global term wholesale funding markets were impacted by the events surrounding Credit Suisse and the US regional bank failures. More recently term wholesale funding markets have been driven by global monetary policy and increased interest rate volatility.

The Group raised $40.2 billion(1) of term wholesale funding during the September 2023 full year. NAB raised $35.1 billion of term wholesale funding, including $3.2 billion of Tier 2 subordinated debt and BNZ raised $3.9 billion of term wholesale funding.

The weighted average maturity of term wholesale funding issued by the Group in the September 2023 full year was 4.3(2) years. The weighted average remaining maturity of the Group's term wholesale funding portfolio is 3.5(2) years.

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

(1) Includes FLP.
(2) Excludes AT1 capital, Residential Mortgage Backed Securities (RMBS), TFF and FLP.

Term wholesale funding issuance by deal type

	As at		
	30 Sep 23	31 Mar 23	30 Sep 22
	%	%	%
Senior unsecured	**68**	61	67
Subordinated debt	**8**	14	10
Covered bonds	**24**	25	19
RMBS	**-**	-	4
Total	**100**	100	100

Term wholesale funding issuance by currency

	As at		
	30 Sep 23	31 Mar 23	30 Sep 22
	%	%	%
USD	**41**	53	39
AUD	**33**	28	27
EUR	**9**	11	16
GBP	**6**	-	8
NZD	**4**	3	3
Other	**7**	5	7
Total	**100**	100	100

Short-term wholesale funding

For the September 2023 full year, the Group accessed international and domestic short-term funding through wholesale markets. In addition, the Group has accessed secured short-term funding in the form of repurchase agreements primarily to support markets and trading activities. Repurchase agreements entered into, excluding those associated with the TFF, TLF and FLP, are materially offset by reverse repurchase agreements with similar tenors.

Liquidity Coverage Ratio

The LCR measures the adequacy of High-quality liquid assets (HQLA) available to meet net cash outflows over a 30-day period during a severe liquidity stress scenario. HQLA consists of cash, central bank reserves and highly rated government securities. In addition to HQLA, Alternative liquid assets (ALA) can also contribute to regulatory liquidity. ALA has previously included the Committed Liquidity Facility (CLF) which was in effect pre 1 January 2023, and currently includes certain RBNZ repo-eligible securities.

The Group maintains a well-diversified liquid asset portfolio to support regulatory and internal requirements in the regions in which it operates. The average value of regulatory liquid assets held through the September 2023 quarter was $210 billion which was comprised of $209 billion of HQLA and $1 billion of RBNZ repo-eligible securities.

The Group's LCR averaged 140% during the September quarter, an increase of 9% compared to September 2022.

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

Quarterly average net cash outflows

	Quarterly average		
	30 Sep 23	31 Mar 23	30 Sep 22
	$bn	$bn	$bn
Liquidity Coverage Ratio[1]			
High-quality liquid assets	**209**	200	200
Alternative liquid assets	**1**	2	14
Total LCR liquid assets	**210**	202	214
Net cash outflows	**150**	155	163
Quarterly average LCR (%)	**140**	130	131

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

Credit ratings

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

NAB credit ratings

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

Divisional results

Business and Private Banking

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

	Year to			Half Year to		
	Sep 23 $m	Sep 22 $m	Sep 23 v Sep 22 %	Sep 23 $m	Mar 23 $m	Sep 23 v Mar 23 %
Net interest income	**7,270**	6,074	19.7	**3,617**	3,653	(1.0)
Other operating income	**976**	962	1.5	**477**	499	(4.4)
Net operating income	**8,246**	7,036	17.2	**4,094**	4,152	(1.4)
Operating expenses	**(2,931)**	(2,664)	10.0	**(1,479)**	(1,452)	1.9
Underlying profit	**5,315**	4,372	21.6	**2,615**	2,700	(3.1)
Credit impairment charge	**(568)**	(60)	large	**(316)**	(252)	25.4
Cash earnings before income tax	**4,747**	4,312	10.1	**2,299**	2,448	(6.1)
Income tax expense	**(1,429)**	(1,299)	10.0	**(695)**	(734)	(5.3)
Cash earnings	**3,318**	3,013	10.1	**1,604**	1,714	(6.4)

Volumes ($bn)						
Housing lending	**109.2**	100.1	9.1	**109.2**	105.6	3.4
Business lending	**143.3**	132.2	8.4	**143.3**	137.1	4.5
Other lending	**3.8**	3.7	2.7	**3.8**	3.6	5.6
Gross loans and acceptances	**256.3**	236.0	8.6	**256.3**	246.3	4.1
Average interest earning assets	**228.8**	208.3	9.8	**233.7**	223.9	4.4
Total assets	**255.5**	235.3	8.6	**255.5**	245.9	3.9
Customer deposits	**206.1**	191.3	7.7	**206.1**	201.4	2.3
Total risk-weighted assets	**150.7**	142.2	6.0	**150.7**	149.1	1.1

	Year to			Half Year to		
	Sep 23	Sep 22	Sep 23 v Sep 22	Sep 23	Mar 23	Sep 23 v Mar 23
Performance Measures						
Cash earnings on average assets (%)	**1.35**	1.36	(1 bp)	**1.28**	1.43	(15 bps)
Cash earnings on average risk-weighted assets (%)	**2.25**	2.23	2 bps	**2.15**	2.35	(20 bps)
Net interest margin (%)	**3.18**	2.92	26 bps	**3.09**	3.27	(18 bps)
Cost to income ratio (%)	**35.5**	37.9	(240 bps)	**36.1**	35.0	110 bps
Funds under administration (spot) ($m)	**47,430**	41,601	14.0%	**47,430**	45,600	4.0%
Asset Quality (%)						
90+ DPD and gross impaired assets to GLAs	**0.96**	0.91	5 bps	**0.96**	0.87	9 bps
Credit impairment charge to GLAs - annualised	**0.22**	0.03	19 bps	**0.25**	0.21	4 bps

September 2023 v September 2022

Cash earnings increased by $305 million or 10.1%, driven by higher revenue as a result of volume growth and higher net interest margin. This was partially offset by increased operating expenses and credit impairment charges.

Key movements	Key drivers
Net interest income up $1,196m, 19.7%	• Net interest margin increased by 26 basis points due to higher earnings on deposits and capital driven by the rising interest rate environment, partially offset by competitive pressures in the housing lending portfolio, deposit mix impacts due to growth in term deposits and higher wholesale funding costs. • Average interest earning assets increased by $20.5 billion or 9.8% reflecting volume growth in both business lending, across a broad range of industries, and housing lending. • Customer deposits increased by $14.8 billion or 7.7% driven by growth in term deposits, partially offset by decline in non-interest bearing accounts and on-demand deposits.
Other operating income up $14m, 1.5%	• Higher fee income from business lending reflecting higher volumes and increased fee collection, combined with higher deposit fee income and HICAPS revenue. • Partially offset by lower home lending fee income as a result of a shift to lower fee products and lower merchant acquiring fee income due to higher scheme fees.
Operating expenses up $267m, 10.0%	• The increase was primarily driven by an increase in average FTE and salary and related costs, together with continued investment in technology and compliance capabilities including fraud and cyber security. • This was partially offset by productivity benefits achieved through continued process improvements and simplification of the Group's operations.
Credit impairment charge up $508m	• Higher collective provision charges driven by updated methodology for the business lending portfolio, combined with deterioration in asset quality. • Specific provision charges increased $125 million off a low base due to a small number of individual impairments. • 90+ DPD and gross impaired assets to GLAs increased by 5 basis points to 0.96%, primarily driven by an increase in 90+ DPD assets in the business lending portfolio.
Risk-weighted assets up $8.5bn, 6.0%	• Primarily driven by growth in business lending and housing lending volumes, combined with deterioration in asset quality. Partially offset by model methodology changes.

September 2023 v March 2023

Cash earnings decreased by $110 million or 6.4%, driven by lower revenue due to lower net interest margin, partially offset by volume growth, combined with increased operating expenses and credit impairment charges.

Key movements	Key drivers
Net interest income down $36m, 1.0%	• Net interest margin decreased by 18 basis points, due to competitive pressures primarily impacting the housing lending portfolio, combined with deposit mix impacts due to growth in term deposits. This was partially offset by higher earnings on deposits and capital driven by the rising interest rate environment. • Average interest earning assets increased by $9.8 billion or 4.4% driven by volume growth in both business lending, across a broad range of industries, and housing lending. • Customer deposits increased by $4.7 billion or 2.3% driven by growth in term deposits, partially offset by a decline in non-interest bearing accounts and on-demand deposits.
Other operating income down $22m, 4.4%	• Primarily due to lower merchant acquiring income from higher scheme fees and a seasonal decrease in transaction volumes, combined with lower commercial cards fee income driven by higher loyalty costs.
Operating expenses up $27m, 1.9%	• The increase was primarily driven by an increase in average FTE and salary and related costs, together with continued investment in technology and compliance capabilities including fraud and cyber security. • This was partially offset by productivity benefits achieved through continued process improvements and simplification of the Group's operations.
Credit impairment charge up $64m, 25.4%	• Specific provision charges increased $44 million off a low base due to a small number of individual impairments. • Higher collective provision charges due to deterioration in asset quality in the business lending portfolio, partially offset by the impact of house price increases. • 90+ DPD and gross impaired assets to GLAs increased by 9 basis points to 0.96%, primarily driven by an increase in 90+ DPD assets in the business lending portfolio and the housing lending portfolio.
Risk-weighted assets up $1.6bn, 1.1%	• Primarily driven by growth in business lending and deterioration in asset quality. Partially offset by model methodology changes.

Personal Banking

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

	Year to			Half Year to		
	Sep 23 $m	Sep 22 $m	Sep 23 v Sep 22 %	Sep 23 $m	Mar 23 $m	Sep 23 v Mar 23 %
Net interest income	**4,329**	4,055	6.8	**2,047**	2,282	(10.3)
Other operating income	**567**	524	8.2	**276**	291	(5.2)
Net operating income	**4,896**	4,579	6.9	**2,323**	2,573	(9.7)
Operating expenses	**(2,561)**	(2,311)	10.8	**(1,274)**	(1,287)	(1.0)
Underlying profit	**2,335**	2,268	3.0	**1,049**	1,286	(18.4)
Credit impairment (charge) / write-back	**(287)**	5	large	**(122)**	(165)	(26.1)
Cash earnings before income tax	**2,048**	2,273	(9.9)	**927**	1,121	(17.3)
Income tax expense	**(602)**	(682)	(11.7)	**(266)**	(336)	(20.8)
Cash earnings	**1,446**	1,591	(9.1)	**661**	785	(15.8)

Volumes ($bn)						
Housing lending	**230.6**	230.5	-	**230.6**	229.4	0.5
Other lending	**9.4**	8.5	10.6	**9.4**	9.0	4.4
Gross loans and acceptances	**240.0**	239.0	0.4	**240.0**	238.4	0.7
Average interest earning assets	**218.8**	206.6	5.9	**217.9**	219.7	(0.8)
Total assets	**247.9**	244.8	1.3	**247.9**	248.0	-
Customer deposits	**151.3**	148.1	2.2	**151.3**	147.4	2.6
Total risk-weighted assets	**78.2**	84.2	(7.1)	**78.2**	76.7	2.0

	Year to			Half Year to		
	Sep 23 %	Sep 22 %	Sep 23 v Sep 22	Sep 23 %	Mar 23 %	Sep 23 v Mar 23
Performance Measures						
Cash earnings on average assets	**0.59**	0.69	(10 bps)	**0.54**	0.64	(10 bps)
Cash earnings on average risk-weighted assets	**1.80**	1.97	(17 bps)	**1.70**	1.92	(22 bps)
Net interest margin	**1.98**	1.96	2 bps	**1.87**	2.08	(21 bps)
Cost to income ratio	**52.3**	50.5	180 bps	**54.8**	50.0	480 bps

Asset Quality						
90+ DPD and gross impaired assets to GLAs	**0.81**	0.73	8 bps	**0.81**	0.71	10 bps
Credit impairment charge to GLAs - annualised	**0.12**	-	12 bps	**0.10**	0.14	(4 bps)

September 2023 v September 2022

Cash earnings decreased by $145 million or 9.1%, driven by higher credit impairment charges and operating expenses, partially offset by an increase in revenue.

Key movements	Key drivers
Net interest income up $274m, 6.8% (ex Citi(1), up $87m, 2.2%)	• Net interest margin increased by 2 basis points, driven by higher earnings on deposits and capital due to the rising interest rate environment, partially offset by competitive pressures impacting the housing lending portfolio, higher wholesale funding costs and deposit mix impacts due to growth in term deposits. • Average interest earning assets increased by $12.2 billion or 5.9%, driven by growth from increased housing lending volumes. This includes the impact of the acquisition of the Citi consumer business of $8.1 billion. • Customer deposits increased by $3.2 billion or 2.2%, driven by growth in term deposits, partially offset by a decrease in on-demand deposits and non-interest bearing accounts.
Other operating income up $43m, 8.2% (ex Citi(1), down $14m, 3.0%)	• Lower home lending fee income as a result of a shift to lower fee products. This was partially offset by higher deposit and cards fee income as a result of increased volumes.
Operating expenses up $250m, 10.8% (ex Citi(1), up $25m, 1.2%)	• The increase was primarily driven by an increase in average FTE and salary and related costs, together with continued investment in technology and compliance capabilities including fraud and cyber security. • This was partially offset by productivity benefits achieved through continued process improvements and simplification of the Group's operations.
Credit impairment charge up $292m	• Higher level of collective provision charges for the housing lending and unsecured retail portfolio due to deterioration in arrears. • 90+ DPD and gross impaired assets to GLAs increased 8 basis points to 0.81% primarily driven by an increase in 90+ DPD assets for the housing lending portfolio.
Risk-weighted assets down $6.0bn, 7.1% (ex Citi(1), down $6.7bn, 8.9%)	• Decrease in risk-weighted assets due to the implementation of the revised capital framework, partially offset by deterioration of asset quality and volume growth.

(1) Citi consumer business.

September 2023 v March 2023

Cash earnings decreased by $124 million or 15.8%, primarily driven by lower revenue.

Key movements	Key drivers
Net interest income down $235m, 10.3%	• Net interest margin decreased by 21 basis points, driven by competitive pressures impacting both the housing lending and deposit portfolios, partially offset by higher earnings on deposits and capital due to the rising interest rate environment. • Average interest earning assets decreased by $1.8 billion or 0.8%, driven by a decrease in housing volumes reflecting a disciplined approach to growth in the current environment, together with a decline in the Citi consumer business mortgage portfolio of $0.8 billion, reflecting the anticipated run-off since acquisition. • Customer deposits increased by $3.9 billion or 2.6%, driven by growth in on-demand deposits, term deposits and non-interest bearing accounts.
Other operating income down $15m, 5.2%	• A decrease in debit and credit card fee income driven by higher loyalty costs combined with a seasonal decrease in transaction volumes, partially offset by new accounts acquired.
Operating expenses down $13m, 1.0%	• The decrease was driven by productivity benefits achieved through continued process improvements and simplification of the Group's operations. • Partially offset by an increase in average FTE and salary and related costs, together with continued investment in technology and compliance capabilities including fraud and cyber security.
Credit impairment charge down $43m, 26.1%	• Lower level of charges for the mortgage portfolio due to the impact of house price increases, partially offset by deterioration in arrears. • 90+ DPD and gross impaired assets to GLAs increased 10 basis points to 0.81% primarily driven by an increase in 90+ DPD assets for the mortgage portfolio.
Risk-weighted assets up $1.5bn, 2.0%	• Increase in risk weighted assets due to deterioration in asset quality and volume growth.

Corporate and Institutional Banking

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

	Year to			Half Year to		
	Sep 23[(1)] $m	Sep 22 $m	Sep 23 v Sep 22 %	Sep 23 $m	Mar 23 $m	Sep 23 v Mar 23 %
Net interest income	**2,361**	2,058	14.7	**1,242**	1,119	11.0
Other operating income	**1,593**	1,413	12.7	**718**	875	(17.9)
Net operating income	**3,954**	3,471	13.9	**1,960**	1,994	(1.7)
Operating expenses	**(1,452)**	(1,377)	5.4	**(730)**	(722)	1.1
Underlying profit	**2,502**	2,094	19.5	**1,230**	1,272	(3.3)
Credit impairment (charge) / write-back	**(32)**	26	large	**(7)**	(25)	(72.0)
Cash earnings before income tax	**2,470**	2,120	16.5	**1,223**	1,247	(1.9)
Income tax expense	**(600)**	(492)	22.0	**(293)**	(307)	(4.6)
Cash earnings	**1,870**	1,628	14.9	**930**	940	(1.1)

Net operating income[(1)]						
Lending and deposits income	**2,904**	2,547	14.0	**1,478**	1,426	3.6
Markets income (ex derivative valuation adjustment)	**670**	661	1.4	**294**	376	(21.8)
Derivative valuation adjustment[(2)]	**55**	(54)	large	**29**	26	11.5
Other income	**325**	317	2.5	**159**	166	(4.2)
Total net operating income	**3,954**	3,471	13.9	**1,960**	1,994	(1.7)

Volumes ($bn)[(1)]						
Business lending	**103.7**	114.4	(9.4)	**103.7**	108.9	(4.8)
Other lending	**0.4**	0.4	-	**0.4**	0.4	-
Gross loans and acceptances	**104.1**	114.8	(9.3)	**104.1**	109.3	(4.8)
Average interest earning assets	**259.5**	275.7	(5.9)	**256.6**	262.4	(2.2)
Total assets	**282.8**	348.0	(18.7)	**282.8**	284.8	(0.7)
Customer deposits	**138.1**	146.2	(5.5)	**138.1**	137.5	0.4
Total risk-weighted assets	**98.2**	117.8	(16.6)	**98.2**	102.9	(4.6)

	Year to			Half Year to		
	Sep 23 %	Sep 22 %	Sep 23 v Sep 22	Sep 23 %	Mar 23 %	Sep 23 v Mar 23
Performance Measures[(1)]						
Cash earnings on average assets	**0.62**	0.52	10 bps	**0.63**	0.61	2 bps
Cash earnings on average risk-weighted assets	**1.75**	1.36	39 bps	**1.85**	1.69	16 bps
Net interest margin	**0.91**	0.75	16 bps	**0.97**	0.86	11 bps
Net interest margin (ex Markets)	**2.06**	1.71	35 bps	**2.14**	1.98	16 bps
Cost to income ratio	**36.7**	39.7	(300 bps)	**37.2**	36.2	100 bps

Asset Quality[(1)]						
90+ DPD and gross impaired assets to GLAs	**0.13**	0.17	(4 bps)	**0.13**	0.15	(2 bps)
Credit impairment charge / (write-back) to GLAs - annualised	**0.03**	(0.02)	5 bps	**0.01**	0.05	(4 bps)

(1) For the year to September 2023, the New Zealand liquidity management portfolio is reported within New Zealand Banking. In the year to September 2022 the assets and liabilities together with the related income was reported as part of Corporate and Institutional Banking. Comparative information has not been restated.
(2) Derivative valuation adjustment is shown net of hedging costs or benefits and includes credit valuation adjustments and funding valuation adjustments.

September 2023 v September 2022

Cash earnings increased by $242 million or 14.9%, driven by higher revenue partially offset by higher operating expenses and credit impairment charges.

Key movements	Key drivers
Net interest income up $303m, 14.7%	• Includes a decrease of $45 million due to movements in economic hedges offset in other operating income. • Underlying increase of $348 million primarily due to higher net interest margins, partially offset by a decrease in Markets risk management income. • Net interest margin (ex Markets) increased by 35 basis points to 2.06% primarily driven by higher earnings on deposits and capital due to the rising interest rate environment partially offset by higher wholesale funding costs. • Gross loans and acceptances decreased by $10.7 billion or 9.3%. Underlying decrease of $11.4 billion excluding exchange rate movements with key drivers including lower utilisation in funds, reduced securitisation exposures and disciplined portfolio management. • Customer deposits decreased by $8.1 billion or 5.5%. The underlying decrease of $8.6 billion excluding exchange rate movements was driven largely by a decline in custody and on-demand deposits.
Other operating income up $180m, 12.7%	• Includes an increase of $45 million due to movements in economic hedges offset in net interest income. • Underlying increase of $135 million primarily due to higher derivative valuation adjustments and Markets risk management income.
Operating expenses up $75m, 5.4%	• The increase was primarily driven by an increase in average FTE and salary and related costs, together with continued investment in technology and compliance capabilities including fraud and cyber security. • This was partially offset by productivity benefits achieved through continued process improvements and simplification of the Group's operations.
Credit impairment charge up $58m	• The underlying increase is primarily due to lower collective provision write-backs partially offset by lower specific provision charge for the impairment of a small number of larger exposures. • 90+ DPD and gross impaired assets to GLAs decreased 4 basis points to 0.13% driven by a decrease in gross impaired assets for the business lending portfolio.
Risk-weighted assets down $19.6bn, 16.6%	• Decrease in risk-weighted assets is primarily due to the implementation of the revised capital framework and a reduction in lending volumes and market movements.

September 2023 v March 2023

Cash earnings decreased by $10 million or 1.1%, driven by lower revenue partially offset by lower credit impairment charge.

Key movements	Key drivers
Net interest income up $123m, 11.0%	• Includes an increase of $42 million due to movements in economic hedges offset in other operating income. • Underlying increase of $81 million primarily due to higher net interest margins, and an increase in Markets risk management income partially offset by lower lending volumes. • Net interest margin (ex Markets) increased by 16 basis points to 2.14% driven by higher earnings on capital and deposits due to the rising interest rate environment. • Gross loans and acceptances decreased by $5.2 billion or 4.8%. Underlying decrease of $5.9 billion excluding exchange rate movements with key drivers including lower utilisation in funds, reduced securitisation exposures and disciplined portfolio management. • Customer deposits increased by $0.6 billion or 0.4%. The underlying increase of $0.3 billion excluding exchange rate movements was driven largely by an increase in term deposits partially offset by a decline in on-demand and custody deposits.
Other operating income down $157m, 17.9%	• Includes a decrease of $42 million due to movements in economic hedges offset in net interest income. • Underlying decrease of $115 million due to lower Markets risk management income.
Operating expenses up $8m, 1.1%	• The increase was primarily driven by an increase in average FTE and salary and related costs, together with continued investment in technology and compliance capabilities including fraud and cyber security. • This was partially offset by productivity benefits achieved through continued process improvements and simplification of the Group's operations.
Credit impairment charge down $18m, 72.0%	• The underlying decrease is primarily due to a lower specific provision charge. • 90+ DPD and gross impaired assets to GLAs decreased 2 basis points to 0.13% driven by a decrease in gross impaired assets for the business lending portfolio.
Risk-weighted assets down $4.7bn, 4.6%	• Decrease in risk-weighted assets is primarily due to model and methodology changes and a reduction in lending volumes.

New Zealand Banking

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

Results presented in New Zealand dollars. Refer to page 61 for results in Australian dollars and page 90 for foreign exchange rates.

	Year to			Half Year to		
	Sep 23[(1)] $m	Sep 22 $m	Sep 23 v Sep 22 %	Sep 23 $m	Mar 23 $m	Sep 23 v Mar 23 %
Net interest income	**2,837**	2,494	13.8	**1,401**	1,436	(2.4)
Other operating income	**581**	561	3.6	**284**	297	(4.4)
Net operating income	**3,418**	3,055	11.9	**1,685**	1,733	(2.8)
Operating expenses	**(1,198)**	(1,053)	13.8	**(632)**	(566)	11.7
Underlying profit	**2,220**	2,002	10.9	**1,053**	1,167	(9.8)
Credit impairment charge	**(92)**	(50)	84.0	**(71)**	(21)	large
Cash earnings before income tax	**2,128**	1,952	9.0	**982**	1,146	(14.3)
Income tax expense	**(601)**	(549)	9.5	**(280)**	(321)	(12.8)
Cash earnings before non-controlling interests	**1,527**	1,403	8.8	**702**	825	(14.9)
Non-controlling interests	**(5)**	-	large	**(5)**	-	large
Cash earnings	**1,522**	1,403	8.5	**697**	825	(15.5)

Volumes ($bn)[(1)]						
Housing lending	**57.7**	54.8	5.3	**57.7**	56.4	2.3
Business lending	**43.9**	44.0	(0.2)	**43.9**	44.3	(0.9)
Other lending	**0.8**	0.9	(11.1)	**0.8**	0.9	(11.1)
Gross loans and acceptances	**102.4**	99.7	2.7	**102.4**	101.6	0.8
Average interest earning assets	**122.4**	100.7	21.5	**122.9**	121.9	0.8
Total assets	**125.8**	105.9	18.8	**125.8**	123.2	2.1
Customer deposits	**77.7**	72.3	7.5	**77.7**	73.7	5.4
Total risk-weighted assets	**67.7**	63.4	6.8	**67.7**	65.0	4.2

	Year to			Half Year to		
	Sep 23 %	Sep 22 %	Sep 23 v Sep 22	Sep 23 %	Mar 23 %	Sep 23 v Mar 23
Performance Measures[(1)]						
Cash earnings on average assets	**1.20**	1.35	(15 bps)	**1.10**	1.32	(22 bps)
Cash earnings on average risk-weighted assets	**2.33**	2.21	12 bps	**2.09**	2.59	(50 bps)
Net interest margin	**2.32**	2.48	(16 bps)	**2.27**	2.36	(9 bps)
Cost to income ratio	**35.0**	34.5	50 bps	**37.5**	32.7	480 bps
Asset Quality[(1)]						
90+ DPD and gross impaired assets to GLAs	**0.78**	0.43	35 bps	**0.78**	0.64	14 bps
Credit impairment charge to GLAs - annualised	**0.09**	0.05	4 bps	**0.14**	0.04	10 bps

(1) For the year to September 2023, the New Zealand liquidity management portfolio is reported within New Zealand Banking. In the year to September 2022 the assets and liabilities together with the related income was reported as part of Corporate and Institutional Banking. Comparative information has not been restated.

September 2023 v September 2022

Cash earnings increased by $119 million or 8.5%, driven by higher revenue, partially offset by higher operating expenses and credit impairment charges.

Key movements	Key drivers
Net interest income up $343m, 13.8%	• Net interest margin decreased by 16 basis points. Excluding the impact of the transfer of the New Zealand liquidity management portfolio from Corporate and Institutional Banking and its performance over the year, net interest margin increased by 29 basis points. This increase was driven by higher earnings on deposits and capital due to the rising interest rate environment, partially offset by housing lending competitive pressures. • Average interest earning assets increased by $21.7 billion or 21.5%. Excluding the impact of the transfer of the New Zealand liquidity management portfolio from Corporate and Institutional Banking, average interest earning assets increased by $2.7 billion or 2.7%, driven by growth in housing lending. • Customer deposits increased by $5.4 billion or 7.5% driven by growth in term deposits of $6.9 billion and non-interest bearing accounts of $0.9 billion. This was partially offset by a decrease in on-demand deposits of $2.3 billion.
Other operating income up $20m, 3.6%	• Higher risk management income due to the transfer of the New Zealand liquidity management portfolio and sales of customer risk management products combined with increased business lending fees. • This was partially offset by lower insurance revenue from the sale of BNZ Life on 30 September 2022, together with lower card revenue driven by regulatory change impacting interchange income.
Operating expenses up $145m, 13.8%	• The increase was primarily driven by an increase in salary and related costs, higher software amortisation and technology infrastructure spend. This was combined with continued investment in strategic priorities and compliance obligations including BS11. • Partially offset by productivity benefits from continued process improvements and simplifying operations combined with the sale of BNZ Life on 30 September 2022.
Credit impairment charge up $42m, 84.0%	• Higher collective provision charges primarily due to deterioration in asset quality. • 90+ DPD and gross impaired assets to GLAs increased by 35 basis points reflecting customers affected by severe weather events whose loans have been reclassified in accordance with APS 220 *Credit Risk Management*, together with higher 90+ DPD assets across home lending and non-retail portfolios.
Total risk-weighted assets up $4.3bn, 6.8%	• The increase was driven by the revised capital framework, growth in housing lending and corporate exposures.

September 2023 v March 2023

Cash earnings decreased by $128 million or 15.5%, driven by lower revenue, higher operating expenses and credit impairment charges.

Key movements	Key drivers
Net interest income down $35m, 2.4%	• Net interest margin decreased by 9 basis points. Excluding the performance of the New Zealand liquidity management portfolio, net interest margin decreased by 2 basis points. This decrease was driven by housing lending competitive pressures, partially offset by higher earnings on capital due to the rising interest rate environment. • Average interest earning assets increased by $1.0 billion or 0.8% due to growth in housing lending. • Customer deposits increased by $4.0 billion or 5.4% driven by an increase in term deposits of $4.3 billion and on-demand deposits of $1.0 billion, partially offset by a reduction in non-interest bearing accounts of $1.3 billion.
Other operating income down $13m, 4.4%	• Includes lower card and merchant acquiring income due to higher loyalty costs combined with a seasonal decrease in transaction volumes and lower money transfer fees. • Partially offset by higher risk management income on the New Zealand liquidity management portfolio.
Operating expenses up $66m, 11.7%	• The increase was primarily driven by an increase in salary and related costs, higher software amortisation and technology infrastructure spend. This was combined with continued investment in strategic priorities and compliance obligations including BS11.
Credit impairment charge up $50m	• Higher level of collective provision charges primarily related to deterioration in asset quality combined with the non-recurrence of write-backs for a small number of larger exposures in the prior period. • 90+ DPD and gross impaired assets to GLAs increased by 14 basis points primarily due to additional customers being classified as restructured loans as a result of weather events in the March 2023 half year, combined with higher 90+DPD assets across home lending and non-retail portfolios.
Total risk-weighted assets up $2.7bn, 4.2%	• The increase was driven by growth in housing lending, corporate exposures and an increase in market risk weighted assets due to interest rate risk in the banking book.

Results presented in Australian dollars. Refer to page 59 for results in New Zealand dollars.

	Year to			Half Year to		
	Sep 23[1] $m	Sep 22 $m	Sep 23 v Sep 22 %	Sep 23 $m	Mar 23 $m	Sep 23 v Mar 23 %
Net interest income	**2,616**	2,302	13.6	**1,295**	1,321	(2.0)
Other operating income	**536**	518	3.5	**263**	273	(3.7)
Net operating income	**3,152**	2,820	11.8	**1,558**	1,594	(2.3)
Operating expenses	**(1,105)**	(971)	13.8	**(584)**	(521)	12.1
Underlying profit	**2,047**	1,849	10.7	**974**	1,073	(9.2)
Credit impairment charge	**(85)**	(47)	80.9	**(66)**	(19)	large
Cash earnings before income tax	**1,962**	1,802	8.9	**908**	1,054	(13.9)
Income tax expense	**(553)**	(507)	9.1	**(258)**	(295)	(12.5)
Cash earnings before non-controlling interests	**1,409**	1,295	8.8	**650**	759	(14.4)
Non-controlling interests	**(5)**	-	large	**(5)**	-	large
Cash earnings	**1,404**	1,295	8.4	**645**	759	(15.0)

(1) For the year to September 2023, the New Zealand liquidity management portfolio is reported within New Zealand Banking. In the year to September 2022 the assets and liabilities together with the related income was reported as part of Corporate and Institutional Banking. Comparative information has not been restated.

Impact of foreign exchange rate movements

Favourable / (unfavourable) **30 September 2023**	Year since Sep 22 $m	Sep 23 v Sep 22 ex FX %	Half Year since Mar 23 $m	Sep 23 v Mar 23 ex FX %
Net interest income	**(3)**	13.8	**8**	(2.6)
Other operating income	**(1)**	3.7	**1**	(4.0)
Operating expenses	**2**	14.0	**(3)**	11.5
Credit impairment charge	**-**	80.9	**(1)**	large
Income tax expense	**1**	9.3	**(1)**	(12.9)
Non-controlling interests	**-**	large	**-**	large
Cash earnings	**(1)**	8.5	**4**	(15.5)

Corporate Functions and Other

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

	Year to			Half Year to		
	Sep 23 $m	Sep 22 $m	Sep 23 v Sep 22 %	Sep 23 $m	Mar 23 $m	Sep 23 v Mar 23 %
Net operating income	**406**	390	4.1	**190**	216	(12.0)
Operating expenses	**(974)**	(951)	2.4	**(535)**	(439)	21.9
Underlying loss	**(568)**	(561)	1.2	**(345)**	(223)	54.7
Total credit impairment (charge) / write-back	**170**	(49)	large	**102**	68	50.0
Cash loss before income tax	**(398)**	(610)	(34.8)	**(243)**	(155)	56.8
Income tax benefit	**91**	187	(51.3)	**64**	27	large
Cash loss	**(307)**	(423)	(27.4)	**(179)**	(128)	39.8

September 2023 v September 2022

Cash loss decreased by $116 million or 27.4% mainly due to lower credit impairment charges and higher net operating income, partially offset by higher operating expenses.

Key movements	Key drivers
Net operating income up $16m, 4.1%	• Includes a charge of $21 million for customer-related remediation (September 2022 full year: $68 million). • Excluding customer-related remediation and non-recurring items in the prior period, the underlying increase was primarily driven by higher NAB risk management income in Treasury.
Operating expenses up $23m, 2.4%	• Includes $105 million in the September 2023 full year (September 2022 full year: $103 million) relating to costs of compliance activities under the terms of the EU with AUSTRAC. • Includes a provision of $40 million in the September 2023 full year in respect of the one-off levy for the CSLR. • Includes customer-related remediation costs of $20 million in the September 2023 full year (September 2022 full year: customer-related remediation costs of $45 million and payroll remediation costs of $55 million). • Excluding these items, the underlying increase was driven by an increase in average FTE and salary and related expenses primarily in Technology and Enterprise Operations, combined with continued investment in technology and compliance capabilities.
Credit impairment charge down $219m	• Lower credit impairment charges primarily due to a net release in the forward looking economic adjustment, partially offset by a lower level of net releases of forward looking adjustments (FLAs) held for targeted sectors.

September 2023 v March 2023

Cash loss increased by $51 million or 39.8% mainly due to higher operating expenses and lower net operating income, partially offset by higher credit impairment write-backs.

Key movements	Key drivers
Net operating income down $26m, 12.0%	• Includes a charge of $1 million for customer-related remediation (March 2023 half year: $20 million). • Excluding customer-related remediation, the underlying decrease was primarily due to lower NAB risk management income in Treasury.
Operating expenses up $96m, 21.9%	• Includes $49 million in the September 2023 half year (March 2023 half year: $56 million) relating to costs of compliance activities under the terms of the EU with AUSTRAC. • Includes a provision of $40 million in the September 2023 half year in respect of the one-off levy for the CSLR. • Includes no additional customer-related remediation costs in the September 2023 half year (March 2023 half year: $20 million). • Excluding these items, the underlying increase was driven by an increase in average FTE and salary and related expenses primarily in Technology and Enterprise Operations, combined with continued investment in technology and compliance capabilities.
Credit impairment write-back up $34m, 50.0%	• Higher credit impairment write-backs primarily due to a net release in the forward looking economic adjustment, partially offset by a net charge for FLAs held for targeted sectors.

Summary tables

Information in these summary tables is presented on a statutory basis unless otherwise stated.

1 Other income

	Year to		Half Year to	
	Sep 23 $m	Sep 22 $m	Sep 23 $m	Mar 23 $m
Net fees and commissions				
Lending fees	**1,141**	1,125	**584**	557
Other fees and commissions	**893**	838	**423**	470
Net investment management income				
Investment management income	**304**	296	**155**	149
Investment management expense	**(155)**	(140)	**(81)**	(74)
Total net fees and commissions	**2,183**	2,119	**1,081**	1,102
Gains less losses on financial instruments at fair value				
Trading instruments	**1,141**	(196)	**102**	1,039
Hedge ineffectiveness	**(21)**	58	**24**	(45)
Financial instruments designated at fair value	**390**	1,205	**502**	(112)
Total gains less losses on financial instruments at fair value	**1,510**	1,067	**628**	882
Other operating income				
Dividend revenue	**2**	28	**(1)**	3
Net other income[1]	**146**	516	**40**	106
Total net other operating income	**148**	544	**39**	109
Total other income	**3,841**	3,730	**1,748**	2,093

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

2 Operating expenses

	Year to		Half Year to	
	Sep 23	Sep 22	Sep 23	Mar 23
	$m	$m	$m	$m
Personnel expenses				
Salaries and related on-costs	**4,353**	3,964	**2,208**	2,145
Superannuation costs-defined contribution plans	**366**	319	**186**	180
Performance-based compensation	**557**	517	**275**	282
Other expenses	**215**	177	**139**	76
Total personnel expenses	**5,491**	4,977	**2,808**	2,683
Occupancy and depreciation expenses				
Rental expense	**100**	103	**51**	49
Depreciation and impairment	**594**	577	**304**	290
Other expenses	**57**	42	**30**	27
Total occupancy and depreciation expenses	**751**	722	**385**	366
General expenses				
Fees and commissions expense	**18**	44	**10**	8
Amortisation of intangible assets	**620**	535	**320**	300
Advertising and marketing	**220**	187	**109**	111
Charge to provide for operational risk event losses	**103**	107	**42**	61
Communications, postage and stationery	**150**	137	**75**	75
Computer equipment and software	**888**	789	**454**	434
Data communication and processing charges	**127**	90	**63**	64
Professional fees	**711**	729	**364**	347
Impairment losses recognised	**13**	10	**11**	2
Other expenses	**290**	375	**166**	124
Total general expenses	**3,140**	3,003	**1,614**	1,526
Total operating expenses	**9,382**	8,702	**4,807**	4,575

3 Loans and advances

	As at		
	30 Sep 23	31 Mar 23	30 Sep 22
	$m	$m	$m
Loans and advances			
Housing loans	**406,298**	399,177	389,124
Other term lending	**262,766**	262,835	262,380
Asset and lease financing	**17,214**	15,866	14,988
Overdrafts	**5,459**	5,253	4,689
Credit card outstandings	**9,528**	9,123	8,684
Other lending	**7,209**	8,184	7,867
Fair value adjustment	**(3)**	19	(17)
Gross loans and advances	**708,471**	700,457	687,715
Represented by:			
Loans and advances at fair value[1]	**1,243**	1,284	1,876
Loans and advances at amortised cost	**707,228**	699,173	685,839
Gross loans and advances	**708,471**	700,457	687,715
Unearned income and deferred net fee income[2]	**(1,453)**	(1,265)	(1,020)
Capitalised brokerage costs[2][3]	**2,512**	2,515	671
Provision for credit impairment	**(5,585)**	(5,370)	(5,056)
Net loans and advances	**703,945**	696,337	682,310
Securitised loans and loans supporting covered bonds[4]	**43,053**	39,860	38,820

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

(1) On the balance sheet, this amount is included within other financial assets. Refer to *Balance Sheets* of the 2023 Financial Report (attached to this 2023 Full Year U.S. Disclosure Document as part of Annex B Financial Statements).
(2) During the half year ended 31 March 2023, upfront brokerage costs previously presented as a net number within Unearned income and deferred net fee income were separately classified as capitalised brokerage costs to better align with the nature of the balances. Comparatives have been restated accordingly.
(3) The balance as at 30 September 2023 includes $1,795 million (March 2023: $1,789 million, September 2022: $nil) of capitalised brokerage costs reflecting the revised accounting treatment of trail commissions payable to mortgage brokers. Comparatives have not been restated. Refer to *Note 1 Basis of preparation* of the 2023 Financial Report (attached to this 2023 Full Year U.S. Disclosure Document as part of Annex B Financial Statements) for further information.
(4) Loans supporting securitisation and covered bonds are included within the balance of net loans and advances.

Loans and advances (cont.)

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

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

(1) On the balance sheet, this amount is included within other financial assets. Refer to *Balance Sheets* of the 2023 Financial Report (attached to this 2023 Full Year U.S. Disclosure Document as part of Annex B Financial Statements).

4 Provision for credit impairment on loans at amortised cost

Expected Credit Losses (ECL) are derived from probability weighted estimates of loss. The measurement of ECL and assessment of significant increase in credit risk, considers information about current conditions, past events, as well as reasonable and supportable forecasts of future economic conditions. For further details please refer to the accounting policy section of *Note 17 Provision for credit impairment on loans at amortised cost* of the 2023 Financial Report (attached to this 2023 Full Year U.S. Disclosure Document as part of Annex B Financial Statements).

	Year to		Half Year to	
	Sep 23	Sep 22	Sep 23	Mar 23
	$m	$m	$m	$m
Credit impairment charge on loans at amortised cost				
New and increased provisions (net of collective provision releases)[1]	**1,043**	355	**498**	545
Write-backs of specific provisions[1]	**(148)**	(161)	**(58)**	(90)
Recoveries of specific provisions	**(79)**	(70)	**(33)**	(46)
Total charge to the income statement	**816**	124	**407**	409

(1) Comparative information has been restated to align to the presentation in the current period.

	Stage 1	Stage 2	Stage 3		
	Performing 12-mth ECL	Performing Lifetime ECL	Non-performing Lifetime ECL		
	Collective provision	Collective provision	Collective provision	Specific provision	Total
Group - Yearly	$m	$m	$m	$m	$m
Balance at 1 October 2021	256	3,376	889	650	5,171
Changes due to financial assets recognised in the opening balance that have:					
Transferred to Performing - 12-mth ECL - collective provision	238	(221)	(17)	-	-
Transferred to Performing - Lifetime ECL - collective provision	(39)	155	(116)	-	-
Transferred to Non-performing - Lifetime ECL - collective provision	(1)	(47)	48	-	-
Transferred to Non-performing - Lifetime ECL - specific provision	-	(25)	(45)	70	-
New and increased provisions (net of collective provision releases)	(42)	22	47	328	355
Write-backs of specific provisions	-	-	-	(161)	(161)
Write-offs from specific provisions	-	-	-	(362)	(362)
Foreign currency translation and other adjustments[1]	36	16	11	(10)	53
Balance at 30 September 2022	**448**	**3,276**	**817**	**515**	**5,056**
Changes due to financial assets recognised in the opening balance that have:					
Transferred to Performing - 12-mth ECL - collective provision	**247**	**(234)**	**(13)**	**-**	**-**
Transferred to Performing - Lifetime ECL - collective provision	**(26)**	**104**	**(78)**	**-**	**-**
Transferred to Non-performing - Lifetime ECL - collective provision	**(1)**	**(49)**	**50**	**-**	**-**
Transferred to Non-performing - Lifetime ECL - specific provision	**-**	**(14)**	**(46)**	**60**	**-**
New and increased provisions (net of collective provision releases)	**(143)**	**428**	**242**	**516**	**1,043**
Write-backs of specific provisions	**-**	**-**	**-**	**(148)**	**(148)**
Write-offs from specific provisions	**-**	**-**	**-**	**(409)**	**(409)**
Foreign currency translation and other adjustments	**4**	**29**	**5**	**5**	**43**
Balance at 30 September 2023	**529**	**3,540**	**977**	**539**	**5,585**

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

Provision for credit impairment on loans at amortised cost (cont.)

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

(1) Comparative information has been restated to align to the presentation in the current period.

ECL scenario analysis

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

The following table shows the key macro-economic variables for the Australian economy used in the base case and downside scenarios as at 30 September 2023.

	Base case			Downside		
	Financial year			Financial year		
	2024	2025	2026	2024	2025	2026
	%	%	%	%	%	%
GDP change (year ended September)	0.8	2.0	2.6	(1.2)	(2.6)	2.8
Unemployment (as at 30 September)	4.7	4.7	4.5	4.7	7.9	9.1
House price change (year ended September)	4.1	3.3	3.0	(24.5)	(20.3)	5.5

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

	As at		
	30 Sep 23	31 Mar 23	30 Sep 22
	$m	$m	$m
Total provisions for ECL			
Probability weighted	5,585	5,370	5,056
100% Base case	4,000	4,493	4,292
100% Downside	7,546	6,454	6,008

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

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

- The September 2023 total provisions for ECL in the 100% base case have decreased since March 2023 primarily due to an improved economic outlook. This was partially offset by deterioration in asset quality across the Group's lending portfolio and volume growth in Business and Private Banking.
- The September 2023 total provisions for ECL in the 100% downside scenario have increased since March 2023 primarily due to an increase in the severity of the stress applied in the downside scenario; combined with deterioration in asset quality across the Group's lending portfolio and volume growth in Business and Private Banking.
- The upside, downside and base case scenario weightings for the Australian portfolio have remained constant compared with March 2023.

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

	As at		
	30 Sep 23	31 Mar 23	30 Sep 22
	$m	$m	$m
Total provision for ECL for key portfolios			
Housing	1,424	1,449	1,296
Business	3,744	3,558	3,429
Others	417	363	331
Total	**5,585**	5,370	5,056

5 Asset quality

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

The following tables provide details on non-performing exposures.

	As at		
	30 Sep 23	31 Mar 23	30 Sep 22
	$m	$m	$m
Summary of non-performing exposures			
Impaired assets	**976**	987	985
Restructured loans[1]	**284**	228	44
Gross impaired assets	**1,260**	1,215	1,029
Default but not impaired assets	**6,732**	5,513	5,474
Non-performing exposures[2]	**7,992**	6,728	6,503

(1) Increase in restructured loans during the half year to September 2023 and March 2023 is due to customers affected by severe weather events in New Zealand. Collective provisions are held against these loans.

(2) Includes $nil (March 2023: $nil, September 2022: $32 million) of non-performing loans at fair value.

	Australia	New Zealand	Other International	Total Group
	$m	$m	$m	$m
Movement in gross impaired assets				
Balance at 31 March 2022	939	177	18	**1,134**
New	193	27	3	**223**
Written-off	(91)	(31)	-	**(122)**
Returned to performing, repaid or no longer impaired	(181)	(16)	-	**(197)**
Foreign currency translation adjustments	-	(9)	-	**(9)**
Balance at 30 September 2022	860	148	21	**1,029**
New	155	302	27	**484**
Written-off	(71)	(12)	(3)	**(86)**
Returned to performing, repaid or no longer impaired	(146)	(78)	(2)	**(226)**
Foreign currency translation adjustments	-	13	1	**14**
Balance at 31 March 2023	798	373	44	**1,215**
New	256	155	-	**411**
Written-off	(67)	(14)	(28)	**(109)**
Returned to performing, repaid or no longer impaired	(149)	(106)	(1)	**(256)**
Foreign currency translation adjustments	-	(2)	1	**(1)**
Balance at 30 September 2023[1]	838	406	16	**1,260**

(1) Includes $nil (March 2023: $nil, September 2022: $29 million) of gross impaired fair value assets.

	As at		
	30 Sep 23	31 Mar 23	30 Sep 22
	$m	$m	$m
Default but not impaired assets - by geographic location			
Australia	**6,051**	4,946	4,923
New Zealand	**681**	553	534
Other International	**-**	14	17
Default but not impaired assets[1]	**6,732**	5,513	5,474

(1) Includes $nil (March 2023: $nil, September 2022: $3 million) of default but not impaired loans at fair value.

6 Deposits and other borrowings

	As at		
	30 Sep 23	31 Mar 23	30 Sep 22
	$m	$m	$m
Deposits and other borrowings			
Term deposits	**191,924**	176,649	156,049
On-demand and short-term deposits	**299,969**	300,699	310,347
Certificates of deposit	**56,779**	56,691	50,028
Deposits not bearing interest[1]	**95,491**	97,536	100,289
Commercial paper and other borrowings	**36,109**	32,282	46,357
Repurchase agreements	**46,732**	29,189	23,940
Fair value adjustment	**(9)**	(12)	(6)
Total deposits and other borrowings	**726,995**	693,034	687,004
Represented by:			
Total deposits and other borrowings at fair value[2]	**44,875**	4,014	3,478
Total deposits and other borrowings at amortised cost[2]	**682,120**	689,020	683,526
Total deposits and other borrowings	**726,995**	693,034	687,004

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

(1) Deposits not bearing interest include mortgage offset accounts.
(2) During the September 2023 half year the Group commenced the measurement of certain repurchase agreements at fair value through profit or loss.

Deposits and other borrowings (cont.)

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

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

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

7 Average balance sheet and related interest

Average assets and interest income

	Year ended Sep 23			Year ended Sep 22		
	Average balance	Interest	Average rate	Average balance	Interest	Average rate
	$m	$m	%	$m	$m	%
Average interest earning assets						
Due from other banks						
Australia	**107,924**	**3,725**	**3.5**	94,705	566	0.6
New Zealand	**11,137**	**533**	**4.8**	10,868	162	1.5
Other International	**25,718**	**995**	**3.9**	29,080	202	0.7
Total due from other banks	**144,779**	**5,253**	**3.6**	134,653	930	0.7
Marketable debt securities						
Australia	**73,398**	**2,627**	**3.6**	70,737	1,050	1.5
New Zealand	**7,067**	**266**	**3.8**	6,868	91	1.3
Other International	**13,563**	**467**	**3.4**	10,562	66	0.6
Total marketable debt securities	**94,028**	**3,360**	**3.6**	88,167	1,207	1.4
Loans and advances - housing						
Australia[(1)(2)]	**305,519**	**14,403**	**4.7**	287,046	8,107	2.8
New Zealand[(1)(2)]	**49,778**	**2,348**	**4.7**	47,826	1,570	3.3
Total loans and advances - housing	**355,297**	**16,751**	**4.7**	334,872	9,677	2.9
Loans and advances - non-housing						
Australia	**236,729**	**14,591**	**6.2**	222,573	7,632	3.4
New Zealand	**41,660**	**3,283**	**7.9**	40,715	1,776	4.4
Other International	**20,929**	**1,288**	**6.2**	21,543	567	2.6
Total loans and advances - non-housing	**299,318**	**19,162**	**6.4**	284,831	9,975	3.5
Other interest earning assets						
Australia	**29,090**	**1,335**	**n/a**	16,300	179	n/a
New Zealand	**1,165**	**97**	**n/a**	1,247	23	n/a
Other International	**43,028**	**2,114**	**n/a**	40,227	387	n/a
Total other interest earning assets	**73,283**	**3,546**	**n/a**	57,774	589	n/a
Total average interest earning assets and interest income by:						
Australia	**752,660**	**36,681**	**4.9**	691,361	17,534	2.5
New Zealand	**110,807**	**6,527**	**5.9**	107,524	3,622	3.4
Other International	**103,238**	**4,864**	**4.7**	101,412	1,222	1.2
Total average interest earning assets and interest income	**966,705**	**48,072**	**5.0**	900,297	22,378	2.5

(1) Net of mortgage offset accounts of $42,477 million (September 2022: $38,219 million) in Australia and $2,251 million (September 2022: $2,172 million) in New Zealand which are included in non-interest earning assets.

(2) The balance as at 30 September 2023 includes capitalised brokerage costs reflecting the revised accounting treatment of trail commissions payable to mortgage brokers. Comparatives have not been restated. Refer to *Note 1 Basis of preparation* of the 2023 Financial Report (attached to this 2023 Full Year U.S. Disclosure Document as part of Annex B Financial Statements).

Average assets

	Year ended	
	Sep 23	Sep 22
	$m	$m
Average non-interest earning assets		
Other assets[1]	**103,702**	96,278
Average provision for credit impairment		
Australia	**(4,499)**	(4,319)
New Zealand	**(784)**	(694)
Other International	**(58)**	(55)
Total average provision for credit impairment	**(5,341)**	(5,068)
Total average assets	**1,065,066**	991,507

(1) Includes mortgage offset accounts of $42,477 million (September 2022: $38,219 million) in Australia and $2,251 million (September 2022: $2,172 million) in New Zealand.

Average liabilities and interest expense

	Year ended Sep 23			Year ended Sep 22		
	Average balance $m	Interest $m	Average rate %	Average balance $m	Interest $m	Average rate %
Average interest bearing liabilities						
Due to other banks						
Australia	**47,523**	**738**	**1.6**	47,415	162	0.3
New Zealand	**6,599**	**180**	**2.7**	5,102	36	0.7
Other International	**20,232**	**903**	**4.5**	17,163	177	1.0
Total due to other banks	**74,354**	**1,821**	**2.4**	69,680	375	0.5
On-demand and short-term deposits						
Australia	**270,723**	**7,028**	**2.6**	275,577	1,199	0.4
New Zealand	**28,817**	**951**	**3.3**	32,670	203	0.6
Other International	**4,377**	**148**	**3.4**	6,159	51	0.8
Total on-demand and short-term deposits	**303,917**	**8,127**	**2.7**	314,406	1,453	0.5
Certificates of deposit						
Australia	**33,502**	**1,204**	**3.6**	30,932	177	0.6
New Zealand	**1,822**	**88**	**4.8**	2,292	37	1.6
Other International	**20,483**	**779**	**3.8**	24,670	178	0.7
Total certificates of deposit	**55,807**	**2,071**	**3.7**	57,894	392	0.7
Term deposits						
Australia	**137,542**	**5,051**	**3.7**	96,091	817	0.9
New Zealand	**28,581**	**1,244**	**4.4**	23,733	422	1.8
Other International	**9,265**	**375**	**4.0**	5,333	67	1.3
Total term deposits	**175,388**	**6,670**	**3.8**	125,157	1,306	1.0
Other borrowings						
Australia	**39,100**	**1,849**	**4.7**	38,817	451	1.2
New Zealand	**1,802**	**80**	**4.4**	3,511	42	1.2
Other International	**23,661**	**1,412**	**6.0**	28,987	267	0.9
Total other borrowings	**64,563**	**3,341**	**5.2**	71,315	760	1.1
Bonds, notes and subordinated debt						
Australia	**112,976**	**6,246**	**5.5**	98,425	1,571	1.6
New Zealand	**19,993**	**1,050**	**5.3**	19,043	445	2.3
Other International	**12,342**	**513**	**4.2**	9,099	267	2.9
Total bonds, notes and subordinated debt	**145,311**	**7,809**	**5.4**	126,567	2,283	1.8
Other interest bearing liabilities						
Australia	**21,437**	**1,311**	**n/a**	15,565	937	n/a
New Zealand	**1,894**	**87**	**n/a**	1,381	21	n/a
Other International	**734**	**28**	**n/a**	562	11	n/a
Total other interest bearing liabilities	**24,065**	**1,426**	**n/a**	17,508	969	n/a
Total average interest bearing liabilities and interest expense by:						
Australia	**662,803**	**23,427**	**3.5**	602,822	5,314	0.9
New Zealand	**89,508**	**3,680**	**4.1**	87,732	1,206	1.4
Other International	**91,094**	**4,158**	**4.6**	91,973	1,018	1.1
Total average interest bearing liabilities and interest expense	**843,405**	**31,265**	**3.7**	782,527	7,538	1.0

Average liabilities and equity

	Year ended Sep 23 $m	Sep 22 $m
Average non-interest bearing liabilities		
Deposits not bearing interest		
Australia[1]	**84,541**	84,989
New Zealand[1]	**13,599**	11,965
Other International	**7**	8
Total deposits not bearing interest	**98,147**	96,962
Other liabilities[2]	**63,313**	51,202
Total average non-interest bearing liabilities	**161,460**	148,164
Total average liabilities	**1,004,865**	930,691
Average equity		
Total equity (parent entity interest)	**60,094**	60,816
Non-controlling interest in controlled entities	**107**	-
Total average equity	**60,201**	60,816
Total average liabilities and equity	**1,065,066**	991,507

(1) Includes mortgage offset accounts of $42,477 million (September 2022: $38,219 million) in Australia and $2,251 million (September 2022: $2,172 million) in New Zealand.
(2) The balance as at 30 September 2023 includes capitalised brokerage costs reflecting the revised accounting treatment of trail commissions payable to mortgage brokers. Comparatives have not been restated. Refer to *Note 1 Basis of preparation* of the 2023 Financial Report (attached to this 2023 Full Year U.S. Disclosure Document as part of Annex B Financial Statements).

Average assets and interest income

	Half Year ended Sep 23			Half Year ended Mar 23		
	Average balance $m	Interest $m	Average rate %	Average balance $m	Interest $m	Average rate %
Average interest earning assets						
Due from other banks						
Australia	**106,725**	**2,106**	**3.9**	109,130	1,619	3.00
New Zealand	**11,562**	**312**	**5.4**	10,709	221	4.1
Other International	**26,393**	**594**	**4.5**	25,039	401	3.2
Total due from other banks	**144,680**	**3,012**	**4.2**	144,878	2,241	3.1
Marketable debt securities						
Australia	**75,208**	**1,513**	**4.0**	71,578	1,114	3.1
New Zealand	**6,724**	**137**	**4.1**	7,411	129	3.5
Other International	**16,349**	**336**	**4.1**	10,762	131	2.4
Total marketable debt securities	**98,281**	**1,986**	**4.0**	89,751	1,374	3.1
Loans and advances - housing						
Australia[(1)(2)]	**307,653**	**7,862**	**5.1**	304,052	6,541	4.3
New Zealand[(1)(2)]	**50,668**	**1,289**	**5.1**	48,922	1,059	4.3
Total loans and advances - housing	**358,321**	**9,151**	**5.1**	352,974	7,600	4.3
Loans and advances - non-housing						
Australia	**237,060**	**7,885**	**6.6**	235,716	6,706	5.7
New Zealand	**41,697**	**1,772**	**8.5**	41,584	1,511	7.3
Other International	**20,131**	**686**	**6.8**	21,732	602	5.6
Total loans and advances - non-housing	**298,888**	**10,343**	**6.9**	299,032	8,819	5.9
Other interest earning assets						
Australia	**27,847**	**752**	**n/a**	29,688	583	n/a
New Zealand	**967**	**54**	**n/a**	1,365	43	n/a
Other International	**44,627**	**1,262**	**n/a**	41,421	852	n/a
Total other interest earning assets	**73,441**	**2,068**	**n/a**	72,474	1,478	n/a
Total average interest earning assets and interest income by:						
Australia	**754,493**	**20,118**	**5.3**	750,164	16,563	4.4
New Zealand	**111,618**	**3,564**	**6.4**	109,991	2,963	5.4
Other International	**107,500**	**2,878**	**5.3**	98,954	1,986	4.0
Total average interest earning assets and interest income	**973,611**	**26,560**	**5.4**	959,109	21,512	4.5

(1) Net of mortgage offset accounts of $43,021 million (March 2023: $41,930 million) in Australia and $2,250 million (March 2023: $2,253 million) in New Zealand.
(2) Includes capitalised brokerage costs reflecting the revised accounting treatment of trail commissions payable to mortgage brokers. Refer to *Note 1 Basis of preparation* of the 2023 Financial Report (attached to this 2023 Full Year U.S. Disclosure Document as part of Annex B Financial Statements).

Average assets

	Half Year ended	
	Sep 23 $m	Mar 23 $m
Average non-interest earning assets		
Other assets	**101,256**	106,812
Total average non-interest earning assets	**101,256**	106,812
Average provision for credit impairment		
Australia	**(4,612)**	(4,385)
New Zealand	**(828)**	(739)
Other International	**(65)**	(51)
Total average provision for credit impairment	**(5,505)**	(5,175)
Total average assets	**1,069,362**	1,060,746

Average liabilities and interest expense

	Half Year ended Sep 23			Half Year ended Mar 23		
	Average balance	Interest	Average rate	Average balance	Interest	Average rate
	$m	$m	%	$m	$m	%
Average interest bearing liabilities						
Due to other banks						
Australia	44,840	413	1.8	50,221	325	1.3
New Zealand	6,535	105	3.2	6,664	75	2.3
Other International	23,308	566	4.8	17,139	337	3.9
Total due to other banks	74,683	1,084	2.9	74,024	737	2.0
On-demand and short-term deposits						
Australia	269,416	4,147	3.1	272,038	2,881	2.1
New Zealand	28,559	551	3.8	29,076	400	2.8
Other International	2,991	57	3.8	5,771	91	3.2
Total on-demand and short-term deposits	300,966	4,755	3.2	306,885	3,372	2.2
Certificates of deposit						
Australia	35,323	700	4.0	31,671	504	3.2
New Zealand	2,008	54	5.4	1,635	34	4.2
Other International	22,745	524	4.6	18,208	255	2.8
Total certificates of deposit	60,076	1,278	4.2	51,514	793	3.1
Term deposits						
Australia	142,723	2,999	4.2	132,332	2,052	3.1
New Zealand	30,225	763	5.0	26,929	481	3.6
Other International	9,632	221	4.6	8,895	154	3.5
Total term deposits	182,580	3,983	4.4	168,156	2,687	3.2
Other borrowings						
Australia	36,612	978	5.3	41,603	871	4.2
New Zealand	1,534	39	5.1	2,071	41	4.0
Other International	22,678	807	7.1	24,647	605	4.9
Total other borrowings	60,824	1,824	6.0	68,321	1,517	4.5
Bonds, notes and subordinated debt						
Australia	116,757	3,668	6.3	109,174	2,578	4.7
New Zealand	19,951	587	5.9	20,036	463	4.6
Other International	13,253	292	4.4	11,424	221	3.9
Total bonds, notes and subordinated debt	149,961	4,547	6.0	140,634	3,262	4.7
Other interest bearing liabilities						
Australia	20,927	699	n/a	21,949	612	n/a
New Zealand	1,766	48	n/a	2,024	39	n/a
Other International	448	10	n/a	1,021	18	n/a
Total other interest bearing liabilities	23,141	757	n/a	24,994	669	n/a
Total average interest bearing liabilities and interest expense by:						
Australia	666,598	13,604	4.1	658,988	9,823	3.0
New Zealand	90,578	2,147	4.7	88,435	1,533	3.5
Other International	95,055	2,477	5.2	87,105	1,681	3.9
Total average interest bearing liabilities and interest expense	852,231	18,228	4.3	834,528	13,037	3.1

Average liabilities and equity

	Half Year ended	
	Sep 23	Mar 23
	$m	$m
Average non-interest bearing liabilities		
Deposits not bearing interest		
Australia[1]	**82,517**	86,577
New Zealand[1]	**13,061**	14,139
Other International	**8**	7
Total deposits not bearing interest	**95,586**	100,723
Other liabilities[2]	**60,642**	65,820
Total average non-interest bearing liabilities	**156,228**	166,543
Total average liabilities	**1,008,459**	1,001,071
Average equity		
Total equity (parent entity interest)	**60,705**	59,675
Non-controlling interest in controlled entities	**198**	-
Total average equity	**60,903**	59,675
Total average liabilities and equity	**1,069,362**	1,060,746

(1) Includes mortgage offset accounts of $43,021 million (March 2023: $41,930 million) in Australia and $2,250 million (March 2023: $2,253 million) in New Zealand.
(2) Includes capitalised brokerage costs reflecting the revised accounting treatment of trail commissions payable to mortgage brokers. Refer to *Note 1 Basis of preparation* of the 2023 Financial Report (attached to this 2023 Full Year U.S. Disclosure Document as part of Annex B Financial Statements).

8 Net interest margins and spreads

	Year to			Half Year to		
	Sep 23	Sep 22	Sep 23 v	Sep 23	Mar 23	Sep 23 v
	%	%	Sep 22	%	%	Mar 23
Net interest spread	**1.27**	1.52	(25 bps)	**1.18**	1.37	(19 bps)
Benefit of net free liabilities, provisions and equity	**0.47**	0.13	34 bps	**0.53**	0.40	13 bps
Net interest margin - statutory basis	**1.74**	1.65	9 bps	**1.71**	1.77	(6 bps)

9 Capital adequacy

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

	As at		
	30 Sep 23	31 Mar 23	30 Sep 22
	$m	$m	$m
Contributed equity	**38,546**	38,845	39,399
Reserves	**(1,192)**	(388)	(1,839)
Retained profits	**23,800**	22,958	21,472
Non-controlling interests	**349**	-	-
Total equity per consolidated balance sheet	**61,503**	61,415	59,032
Adjustments between the Group and Level 2 regulatory group balance sheets	**4**	1	(13)
Perpetual preference shares issued by subsidiaries not eligible as regulatory capital	**(349)**	-	-
Fee income eligible as regulatory capital(1)	**309**	328	314
Goodwill and other intangible assets, net of tax	**(2,264)**	(2,305)	(2,324)
Investment in non-consolidated controlled entities	**(10)**	(10)	(10)
Deferred tax assets in excess of deferred tax liabilities	**(2,510)**	(2,262)	(2,286)
Capitalised expenses, net of deferred fee income(1)	**(1,456)**	(1,341)	(1,262)
Software, net of tax	**(2,906)**	(2,658)	(2,535)
Defined benefit superannuation plan asset, net of tax	**(28)**	(27)	(26)
Change in own creditworthiness, net of tax	**58**	42	9
Cash flow hedge reserve	**1,611**	827	1,667
Equity exposures	**(772)**	(723)	(685)
Expected loss in excess of eligible provisions	**-**	-	(34)
Other	**(54)**	(32)	(71)
CET1 capital	**53,136**	53,255	51,776
Additional Tier 1 capital instruments	**8,610**	7,360	7,360
Regulatory adjustments to Additional Tier 1 capital	**(20)**	(20)	(24)
Additional Tier 1 capital	**8,590**	7,340	7,336
Tier 1 capital	**61,726**	60,595	59,112
Tier 2 capital instruments	**22,684**	23,508	20,654
Eligible provisions held against non-defaulted exposures under the IRB approach	**1,920**	1,922	1,912
Eligible provisions held against exposures under the standardised approach	**248**	244	153
Regulatory adjustments to Tier 2 capital	**(110)**	(101)	(96)
Tier 2 capital	**24,742**	25,573	22,623
Total capital	**86,468**	86,168	81,735

(1) Where fee income eligible as regulatory capital relates to products giving rise to capitalised expenses, fee income is netted of against expenses in accordance with APS 111. This represents a change in presentation as prior to 30 September 2023 fee income eligible as regulatory capital was fully netted off against capitalised expenses. Comparative information has been restated accordingly.

	As at		
	30 Sep 23	31 Mar 23	30 Sep 22[1]
	$m	$m	$m
Risk-weighted assets			
Credit risk			
Subject to advanced IRB approach			
Corporate (including SME)	**103,466**	105,725	113,543
Sovereign	**n/a**	n/a	1,761
Bank	**n/a**	n/a	5,854
Retail SME	**10,200**	10,641	6,391
Residential mortgage	**103,898**	97,178	96,542
Qualifying revolving retail	**2,664**	2,553	2,248
Other retail	**1,819**	1,729	1,370
Subject to foundation IRB approach			
Corporate	**22,694**	26,390	n/a
Sovereign	**1,496**	1,806	n/a
Financial institution	**20,839**	23,145	n/a
Total internal ratings-based approach	**267,076**	269,167	227,709
Specialised lending	**2,332**	2,043	55,570
Subject to standardised approach			
Corporate	**5,461**	4,929	5,136
Residential mortgage	**6,589**	6,656	5,305
Other retail	**5,988**	6,359	4,402
Other[2]	**4,671**	5,058	5,647
Total standardised approach	**22,709**	23,002	20,490
RBNZ regulated banking subsidiary	**53,026**	52,104	47,682
Other			
Securitisation exposures	**5,332**	5,490	5,788
Credit valuation adjustment	**5,079**	4,501	6,720
Other[3]	**-**	-	3,302
Total other	**10,411**	9,991	15,810
Total credit risk	**355,554**	356,307	367,261
Market risk	**8,811**	8,496	7,907
Operational risk	**41,178**	41,178	41,124
Interest rate risk in the banking book	**29,463**	30,192	33,626
Total risk-weighted assets	**435,006**	436,173	449,918

(1) Credit risk-weighted assets under rules that applied as at 30 September 2022 have been restated to assist with comparability to amounts under the revised capital framework which came into effect on 1 January 2023. Details of the restatement are outlined in Appendix 1 of the March 2023 Pillar 3 Report.
(2) Consists of cash items in the process of collection, premises and other fixed assets, and all other exposures.
(3) Consists of overlay adjustments for regulatory prescribed methodology requirements. Overlay adjustments as at 30 September 2023 and 31 March 2023 have been presented together with risk-weighted assets for the relevant asset classes.

	As at		
	30 Sep 23	31 Mar 23	30 Sep 22
	%	%	%
Capital ratios			
CET1	**12.22**	12.21	11.51
Tier 1	**14.19**	13.89	13.14
Total capital	**19.88**	19.76	18.17

10 Earnings per share

	Year to			
	Basic		Diluted	
	Sep 23	Sep 22	Sep 23	Sep 22
Statutory earnings per share				
Earnings ($m)				
Net profit attributable to owners of the Company	**7,414**	6,891	**7,414**	6,891
Potential dilutive adjustments				
Interest expense on convertible notes	**-**	-	**371**	232
Adjusted earnings	**7,414**	6,891	**7,785**	7,123
Net loss from discontinued operations attributable to the owners of the Company	**51**	169	**51**	169
Adjusted earnings from continuing operations	**7,465**	7,060	**7,836**	7,292
Weighted average number of ordinary shares (millions)				
Weighted average number of ordinary shares (net of treasury shares)	**3,136**	3,219	**3,136**	3,219
Weighted average number of dilutive potential ordinary shares				
Convertible notes	**-**	-	**258**	240
Share-based payments	**-**	-	**10**	6
Total weighted average number of ordinary shares	**3,136**	3,219	**3,404**	3,465
Earnings per share attributable to owners of the Company (cents)	**236.4**	214.1	**228.7**	205.6
Earnings per share from continuing operations (cents)	**238.0**	219.3	**230.2**	210.5

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

Earnings per share (cont.)

	Year to			
	Basic		Diluted	
	Sep 23	Sep 22	Sep 23	Sep 22
Cash earnings per share				
Earnings ($m)				
Cash earnings(1)	7,731	7,104	7,731	7,104
Potential dilutive adjustments				
Interest expense on convertible notes	-	-	371	232
Adjusted cash earnings	7,731	7,104	8,102	7,336
Weighted average number of ordinary shares (millions)				
Weighted average number of ordinary shares (net of treasury shares)	3,136	3,219	3,136	3,219
Potential dilutive weighted average number of ordinary shares				
Convertible notes	-	-	258	240
Share-based payments	-	-	10	6
Total weighted average number of ordinary shares	3,136	3,219	3,404	3,465
Cash earnings per share (cents)	246.5	220.7	238.0	211.7

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

(1) Refer to *Reconciliation between statutory net profit (after tax) from continuing operations and cash earnings* in this Section 3 of this 2023 Full Year U.S Disclosure Document for further details.

11 Return on equity

	Year to		Half Year to	
	Sep 23	Sep 22	Sep 23	Mar 23
Statutory return on equity				
Earnings ($m)				
Net profit attributable to owners of the Company	**7,414**	6,891	**3,447**	3,967
Adjusted earnings	**7,414**	6,891	**3,447**	3,967
Average equity ($m)				
Average equity	**60,201**	60,816	**60,903**	59,675
Less: Average non-controlling interest in controlled entities	**(107)**	-	**(198)**	-
Average equity (adjusted) ($m)	**60,094**	60,816	**60,705**	59,675
Statutory return on equity	**12.3%**	11.3%	**11.3%**	13.3%

	Year to		Half Year to	
	Sep 23	Sep 22	Sep 23	Mar 23
Cash return on equity				
Earnings ($m)				
Cash earnings	**7,731**	7,104	**3,661**	4,070
Average equity (adjusted) ($m)	**60,094**	60,816	**60,705**	59,675
Cash return on equity	**12.9%**	11.7%	**12.0%**	13.7%

12 Funding sources

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

The following table provides the funding sources for the Group including customer deposits, and short-term and long-term wholesale funding.

	As at		
	30 Sep 23	31 Mar 23	30 Sep 22
	$m	$m	$m
Funding sources[1]			
Customer deposits	**587,384**	574,884	566,685
Term wholesale funding with greater than 12 months to maturity	**138,416**	127,401	117,882
Central bank funding facilities with greater than 12 months to maturity[2]	**3,342**	21,047	20,613
Term wholesale funding with less than 12 months to maturity	**16,032**	22,022	20,201
Central bank funding facilities with less than 12 months to maturity[2]	**18,526**	15,641	14,703
Short-term wholesale funding[3]	**106,673**	104,837	111,973
Short-term collateral and settlements	**13,530**	12,451	19,855
Total funding sources	**883,903**	878,283	871,912
Equity	**61,503**	61,415	59,032
Total funding sources and equity	**945,406**	939,698	930,944

(1) Comparative information has been restated to align to the presentation in the current period.
(2) Includes TFF provided by the RBA, and the TLF and Funding for Lending Programme provided by the RBNZ.
(3) Includes certificate of deposits, commercial papers, due to other banks, 12 months medium-term notes and other financial liabilities.

13 Number of ordinary shares

	Year to	
	Sep 23	Sep 22
	No. '000	No. '000
Ordinary shares, fully paid		
Balance at beginning of period	**3,153,813**	3,281,991
Shares issued:		
Dividend reinvestment plan	**24,676**	16,890
Bonus share plan	**1,338**	1,227
Share-based payments	**3,628**	5,547
Paying up of partly paid shares	**3**	-
On-market purchase of shares for dividend reinvestment plan neutralisation	**(24,676)**	(16,890)
Shares bought back	**(29,833)**	(134,952)
Total ordinary shares, fully paid	**3,128,949**	3,153,813
Ordinary shares, partly paid to 25 cents		
Balance at beginning of period	**12**	12
Paying up of partly paid shares	**(3)**	-
Total ordinary shares, partly paid to 25 cents	**9**	12
Total ordinary shares (including treasury shares)	**3,128,958**	3,153,825
Less: Treasury shares	**(8,137)**	(6,331)
Total ordinary shares (excluding treasury shares)	**3,120,821**	3,147,494

	Half Year to	
	Sep 23	Mar 23
	No. '000	No. '000
Ordinary shares, fully paid		
Balance at beginning of period	**3,138,665**	3,153,813
Shares issued:		
Dividend reinvestment plan	**16,215**	8,461
Bonus share plan	**749**	589
Share-based payments	**96**	3,532
Paying up of partly paid shares	**2**	1
On-market purchase of shares for dividend reinvestment plan neutralisation	**(16,215)**	(8,461)
Shares bought back	**(10,563)**	(19,270)
Total ordinary shares, fully paid	**3,128,949**	3,138,665
Ordinary shares, partly paid to 25 cents		
Balance at beginning of period	**11**	12
Paying up of partly paid shares	**(2)**	(1)
Total ordinary shares, partly paid to 25 cents	**9**	11
Total ordinary shares (including treasury shares)	**3,128,958**	3,138,676
Less: Treasury shares	**(8,137)**	(8,354)
Total ordinary shares (excluding treasury shares)	**3,120,821**	3,130,322

14 Non-cash earnings items

Hedging and fair value volatility

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

In the September 2023 full year, there was a decrease in statutory profit of $46 million ($29 million after tax) from hedging and fair value volatility.

Amortisation of acquired intangible assets

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

In the September 2023 full year, there was a decrease in statutory profit of $43 million ($30 million after tax) due to the amortisation of acquired intangible assets.

Acquisitions, disposals and business closures

The net impact of acquisitions, disposals and business closures is excluded from cash earnings as they do not reflect the underlying earnings of the Group or the expected earnings from acquired businesses. In the September 2023 full year, this includes the following items:

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

In the September 2023 full year, there was a decrease in statutory profit of $290 million ($207 million after tax) related to acquisitions, disposals and business closures.

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

	Full Year to September 2023				
	Statutory net profit from continuing operations $m	Hedging and fair value volatility $m	Amortisation of acquired intangible assets $m	Acquisitions, disposals and business closures $m	Cash earnings $m
Statutory net profit reconciliation					
Net interest income	16,807	–	–	–	16,807
Other operating income	3,841	32	–	(26)	3,847
Net operating income	20,648	32	–	(26)	20,654
Operating expenses	(9,382)	–	43	316	(9,023)
Profit before credit impairment charge	11,266	32	43	290	11,631
Credit impairment (charge) / write-back	(816)	14	–	–	(802)
Profit before income tax	10,450	46	43	290	10,829
Income tax expense	(2,980)	(17)	(13)	(83)	(3,093)
Net profit on continuing operations before non-controlling interests	7,470	29	30	207	7,736
Non-controlling interests	(5)	–	–	–	(5)
Net profit attributable to owners of the Company from continuing operations	7,465	29	30	207	7,731

	Full Year to September 2022				
	Statutory net profit from continuing operations $m	Hedging and fair value volatility $m	Amortisation of acquired intangible assets $m	Acquisitions, disposals and business closures $m	Cash earnings $m
Statutory net profit reconciliation					
Net interest income	14,840	12	–	–	14,852
Other operating income	3,730	(89)	–	(197)	3,444
Net operating income	18,570	(77)	–	(197)	18,296
Operating expenses	(8,702)	–	25	403	(8,274)
Profit / (loss) before credit impairment charge	9,868	(77)	25	206	10,022
Credit impairment charge	(124)	(1)	–	–	(125)
Profit / (loss) before income tax	9,744	(78)	25	206	9,897
Income tax (expense) / benefit	(2,684)	9	(8)	(110)	(2,793)
Net profit / (loss) attributable to owners of the Company from continuing operations	7,060	(69)	17	96	7,104

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

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

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

16 Impact of exchange rate movements on Group results

The table below represents the foreign exchange rate differences arising on translation of the Group's foreign operations. The foreign exchange rate differences are calculated by translating into Australian dollars the cash earnings of Group entities that have a functional currency other than Australian dollars. The September 2023 full year is translated at average foreign exchange rates for the September 2022 full year and the September 2023 half year is translated at average foreign exchange rates for the March 2023 half year.

	Year to			Half Year to		
	Sep 23 v Sep 22 %	FX $m	Sep 23 v Sep 22 ex FX %	Sep 23 v Mar 23 %	FX $m	Sep 23 v Mar 23 ex FX %
Impact of exchange rate movements on Group results						
Net interest income	13.2	6	**13.1**	(1.7)	8	**(1.8)**
Other operating income	11.7	34	**10.7**	(12.6)	19	**(13.5)**
Net operating income	12.9	40	**12.7**	(3.8)	27	**(4.1)**
Operating expenses	9.1	(14)	**8.9**	4.1	(11)	**3.8**
Underlying profit	16.1	26	**15.8**	(9.6)	16	**(9.8)**
Credit impairment charge	large	(1)	**large**	4.1	-	**4.1**
Cash earnings before income tax	9.4	25	**9.2**	(10.5)	16	**(10.8)**
Income tax expense	10.7	3	**10.8**	(12.0)	(4)	**(12.2)**
Cash earnings before non-controlling interests	8.9	28	**8.5**	(9.9)	12	**(10.2)**
Non-controlling interests	-	-	**-**	-	-	**-**
Cash earnings	8.8	28	**8.4**	(10.0)	12	**(10.3)**

17 Exchange rates

	Income statement - average				Balance sheet - spot		
	Year to		Half Year to		As at		
	Sep 23	Sep 22	Sep 23	Mar 23	30 Sep 23	31 Mar 23	30 Sep 22
One Australian dollar equals							
British pounds	**0.5434**	0.5576	**0.5254**	0.5614	**0.5292**	0.5418	0.5839
Euros	**0.6241**	0.6581	**0.6076**	0.6407	**0.6111**	0.6158	0.6614
United States dollars	**0.6661**	0.7126	**0.6615**	0.6707	**0.6477**	0.6714	0.6493
New Zealand dollars	**1.0845**	1.0833	**1.0815**	1.0875	**1.0745**	1.0680	1.1353

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Corporate Governance Framework

This Statement describes NAB's approach to corporate governance and governance practices.

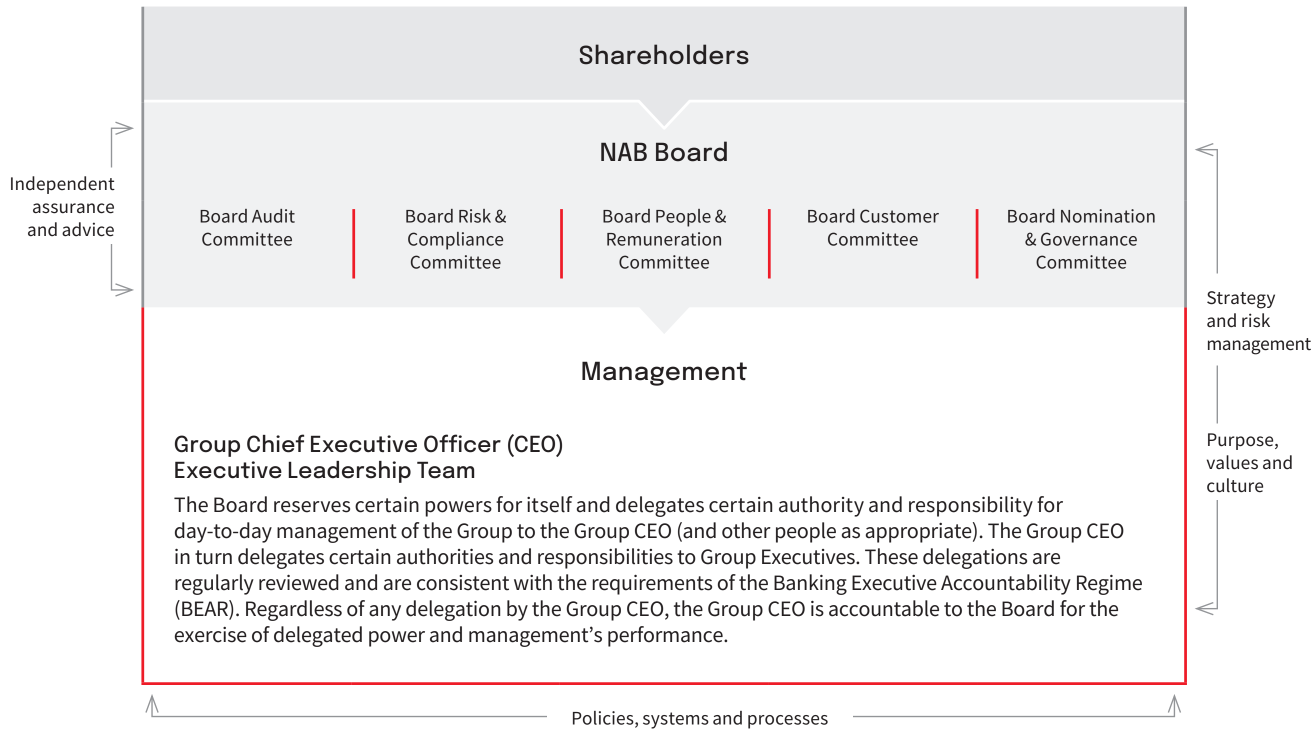
NAB aims to maintain and promote high standards of corporate governance to support strong business performance and retain the trust of shareholders, customers, colleagues, regulators and the community. NAB continually strives to improve its governance, accountability and risk management practices to meet the needs of its business and stakeholders.

NAB's Corporate Governance Framework is based on accountability, delegation and oversight to support sound and prudent decision-making.

As a fundamental element of NAB's culture and business practices, its Corporate Governance Framework guides effective decision-making in all areas of the Group through:

- Strategic and operational planning.
- Culture, purpose, values and conduct.
- Risk management and compliance.
- Customer outcomes.
- Financial management.
- External reporting.
- People and remuneration.

The following diagram shows the key components of NAB's Corporate Governance Framework. The key functions of the Board and its committees are outlined in this Statement.



NAB follows the 4th edition ASX Corporate Governance Council's Corporate Governance Principles and Recommendations in this Statement. This Statement has been approved by the Board and is current as at 30 September 2023.

Board of Directors

Board of Directors

Details of NAB directors in office at the date of this report, including each director's qualifications, experience and other directorships and interests are below.

The Board acknowledges that directors benefit from being involved in a broad range of governance roles provided directors have the capacity to devote sufficient time and effort to fulfil their NAB responsibilities. The Chair, with the assistance of the Nomination & Governance Committee, has determined each director meets this requirement.

Mr Philip Chronican

BCom (Hons), MBA (Dist),GAICD, SF Fin

Term of office: Chair and independent non-executive director. Non-executive director since May 2016 and Chair of the Board and the Board's Nomination & Governance Committee since November 2019.

Independent: Yes

Industry experience: Philip has more than 40 years of experience in banking and financial services in Australia and New Zealand. Before his retirement from executive roles, Philip was responsible for leading ANZ's Australian retail and commercial banking business. Prior to that, he had a long career at Westpac, including as the Chief Financial Officer and leading Westpac's institutional banking business.

During his career as a banking executive, Philip gained deep experience in strategy, business performance, transformation, operations, risk management, capital management, financial reporting, stakeholder engagement, and people and culture. He also gained broad experience in technology, M&A activity and post-merger integration.

Philip has taken an active and public role in advocating for greater transparency and ethics in banking and promoting workforce diversity. Philip has also developed his knowledge and takes a strong interest in climate change and the impact on customers and the economy.

Other business and market experience: Philip started his career as an economist and continues to take a deep interest in domestic and international economics. Through his executive and non-executive career, Philip has had extensive experience in governance practices.

Directorships of other listed entities:

Woolworths Group Limited (since October 2021)

Other relevant interests: Philip's other interests include The Westmead Institute for Medical Research (Chair) and the National Foundation for Australia-China Relations Advisory Board (Member).

Mr Ross McEwan CBE

BBus

Term of office: Group Chief Executive Officer and Managing Director since December 2019.

Independent: No

Industry experience: Ross has more than 30 years of experience in the financial services industry, spanning banking, insurance and investment. Prior to joining NAB, Ross was Group CEO of the Royal Bank of Scotland (RBS) from 2013 to 2019. Prior to joining RBS, he held executive roles at Commonwealth Bank of Australia, First NZ Capital Securities and National Mutual Life Association of Australasia / AXA New Zealand. From this experience, Ross brings a strong focus on customers, business performance, capital management, technology transformation, risk management, and people and culture to his current role.

Other business and market experience: Ross has deep experience in leading organisations through significant change and recovery.

Other relevant interests: Ross' other interests include Australian Banking Association (Director) and the Financial Markets Foundation for Children (Director).

Mr David Armstrong

BBus, FCA, MAICD

Term of office: Independent non-executive director since August 2014. Chair of the Board's Audit Committee and member of the Board's Risk & Compliance Committee. David will retire at NAB's 2023 AGM in December having served three terms of three years on the Board.

Independent: Yes

Industry experience: David has a deep understanding of banking and capital markets gained throughout his career in professional services, particularly auditing banks and other financial services' providers. David is deeply experienced in accounting, auditing, financial and regulatory reporting, regulation, risk management, capital management and governance practices.

Other business and market experience: David has more than 30 years of experience in professional services, including as a partner at PricewaterhouseCoopers (PwC). As well as a deep understanding of banking, David gained significant knowledge of real estate and infrastructure industries during his professional services career, as well as international experience in North America, Europe and Asia.

Directorships of other listed entities:

IAG Limited (since September 2021)

Other relevant interests: David's other interests include The George Institute for Global Health (Chair) and Opera Australia Capital Fund Limited (Director).

Ms Kathryn Fagg AO
FTSE, BE(Hons), MCom (Hons)

Term of office: Independent non-executive director since December 2019. Member of the Board's Risk & Compliance and People & Remuneration Committees.

Independent: Yes

Industry experience: During her executive career, Kathryn had first-hand banking experience through operational and strategic leadership roles at ANZ. She also served on the Board of the Reserve Bank of Australia.

Other business and market experience: Kathryn has more than 25 years of senior commercial and operational leadership experience in a range of industries, holding executive roles with Linfox Logistics, Bluescope Steel and ANZ.

During her executive career in banking and other industries, Kathryn gained deep experience in strategy, business performance, risk management, customer experience, corporate development, stakeholder engagement, and people and culture, in a variety of jurisdictions across Asia as well as in Australia and New Zealand.

Kathryn has had an active non-executive career across industries including science and innovation, manufacturing, industrials, macroeconomics and public policy, and the investment sector. In these roles, Kathryn has developed strong experience across a broad range of ESG matters.

Directorships of other listed entities:

Djerriwarrh Investments Limited (since May 2014)
Medibank Private Limited (since March 2022)

Former directorships of other listed entities in the past 3 years:

Boral Limited (from September 2014 to July 2021)

Other relevant interests: Kathryn's other interests include CSIRO (Chair), Breast Cancer Network Australia (Chair), Watertrust Australia Limited (Chair), The Grattan Institute (Director), The Myer Foundation (Director) and Champions of Change Coalition (Director).

Ms Christine Fellowes
BE, MAICD

Term of office: Independent non-executive director since June 2023. Member of the Board's Customer Committee.

Christine will stand for election at the 2023 AGM.

Independent: Yes

Industry experience: Christine has more than 30 years of experience leading businesses across strategy, marketing, product and brand development, operations and profit and loss (P&L), driving digital transformation within multinational organisations in media, communications and technology.

Other business and market experience: Christine has extensive experience in leading growth businesses across regional expansion, strategy, operations and P&L roles for prominent US multinationals in media, entertainment and technology companies in Asia-Pacific. Most recently she served as the Managing Director of the NBCUniversal Global Networks and Direct to Consumer business in Asia-Pacific, overseeing Pay-TV, television and digital services, where she also served on corporate boards. Prior to that, she held leadership positions at Comcast International Media Group, Turner Broadcasting System and Omnicom Group.

Christine has a deep understanding of navigating strategic digital transformation while serving broad customer and community interests. Her expertise lies in strategy development, business performance, customer experience, stakeholder engagement and organisational culture, as well as high competency in data and analytics.

Former directorships of other listed entities in the past 3 years:

VIQ Solutions[1] (from 2022 to August 2023)

Other relevant interests: Christine co-founded NINEby9 Pte Ltd, a Singapore based company dedicated to research and advocacy for gender equality in organisations in Asia. As a director of the company, she actively works towards fostering inclusivity and empowering women in the workplace.

Mr Peeyush Gupta AM
BA, MBA, AMP (Harvard)

Term of office: Independent non-executive director since November 2014. Member of the Board's Audit and Risk & Compliance Committees. Peeyush will retire at NAB's 2023 AGM in December having served three terms of three years on the Board.

Independent: Yes

Industry experience*:* Peeyush has more than 30 years of experience in financial services, with a particular focus on wealth management. Peeyush was a co-founder and the inaugural CEO of IPAC Securities, a wealth management firm spanning financial advice and institutional portfolio management, which was acquired by AXA. During his executive career, Peeyush gained deep experience in strategy, business performance, risk management, fiduciary governance and stakeholder engagement.

Other business and market experience: Peeyush has significant governance experience as a director on a range of listed, government, private and public sector boards throughout his executive and non-executive career.

Directorships of other listed entities:

Link Administration Holdings Limited (Link Group) (since November 2016)
Charter Hall WALE Limited (since May 2016)

Other relevant interests: Peeyush's other interests include Charter Hall Direct Property Management Limited (Chair), Special Broadcasting Service Corporation (Director), Northern Territory Aboriginal Investment Corporation (Director), Chartered Accountants Australia & New Zealand (Director) and Cancer Council NSW (Director).

(1) Listed on TSX and NASDAQ.

Ms Carolyn Kay
LLB, BA, GradDip Management, FAICD

Term of office: Independent non-executive director since July 2023. Member of the Board's Risk & Compliance Committee.

Carolyn will stand for election at the 2023 AGM.

Independent: Yes

Industry experience: Carolyn has more than 30 years' experience in the financial services sector in executive and non-executive roles. Carolyn was a lawyer and banker whose work history included Morgan Stanley, JP Morgan and Linklaters & Paines in London, New York and Australia. She has held a number of industry related non-executive director roles including Commonwealth Bank of Australia, The Future Fund, Treasury Corporation of Victoria, Victorian Funds Management Corporation and Colonial State Bank.

Other business and market experience: Carolyn has been and remains a non-executive director of enterprises across a broad range of industries. She was previously a Guardian of Australia's sovereign fund, The Future Fund (2015 to 2023) and a panel member of the Commonwealth Retirement Income Review (2019 to 2020). In the public sector, Carolyn is a member of the Foreign Investment Review Board and in the not-for-profit sector, she is on the board of the General Sir John Monash Foundation and Sydney Grammar School.

During her executive and non-executive careers, Carolyn gained deep experience in banking, governance, risk management, business performance, stakeholder engagement, people and culture, and public policy.

Carolyn was awarded a Centenary Medal for services to Australian society in business leadership.

Directorships of other listed entities:

Scentre Group Limited (since February 2016)

Other relevant interests: Carolyn's other interests include Rothschild & Co Australia (Chair), Myer Family Investments (Director), Foreign Investment Review Board (Member), General Sir John Monash Foundation (Director) and Sydney Grammar School (Trustee).

Ms Alison Kitchen
BA (Hons), FCA, MAICD

Term of office: Independent non-executive director since September 2023. Member of the Board's Audit Committee.

Alison will stand for election at the 2023 AGM.

Independent: Yes

Industry experience: Alison has more than 30 years' experience in a variety of management and governance roles within the KPMG partnership, as well as serving as lead external audit partner for a range of ASX-listed organisations, including five ASX Top 50 companies with global operations. Alison was the National Chair of KPMG Australia and a member of KPMG's Global and Regional boards having responsibility for the overall governance and strategic positioning of the firm.

Alison's experience extends to providing advice in areas including audit, transaction support, risk management, internal controls, business processes and regulatory change to a wide range of industries, including financial services.

Other business and market experience: Alison has worked in geographically diverse and complex operating environments and provided advice to industries including energy, mining, transport and consumer goods, as well as financial services.

Other relevant interests: Alison's other interests include Business Council of Australia (Director and Chair of Macroeconomic Committee) and Australian National University (Council Member and Chair of Audit and Risk Committee).

Ms Anne Loveridge AM
BA (Hons), FCA, GAICD

Term of office: Independent non-executive director since December 2015. Chair of the Board's People & Remuneration Committee and member of the Board's Nomination & Governance and Customer Committees.

Independent: Yes

Industry experience: Anne has a strong understanding of banking and financial services, including in the areas of financial and regulatory reporting, accounting, risk management, change management and governance, gained throughout her career as an audit partner, consultant and non-executive director in this sector.

Other business and market experience: Anne has more than 30 years of experience in professional services, including as Deputy Chair at PwC. During her career as a senior executive and partner, Anne gained deep experience in business performance, client experience, stakeholder engagement, governance, and people and culture. This included a particular focus on business growth and change management, leadership development and succession, performance and reward frameworks and promoting increased diversity.

Directorships of other listed entities:

nib Holdings Limited (since February 2017)
Platinum Asset Management Limited (since September 2016)

Other relevant interests: Anne's other interests include Destination NSW (Board Member).

Mr Douglas McKay ONZM
BA, AMP (Harvard) CMInstD (NZ)

Term of office: Independent non-executive director since February 2016. Member of the Board's Audit and Customer Committees. Chair and independent non-executive director of BNZ, a major subsidiary of NAB.

Independent: Yes

Industry experience: Doug has gained industry experience as Chair of BNZ since 2016 (and non-executive director since 2013). This has supplemented Doug's extensive experience in business performance, capital management, risk management and stakeholder engagement with banking context.

Other business and market experience: Doug has more than 30 years of experience in commercial and leadership roles in manufacturing and distribution businesses across Australasia having held CEO and Managing Director positions in major trans-Tasman companies including Lion Nathan, Carter Holt Harvey, Goodman Fielder, Sealord and Independent Liquor. He was the inaugural CEO of the amalgamated Auckland Council. During his executive career, Doug gained deep commercial, business performance, customer, marketing, risk management and stakeholder engagement experience. Doug has private equity experience and a deep understanding of New Zealand and Australian markets.

Directorships of other listed entities:

Fletcher Building Limited[1] (since September 2018)
Vector Limited (since September 2022, Chair since September 2023)

Former directorships of other listed entities in the past 3 years:

Genesis Energy Limited[1] (from June 2014 to September 2022)

Other relevant interests: Doug is a Director of IAG (NZ) Holdings Limited.

Mr Simon McKeon AO
BCom, LLB, FAICD

Term of office: Independent non-executive director since February 2020. Chair of the Board's Risk & Compliance Committee and member of the Board's Nomination & Governance Committee.

Simon will stand for re-election at the 2023 AGM.

Independent: Yes

Industry experience: Simon has more than 40 years of experience in a wide range of sectors including financial services, law, government and charities. During his executive career, he held investment banking leadership roles within Macquarie Group, including as Executive Chair of its business in Victoria. In his non-executive career, Simon served as AMP Limited Chair (2014-2016) (and non-executive director 2013-2016). Through these roles in the financial services industry, Simon has gained deep experience in strategy, business performance, risk management, legal and regulatory matters, client experience, stakeholder engagement, and people and culture.

Other business and market experience: Simon has broad experience from a range of governance roles in private, public and social sectors. This includes experience gained as former Chair of MYOB Limited, CSIRO, MS Research Australia and a Federal Government Panel that completed a strategic review of health and medical research in 2013.

Simon is an active philanthropist and has contributed over many years to charitable, educational, public health, social housing and other community-based organisations and social causes.

Simon has a strong interest in ESG matters, gained through his broad range of roles and experiences. Simon is the Chair of the Australian Industry Energy Transitions Initiative and was the inaugural President of the Australian Takeovers Panel and the Banking and Finance Oath's Review Panel.

Directorships of other listed entities:

Rio Tinto Group (since January 2019)

Other relevant interests: Simon's other interests include Monash University (Chancellor), Greater South East Melbourne (Chair), The Big Issue (Advisory Board Member) and GFG Alliance Australia (Advisory Board Member).

Ms Ann Sherry AO
BA, Grad Dip IR, FAICD, FIPAA

Term of office: Independent non-executive director since November 2017. Chair of the Board's Customer Committee and member of the Board's People & Remuneration Committee. Co-Chair of NAB's Indigenous Advisory Group.

Ann will stand for re-election at the 2023 AGM.

Independent: Yes

Industry experience: Ann had a 12 year banking career at Westpac in senior business and people and culture leadership roles, including as divisional CEO for Westpac New Zealand and Bank of Melbourne, and Group Executive, People & Culture. In these roles, Ann gained deep experience in strategy, business performance, operations, risk management, customer experience, stakeholder engagement, and people and culture, with a strong focus on diversity and inclusion. She also gained broad experience in technology, capital management and marketing. Ann also served as a director on the ING Group Supervisory Board and as a director of ING DIRECT Australia.

Other business and market experience: Ann has significant experience in executive roles within the tourism and transport industries in Australia and New Zealand, as well as in government and public service. She served as CEO and Chair of Carnival Australia, the largest cruise ship operator in Australasia and the South Pacific. Earlier in her career, Ann was First Assistant Secretary of the Office of the Status of Women advising the Prime Minister on policies and programmes to improve the status of women.

Ann is an active philanthropist and has contributed over many years to charitable and social causes. Ann has a deep interest in ESG matters, with particular interests and experience in diversity and Indigenous matters.

(1) Dual-listed on the New Zealand and Australian stock exchanges.

Directorships of other listed entities:

Enero Group Limited (Chair since January 2020)

Former directorships of other listed entities in the past 3 years:

Sydney Airport (from May 2014 to March 2022)

Other relevant interests: Ann's other interests include Queensland University of Technology (Chancellor), UNICEF Australia (Chair), Port of Townsville (Chair) and Queensland Airports Limited (Chair).

Company Secretaries

The Group Company Secretary provides advice and support to the Board, and is accountable to the Board, through the Chair, for all matters relating to the proper functioning of the Board and its committees. The Group Company Secretary is responsible for advising the Board on governance matters and ensuring compliance with Board and Board committee charters and procedures.

The Group Company Secretary (and assistant company secretaries) are appointed and removed by the Board.

Details of company secretaries of NAB in office at the date of this report and each company secretary's qualifications and experience are below.

Louise Thomson BBus (Dist), FGIA joined the Group in 2000 and was appointed Group Company Secretary in May 2013. Louise is Secretary to the Board and the Nomination & Governance Committee. She has experience in a wide range of finance, risk, regulatory and governance matters.

Penelope MacRae BA (Hons), LLB (Hons) joined the Group in 2011 as a Senior Corporate Lawyer and was appointed Company Secretary in December 2016. Penny is the Secretary of the Board's Risk & Compliance Committee and is responsible for managing the Group's Executive-level Risk Committees. She has experience in a wide range of corporate, legal, governance, risk and regulatory matters.

Tricia Conte BCom, LLB (Hons) joined the Group in 2006 and was appointed Company Secretary in November 2018. Tricia is the Secretary to the Board Audit Committee. She is a Special Counsel in the Legal team and advises the Group on a wide range of legal, corporate, governance and regulatory matters.

Ricardo Vasquez BSc, LLB, ACIS joined the Group in 2020 and was appointed Company Secretary in March 2021. Mr Vasquez resigned as Company Secretary in July 2023.

Executive Leadership Team

Executive Leadership Team

Details of NAB's Executive Leadership Team members in office at the date of this report are below.

Ross McEwan CBE
BBus

Refer to the *Board of Directors* on page 93 for Ross McEwan's biography.

Sharon Cook
BA, LLB (Hons)

Sharon Cook was appointed Group Executive, Legal and Commercial Services in April 2017. She is responsible for Legal, Governance, Regulatory Affairs, Customer Complaints, the Office of the Customer Advocate and Customer Remediation at NAB. Sharon has more than 30 years of experience as a lawyer. For over 8 years before joining NAB, Sharon led major commercial law firms.

Shaun Dooley
BEc, MS

Shaun Dooley was appointed Group Chief Risk Officer in October 2018. Prior to his current role, Shaun was Group Treasurer and he has also led the Institutional Banking, Corporate Finance and Financial Institutions teams. Shaun joined NAB in 1992 as a relationship banker in the Corporate Banking group. Prior to joining NAB, Shaun worked for Chase Manhattan Bank Australia and Elders Finance Group.

David Gall
BSc, BBus, MBA (Exec)

David Gall was appointed Group Executive, Corporate and Institutional Banking in October 2018. David has over 30 years of experience in corporate, business and retail banking, working capital services, risk and payments. Since joining NAB in 2008, David has held executive roles in Corporate Banking and Specialised Business, Global Transaction Banking and Payments, and as Group Chief Risk Officer. Prior to joining NAB, David was a Group Executive of Strategy and Retail Business at St George Bank. David is a Senior Fellow of the Financial Services Institute of Australasia (FINSIA).

Nathan Goonan
BCom, BAgrSc (Hons)

Nathan Goonan was appointed as Group Chief Financial Officer in July 2023. Nathan joined NAB in 2004 before working in investment banking. Since re-joining NAB in 2013, Nathan has held several executive-level roles in corporate strategy and mergers and acquisitions, including Group Executive Strategy and Innovation.

Daniel Huggins
BCom (Hons), MBA, MEM

Daniel Huggins was appointed as BNZ Managing Director and Chief Executive Officer in October 2021. Daniel has 17 years of experience in banking, corporate and financial services. Since joining BNZ in 2020, Daniel held an executive-level role focused on customer, products and services. Prior to joining BNZ, Daniel worked at the Commonwealth Bank of Australia and McKinsey & Company.

Andrew Irvine
BSc Business Management (Hons), MBA

Andrew Irvine was appointed as Group Executive, Business and Private Banking in September 2020. Andrew has 15 years of experience in customer solutions and business banking. Prior to joining NAB, he worked at Bank of Montreal where he was Head of Canadian Business Banking.

Les Matheson
BCom (Hons)

Les Matheson was appointed as Group Chief Operating Officer in January 2021 and was appointed Group Executive, Digital, Data and Chief Operating Officer with effect from 1 November 2023. Les has 26 years of experience in banking and finance across Europe and Asia Pacific. Prior to joining NAB, he was CEO of the Retail Bank at RBS and was also responsible for Ulster Bank in Ireland. Les had a long career with Citigroup, including Chief Country Officer for Australia. He is a Certified Bank Director (The Institute of Bankers UK) and a Fellow of the Chartered Bankers Institute (UK).

Rachel Slade
BEc (Hons)

Rachel Slade was appointed as Group Executive, Personal Banking in April 2020. Rachel has over 20 years of experience in banking. Since joining NAB in 2017, Rachel has held several executive-level roles in deposits and transaction services, and customer experience, and joined the Executive Leadership Team in October 2018. Prior to joining NAB, she held several executive-level positions at Westpac, including in Global Transactional Services and in the Retail and Business divisions. Rachel is a graduate of the Women's Leadership program at Harvard Business School.

Sarah White

Sarah White was appointed as Group Executive, People & Culture in August 2023. Sarah joined the NAB Executive Leadership Team after more than five years as Chief of Staff to the Group Chief Executive Officer. Prior to that she was Executive General Manager, Talent and Leadership, in addition to a number of other key executive roles in People & Culture. Sarah has extensive experience in business partnering, coaching executives and senior leaders, leading complex change and business transformation.

Patrick Wright
BBA, BMIS

Patrick was appointed to the role of Group Executive, Technology and Enterprise Operations in April 2017. Prior to joining NAB, Patrick was Chief Operations and Technology Officer at Barclaycard and Chief Operations Officer at Barclays Americas. Patrick has more than 30 years of experience in the banking and technology sectors, giving him extensive experience in driving major transformations in large financial services companies.

Former Executive Leadership Team members

Three Executive Leadership Team members retired in the period between 30 September 2023 and the date of this report. They are reported as Key Management Personnel for 2023 in the Remuneration Report.

Susan Ferrier
BA, LLB, MBA

Susan Ferrier was Group Executive, People and Culture from October 2019 to August 2023. Susan has over 30 years of international experience in culture and people strategy across financial services, professional services and technology sectors. Prior to joining NAB, Susan was Global Head of People at KPMG responsible for the global talent strategy and leading teams in Global HR, Global Learning and Development, Global Citizenship and Global Inclusion and Diversity. Susan announced her retirement from the Group in July 2023, effective from 31 October 2023.

Gary Lennon
BEc (Hons)

Gary Lennon was Group Chief Financial Officer from March 2016 to June 2023 and was previously Executive General Manager, Finance and Chief Financial Officer Wholesale Banking. Prior to joining NAB in 2008, Gary spent a combined 18 years in a number of global senior finance executive roles with Deutsche Bank and KPMG. Gary is a Fellow of the Institute of Chartered Accountants. Gary announced his retirement from the Group in March 2023, effective from 1 October 2023.

Angela Mentis
BBus

Angela Mentis was Group Chief Digital, Data and Analytics Officer from October 2021 to October 2023. Angela has over 30 years of banking experience, including as the Managing Director and Chief Executive Officer of BNZ. Angela has also served as NAB's Chief Customer Officer – Business and Private Banking, and as Group Executive, Business Banking. Angela has held senior positions at BT Financial Group, Westpac and Citibank Limited, after starting at Macquarie Bank. She is a Senior Fellow of FINSIA. Angela announced her retirement from the Group in October 2023, effective from 1 November 2023.

Board roles and responsibilities

The Board guides the strategic direction of NAB and represents shareholders' interests by overseeing activities that create sustainable value.

The roles and responsibilities of the Board, including the matters that are specifically reserved to the Board and those delegated to management, are set out in the Board Charter which is available in the Corporate Governance section at nab.com.au/about-us/corporate-governance. Key elements of the Board's roles and responsibilities are described below.

The Board Charter sets out the specific responsibilities of the Chair. The Chair's primary responsibility is to lead the Board and oversee the processes used by the Board in performing it's role.

The Board delegates certain powers to Board committees to help it fulfil its roles and responsibilities. Committee roles and responsibilities are set out in the respective charters and Board Committee Operating Rules, which are also available in the Corporate Governance section at nab.com.au/about-us/corporate-governance.

The Board has delegated management of the Company to the Group CEO. Except for any specific powers reserved by the Board, or matters specifically delegated by the Board to others, the Group CEO may make all decisions and take any necessary action to carry out the management of the Group. The Group CEO is accountable to the Board in exercising this delegated authority. The Board Charter also sets out the responsibilities of the Group CEO.

Key element	Board's roles and responsibilities
Leadership and stakeholder focus	• Represent shareholders and serve the interests of the Company by overseeing and evaluating the Company's strategies, performance, frameworks and policies. • Ensure that stakeholders are kept informed of the Company's performance and major developments affecting its state of affairs. • Approve the Company's purpose, values and Code of Conduct to underpin the desired culture within the Company and oversee that the Company's culture is focused on sound risk management and customer outcomes. • Oversee that an appropriate framework exists for relevant information to be reported by management to the Board and whenever required challenge management and hold it to account. • With the guidance of the Customer Committee, oversee the importance given to the voice of the customer and the focus on customer outcomes.
Strategy and performance	• Guide the strategic direction of the Company and monitor the execution of strategies and business performance to oversee that sustainable value is being built for shareholders. This includes business unit strategies and strategies for critical enablers such as technology, digital, data and analytics, and human capital. • Make decisions concerning capital structure and dividend policy. • Approve major capital expenditure and other major business initiatives.
External reporting	• With the guidance of the Audit Committee, review and approve the Group's annual and half yearly financial statements, other sections of the Annual Report and any reports that accompany them, including the Climate Report. • With the guidance of the Audit Committee, review management processes aimed at ensuring the integrity of financial, regulatory and other corporate reporting.
Risk management	• With the guidance of the Risk & Compliance Committee, satisfy itself that the Group has in place an appropriate Risk Management Framework for financial and non-financial risks by overseeing related frameworks and internal compliance and control systems. This includes risk management related to financial crime, technology, information security, cyber resilience and sustainability, including environmental and human rights risks.
Remuneration	• With the guidance of the People & Remuneration Committee, review and approve the Group's remuneration framework including remuneration policy and satisfy itself that the remuneration framework and outcomes are aligned with the Company's purpose, values, strategic objectives and risk appetite.
Appointment and succession planning	• Appoint a Group CEO and Managing Director and approve key executive appointments. • Monitor and review executive succession planning. • With the guidance of the Nomination & Governance Committee, plan for Board renewal, appoint non-executive directors to the Board and select a Chair.

Key Board activities

Key Board activities in 2023

- **Strategy and business performance** – The Board remains focused on creating sustainable shareholder value. At each major Board meeting, the Board received reports on business performance and execution of the Group's strategy to monitor progress. The Board periodically received reports on execution of strategies at a business unit level to understand operating context, as well as specific strategic initiatives, such as business acquisitions and integration, digital, data and analytics and technology plans. The Board also reviewed and approved the Group's corporate plan, after having several sessions with management on strategy development.
- **Technology** – The Board remains focused on technology as a critical enabler of NAB's business. At each major Board meeting, the Board received reports from the Group Executive, Technology & Enterprise Operations, as well as updates on the execution of NAB's technology strategy. The Board undertook a study tour focused on core banking modernisation, payments, cyber security and innovation, and participated in workshops with external experts and management on a range of technology-related topics, including cyber resilience, information security, external technology developments, data fundamentals and generative AI.
- **Financial and capital management** – The Board remains focused on business momentum, supporting customers and driving growth, which requires prudent balance sheet and capital management. The Board received regular reports on financial performance, capital, funding and liquidity. The Board approved the 2022 full year and 2023 half year financial reports, the 2022 final and 2023 interim dividends, the capital management strategy and on-market buy-back programs. The Board also participated in workshops on capital adequacy and stress testing, balance sheet risk management, capital and credit provisioning and discussed lessons from bank failures in other geographies.
- **Risk management** – The Board remains focused on risk management, governance, accountability and culture. This focus requires strong risk governance and an effective Risk Management Framework operated by management. The Board received regular reports from the Group Chief Risk Officer on financial and non-financial risks, including emerging risks and issues, and from the Group Money Laundering Reporting Officer on financial crime risk. The Board approved the risk management strategy, the risk appetite statement and policies for managing financial and non-financial risks. The management of financial crime risks, cyber and technology risks, and environmental and social risks were areas of focus, as well as emerging risks related to the economic and geopolitical environment and climate vulnerability.
- **People and culture** – The Board remains focused on engaged, capable colleagues who are aligned to the Group's values, purpose and strategy. The Board received regular reports from the Group Executive, People and Culture on people-related matters, including progress in the execution of the colleague strategy and achieving NAB's target culture, and health, safety and wellbeing. The Board held workshops on leadership and succession planning and met with a range of senior leaders in formal and informal settings. The Board approved scorecards and performance outcomes for the Group CEO, Group Executives and certain other senior executives. The Board also approved the Group Performance Indicators used for the Group Variable Reward Plan and determined the final outcome.
- **Customers** – The Board and directors met with customers and customer advocates (internal and external) throughout the year to hear their feedback and perspectives. The Board also focused on matters impacting customers, including customer vulnerability, scams, servicing experience, cyber risks, integration of acquisitions, digital customer experience, product governance, compliance with product and conduct obligations and customer remediation. The Board met with the Australian Financial Complaints Authority to obtain feedback and share perspectives on priorities and industry risks and issues.
- **Environmental and social** – The Board debated and reviewed the Group's decarbonisation targets to meet NAB's Net Zero Banking Alliance commitment, after investing time in education on climate change transition. The Chair and Group CEO met customers to hear about their approach to climate transition. The Board also met with external experts to deepen the Board's understanding of Indigenous affairs, including NAB's Reconciliation Action Plan and the Voice to Parliament. The Board discussed human rights issues, approved the Modern Slavery Statement and received updates on the Group's social impact program and NAB Foundation.
- **Regulatory and stakeholder engagement** – The Board remains focused on maintaining solid relationships with regulators and other stakeholders. The Board received regular reports on regulatory engagement, government engagement, key legal and regulatory matters, and trust and reputation. The Board met with the Group's main regulators throughout the year to obtain feedback and share perspectives on priorities, industry risks and issues, and reform. The Group's Enforceable Undertaking with AUSTRAC was a key area of focus.

Board meetings

Board meetings are an essential part of corporate governance at NAB. They are the main way for the Board to have oversight of the Group's strategy and performance and allow the Board to set expectations of management. The Board approves its calendar of meetings two years in advance to ensure that directors can attend meetings. The Board has six major multi-day meetings each year, which include committee meetings and strategy sessions, as well as other minor meetings during the year for specific purposes. Out-of-cycle Board meetings are convened as needed for time-critical matters.

The Board's priorities and responsibilities drive comprehensive planning and agenda-setting for meetings. The agenda forward planner is set at the start of the year and regularly updated to reflect priorities. The forward planner is the key framework for Board reporting and is used to balance time allocated to strategic and business topics, as well as regulatory and legal obligations. Recurring agenda items include business performance, strategy execution and development, capital management, financial reporting, risk management, people and culture, regulatory and other stakeholder engagement and ESG matters. Unstructured time is also factored into Board meetings and there is flexibility for ad hoc matters to be raised. Meetings with NAB's main regulators are also planned at the start of the year. Agendas are reviewed by the Chair, in consultation with the Group CEO. The same approach is adopted for forward planning and agenda-setting for each of the Board's Committees, which are reviewed by respective Chairs in consultation with the relevant Group Executive.

Attendance at meetings

Details of director attendance at Board and committee meetings in 2023 are set out below.

All directors receive copies of agendas, papers and minutes of committee meetings to help ensure they have equal access to that information regardless of whether they are appointed to a particular committee. All directors may attend committee meetings even if they are not a member of a committee. The table below excludes the attendance of directors at committee meetings where they were not a committee member.

	Board meetings(1)(2)	Audit Committee meetings	Risk & Compliance Committee meetings	People & Remuneration Committee meetings	Customer Committee meetings	Nomination & Governance Committee meetings
	Attended / Held	Attended / Held	Attended / Held	Attended / Held	Attended / Held	Attended / Held
Current directors						
Phil Chronican	10/10	–	–	–	–	6/6
Ross McEwan	10/10	–	–	–	–	–
David Armstrong	10/10	5/5	6/6	–	–	–
Kathryn Fagg(3)	10/10	2/2	6/6	6/6	–	–
Christine Fellowes(4)	3/3	–		–	2/2	–
Peeyush Gupta(3)	10/10	3/3	6/6	2/2	–	–
Carolyn Kay(5)	2/2	–	2/2	–	–	–
Alison Kitchen(6)	–	–	–	–	–	–
Anne Loveridge(7)	10/10	–	–	7/8	5/5	6/6
Doug McKay	10/10	5/5	–	–	5/5	–
Simon McKeon	10/10	–	6/6	–	–	6/6
Ann Sherry	10/10	–	–	8/8	5/5	–

(1) There were six major Board meetings and four minor Board meetings scheduled in the Board's calendar for 2023. No Board meetings were convened outside of the scheduled Board calendar.

(2) Several workshops were held for the Board and Committees during 2023. As these were held as part of a scheduled Board program, workshops are not shown as additional meetings in the table above.

(3) Ms Fagg and Mr Gupta switched their Audit Committee and People & Remuneration Committee memberships in March 2023 and attended all meetings of those Committees while a member.

(4) Ms Fellowes joined the Board on 5 June 2023 and attended all Board and relevant Committee meetings held after that date.

(5) Ms Kay joined the Board on 31 July 2023 and attended all Board and relevant Committee meetings held after that date.

(6) Ms Kitchen joined the Board on 27 September 2023. No Board or relevant Committee meetings were held between that date and 30 September 2023.

(7) Ms Loveridge attended all People & Remuneration Committee meetings scheduled in the Board's calendar for 2023. She was unable to attend one out-of-cycle Committee meeting convened at short notice. The Board Chair attended the Committee meeting on her behalf.

Board composition, diversity and performance

Board composition

Composition of the Board is informed by a number of factors, including the following key principles:

- The Board will be of an appropriate size to allow efficient decision making.
- The Board must consist of a majority of independent non-executive directors.
- The Board should consist of directors with a broad range of skills, experience and expertise, and different facets of diversity, including gender.
- The Chair must be an independent non-executive director and must not have been a NAB executive or the Group CEO in the previous three years.

Further detail about directors' independence is on page 106.

NAB has a Group Fit and Proper and BEAR Suitability Policy that addresses the requirements of APRA Prudential Standard CPS 520 Fit and Proper and supports compliance with the obligations of the BEAR.

This Policy requires an annual assessment of the directors, certain members of senior management and responsible auditors, including a determination of whether they have the appropriate competence, character, diligence, honesty, integrity and judgement to perform their role.

The Board, with the assistance of the Nomination & Governance Committee, has reviewed and taken into consideration the existing workload of directors and concluded that each director has sufficient capacity to undertake the duties expected of a director of NAB.

As a Board vacancy approaches, the Nomination & Governance Committee assesses the skills and experience required, which informs the identification of suitable candidates. The most suitable candidate is appointed by the Board after appropriate checks are undertaken, including assessment in accordance with the Group Fit and Proper and BEAR Suitability Policy, and is subject to election by shareholders at the next AGM.

The key terms and conditions of a director's appointment are formally documented in a letter of appointment. This process was followed for all directors on the Board.

Newly appointed directors must stand for election by shareholders at the next AGM. In addition, the NAB Constitution requires that at each AGM, non-executive directors who have held office for at least three years without re-election, or beyond the third AGM following their appointment or last election (whichever is longer) must retire from office and are eligible to stand for re-election.

Before each AGM, the Board assesses the performance of each director due to stand for election or re-election and decides whether to recommend to shareholders that they vote in favour of the election or re-election of each relevant director. Further detail on NAB's directors is provided on pages 93 to 97.

Board renewal

During the year, after consulting with the Board, the Nomination & Governance Committee reviewed the three-year Board renewal strategy and plans. This included reviewing the highest priority skills to bring on to the Board over the short and medium-term, considering a current vacancy and anticipated retirements at the end of 2023. The three highest priority areas of deep competency for future director appointments were: transformation, digital, technology, data and analytics; banking; and financial reporting and accounting. The Nomination & Governance Committee and the Board aim to identify, select and nominate candidates who are able to contribute broadly in the boardroom, not only in areas of deep competency, and who add different facets of diversity to the Board.

Working with an external recruitment consultant, the Nomination & Governance Committee reviewed candidate profiles and met with candidates. During 2023, the Nomination & Governance Committee nominated three candidates to the Board, and the Board appointed Christine Fellowes, Carolyn Kay and Alison Kitchen as non-executive directors. The three new directors will stand for election by shareholders at the next AGM, as required under NAB's Constitution. Further detail on NAB's directors is provided on pages 93 to 97.

Two directors, David Armstrong and Peeyush Gupta, will stand down from the Board following the 2023 AGM, having completed three terms of three years.

Re-election and election of directors in 2023

In 2023, the Board has recommended in the AGM Notice of Meeting that shareholders re-elect Simon McKeon for his second three-year term on the Board and Ann Sherry for her third term. The Board has also recommended that shareholders elect Christine Fellowes, Carolyn Kay and Alison Kitchen to the Board for their first three-year terms. The Board has provided shareholders with all material information that is relevant to a decision whether or not to re-elect and elect those directors in the AGM Notice of Meeting. Further detail on NAB's directors is provided on pages 93 to 97.

Skills matrix

Each year NAB assesses the skills and experience of each director and combined capabilities of the Board. The insights from this assessment are documented in a skills matrix that is:

- Considered in the context of NAB's business and its strategic needs.
- Incorporated into Board succession planning and the selection of new directors.
- Used to inform areas of focus for the Board's continuing education and use of external expertise.

To prepare the skills matrix, each director rates their skills, expertise and experience against several competency areas that are then mapped to the skills matrix. The self-assessment ratings and skills matrix are reviewed and calibrated by the Nomination & Governance Committee on behalf of the Board.

The skills matrix presented here demonstrates alignment of the Board's responsibilities with the current mix of skills on the Board.

With the addition of new directors in 2023, the Board believes the current mix of skills, experience and expertise of directors (as shown on the skills matrix) provides a diverse range of views and perspectives for the effective governance, oversight and strategic leadership of NAB. The Board also invested in continuing education throughout 2023 to continue to develop directors' competencies in the following key areas:

- Digital and technology topics – Cyber resilience; information security; core banking modernisation; data foundations; digital assets; generative AI; and innovation in payments and cyber security technologies. This included a Board study tour and meeting with external experts on these topics.
- Environmental and social topics – Climate transition (risks, opportunities, transition opportunities, target setting methodologies and practices) and Indigenous matters. This included meeting with external experts on these topics.
- Risk management in banking – balance sheet risk management; capital adequacy and stress testing; capital and credit impairment provisioning; lessons from bank failures in other geographies; financial crime risk management; crisis management; cyber resilience; information security; and BEAR scenarios.
- People-related topics – Succession planning; health and safety; and concepts from NAB's Distinctive Leadership Program.
- Stakeholders – Investor, customer, regulatory and government perspectives. This included meetings with representatives from each of these areas to hear and discuss their perspectives.

Skills and experience	Explanation	Collective
Banking and financial services experience	Experience outside NAB in significant components of the financial services industry, including banking and equity and debt capital markets. Strong knowledge of the regulatory environment. Includes advisory roles to the industry.	
Leadership and commercial acumen	Skills gained while performing at a senior executive level for a considerable length of time. Includes delivering superior results, running complex businesses, leading complex projects and issues, and leading workplace culture.	
Financial acumen	Good understanding of financial statements and drivers of financial performance for a business of significant size, including ability to assess the effectiveness of financial controls.	
Customer outcomes	Experience in delivering customer outcomes and deepening relationships in customer segments.	
Risk management	Experience in anticipating and evaluating financial and non-financial risks that could impact the business. Recognising and managing these risks by developing sound risk management frameworks and providing oversight. Includes experience in managing compliance risks and regulatory relationships, as well as an understanding of cyber resilience and technology risks.	
Strategy	Experience in developing, setting and executing strategic direction. Experience in driving growth and transformation and executing against a clear strategy.	
Governance	Publicly listed company experience, extensive experience in and commitment to the highest standards of governance, experience in the establishment and oversight of governance frameworks, policies and processes.	
Digital and technology	Experience in oversight of technology for businesses of a significant scale and implementing business transformations through the use of technology, including digital, data and analytics, and innovation.	
People and remuneration	Experience in building workforce capability, setting a remuneration framework that attracts and retains a high calibre of executives, and promotion of diversity and inclusion.	
Environmental and social	Understanding potential risks and opportunities from an environmental and social perspective.	

Board tenure and gender statistics[1]

Board tenure	%
0-3 years	27.0
3-6 years	27.0
6-9 years	46.0

Board gender diversity	%
Female	54.5
Male	45.5

Board performance

Directors comprehensively prepare for, attend and participate in Board and committee meetings.

The Board recognises the importance of continuously monitoring and improving its performance and that of its committees. Under their respective charters, the Board and committees are required to assess their performance annually, which was undertaken during the year. An independent external performance evaluation of the Board and its committees is conducted every three years, or as otherwise determined by the Board. An independent external performance evaluation was last undertaken in 2022.

The results of the internal assessments undertaken in 2023 were that the Board and each of its committees continue to operate effectively. In the spirit of continuous improvement, the Board agreed actions to further improve its effectiveness, which are focused in the following areas: improving oversight of execution of technology and digital strategies; continuing to apply discipline to remain focused on the Board's priorities; and supporting directors through a period of Board renewal.

Directors' individual performance is also assessed annually. Each director participated in an individual performance interview with the Chair in 2023.

Responsible remuneration

The Board continues to monitor NAB's executive and Group remuneration frameworks to ensure they reinforce our focus on customers, align with sustainable shareholder value and are informed by risk, reputation, conduct and values outcomes.

A decision in 2023 to change the executive remuneration framework with effect from 1 October 2023 was approved by the Board. The change reflects the requirements under APRA Prudential Standard CPS 511 *Remuneration*. The changes made were to:

- Incorporate materially weighted non-financial measures (being individual risk management and conduct) into long-term variable reward to maintain a strong focus on individual conduct and management of financial and non-financial risks.
- Increase the deferral period applicable to long-term variable reward to align Executives with the shareholder experience and encourage a focus on delivering sustainable long-term value.
- Review the risk management and conduct framework to enable the Board to apply adjustment mechanisms to ensure remuneration outcomes are commensurate with performance and risk outcomes over the long-term.

The Board considers these changes provide an appropriate and fair remuneration framework to NAB's Executive Leadership Team while supporting the Group's purpose, strategic objectives and risk appetite and reflect the expectations of customers, regulators and shareholders. Detailed information about the executive remuneration framework changes effective from 1 October 2023 is provided in the *Remuneration Report*.

The colleague remuneration framework was reviewed to ensure alignment to APRA Prudential Standard CPS 511 *Remuneration* requirements. As a result, modifications were made to the Group's specialist incentive plans to provide appropriate non-financial performance measures (being individual risk management and conduct assessments), effective from 1 October 2023. As a result of the changes, all of NAB's incentive plans comply with APRA Prudential Standard CPS 511 *Remuneration* and continue to support the Group's strategic objectives and risk appetite.

The Group successfully renegotiated the new Enterprise Agreement (EA) in 2023. The new EA provides certainty about pay and benefits, providing an average Fixed Reward increase of 4.5% to eligible colleagues in January 2024, and ongoing guaranteed increases in January 2025 and January 2026.

Progress has also been made on other key colleague initiatives including colleague learning and other enhancements to the employee value proposition offered by NAB including the performance framework and other benefits available to colleagues.

Further detail about NAB's executive and colleague remuneration frameworks, including NAB's policies and practices regarding the remuneration of non-executive directors, the Group CEO, Group Executives and other colleagues, is set out in the *Remuneration Report*.

Shareholder engagement

NAB values open, timely and transparent communication and engages with shareholders and investors in many ways including:

- Providing shareholders options on how they choose the receive communications (electronically or by post).
- Sending electronic communications, such as open letters and publications from the Chair and the Group CEO on key developments and matters of interest.
- Providing information about NAB on its website, including in relation to the Group's policies and governance practices and media releases.
- Directly responding to shareholder enquiries by email, phone and post.
- Periodic trading updates, financial results and reports, ASX announcements, investor presentations and briefings (all of which are available in the Shareholder Centre section at nab.com.au/shareholder).
- In situations when the Group hosts an analyst and investor presentation including interim and end of

(1) Tenure and gender statistics are for non-executive directors as at 30 September 2023.

financial year results, supporting materials are released on the ASX Market Announcement Platform ahead of the presentation commencing.

- Webcasting of significant market briefings and meetings, including the AGM.
- The Chair, Group CEO, Group CFO and other senior executives meet with domestic and offshore institutional investors throughout the year.

NAB also engages directly with investment analysts, proxy advisors and the Australian Shareholders' Association.

NAB's 2023 AGM will be conducted as a hybrid meeting. Shareholders will have the opportunity to view presentations, ask questions and submit votes at the physical meeting or online during the AGM.

As in prior years, NAB will again invite shareholders to submit questions in advance of the 2023 AGM, to help NAB understand and address areas of interest or concern.

Each substantive resolution considered at the AGM will be conducted by a poll. The Board considers that voting by a poll is in the interests of shareholders as a whole and ensures that the views of as many shareholders as possible are represented at the AGM. Shareholders unable to attend the hybrid AGM are encouraged to vote in advance of the meeting.

Shareholders can contact NAB or the NAB Share Registry at any time, by mail, telephone, email or via the Computershare Investor Centre. More than half of NAB's shareholders have elected to communicate with NAB and Computershare electronically.

Colleague engagement

In 2023, the Board participated in a number of events with NAB colleagues, including:

- Meetings with specific teams to learn about their day-to-day work and areas of subject matter expertise.
- Meetings with senior leaders, which allowed directors to experience the culture and capability of leaders.
- Site visits and events with colleagues to listen to customers and support them with their needs.

Director induction and continuing education

Three new directors were appointed to the Board in 2023. Each new director is provided with an orientation program that includes discussions with management, and briefings and workshops on NAB's:

- Major lines of business.
- Strategic and financial plans.
- Risk management strategy, frameworks, compliance programs and significant risk management matters, including cyber and financial crime risk management.
- Financial statements, including significant financial and accounting matters.
- NAB's performance management structure.
- Internal and external audit programs.
- Purpose, values and Code of Conduct.
- Key policies and external commitments, such as decarbonisation targets.
- Directors' rights, duties and responsibilities.

Continuing education is provided for the Board through a combination of internal and external presentations, workshops with management, site visits and study tours. Directors are also expected to keep up to date on topical issues in their own time.

For further detail on the Board's continuing education in 2023, refer to the skills matrix on page 104.

Directors' independence

All NAB directors are expected to bring independent and unfettered judgement to Board deliberations.

To qualify as independent, a director must be independent of management and free of any business, personal or other association that could materially interfere with (or reasonably be perceived to materially interfere with) the director's exercise of independent and unfettered judgement with respect to issues before the Board, and to act in the best interests of NAB and its shareholders.

The Board conducts annual reviews of the independence of each of the directors. Directors are expected to provide information as and when changes occur, and each non-executive director is required to make an annual disclosure to the Board of all relevant information.

A register of directors' material interests is maintained and periodically reviewed by each director.

If a director is involved with another company or firm that may have dealings with NAB, those dealings must be at arm's length and on normal commercial terms.

Director tenure is a factor considered by the Board in assessing the independence of a director but is not determinative. As a guide, most directors would not stand for re-election after serving nine years on the Board, however, the Board may determine that a director continues to bring valuable expertise, independent judgement and the ability to act in the best interests of NAB beyond that period. The overall tenure profile of the Board is also a relevant factor.

In considering the independence of each director, the Board considers the factors outlined in the 4th edition ASX Corporate Governance Principles and Recommendations. The Board has determined for 2023 that all non-executive directors identified on pages 93 to 97 are independent and that the Board consisted of a majority of independent directors.

To further assist in ensuring that the Board operates independently of management, non-executive directors meet in the absence of management at most scheduled Board and committee meetings.

Conflicts of interest

Under Australian law, directors have a duty to avoid conflicts of interest.

The NAB Conflicts of Interest Policy and the NAB Constitution establish clear rules, controls and guidance regarding the management of actual, potential or perceived conflicts of interest.

Directors are expected to avoid any action, position or interest that conflicts or appears to conflict with an interest of NAB. This is a matter for ongoing and active consideration by all directors, and any director who has a material personal interest in a matter relating to NAB's affairs must notify the Board.

If a potential conflict of interest arises, NAB's corporate governance standards dictate that the director concerned does not receive copies of the relevant Board papers and is not present at meetings while such matters are considered. In this way, the director takes no part in discussions and exercises no influence over the other members of the Board. If a significant conflict of interest with a director exists and cannot be resolved, the director is expected to tender his or her resignation.

For more information, please refer to the Corporate Governance section of nab.com.au.

Access to management and independent professional advice

The Board and its committees have free and unfettered access to senior management, and any other relevant internal or external party and information, and may make any enquiries to fulfil their responsibilities.

The Board Charter and Board Committee Operating Rules clearly state that the Board or its committees may engage external consultants and experts as required, and written guidelines entitle each director to seek independent professional advice at NAB's expense, with the prior approval of the Chair. The Board can conduct or direct any investigation to fulfil its responsibilities and can retain, at NAB's expense, any legal, accounting or other services that it considers necessary from time to time to fulfil its duties.

Director and executive shareholding requirements

To align with shareholders' interests, the Board has adopted a policy that within five years of appointment, non-executive directors must hold ordinary shares equal in value of the annual Chair fee for the Chair and base fee for all other non-executive directors.

The value of a non-executive director's shareholding is based on the share price at the time shares were acquired.

Other than the three new directors, non-executive directors have met their minimum shareholding requirement.

Newly appointed non-executive directors are expected to acquire shares each year until the minimum requirement is met by the end of year 5.

Minimum shareholding requirements for the Executive Leadership Team are:

- Group CEO: two times fixed remuneration.
- Group Executives: one times fixed remuneration.

Newly appointed Executive Leadership Team members are required to satisfy the minimum shareholding requirement within a five-year period from the date of commencement in their role.

The Group CEO and other Group Executives have met, or are on track to meet their minimum shareholding requirement.

Details of non-executive director and Executive Leadership Teams' NAB shareholding requirements are set out in the *Remuneration Report*.

Board committees

Nomination & Governance Committee

Committee purpose	2023 areas of focus	Relevant information
Supports the Board on composition and governance matters.	• **Board composition and skills:** assessing the necessary and desirable skills and competencies of the Board and Chair, and of the committees and committee chairs, as well as making recommendations on continuing education and development for the Board and directors. • **Nominations:** with the assistance of an external recruitment consultant, identifying potential director candidates and making recommendations to the Board on the selection and re-election of directors. • **Governance:** reviewing corporate governance principles and policies.	• Must have a minimum of three independent non-executive directors. • The Chair of the Board is Committee Chair. **2023 Members:** • Philip Chronican (Committee Chair) • Anne Loveridge • Simon McKeon

Audit Committee

Committee purpose	2023 areas of focus	Relevant information
Supports the Board with overseeing the integrity of accounting and financial statements and the financial, regulatory and corporate reporting processes of the Group, the Internal Audit function, the external auditor, and the Group Whistleblower Protection Policy and Program.	• **Financial statements**: overseeing the integrity of the Group's accounting and financial statements, including compliance with accounting standards and policies. • **Reporting:** overseeing the integrity of the Group's financial, regulatory and corporate reporting processes. • **Audit results:** reviewing key internal and external audit findings and insights. • **Auditor performance and independence:** overseeing the performance and independence of Internal Audit and the external auditor, including review of the adequacy of internal and external audit plans and resourcing. • **Whistleblower Program:** overseeing the effectiveness of the Group Whistleblower Protection Policy and Program including material matters being investigated, key themes and trends.	• Must have a minimum of three independent non-executive directors. • Has a member who also sits on the Risk & Compliance Committee. • Has members who are financially literate and at least one member with appropriate accounting or financial expertise. **2023 Members:** • David Armstrong (Committee Chair) • Doug McKay • Kathryn Fagg (until February 2023) • Peeyush Gupta (from March 2023) • Alison Kitchen (from September 2023) The Group Chief Financial Officer (CFO), Executive, Internal Audit and senior executives of the Group's external auditor, EY, attended all eligible Committee meetings. The Group Deputy CFO attended the majority of eligible Committee meetings.

People & Remuneration Committee

Committee purpose	2023 areas of focus	Relevant information
Supports the Board in discharging its responsibilities relating to people and remuneration strategies, policies and practices of the Group. The committee undertakes these activities with the objective that they align with and enable the overall Group Strategy and support the Group's purpose, values, strategic objectives and risk appetite (while not rewarding conduct or behaviours that are contrary to these aims).	• **Strategy execution:** monitoring the impact from, and the embedding of, key elements of the Colleague Strategy, including leadership, talent development, succession and engagement. • **Remuneration governance:** monitoring how remuneration and performance frameworks (including consequence management) are applied across the Group, particularly ensuring effective connections between risk management and remuneration outcomes. Monitoring the implementation of APRA Prudential Standard CPS 511 (Remuneration) and the finalisation of the new Enterprise Agreement, in particular, their impact on NAB's people and remuneration strategies, policies and frameworks. • **Executive performance:** evaluating individual executive performance in the context of Group performance at least twice each reporting period, and recommending to the Board the fixed remuneration and variable reward outcomes for the Group CEO, Group Executives and certain other senior executives. Information on the process for evaluating executive performance is set out in the Remuneration Report. • **Group performance and variable reward:** considering Group performance for 2023 (with the assistance of other Board committees) and making a Group Performance Indicator (GPI) recommendation to the Board for the Group Variable Reward Plan.	• Must have a minimum of three independent non-executive directors. • Has a member who also sits on the Risk & Compliance Committee. **2023 Members:** • Anne Loveridge (Committee Chair) • Ann Sherry • Peeyush Gupta (until February 2023) • Kathryn Fagg (from March 2023) The Board Chair, the Group CEO, and the Group Chief Risk Officer (CRO) attended all eligible Committee meetings. The Group Executive, People & Culture and the Executive, Internal Audit attended the majority of eligible Committee meetings.

Risk & Compliance Committee

Committee purpose	2023 areas of focus	Relevant information
Supports the Board with oversight of the Group's risk profile, Risk Management Framework (covering financial, non-financial and emerging risks), material risks, risk mitigation practices, adherence to Board approved risk appetite and internal compliance and control systems, while guiding management's promotion and maintenance of a risk-based culture.	• **Risk appetite:** reviewing and overseeing the Group and NAB Risk Appetite Statement and Risk Management Strategy, covering existing and emerging financial and non-financial risks. • **Risk management:** reviewed the Board's annual Risk Management Declaration to APRA for the year ended 30 September 2022 and overseeing management's progress in addressing matters identified in that Declaration. • **Material risk updates**: overseeing key material risk categories, including: Credit risk; Balance Sheet & Liquidity risk; Market risk; Operational risk; Compliance risk; Conduct risk; and Sustainability risk. The Board has retained direct oversight of Strategic risk. • **Compliance culture:** continued focus on regulatory and legislative requirements and the controls and compliance environment to monitor adherence and shortcomings. • **Controls environment:** continued review of the health and transformation of controls. • **Audit matters:** reviewing key internal audit findings and insights, including monitoring management's response to matters raised. • **Technology:** reviewing updates relating to the technology risk profile, technology resilience, technology currency debt, and cyber risks. • **External environment:** reviewing regular updates on credit, market and liquidity conditions and the impact of external conditions on certain portfolios. • **Capital and liquidity:** continued emphasis on monitoring and reviewing the level of capital and liquidity held by the Group.	• Must have a minimum of three independent non-executive directors. • Has members who also sit on the Audit Committee and People & Remuneration Committee. **2023 Members:** • Simon McKeon (Committee Chair) • David Armstrong • Kathryn Fagg • Peeyush Gupta • Carolyn Kay (from July 2023) The Group CRO, Group CFO, Executive, Internal Audit and senior executives of the Group's external auditor, EY, attended all eligible Committee meetings. The Board Chair and the Group CEO attended the majority of meetings.

Customer Committee

Committee purpose	2023 areas of focus	Relevant information
Supports the Board with overseeing the importance given to the voice of the customer and the focus on customer outcomes at NAB.	• **Customer outcomes:** monitoring NAB's response to scams and support for customers experiencing vulnerability . • **Product governance:** monitoring NAB's adherence to the ASIC Design & Distribution Obligations and product simplification progress. • **Customer complaints:** monitoring NAB's complaint capture, handling and themes. • **Customer remediation:** reviewing and evaluating management reports on both banking and wealth remediation programs. • **Customer Advocates:** reviewing reports from the Customer Advocate Banking on advocacy and insights to deliver fair outcomes for NAB customers that align with community expectations.	• Must have a minimum of three independent non-executive directors. **2023 Members:** • Ann Sherry (Committee Chair) • Doug McKay • Anne Loveridge • Christine Fellowes (from June 2023) The Group Executive, Legal and Commercial Services attended the majority of the meetings.

Subsidiary boards

NAB has a number of subsidiary companies. The activities of each subsidiary company in the Group are overseen by that company's own board of directors. The Board's confidence in the activities of its controlled entities stems from the quality of the directors on those subsidiary boards and their commitment to NAB's objectives. NAB has one significant subsidiary, BNZ. The Chair of the BNZ Board is Doug McKay who is also a NAB director. NAB directors have a standing invitation to attend board meetings of BNZ to develop a broader understanding of its operations.

The Group's subsidiary governance framework sets out the corporate governance requirements for subsidiaries operating within the Group environment including different roles and responsibilities of subsidiaries, their boards and management.

How We Work

Governance, conduct and culture

The Board approves NAB's purpose, values and Code of Conduct to underpin the desired culture within NAB's business and oversees the establishment by management of a culture that is focused on sound risk management and customer outcomes. NAB's refreshed strategy, released in 2020, clearly stated why NAB is here: to serve customers well and help our communities prosper.

NAB values and culture

NAB updated its company values in 2020 in conjunction with a refresh of its Strategy. These values, known as **How We Work**, identify the core elements of behaviour expected of colleagues for NAB to deliver its strategy and clearly articulate its target culture.

The below articulation of "what we do" and "what we don't do" provides guidance for all colleagues to understand the standards expected at NAB. How We Work is the basis of NAB's Code of Conduct and integrated into its performance management framework. To strengthen NAB's commitment to service delivery and serving its customers well, the "excellence for customers" value was updated in 2023.

How We Work has been approved by the Board and is summarised below.

How we work

	What we do	What we don't do
Excellence for customers	We actively listen and ask open ended questions	Dismiss or assume what our customer wants
	We take ownership and follow up (TOFU)	Handball actions and accountability
	We apply the sundown rule and respond on the same day	Put off actions that should be done today
	We are friendly and helpful	Fail to acknowledge or connect with our customers
Grow together	Be ambitious for growth	Tolerate mediocrity
	Be curious and learn from each other	Move on without learning
	Prioritise each other's wellbeing	Succeed at the expense of others
Be respectful	Speak honestly and supportively, especially about concerns	Avoid difficult conversations or challenge inappropriately
	Value the time and opinion of others	Dismiss challenges and advice without consideration
	Do what we say we will	Fail to keep others informed
Own it	Get on with it and follow up until it's resolved	Delay taking action
	Do what's right, even when it's hard	Say "it's not my job"
	Make the most of what we have	Spend more time, resources or money than is needed

To achieve NAB's target culture, the Colleague Strategy was established to deliver the goal of having trusted professionals who are proud to be a part of NAB. NAB's strategic aspirations include:

Talented professionals who shape the future of banking

NAB fosters diverse, market-leading banking professionals and attracts, develops and retains top talent. NAB empowers colleagues to learn and grow, build digital and data capabilities and pursue exciting career opportunities.

Distinctive leaders who inspire performance

NAB builds clear, capable and motivated leaders who drive positive change and connect colleagues to why NAB is here: to serve customers well and help our communities prosper. NAB people leaders create a winning environment and celebrate the successes and contributions of all.

Empowered colleagues who are motivated

NAB cares deeply about customers and is passionate about exceptional service and executional excellence. NAB focuses on top priorities, works with flexibility and pace, and colleagues are rewarded fairly for strong performance.

Inclusive culture we can be proud of

NAB aims for an agile, progressive and accountable culture where colleagues role model How We Work and collaborate to accelerate decision-making and customer outcomes.

NAB has a continued focus on improving its culture and risk culture, underpinned by its culture and risk culture framework which is based on How We Work. NAB's culture and risk culture framework has evolved in maturity over time, with the goal of having an approach that is best in class. Progress is reported to the Board twice yearly and measurement uses data including colleague engagement Heartbeat surveys, objective performance metrics, operating model effectiveness assessments and independent expert review. The varied data inputs provide a holistic and integrated assessment and bring meaningful insights to inform management action on culture and risk culture.

NAB's Inclusion and Diversity Policy is available in the Corporate Governance section of nab.com.au. Information about NAB's measurable objectives is located in the *Inclusion and diversity* section of this report.

Conduct

NAB has a suite of policies and practices to promote a culture of honesty and ethical behaviour. Policy compliance is monitored and consequence management procedures exist for policy breaches. Senior leaders are accountable for performance against risk and conduct measures.

NAB's Code of Conduct

NAB's Code of Conduct (the Code) was revised in 2020 and approved by the Board.

The Code outlines what is expected of directors, leaders, colleagues and contractors who perform services on NAB's behalf.

The Code captures NAB's legal obligations and an expectation to act ethically and responsibly towards customers, colleagues and communities. The Code emphasises How We Work, and the key policies and guidelines which must be followed to achieve expected outcomes. There is a strong emphasis on speaking up about concerns and a guide to ethical decision making.

The Code is supported by a renewed approach to conduct and consequence management. Each business and enabling unit has established professional standards forums to review or note breaches of the Code at least quarterly, taking action to set the tone and reinforce NAB's standards of conduct and culture. Any material breaches or conduct that is materially inconsistent with the expected outcomes in the Code are reported to the People & Remuneration Committee.

NAB's Code of Conduct is available in the Corporate Governance section at nab.com.au/about-us/corporate governance.

Banking Executive Accountability Regime (BEAR)

For the purposes of BEAR, NAB has registered certain individuals (the directors, Group Executives, Executive Internal Audit and Executive Group Money Laundering Reporting Officer) as 'Accountable Persons' with APRA. NAB undertakes appropriate checks before appointing executives or putting someone forward for election as a director.

NAB's implementation of BEAR continues to strengthen and clarify its accountability structures and practices. This helps to ensure clearer delegation and decision-making processes.

All NAB Accountable Persons have a letter of appointment (in the case of directors) or written employment agreement (in the case of executives), which governs the terms of their appointment, as well as a detailed BEAR Accountability Statement which is lodged with APRA.

On 5th September, the Commonwealth Parliament passed the Financial Accountability Regime Bill (FAR). FAR will replace BEAR and expands upon the obligations imposed on NAB and its Accountable Persons under BEAR. FAR will come into force for NAB on 15 March 2024.

Escalation and whistleblower protection

The Group Whistleblower Protection Policy and Whistleblower Program reflects NAB's ambition for an environment where colleagues feel safe and empowered to speak up about wrongdoing.

NAB encourages colleagues to raise concerns about wrongdoing including conduct that may be illegal, unacceptable or improper.

By speaking up, colleagues help to identify and address wrongdoing as early as possible ensuring NAB's focus is on getting the basics right and serving customers well.

The Group Whistleblower Program provides confidential channels for colleagues (current and former colleagues, officers, contractors and/or suppliers) to raise concerns, including through FairCall, an independently monitored external hotline service operated by KPMG.

The Group Whistleblower Protection Policy provides information on the support and protection available to whistleblowers, how matters will be investigated and reinforces NAB's zero tolerance for any act of reprisal against those who speak up.

The Program has been established as an independent function with direct escalation and reporting lines to the Board's Audit Committee via NAB's Group Whistleblower Committee.

The Group Whistleblower Protection Policy is available in the Corporate Governance section at nab.com.au

Anti-bribery and corruption policy

The Group is committed to preventing financial crime and takes a zero-tolerance approach to bribery and corruption. This is reflected in the Group's Anti-Bribery and Corruption (ABC) Policy and Framework as well as the Group's dedication to acting:

- Honestly, with integrity and upholding the highest ethical standards in its global activities.
- In compliance with all applicable anti-bribery and corruption laws in all jurisdictions in which the Group operates.

The prohibition against bribery and corruption in the ABC Policy applies to NAB's entities, colleagues and all agents, contractors and other third parties acting for or on behalf of the Group. The Group strictly prohibits bribery in any form (including facilitation payments). The ABC Policy includes additional requirements around gifts and entertainment involving government officials which require approvals regardless of value. The ABC Policy is supplemented by supporting procedures which define minimum standards for compliance with the ABC Policy. Material breaches of the ABC Policy are reported to the Board by the Group CRO. NAB is a Cornerstone Member of Transparency International Australia, a member of the Bribery Prevention Network and is a signatory to the UN Global Compact, pledging to work against corruption in all its forms.

The Group's ABC Policy is available in the Corporate Governance section at nab.com.au.

Group disclosure and external communication policy

The *Corporations Act 2001* (Cth) and the ASX Listing Rules require that, subject to certain exceptions, once NAB becomes aware of any information concerning it that a reasonable person would expect to have a material effect on the price or value of NAB securities ('market sensitive information'), NAB will immediately disclose that information to the ASX and where applicable, to other relevant stock exchanges.

NAB manages compliance with its continuous disclosure obligations through its Group Disclosure and External Communications Policy and associated guidance notes. NAB's Disclosure Committee, comprised of senior executives, has primary responsibility regarding NAB's disclosure obligations. Potentially disclosable matters are promptly referred to the Disclosure Committee for assessment and determination. NAB operates a strict decision-making regime to enable it to monitor compliance with its disclosure obligations.

All members of the ELT are responsible for ensuring their teams adhere to the Policy and for liaising directly with the Group Executive, Legal and Commercial Services or the General Counsel Corporate on any potentially disclosable matters. Routine administrative ASX announcements are made by the Group Company Secretary without reference to the Disclosure Committee.

Where appropriate, the Board is consulted on disclosures of utmost significance and all announcements of major matters require consideration and approval by the Board.

The Board receives copies of all material market announcements promptly after they have been made.

The Group Disclosure and External Communications Policy is available in the Corporate Governance section at nab.com.au/about-us/corporate governance.

Restrictions on trading in NAB securities

NAB's Group Securities Trading Policy and associated guidance notes explain the law and the policy for its colleagues to comply with when trading in NAB securities.

NAB has black-out periods prior to the release of the Group's financial results during which colleagues must not trade in NAB securities. In addition, ad hoc restrictions may be imposed on all, or individually identified, colleagues from time to time when there is a heightened risk of those colleagues coming into contact with market sensitive information.

All NAB colleagues are prohibited from using derivatives or otherwise entering into hedging arrangements in relation to elements of their remuneration that are unvested.

In addition, members of key management personnel and their closely related parties are prohibited from using derivatives or otherwise entering into hedging arrangements in relation to elements of their remuneration that are unvested or which have vested but remain subject to forfeiture conditions.

For more detail, refer to the *Remuneration Report*.

The Group Securities Trading Policy is available in the Corporate Governance section at nab.com.au/about-us/corporate governance.

Group political contributions policy

Since 2016, NAB has not made donations to any political party, parliamentarian, elected official or candidate for political office. From time to time, NAB representatives may pay to attend political events and business forums hosted by major political parties. Any payments for event attendance received by political parties will be included in the Australian Electoral Commission register.

NAB considers its Group Political Contributions Policy every two years. The Group Political Contributions Policy is available in the Corporate Governance section at nab.com.au/about-us/corporate governance.

Modern slavery and human trafficking statement

The Group provides an annual Modern Slavery and Human Trafficking Statement. From 2020, this statement has been pursuant to both the *Modern Slavery Act 2015* (UK) and the *Modern Slavery Act 2018* (Cth). Consideration of modern slavery is incorporated into the Group Human Rights Policy and relevant risk management practices and processes applicable to the Group's customer and third-party relationships. This includes: (i) management of sustainability risk (incorporating modern slavery and human trafficking risk), within the Group's material supply chain relationships; (ii) banker identification and reporting of potential modern slavery and human trafficking concerns and Financial Crime team monitoring and investigation of human impact crimes; and (iii) consideration of modern slavery and human trafficking risk in ESG risk assessments conducted as part of customer credit risk assessment and due diligence processes, where applicable.

The Group's Human Rights Policy is available in the Human rights approach section at nab.com.au/content/dam/nabrwd/documents/policy/corporate/human-rights-policy.pdf.

The Group's Modern Slavery and Human Trafficking Statement is available in the Sustainability performance and reporting section at nab.com.au/about-us/social-impact/modern-slavery-statement.

Assurance and control

For the Board to determine that the Group's financial statements and disclosures are complete and accurate, it reviews information provided by management. Independent and objective assurance is provided by the Group's external auditor, EY, on the audited financial report.

External Audit

Throughout 2023, NAB's external auditor was EY. The Audit Committee is responsible for the appointment, evaluation, management and removal of the external auditor, and the approval of the external auditor's annual fees (subject to shareholder approval where required). The Audit Committee oversees EY's responsibilities and regularly meets with EY to review the adequacy of the external audit arrangements with emphasis on effectiveness, performance and independence. This includes an annual review of the external audit plan.

To foster open communication and to facilitate appropriate matters coming to the attention of the Audit Committee, the Group CEO, Group CFO, Deputy Group CFO, Group CRO, Group Executive Legal & Commercial Services, Executive General Counsel Corporate, Executive Internal Audit, and the lead External Audit Partner all have direct and unfettered access to the Audit Committee.

NAB does not employ or appoint to the Board, Group or any subsidiary board or management body, any current or former partner, principal, shareholder or professional employee of the external auditor or their family members, if to do so would impair the auditor's independence.

The Audit Committee has adopted a Group External Auditor Independence Policy that requires pre-approval of any services proposed to be provided by the external auditor to ensure that independence is maintained. The Audit Committee delegates authority to the Group CFO and Deputy Group CFO to approve those services where the expected cost of the service is less than $200,000 (excluding local taxes). Services over $200,000 (excluding local taxes) require the approval by the Chair of the Audit Committee as the Audit Committee delegated authority. The exercise of any such delegation is reported to the Audit Committee at least biannually.

The Group External Auditor Independence Policy defines audit-related and taxation-related services and stipulates that certain services are entirely prohibited from being provided by the external auditor to ensure the independence of the external auditor is maintained. Non-audit services are permitted where the service meets auditor independence requirements with the approval by the Chair of the Audit Committee.

Unless the Audit Committee approves otherwise, fees paid for the provision of audit-related, taxation-related and non-audit services must not exceed fees paid for audit services in any year. Details of the services provided by the external auditor to the Group and the fees paid or payable for such services are set out in *Note 34 Remuneration of external auditor* of the 2023 Financial Report (attached to this 2023 Full Year U.S. Disclosure Document as part of Annex B Financial Statements).

Legislation requires the rotation of the external audit senior personnel who are significantly involved in NAB's audit after five successive years, including the Lead Partner.

The external auditor attends the AGM and is available to answer shareholder questions regarding the conduct of the audit and the content of the audit report.

Periodic corporate reports

The Annual Report, Climate Report, Investor Presentations, Quarterly Trading Updates, Full Year Results Management Discussion and Analysis and Pillar 3 Report form the suite of the Group's periodic corporate reports.

Each report is subject to the Group's risk management and internal control systems. Assurance over risk management and internal control systems is achieved through assessments of the effectiveness of controls.

The integrity of the Group's periodic corporate reports is underpinned by structures and processes within the Group functions that support areas of judgement, validation of information and the maintenance of proper records for all information.

The Group's reporting policies incorporate Australian and international regulatory, legislative and prudential requirements. The Group's Enterprise Reporting Assurance team verify and check information across the suite of the Group's periodic corporate reports. Group Executives and subject matter experts certify the information pertaining to their area of responsibility is materially complete and not materially misleading by statement or omission.

The level of external assurance provided on the suite of the Group's periodic corporate reports is disclosed by the external auditor in their reports presented in NAB's 2023 Annual Report and by KPMG in their reports available on NAB's website over a selection of climate-related measures and disclosures presented in NAB's 2023 Climate Report.

Where there is no external assurance provided, management's assurance procedures are considered adequate by the Audit Committee for ensuring the Group's periodic corporate reports are materially accurate, balanced and provide investors with appropriate information to make informed decisions.

Internal Audit

The role of Internal Audit is to provide independent assurance on the adequacy and effectiveness of NAB's Risk Management Framework. Internal Audit forms the third line of risk accountability in NAB's Risk Management Framework.

The Executive, Internal Audit needs to be suitably qualified for the role.

A recommendation on the appointment, performance and dismissal of the Executive, Internal Audit is made by the Audit Committee to the Board. The Audit Committee monitors the activities and performance of Internal Audit and assesses whether it remains independent of management and is adequately resourced and funded.

Internal Audit has a direct reporting line to the Chair of the Audit Committee and informal reporting lines to the Group CEO and Group CFO.

As well as reporting regularly to the Audit Committee, the Executive, Internal Audit provides regular reports to the Board's Risk & Compliance Committee on risk and control matters and attends People & Remuneration Committee meetings to provide insights on conduct and culture matters.

Both the External and Internal Audit functions have full and unrestricted access to all colleagues, records and systems as necessary to undertake their activities.

Compliance with ASX corporate governance recommendations

This statement has been approved by the Board of National Australia Bank Limited (Board) and is current as at 30 September 2023.

NAB's Appendix 4G (a checklist that cross references the disclosures in this Statement to the ASX Corporate Governance Principles and Recommendations) is available in the Corporate Governance section of nab.com.au.

Before publication of NAB's 2023 Annual Report, the Board received a joint declaration from the Group CEO and the Group CFO that:

- In their opinion the financial records of NAB have been properly maintained in accordance with the *Corporations Act 2001* (Cth).
- In their opinion the financial statements and notes comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the Group.
- Their opinion was formed based on a sound system of risk management and internal control which is operating effectively.

Directors’ information

For information on the directors, company secretaries and board meetings refer to pages 93 to 97 and 102.

Directors' and officers' indemnity

NAB’s constitution

To the maximum extent permitted by law and without limiting the Company’s power, the Company may indemnify any current or former officer out of the property of the Company against:

- Any liability incurred by the person in the capacity as an officer (except a liability for legal costs).
- Legal costs incurred in defending or resisting (or otherwise in connection with) proceedings, whether civil or criminal or of an administrative or investigatory nature, in which the officer becomes involved because of that capacity.
- Legal costs incurred in connection with any investigation or inquiry of any nature (including, without limitation, a royal commission) in which the officer becomes involved (including, without limitation, appearing as a witness or producing documents) because of that capacity.
- Legal costs incurred in good faith in obtaining legal advice on issues relevant to the performance of their functions and discharge of their duties as an officer, if that expenditure has been approved in accordance with the terms of any applicable deed or agreement entered into pursuant to article 20.3 or any applicable policy of the Company, except to the extent that:
  - The Company is forbidden by law to indemnify the person against the liability or legal costs, or
  - An indemnity by the Company of the person against the liability or legal costs, if given, would be made void by law.

Under Article 20.2, the Company may pay or agree to pay, whether directly or through an interposed entity, a premium for a contract insuring a person who is or has been an officer against liability incurred by the person in that capacity, including a liability for legal costs, unless:

- The Company is forbidden by law to pay or agree to pay the premium, or
- The contract would, if the Company paid the premium, be made void by law.

The Company may enter into an agreement with a person referred to in Articles 20.1 and 20.2 with respect to the subject matter of those Articles. Such an agreement may include provisions relating to rights of access to the books of the Company . In the context of Article 20, ‘officer’ means a director, secretary or senior manager of NAB or of a related body corporate of the Company.

The Company has executed deeds of indemnity in favour of each director of NAB and certain directors of related bodies corporate of the Company. Some companies within the Group have extended equivalent deeds of indemnity in favour of directors of those companies.

Directors' and officers' insurance

During the year, the Company, pursuant to Article 20, paid a premium for a contract insuring all directors, secretaries, executive officers and officers of the Company and of each related body corporate of the Company. The contract does not provide cover for the independent auditors of the Company or of a related body corporate of the Company. In accordance with usual commercial practice, the insurance contract prohibits disclosure of the premium payable, the policy limits and the nature of the liabilities covered.

Directors' and executives' interests

Particulars of shares, rights and other relevant interests held directly and indirectly by directors and Group Executives are set out in the *Remuneration Report*.

Other matters

Rights

As at the date of this report, there are 3,635,434 rights outstanding in relation to NAB fully paid ordinary shares. No exercise price is payable for rights. The latest dates for exercise of the rights range between 15 November 2023 and 15 November 2030. Persons holding rights are not entitled to participate in capital actions by NAB (such as rights issues or bonus issues).

For the period from 1 October 2023 to the date of this report, no NAB fully paid ordinary shares were issued as a result of the exercise of a right.

For further details on rights refer to *Note 35 Equity-based plans* of the 2023 Financial Report (attached to this 2023 Full Year U.S. Disclosure Document as part of Annex B Financial Statements) and *Section 7.4* of the *Remuneration Report* (attached to this 2023 Full Year U.S. Disclosure Document as part of Annex A Remuneration Report).

Future developments

In the opinion of the directors, discussion or disclosure of any further future developments including the Group's business strategies and its prospects for future financial years would be likely to result in unreasonable prejudice to the interests of the Group.

Proceedings on behalf of NAB

There are no proceedings brought or intervened in, or applications to bring or intervene in proceedings, on behalf of NAB by a member or other person entitled to do so under section 237 of the *Corporations Act 2001* (Cth).

Events subsequent to reporting date

There are no items, transactions or events of a material or unusual nature that have arisen in the period between 30 September 2023 and the date of this report that, in the opinion of the directors, have significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in future years.

Integrity of reporting

The directors of NAB have a responsibility with respect to the integrity of external reporting. This involves reviewing and monitoring, with the assistance of the Board Audit Committee and management, the processes, controls and procedures which are in place to maintain the integrity of the Group's financial statements.

Further details on the role of the Board and its committees can be found in NAB's 2023 Corporate Governance Statement in the *Corporate Governance Statement* section of this report and is available online at nab.com.au/about-us/corporate-governance.

External auditor

EY were appointed as the Group external auditor on 31 January 2005 and have provided the audit opinion on the Financial Report for 19 years. Mr Tim Dring was appointed on 16 December 2022 as the Group's Lead Partner succeeding Ms Sarah Lowe on the completion of her five-year tenure. The Audit Committee conducts an annual review of the adequacy of the external audit with emphasis on effectiveness, performance and independence of the external auditor. The Audit Committee resolved EY should continue as the Group's external auditor.

There is no person who has acted as an officer of the Group during the 2023 financial year who has previously been a partner at EY when that firm conducted the Group's audit.

Non-audit services, audit-related, taxation-related services

The remuneration of the external auditor is set out in *Note 34 Remuneration of external auditor* of the 2023 Financial Report (attached to this 2023 Full Year U.S. Disclosure Document as part of Annex B Financial Statements) and includes details of the fees paid or due and payable for audit-related, taxation-related and non-audit services provided by EY to the Group during 2023.

In accordance with advice received from the Board Audit Committee, the directors are satisfied that the provision of audit-related, taxation-related and non-audit services during the year to 30 September 2023 by EY is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001* (Cth). The directors are satisfied because the Board Audit Committee or its delegate has assessed each service, having regard to auditor independence requirements of applicable laws, rules and regulations, and concluded that the provision of each service or type of service would not impair the independence of EY.

A description of the Board Audit Committee's pre-approval policies and procedures is set out in the *Assurance and Control* section on page 113. A copy of EY's independence declaration is set out in the *Auditors independence* declaration (attached to this 2023 Full Year U.S. Disclosure Document as part of Annex C Audit Report).

Shareholder information

Ordinary shares

Twenty largest registered fully paid ordinary shareholders of the Company as at 12 October 2023

	Number of shares	% of total shares
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	781,134,305	24.96
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	494,826,750	15.81
CITICORP NOMINEES PTY LIMITED	265,695,811	8.49
NATIONAL NOMINEES LIMITED	82,304,621	2.63
BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING DRP A/C>	52,559,781	1.68
BNP PARIBAS NOMS PTY LTD <DRP>	42,493,694	1.36
CITICORP NOMINEES PTY LIMITED <COLONIAL FIRST STATE INV A/C>	30,961,117	0.99
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED <NT-COMNWLTH SUPER CORP A/C>	20,132,920	0.64
BNP PARIBAS NOMS PTY LTD DEUTSCHE BANK TCA <DRP>	15,027,858	0.48
NETWEALTH INVESTMENTS LIMITED <WRAP SERVICES A/C>	14,387,848	0.46
AUSTRALIAN FOUNDATION INVESTMENT COMPANY LIMITED	14,072,289	0.45
BNP PARIBAS NOMINEES PTY LTD HUB24 CUSTODIAL SERV LTD <DRP A/C>	9,361,385	0.30
ARGO INVESTMENTS LIMITED	5,934,685	0.19
BNP PARIBAS NOMS (NZ) LTD <DRP>	5,594,998	0.18
BNP PARIBAS NOMINEES PTY LTD ACF CLEARSTREAM	5,042,859	0.16
NATIONAL NOMINEES LIMITED <AUSTRALIAN ETHICAL INV LTD>	3,870,904	0.12
NAVIGATOR AUSTRALIA LTD <MLC INVESTMENT SETT A/C>	3,408,960	0.11
NULIS NOMINEES (AUSTRALIA) LIMITED <NAVIGATOR MAST PLAN SETT A/C>	3,377,780	0.11
IOOF INVESTMENT SERVICES LIMITED <IPS SUPERFUND A/C>	3,241,846	0.10
BKI INVESTMENT COMPANY LIMITED	3,238,000	0.10
Total	**1,856,668,411**	**59.32**

Substantial shareholders

The following organisations have disclosed a substantial shareholding notice to ASX. As at 12 October 2023, the Company has received no further update in relation to these substantial shareholdings.

Name	Number of shares	% of voting power
BlackRock Group[(1)]	177,651,034	6.02%
State Street Corporation[(2)]	163,528,467	5.21%
The Vanguard Group, Inc[(3)]	162,322,845	5.00%

(1) Substantial shareholding as at 18 March 2020, as per notice lodged on 20 March 2020.
(2) Substantial shareholding as at 12 May 2023, as per notice lodged on 16 May 2023.
(3) Substantial shareholding as at 1 February 2022, as per notice lodged on 4 February 2022.

Distribution of fully paid ordinary shareholdings

	Number of shareholders	% of holders	Number of shares	% of shares
Range (number)				
1 – 1,000	349,348	59.80	121,187,336	3.87
1,001 – 5,000	181,788	31.12	414,297,940	13.24
5,001 – 10,000	32,947	5.64	229,913,635	7.35
10,001 – 100,000	19,619	3.36	395,788,949	12.65
100,001 and over	444	0.08	1,967,761,067	62.89
Total	**584,146**	**100**	**3,128,948,927**	**100**
Less than marketable parcel of $500	15,823		108,757	

Voting rights

Each ordinary shareholder present at a general meeting (whether in person or by proxy or representative) is entitled to one vote on a show of hands or, on a poll, one vote for each fully paid ordinary share held. Holders of partly paid shares voting on a poll are entitled to a number of votes based upon the proportion that the amount of capital call and paid up on the shares bears to the total issue price of the shares.

NAB Capital Notes 3 (NCN 3)

Twenty largest holders of NCN 3 as at 12 October 2023

	Number of securities	% of total securities
BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING DRP A/C>	3,283,631	17.52
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	1,113,484	5.94
CITICORP NOMINEES PTY LIMITED	986,921	5.27
NETWEALTH INVESTMENTS LIMITED <WRAP SERVICES A/C>	353,201	1.88
BNP PARIBAS NOMINEES PTY LTD HUB24 CUSTODIAL SERV LTD <DRP A/C>	232,264	1.24
NATIONAL NOMINEES LIMITED	186,681	1.00
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	164,145	0.88
NETWEALTH INVESTMENTS LIMITED <SUPER SERVICES A/C>	158,444	0.85
NULIS NOMINEES (AUSTRALIA) LIMITED <NAVIGATOR MAST PLAN SETT A/C>	128,740	0.69
MUTUAL TRUST PTY LTD	125,800	0.67
NAVIGATOR AUSTRALIA LTD <MLC INVESTMENT SETT A/C>	118,557	0.63
DIMBULU PTY LTD	108,500	0.58
BNP PARIBAS NOMINEES PTY LTD <PITCHER PARTNERS DRP>	100,301	0.54
CAPI PTY LTD	90,000	0.48
INVIA CUSTODIAN PTY LIMITED <WEHI – INVESTMENT POOL A/C>	75,325	0.40
IOOF INVESTMENT SERVICES LIMITED <IPS SUPERFUND A/C>	70,561	0.38
WILLIMBURY PTY LTD	65,609	0.35
BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	53,588	0.29
JDB SERVICES PTY LTD <RAC & JD BRICE INVEST A/C>	53,429	0.29
BALMORAL FINANCIAL INVESTMENTS PTY LTD	50,277	0.27
Total	**7,519,458**	**40.15**

Distribution of NCN 3 holdings

	Number of security holders	% of holders	Number of securities	% of securities
Range (number)				
1 – 1,000	14,966	88.29	5,324,547	28.41
1,001 – 5,000	1,758	10.37	3,727,016	19.89
5,001 – 10,000	145	0.86	1,083,175	5.78
10,001 – 100,000	68	0.40	1,545,475	8.25
100,001 and over	14	0.08	7,060,369	37.67
Total	**16,951**	**100**	**18,740,582**	**100**
Less than marketable parcel of $500	6		12	

Voting rights

In accordance with their terms of issue, holders of NCN 3 have no right to vote at any general meeting of the Company prior to conversion into NAB ordinary shares.

If NCN 3 is converted into NAB ordinary shares in accordance with their terms of issue, then voting rights will be as outlined on page 117 of this *Shareholder information* section for NAB ordinary shares.

NAB Capital Notes 5 (NCN 5)

Twenty largest holders of NCN 5 as at 12 October 2023

	Number of securities	% of total securities
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	2,128,550	8.92
CITICORP NOMINEES PTY LIMITED	1,666,366	6.98
BNP PARIBAS NOMINEES PTY LTD HUB24 CUSTODIAL SERV LTD <DRP A/C>	610,183	2.56
NETWEALTH INVESTMENTS LIMITED <WRAP SERVICES A/C>	445,753	1.87
BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING DRP A/C>	378,025	1.58
CITICORP NOMINEES PTY LIMITED <143212 NMMT LTD A/C>	261,889	1.10
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	226,434	0.95
NETWEALTH INVESTMENTS LIMITED <SUPER SERVICES A/C>	192,143	0.81
NAVIGATOR AUSTRALIA LTD <MLC INVESTMENT SETT A/C>	161,216	0.68
LEDA HOLDINGS PTY LTD	154,000	0.65
NULIS NOMINEES (AUSTRALIA) LIMITED <NAVIGATOR MAST PLAN SETT A/C>	142,352	0.60
MUTUAL TRUST PTY LTD	138,615	0.58
VALTELLINA PROPERTIES PTY LTD	129,200	0.54
BNP PARIBAS NOMINEES PTY LTD <PITCHER PARTNERS DRP>	126,151	0.53
JOHN E GILL TRADING PTY LTD	107,866	0.45
AM & EM NEXT GEN PTY LTD <AM & EM NEXT GEN A/C>	105,000	0.44
DIMBULU PTY LTD	100,000	0.42
NATIONAL NOMINEES LIMITED	90,822	0.38
BOND STREET CUSTODIANS LIMITED <KENDN - D90875 A/C>	88,736	0.37
NAVIGATOR AUSTRALIA LTD <JB WERE LIST FIX INT SMA A/C>	75,828	0.32
Total	**7,329,129**	**30.73**

Distribution of NCN 5 holdings

	Number of security holders	% of holders	Number of securities	% of securities
Range (number)				
1 - 1,000	20,936	87.59	7,822,240	32.78
1,001 - 5,000	2,679	11.21	5,555,668	23.29
5,001 - 10,000	172	0.72	1,239,406	5.19
10,001 - 100,000	97	0.41	2,269,263	9.51
100,001 and over	17	0.07	6,973,103	29.23
Total	**23,901**	**100**	**23,859,680**	**100**
Less than marketable parcel of $500	6		16	

Voting rights

In accordance with their terms of issue, holders of NCN 5 have no right to vote at any general meeting of the Company prior to conversion into NAB ordinary shares.

If NCN 5 is converted into NAB ordinary shares in accordance with their terms of issue, then voting rights will be as outlined on page 117 of this *Shareholder information* section for NAB ordinary shares.

NAB Capital Notes 6 (NCN 6)

Twenty largest holders of NCN 6 as at 12 October 2023

	Number of securities	% of total securities
BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING DRP A/C>	5,219,123	26.10
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	1,487,321	7.44
CITICORP NOMINEES PTY LIMITED	1,158,542	5.79
BNP PARIBAS NOMINEES PTY LTD HUB24 CUSTODIAL SERV LTD <DRP A/C>	459,914	2.30
NETWEALTH INVESTMENTS LIMITED <WRAP SERVICES A/C>	285,016	1.43
NATIONAL NOMINEES LIMITED	140,029	0.70
NETWEALTH INVESTMENTS LIMITED <SUPER SERVICES A/C>	128,672	0.64
MUTUAL TRUST PTY LTD	118,649	0.59
BNP PARIBAS NOMINEES PTY LTD <PITCHER PARTNERS DRP>	103,223	0.52
TANDOM PTY LTD	100,192	0.50
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	89,170	0.45
DIMBULU PTY LTD	50,000	0.25
ELMORE HOLDINGS PTY LIMITED <PEABODY FAMILY A/C>	50,000	0.25
IOOF INVESTMENT SERVICES LIMITED <IPS SUPERFUND A/C>	48,531	0.24
FAMILY ENDEAVOURS PTY LTD <BEST ENDEAVOURS A/C>	48,500	0.24
BNP PARIBAS NOMINEES PTY LTD ACF CLEARSTREAM	45,041	0.23
PESUTU PTY LTD <KAREDIS SUPER A/C>	43,729	0.22
JOHN E GILL TRADING PTY LTD	37,217	0.19
ELPHINSTONE HOLDINGS PTY LIMITED	36,012	0.18
NAVIGATOR AUSTRALIA LTD <MLC INVESTMENT SETT A/C>	34,371	0.17
Total	**9,683,252**	**48.43**

Distribution of NCN 6 holdings

	Number of security holders	% of holders	Number of securities	% of securities
Range (number)				
1 – 1,000	13,012	87.02	4,636,755	23.18
1,001 – 5,000	1,740	11.64	3,652,671	18.26
5,001 – 10,000	110	0.74	824,229	4.12
10,001 – 100,000	79	0.53	1,685,664	8.43
100,001 and over	11	0.07	9,200,681	46.01
Total	**14,952**	**100**	**20,000,000**	**100**
Less than marketable parcel of $500	2		4	

Voting rights

In accordance with their terms of issue, holders of NCN 6 have no right to vote at any general meeting of the Company prior to conversion into NAB ordinary shares.

If NCN 6 is converted into NAB ordinary shares in accordance with their terms of issue, then voting rights will be as outlined on page 117 of this *Shareholder information* section for NAB ordinary shares.

NAB Capital Notes 7 (NCN 7)

Twenty largest holders of NCN 7 as at 12 October 2023

	Number of securities	% of total securities
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	1,737,591	13.90
BNP PARIBAS NOMINEES PTY LTD HUB24 CUSTODIAL SERV LTD <DRP A/C>	540,548	4.32
CITICORP NOMINEES PTY LIMITED	489,503	3.92
NETWEALTH INVESTMENTS LIMITED <WRAP SERVICES A/C>	170,097	1.36
HIGHAM HILL PTY LTD	106,802	0.85
DIMBULU PTY LTD	100,000	0.80
MR JOHN WILLIAM CUNNINGHAM	90,680	0.73
BNP PARIBAS NOMINEES PTY LTD <PITCHER PARTNERS DRP>	83,060	0.66
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	59,416	0.48
NETWEALTH INVESTMENTS LIMITED <SUPER SERVICES A/C>	58,614	0.47
PARKYN CAPITAL PTY LTD	55,000	0.44
MUTUAL TRUST PTY LTD	46,104	0.37
2 KINANE STREET PTY LTD	36,280	0.29
GILLIES FAMILY HOLDINGS PTY LTD	34,190	0.27
POPEYE TREASURES PTY LTD	30,220	0.24
KADOO PTY LIMITED <B & D FAMILY A/C>	30,128	0.24
CORP OF THE TSTEES OF THE ROMAN CATH ARC	30,000	0.24
MR TETSUO KAWAI	29,000	0.23
NATIONAL NOMINEES LIMITED	28,445	0.23
CERTANE CT PTY LTD <BIPETA>	25,000	0.20
Total	**3,780,678**	**30.24**

Distribution of NCN 7 holdings

	Number of security holders	% of holders	Number of securities	% of securities
Range (number)				
1 - 1,000	9,295	84.41	3,536,895	28.30
1,001 - 5,000	1,505	13.67	3,258,170	26.07
5,001 - 10,000	128	1.16	899,972	7.20
10,001 - 100,000	78	0.71	1,760,422	14.08
100,001 and over	6	0.05	3,044,541	24.35
Total	**11,012**	**100**	**12,500,000**	**100**
Less than marketable parcel of $500	-		-	

Voting rights

In accordance with their terms of issue, holders of NCN 7 have no right to vote at any general meeting of the Company prior to conversion into NAB ordinary shares.

If NCN 7 is converted into NAB ordinary shares in accordance with their terms of issue, then voting rights will be as outlined on page 117 of this *Shareholder information* section for NAB ordinary shares.

Official quotation

Fully paid ordinary shares of the Company are quoted on the ASX.

The Group has also issued:

- NAB Capital Notes 3, NAB Capital Notes 5, NAB Capital Notes 6, NAB Capital Notes 7, covered bonds and residential mortgage backed securities which are quoted on the ASX.
- Medium-term notes, subordinated notes and covered bonds which are quoted on the Luxembourg Stock Exchange.
- Medium-term notes and perpetual preference shares which are quoted on the NZX Debt Market.
- Medium-term notes and covered bonds which are quoted on the SIX Swiss Exchange.
- Medium-term notes which are quoted on the Taipei Exchange.

Unquoted securities

NAB has the following unquoted securities on issue as at 31 October 2023:

- 8,950 partly paid ordinary shares, of which there are 13 holders
- 3,635,434 rights, of which there are 65 holders (refer to page 116 of this report for further details).

Chair

Mr Philip Chronican
BCom (Hons), MBA (Dist), GAICD, SF Fin

Group Chief Executive Officer and Managing Director

Mr Ross McEwan CBE
BBus

Group Chief Financial Officer

Mr Nathan Goonan
BCom, BAgrSc (Hons)

Registered office

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Australia
Tel: 1300 889 398
Tel: +61 3 8615 3064

International locations

nab.com.au/corporate/global-relationships

Auditor

Ernst & Young
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MELBOURNE VIC 3000
Australia
Tel: +61 3 9288 8000

Company Secretary

Mrs Louise Thomson BBus (Dist), FGIA

Group Investor Relations

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Email: investorrelations@nab.com.au

Sustainability

National Australia Bank Limited
Level 21
395 Bourke Street
MELBOURNE VIC 3000
Australia
Email: sustainability@nab.com.au

Shareholder Centre website

The Group's website at nab.com.au/shareholder has a dedicated separate section where shareholders can gain access to a wide range of information, including copies of recent announcements, annual reports as well as extensive historical information.

Shareholder information line

There is a convenient 24 hours a day, 7 days a week automated service. To obtain the current balance of your securities and relevant payment details, telephone 1300 367 647 (Australia) or +61 3 9415 4299 (outside Australia).

These services are secured to protect your interests. In all communications with the Share Registry, please ensure you quote your Securityholder Reference Number (SRN), or in case of broker sponsored shareholders, your Holder Identification Number (HIN).

Principal Share Register

Computershare Investor Services Pty Limited
Yarra Falls
452 Johnston Street
ABBOTSFORD VIC 3067
Australia

Postal address:
GPO Box 2333
MELBOURNE VIC 3001
Australia

Local call: 1300 367 647
Fax: +61 3 9473 2500
Telephone and fax (outside Australia):
Tel: +61 3 9415 4299; Fax: +61 3 9473 2500

Email: nabservices@computershare.com.au
Website: www.investorcentre.com/au

United Kingdom Share Register

Computershare Investor Services plc
The Pavilions
Bridgwater Road BRISTOL BS99 6ZZ
United Kingdom

Tel: +44 370 703 0197
Fax: +44 370 703 6101

Email: nabgroup@computershare.co.uk
Website: www.investorcentre.com/au

United States ADR Depositary, Transfer Agent and Registrar contact details for NAB ADR holders:

Deutsche Bank Shareholder Services
American Stock Transfer & Trust Company Operations Center
6201 15th Avenue
Brooklyn, NY 11219
USA
Toll-free number: +1 866 706 0509
Direct Dial: +1 718 921 8137
Email: db@amstock.com

Contact details for NAB ADR brokers & institutional investors:

US Tel: +1 212 250 9100
UK Tel: +44 207 547 6500
Email: adr@db.com

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Liquidity and funding

The Group's banking entities comply as required with the liquidity requirements of regulators in Australia, the United Kingdom, New Zealand, the United States and other geographies in which the Group operates. Liquidity within the Group is also managed in accordance with policies approved by the Board, with oversight from the Group Asset and Liability Committee.

The principal sources of liquidity for the Group are:

- cash
- amounts due to and from central and other banks
- repurchase agreements
- trading and other marketable securities
- proceeds from investments and repayments of customer lending facilities
- collateral associated with derivatives
- deposits
- proceeds from commercial paper, certificates of deposit, bonds, notes and subordinated debt issues
- interest income
- other operating income.

The Group's primary source of funding is from deposits and other borrowings which include on-demand and short-term deposits, term deposits, bank issued certificates of deposit and deposits not bearing interest. Of total liabilities at September 30, 2023 of $997,580 million (2022: $996,094 million; 2021: $863,189 million), funding from customer deposits and certificates of deposit (including amounts accounted for at fair value) amounted to $644,163 million (2022: $616,713 million; 2021: $547,777 million) or 65% (2022: 62%; 2021: 63%) of total liabilities. Although a substantial portion of customer accounts are contractually repayable within one year, on-demand, or at short-notice, such customer deposit balances have provided a stable source of core long-term funding for the Group.

Amounts due to other banks of $39,516 million as at September 30, 2023 (2022: $74,679 million; 2021: $74,160 million)(1) supplement the Group's customer deposits. For further information, refer to *Note 8 Cash and balances with other banks* of the 2023 Financial Report (attached to this 2023 Full Year U.S. Disclosure Document as part of Annex B Financial Statements). The Group also accesses the domestic and international debt capital markets under its various funding programs. As at September 30, 2023, the Group had on issue $149,386 million (2022: $134,344 million; 2021: $127,570 million) of term debt securities (bonds, notes and subordinated debt including bonds, notes and subordinated debt accounted for at fair value) and the following funding programmes available to fund the Group's general banking business(2).

Short-term funding programmes as at September 30, 2023

Europe

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

United States

Limit	Type	Issuer
USD10 billion	Commercial Paper Program	BNZ International Funding Limited, acting through its London Branch (and guaranteed by Bank of New Zealand)
USD45 billion	Commercial Paper Program	National Australia Bank Limited
USD10 billion	Commercial Paper Program	National Australia Funding (Delaware) Inc. (guaranteed by National Australia Bank Limited)

New Zealand

Limit	Type	Issuer
Unlimited	Debt Issuance Programme	Bank of New Zealand

(1) Includes Term Funding Facility provided by the Reserve Bank of Australia of $17,596 million (2022: $32,275 million; 2021: $31,866 million), and the Term Lending Facility and Funding for Lending Programme provided by the Reserve Bank of New Zealand of NZ$4,591 million (2022: NZ$3,453 million; 2021: NZ$2,664 million).

(2) National Australia Bank Limited is a legal entity separate and distinct from its subsidiaries, including Bank of New Zealand and BNZ International Funding Limited. There are statutory and regulatory limitations on the payment of dividends by, or other distributions from, certain of its subsidiaries and affiliates, including Bank of New Zealand and National Australia Bank Limited's New York Branch.

Long-term funding programmes and issuing shelves as at September 30, 2023

Global[1]

Limit	Type	Issuer(s)
NZD10 billion	BNZ Covered Bond Programme	Bank of New Zealand guaranteed by CBG Trustee Company Limited as Trustee of the BNZ Covered Bond Trust[2]
USD100 billion[3]	Global Medium Term Note Programme	National Australia Bank Limited, Bank of New Zealand and BNZ International Funding Limited (acting through its London Branch and guaranteed by Bank of New Zealand)
USD30 billion[4][5]	NAB Covered Bond Programme	National Australia Bank Limited (guaranteed by Perpetual Corporate Trust Limited as trustee of the NAB Covered Bond Trust)
Unlimited	National RMBS Trust	Perpetual Trustee Company Limited as trustee of the relevant National RMBS Trust (National Australia Bank Limited's roles include those of Seller and Servicer)

(1) Programmes have been listed in the jurisdictions within which issuances can be made and therefore may appear in multiple categories.
(2) Certain outstanding covered bonds were issued by BNZ International Funding Limited (BNZ-IF)(acting through its London Branch), guaranteed by CBG Trustee Company Limited as Trustee of the BNZ Covered Bond Trust and Bank of New Zealand. In addition, the payment of all amounts owing by BNZ-IF in respect of covered bonds issued by BNZ-IF is guaranteed by BNZ.
(3) Refers to total Global Medium Term Note Programme limit for all issuers in aggregate.
(4) Refers to total NAB Covered Bond Programme limit.
(5) The NAB Covered Bond Programme limit has been updated from USD30 billion to USD40 billion on 15 November 2023.

United States[1]

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

(1) Programmes have been listed in the jurisdictions within which issuances can be made and therefore may appear in multiple categories.
(2) Refers to total Global Medium Term Note Programme limit for all issuers in aggregate.
(3) Refers to total NAB Covered Bond Programme limit.
(4) The NAB Covered Bond Programme limit has been updated from USD30 billion to USD40 billion on 15 November 2023.

Australia[1]

Limit	Type	Issuer(s)
Unlimited	Debt Issuance Programme	National Australia Bank Limited
USD30 billion[2][3]	NAB Covered Bond Programme	National Australia Bank Limited (guaranteed by Perpetual Corporate Trust Limited as trustee of the NAB Covered Bond Trust)
Unlimited	National RMBS Trusts	Perpetual Trustee Company Limited as trustee of the relevant National RMBS Trust (National Australia Bank Limited's roles include those of Seller and Servicer)
Unlimited	Capital Notes Programme (wholesale)	National Australia Bank Limited

(1) Programmes have been listed in the jurisdictions within which issuances can be made and therefore may appear in multiple categories.
(2) Refers to total NAB Covered Bond Programme limit.
(3) The NAB Covered Bond Programme limit has been updated from USD30 billion to USD40 billion on 15 November 2023.

New Zealand[1]

Limit	Type	Issuer(s)
Unlimited	Debt Issuance Programme	Bank of New Zealand
NZD10 billion	BNZ Covered Bond Programme	Bank of New Zealand guaranteed by CBG Trustee Company Limited as Trustee of the BNZ Covered Bond Trust[2]

(1) Programmes have been listed in the jurisdictions within which issuances can be made and therefore may appear in multiple categories.
(2) Certain outstanding covered bonds were issued by BNZ International Funding Limited (BNZ-IF)(acting through its London Branch), guaranteed by CBG Trustee Company Limited as Trustee of the BNZ Covered Bond Trust and Bank of New Zealand. In addition, the payment of all amounts owing by BNZ-IF in respect of covered bonds issued by BNZ-IF is guaranteed by BNZ.

Japan[1][2]

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

(1) Programmes have been listed in the jurisdictions within which issuances can be made and therefore may appear in multiple categories.
(2) As at September 30, 2023, the Shelf registration for each of the above programmes is not effective. They may be renewed in the future. The limit described refers to the limit of each program at its most recent expiry.

Credit ratings

At September 30, 2023, the Group's issuing entities credit ratings were as follows:

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

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

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

(1) Issue credit ratings.

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

The Group maintains well diversified and high-quality liquid asset portfolios to support regulatory and internal requirements in the various regions in which it operates. As at September 30, 2023, the Group held $222,463 million of on balance sheet liquid assets (2022: $220,415 million; 2021: $194,498 million), of which NAB held $205,226 million (2022: $206,364 million; 2021: $178,765 million).

In accordance with the Group Contingent Funding Plan (CFP), the Group Treasurer has the authority to direct any internal holder of unencumbered liquid assets to realise those assets for cash. In addition, as at 30 September 2023, the Group held

$701,806 million (2022: $681,761 million; 2021: $622,676 million) of net loans and advances to customers (including loans accounted for at fair value), of which $130,430 million (2022: $117,118 million; 2021: $112,482 million) is due to mature within one year, although a proportion of these maturing customer loans will be extended in the normal course of business.

The Group (excluding Citi consumer business) accessed $31,866 million of funding through the TFF, of which an Initial Allowance of $14,270 million drawn in the 2020 financial year has been repaid, as well as $408 million of Initial Allowance acquired from Citi consumer business. The Supplementary and Additional Allowances of a total $17,596 million drawn in the 2021 financial year are due to be repaid in the 2024 financial year. Internal RMBS provides collateral for the TFF. Unencumbered internal RMBS held by the Group at September 30, 2023 was $80,089 million (2022: $66,114 million).

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

The following table sets out the amounts and maturities of the Group's contractual cash obligations for bonds, notes and subordinated debt, other debt issues, and other commitments as listed below at September 30, 2023. The table excludes deposits and other liabilities taken in the normal course of banking business and short-term and undated liabilities.

	Payments due by period		
	Less than 1 year $m	Greater than 1 year $m	Total $m
Bonds, notes and subordinated debt - dated	27,035	122,351	149,386
Other debt issues - undated	-	8,561	8,561
Non-cancellable leases	361	2,327	2,688
Total contractual cash obligations	**27,396**	**133,239**	**160,635**

The following table sets out the amounts and maturities of the Group's contingent liabilities and other commercial commitments at September 30, 2023.

	Amount of commitment expiration per period		
	Less than 1 year $m	Greater than 1 year $m	Total $m
Contingent liabilities			
Guarantees	3,041	2,208	5,249
Letters of credit	5,955	4,192	10,147
Performance-related contingencies	8,789	2,136	10,925
Other commercial commitments			
Other binding credit commitments	84,890	123,963	208,853
Total commercial commitments	**102,675**	**132,499**	**235,174**

Description of off-balance sheet arrangements (structured entities)

The Group enters into various arrangements with structured entities. The primary purposes of these structured entities are to:

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

In accordance with Australian Accounting Standards and IFRS, the Group will consolidate a structured entity where the Group has control over the structured entity. Generally, the Group does not have control over structured entities that have been established for purposes of providing funding to customers, and therefore these structured entities are not consolidated by the Group.

For further information regarding the Group's position regarding off-balance sheet arrangements, see *Note 21 Financial asset transfers*, *Note 31 Commitments and contingent liabilities* and *Note 32 Interest in subsidiaries and other entities* of the 2023 Financial Report (attached to this 2023 Full Year U.S. Disclosure Document as part of Annex B Financial Statements).

Average balance sheet and related interest

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

Average assets and interest income

	2023			2022			2021		
	Average balance $m	Interest $m	Average rate % pa	Average balance $m	Interest $m	Average rate % pa	Average balance $m	Interest $m	Average rate % pa
Average interest earning assets									
Due from other banks									
Australia	**107,924**	**3,725**	**3.5**	94,705	566	0.6	47,431	19	-
New Zealand	**11,137**	**533**	**4.8**	10,868	162	1.5	8,455	22	0.3
Other International	**25,718**	**995**	**3.9**	29,080	202	0.7	22,117	19	0.1
Marketable debt securities									
Australia	**73,398**	**2,627**	**3.6**	70,737	1,050	1.5	79,437	854	1.1
New Zealand	**7,067**	**266**	**3.8**	6,868	91	1.3	8,066	43	0.5
Other International	**13,563**	**467**	**3.4**	10,562	66	0.6	9,865	27	0.3
Loans and advances - housing									
Australia(1)	**305,519**	**14,403**	**4.7**	287,046	8,107	2.8	267,773	7,700	2.9
New Zealand	**49,778**	**2,348**	**4.7**	47,826	1,570	3.3	44,378	1,394	3.1
Loans and advances - non-housing									
Australia	**236,729**	**14,591**	**6.2**	222,573	7,632	3.4	197,443	6,150	3.1
New Zealand	**41,660**	**3,283**	**7.9**	40,715	1,776	4.4	39,607	1,286	3.2
Other International	**20,929**	**1,288**	**6.2**	21,543	567	2.6	18,082	377	2.1
Other interest earning assets									
Australia	**29,090**	**1,335**	**n/a**	16,300	179	n/a	16,863	38	n/a
New Zealand	**1,165**	**97**	**n/a**	1,247	23	n/a	965	45	n/a
Other International	**43,028**	**2,114**	**n/a**	40,227	387	n/a	44,499	60	n/a
Total average interest earning assets and interest income by:									
Australia(1)	**752,660**	**36,681**	**4.9**	691,361	17,534	2.5	608,947	14,761	2.4
New Zealand	**110,807**	**6,527**	**5.9**	107,524	3,622	3.4	101,471	2,790	2.7
Other International	**103,238**	**4,864**	**4.7**	101,412	1,222	1.2	94,563	483	0.5
Total average interest earning assets and interest income	**966,705**	**48,072**	**5.0**	900,297	22,378	2.5	804,981	18,034	2.2
Average non-interest earning assets									
Investments relating to life insurance business									
Other assets	**103,702**			96,278			90,256		
Provision for credit impairment									
Australia	**(4,499)**			(4,319)			(4,853)		
New Zealand	**(784)**			(694)			(764)		
Other International	**(58)**			(55)			(69)		
Total average assets	**1,065,066**			991,507			889,551		

(1) Includes $15 million of average balance (2022: $29 million, 2021: $38 million) and $nil interest (2022: $1 million, 2021: $1 million) relating to the run-down of housing loans in Asia from the sale of NAB's Asian private wealth business in November 2017.

Average liabilities and interest expense

	2023			2022			2021		
	Average balance $m	Interest $m	Average rate % pa	Average balance $m	Interest $m	Average rate % pa	Average balance $m	Interest $m	Average rate % pa
Average interest bearing liabilities									
Due to other banks									
Australia	**47,523**	**738**	**1.6**	47,415	162	0.3	35,071	49	0.1
New Zealand	**6,599**	**180**	**2.7**	5,102	36	0.7	3,968	5	0.1
Other International	**20,232**	**903**	**4.5**	17,163	177	1.0	14,490	37	0.3
On-demand and short-term deposits									
Australia	**270,723**	**7,028**	**2.6**	275,577	1,199	0.4	245,506	540	0.2
New Zealand	**28,817**	**951**	**3.3**	32,670	203	0.6	31,289	47	0.2
Other International	**4,377**	**148**	**3.4**	6,159	51	0.8	4,738	1	-
Certificates of deposits									
Australia	**33,502**	**1,204**	**3.6**	30,932	177	0.6	27,259	20	0.1
New Zealand	**1,822**	**88**	**4.8**	2,292	37	1.6	1,274	1	0.1
Other International	**20,483**	**779**	**3.8**	24,670	178	0.7	12,872	23	0.2
Term deposits									
Australia	**137,542**	**5,051**	**3.7**	96,091	817	0.9	89,770	519	0.6
New Zealand	**28,581**	**1,244**	**4.4**	23,733	422	1.8	24,499	343	1.4
Other International	**9,265**	**375**	**4.0**	5,333	67	1.3	4,140	17	0.4
Other borrowings									
Australia	**39,100**	**1,849**	**4.7**	38,817	451	1.2	21,858	117	0.5
New Zealand	**1,802**	**80**	**4.4**	3,511	42	1.2	3,956	10	0.3
Other International	**23,661**	**1,412**	**6.0**	28,987	267	0.9	31,514	36	0.1
Bonds, notes and subordinated debt									
Australia	**112,976**	**6,246**	**5.5**	98,425	1,571	1.6	101,025	954	0.9
New Zealand	**19,993**	**1,050**	**5.3**	19,043	445	2.3	18,660	255	1.4
Other International	**12,342**	**513**	**4.2**	9,099	267	2.9	13,065	363	2.8
Other interest bearing liabilities									
Australia	**21,437**	**1,311**	**n/a**	15,565	937	n/a	12,152	891	n/a
New Zealand	**1,894**	**87**	**n/a**	1,381	21	n/a	968	6	n/a
Other International	**734**	**28**	**n/a**	562	11	n/a	199	7	n/a
Total average interest bearing liabilities and interest expense by:									
Australia	**662,803**	**23,427**	**3.5**	602,822	5,314	0.9	532,641	3,090	0.6
New Zealand	**89,508**	**3,680**	**4.1**	87,732	1,206	1.4	84,614	667	0.8
Other International	**91,094**	**4,158**	**4.6**	91,973	1,018	1.1	81,018	484	0.6
Total average interest bearing liabilities and interest expense	**843,405**	**31,265**	**3.7**	782,527	7,538	1.0	698,273	4,241	0.6

Average non-interest bearing liabilities and average equity

	2023 $m	2022 $m	2021 $m
Average non-interest bearing liabilities			
Deposits not bearing interest			
Australia[1]	**84,541**	84,989	70,440
New Zealand[1]	**13,599**	11,965	9,947
Other International	**7**	8	4
Other liabilities	**63,313**	51,202	48,998
Total average non-interest-bearing liabilities	**161,460**	148,164	129,389
Total average liabilities	**1,004,865**	930,691	827,662
Average equity			
Total equity (parent entity interest)	**60,094**	60,816	61,888
Non-controlling interest in controlled entities	**107**	–	1
Total average equity	**60,201**	60,816	61,889
Total average liabilities and equity	**1,065,066**	991,507	889,551

(1) Includes mortgage offset accounts of $42,477 million (2022: $38,219 million, 2021: $33,529 million) in Australia and $2,251 million (2022: $2,172 million, 2021: $1,994 million) in New Zealand.

Net interest margin

	2023 %	2022 %	2021 %
Net interest margin - statutory basis	**1.74**	1.65	1.71

Volume and rate analysis

The following table allocates movements in net interest income between changes in volume and changes in rate for the years ended September 30, 2023 and September 30, 2022. Volume and rate variances have been calculated on the movement in average balances and the change in interest rates on average interest earning assets and average interest bearing liabilities. The variance caused by changes of both volume and rate has been allocated in proportion to the relationship of the absolute dollar amounts of each change to the total.

	2023 Increase / (decrease) due to change in			2022 Increase / (decrease) due to change in		
	Average balance $m	Average rate $m	Total $m	Average balance $m	Average rate $m	Total $m
Interest earning assets						
Due from other banks						
Australia	90	3,069	3,159	37	510	547
New Zealand	4	367	371	8	132	140
Other International	(26)	819	793	8	175	183
Marketable debt securities						
Australia	40	1,537	1,577	(102)	298	196
New Zealand	3	172	175	(7)	55	48
Other International	24	377	401	2	37	39
Loans and advances - housing						
Australia	553	5,743	6,296	546	(139)	407
New Zealand	66	712	778	111	65	176
Loans and advances - non housing						
Australia	514	6,445	6,959	827	655	1,482
New Zealand	42	1,465	1,507	37	453	490
Other International	(16)	737	721	80	110	190
Other interest earning assets						
Australia	228	928	1,156	(1)	142	141
New Zealand	(2)	76	74	10	(32)	(22)
Other International	29	1,698	1,727	(7)	334	327
Change in interest income	1,549	24,145	25,694	1,549	2,795	4,344

Average balance sheet and related interest (cont.)

	2023 Increase / (decrease) due to change in			2022 Increase / (decrease) due to change in		
	Average balance $m	Average rate $m	Total $m	Average balance $m	Average rate $m	Total $m
Interest bearing liabilities						
Due to other banks						
Australia	-	576	576	22	91	113
New Zealand	14	130	144	1	30	31
Other International	37	689	726	8	132	140
On-demand and short-term deposits						
Australia	(21)	5,850	5,829	73	586	659
New Zealand	(27)	775	748	2	154	156
Other International	(19)	116	97	-	50	50
Certificates of deposits						
Australia	16	1,011	1,027	3	154	157
New Zealand	(9)	60	51	2	34	36
Other International	(35)	636	601	36	119	155
Term deposits						
Australia	486	3,748	4,234	39	259	298
New Zealand	101	721	822	(11)	90	79
Other International	76	232	308	6	44	50
Other borrowings						
Australia	3	1,395	1,398	133	201	334
New Zealand	(28)	66	38	(1)	33	32
Other International	(58)	1,203	1,145	(3)	234	231
Bonds, notes and subordinated debt						
Australia	264	4,411	4,675	(26)	643	617
New Zealand	23	582	605	5	185	190
Other International	113	133	246	(115)	19	(96)
Other interest bearing liabilities						
Australia	359	15	374	222	(176)	46
New Zealand	11	55	66	4	11	15
Other International	4	13	17	8	(4)	4
Change in interest expense	1,310	22,417	23,727	408	2,889	3,297
Change in net interest income	239	1,728	1,967	1,141	(94)	1,047

Loan fees

Included within interest income is $140 million (2022: $178 million; 2021: $153 million) relating to loan fees which are amortised over the effective life of the loan.

Investment portfolio

The following table shows the total value of the Group's investment portfolio for the years indicated:

	2023 $m	2022 $m	2021 $m
Trading assets	**101,168**	40,573	50,020
Debt instruments	**46,357**	42,080	41,878
Total investments	**147,525**	82,653	91,898

Trading assets

The following table shows the fair value of the Group's holdings of trading assets for the years indicated:

Trading assets	2023 $m	2022 $m	2021 $m
Government bonds, notes and securities	**29,237**	26,127	31,660
Semi-government bonds, notes and securities	**10,092**	5,346	4,153
Corporate / financial institution bonds, notes and securities	**5,360**	8,681	12,240
Reverse repurchase agreements(1)	**55,403**	–	–
Commodity inventory at fair value	**610**	–	–
Other bonds, notes, securities and other assets	**466**	419	1,967
Total trading assets	**101,168**	40,573	50,020

(1) During the 2023 full year, the Group established a new portfolio of reverse repurchase agreements, which is managed together with other financial instruments for short-term profit taking and measured at fair value through profit or loss. Prior to the establishment of this new portfolio, all reverse repurchase agreements were measured at amortised cost and included within 'Cash and liquid assets' and 'Due from other banks' on the balance sheet.

Debt instruments

The following table shows the fair value of the Group's holdings of debt instruments for the years indicated:

Debt instruments	2023 $m	2022 $m	2021 $m
Government bonds, notes and securities	**2,691**	3,626	3,280
Semi-government bonds, notes and securities	**28,892**	25,275	25,027
Corporate / financial institution bonds, notes and securities	**8,238**	6,933	6,642
Other bonds, notes, securities and other assets	**6,536**	6,246	6,929
Total debt instruments	**46,357**	42,080	41,878

Maturities

The following table analyses the maturity (according to when they are expected to mature, be recovered or settled) and weighted average yield of the Group's holdings of debt instruments at fair value through other comprehensive income at September 30, 2023:

	Less than 1 year		1 to 5 year(s)		5 to 10 year(s)		Over 10 years	
	$m	yield pa	$m	yield pa	$m	yield pa	$m	yield pa
Government bonds, notes and securities	2,608	2.5%	83	2.4%	–	–	–	–
Semi-government bonds, notes and securities	257	4.7%	13,221	3.6%	8,707	2.5%	6,707	3.0%
Corporate / financial institution bonds, notes and securities	2,139	2.9%	6,099	2.9%	–	–	–	–
Other bonds, notes, securities and other assets	1,501	5.1%	5,035	5.4%	–	–	–	–
Total maturities at carrying value(1)	**6,505**		**24,438**		**8,707**		**6,707**	

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

Loan portfolio

Loans and advances

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

	2023 $m	2022 $m	2021 $m	2020 $m	2019 $m
Australia					
Overdrafts	**3,414**	2,811	2,786	2,472	3,249
Credit card outstandings	**8,771**	7,958	4,158	4,426	5,717
Asset and lease financing	**17,158**	14,937	13,474	12,611	12,230
Housing loans	**352,559**	340,840	309,661	299,102	303,942
Other term lending	**204,216**	202,887	178,230	168,337	164,002
Other lending	**6,591**	6,992	6,064	5,551	7,418
Loans at fair value[1]	**682**	1,170	1,678	2,552	4,868
Total Australia	**593,391**	577,595	516,051	495,051	501,426
Overseas					
Overdrafts	**2,045**	1,878	1,802	1,875	2,571
Credit card outstandings	**757**	726	713	833	1,057
Asset and lease financing	**56**	51	405	398	533
Housing loans	**53,739**	48,284	50,339	42,627	39,973
Other term lending	**57,304**	57,600	57,926	51,254	52,124
Other lending	**618**	875	942	706	1,775
Loans at fair value[1]	**561**	706	878	1,308	1,893
Total Overseas	**115,080**	110,120	113,005	99,001	99,926
Total gross loans and advances	**708,471**	687,715	629,056	594,052	601,352
Deduct: Unearned income and deferred net fee income[2]	**(1,453)**	(1,020)	(173)	(219)	(452)
Add: Capitalised Brokerage Costs[2][3]	**2,512**	671	–	–	–
Provision for credit impairment	**(5,585)**	(5,056)	(5,171)	(6,011)	(3,900)
Total net loans and advances	**703,945**	682,310	623,712	587,822	597,000

(1) Loans at fair value represent "Other term lending" loans. This amount includes an unfavourable credit risk adjustment of $27 million (2022: $28 million; 2021: $33 million; 2020: $35 million; 2019: $54 million) for Australia, and an unfavourable credit risk adjustment of $6 million (2022: $22 million; 2021: $19 million; 2020: $31 million; 2019: $11 million) for overseas.

(2) During the 2023 full year, upfront brokerage costs previously presented as a net number within Unearned income and deferred net fee income were separately classified as Capitalised brokerage costs to better align with the nature of the balances. Comparatives have been restated accordingly.

(3) The balance as at 30 September 2023 includes $1,684 million for Australia and $111 million for overseas of capitalised brokerage costs reflecting the revised accounting treatment of trail commissions payable to mortgage brokers. Comparatives have not been restated.

Loan portfolio (cont.)

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

	Loans and advances by industry				
	2023	**2022**	**2021**	**2020**	**2019**
	%	%	%	%	%
Australia					
Accommodation and hospitality	**1.2**	1.1	1.1	1.2	1.2
Agriculture, forestry, fishing and mining	**5.9**	5.6	5.4	5.0	4.6
Business services and property services	**2.5**	2.5	2.5	2.7	2.9
Commercial property	**9.1**	9.1	8.8	8.8	9.0
Construction	**1.0**	1.0	0.9	1.0	1.0
Financial & insurance	**4.2**	4.9	4.3	3.9	3.3
Government & public authorities	**0.2**	0.4	0.4	0.3	0.3
Manufacturing	**1.5**	1.4	1.3	1.4	1.4
Personal	**1.7**	1.6	1.0	1.1	1.4
Residential mortgages	**49.7**	49.5	49.2	50.4	50.5
Retail and wholesale trade	**2.3**	2.3	2.3	2.3	2.4
Transport and storage	**1.4**	1.6	1.8	2.0	2.0
Utilities	**0.4**	0.4	0.4	0.6	0.6
Other	**2.7**	2.6	2.6	2.6	2.8
Total Australia	**83.8**	84.0	82.0	83.3	83.4
Overseas					
Accommodation and hospitality	**0.2**	0.2	0.2	0.2	0.2
Agriculture, forestry, fishing and mining	**2.1**	2.0	2.3	2.4	2.6
Business services and property services	**0.2**	0.2	0.3	0.2	0.2
Commercial property	**1.0**	1.1	1.3	1.3	1.4
Construction	**0.2**	0.2	0.2	0.2	0.2
Financial & insurance	**1.3**	1.8	2.1	1.5	1.8
Manufacturing	**0.5**	0.5	0.5	0.5	0.6
Personal	**0.1**	0.1	0.1	0.2	0.2
Residential mortgages	**7.6**	7.0	8.0	7.2	6.6
Retail and wholesale trade	**0.7**	0.7	0.7	0.7	0.8
Transport and storage	**0.9**	0.7	0.9	0.9	0.7
Utilities	**1.2**	1.1	1.0	1.0	0.8
Other	**0.2**	0.4	0.4	0.4	0.5
Total Overseas	**16.2**	16.0	18.0	16.7	16.6
Total	**100.0**	100.0	100.0	100.0	100.0

The following tables show the contractual maturity distribution of loans and advances to customers and the nature of the interest rate applicable to such loans and advances for the Group as at September 30, 2023:

	Less than 1 year $m	1 to 5 year(s) $m	Over 5 years[1] $m	Total $m
Australia				
Accommodation and hospitality	3,132	4,616	583	8,331
Agriculture, forestry, fishing and mining	15,769	24,866	1,330	41,965
Business services and property services	4,373	10,260	3,183	17,816
Commercial property	31,477	32,032	656	64,165
Construction	2,094	4,229	818	7,141
Financial & insurance	21,970	6,740	834	29,544
Government & public authorities	82	726	912	1,720
Manufacturing	3,043	6,355	1,045	10,443
Personal	1,097	749	9,912	11,758
Residential mortgages	11,508	1,206	339,845	352,559
Retail and wholesale trade	5,362	9,622	1,625	16,609
Transport and storage	1,367	6,629	1,789	9,785
Utilities	474	2,108	121	2,703
Other	4,991	10,658	3,203	18,852
Total Australia	106,739	120,796	365,856	593,391
Overseas				
Accommodation and hospitality	516	688	42	1,246
Agriculture, forestry, fishing and mining	5,552	8,295	697	14,544
Business services and property services	978	673	70	1,721
Commercial property	4,863	2,411	61	7,335
Construction	583	816	106	1,505
Financial & insurance	6,151	2,907	8	9,066
Government & public authorities	37	28	37	102
Manufacturing	1,949	1,275	49	3,273
Personal	61	11	758	830
Residential mortgages	944	1,066	51,729	53,739
Retail and wholesale trade	2,627	1,926	87	4,640
Transport and storage	1,523	3,737	813	6,073
Utilities	1,399	4,267	2,498	8,164
Other	1,651	990	201	2,842
Total Overseas	28,834	29,090	57,156	115,080
Total gross loans and advances	**135,573**	**149,886**	**423,012**	**708,471**

(1) Loans and advances which have no contractual maturity (including credit cards) are categorised as due over 5 years.

	Less than 1 year $m	1 to 5 year(s) $m	Over 5 years $m	Total $m
Nature of interest rate applicable to loans and advances				
Variable interest rates				
Australia	72,212	67,510	290,849	430,571
Overseas	24,780	23,055	9,204	57,039
Fixed interest rates				
Australia	34,527	53,286	75,007	162,820
Overseas	4,054	6,035	47,952	58,041
Total gross loans and advances	**135,573**	**149,886**	**423,012**	**708,471**

Asset quality disclosures

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

The following table provides details on non-performing exposures. Customers who received COVID-19 payment deferrals in 2021 and 2020 have been treated in accordance with APRA guidance.

	2023 $m	2022 $m	2021 $m	2020 $m	2019 $m
Summary of Non-performing exposures					
Gross impaired assets					
Australia	**838**	860	1,015	1,277	1,330
Overseas(1)	**422**	169	243	589	642
Total gross impaired assets	**1,260**	1,029	1,258	1,866	1,972
Default but not impaired assets(2)					
Australia	**6,051**	4,923	5,609	4,082	3,457
Overseas	**681**	551	371	173	146
Total default but not impaired assets	**6,732**	5,474	5,980	4,255	3,603
Non-performing exposures					
Australia	**6,889**	5,783	6,624	5,359	4,787
Overseas	**1,103**	720	614	762	788
Total Non-performing exposures(3)	**7,992**	6,503	7,238	6,121	5,575

(1) Increase during the full year to September 2023 is due to customers affected by severe weather events in New Zealand. Collective provisions are held against these loans.
(2) 2020 and prior 'Default but not impaired' figures have not been restated to align to APS 220 *Credit Risk Management* and only represent 90+ DPD assets.
(3) Includes $nil (September 2022: $32 million; September 2021: $30 million; September 2020: $38 million; September 2019: $5 million) of Non-performing loans at fair value.

Cross-border outstandings

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

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

		Public $m	Banks $m	Non-Bank Private $m	Total $m	% of total assets
As at September 30, 2023	**United Kingdom**	**–**	**7,300**	**1,377**	**8,677**	**0.8**
	United States	**2,723**	**2,940**	**3,981**	**9,644**	**0.9**
	Japan	**3,727**	**3,760**	**1,813**	**9,300**	**0.9**
As at September 30, 2022	United Kingdom	3	11,201	6,793	17,997	1.7
	United States	2,592	7,287	4,915	14,794	1.4
	Japan	4,158	2,595	2,276	9,029	0.9
	Canada	130	7,467	671	8,268	0.8
As at September 30, 2021	United Kingdom	–	4,597	4,828	9,425	1.0
	United States	3,821	1,995	5,117	10,933	1.2

For the financial year ending September 30, 2023, the off-balance sheet commitments in the United States and United Kingdom exceeds 0.75% of the Group's total assets, being 1.24% (US - 2022: 0.74%, 2021: 0.07%) and 0.87% (UK - 2022: 0.83%, 2021: 0.90%).

Summary of loan loss experience

The following tables set forth details of the Group's provision for credit impairment and associated credit impairment charges for loans at amortised cost for the years indicated and do not include provisions for loans or derivatives that are measured at fair value.

For further information regarding the Group's provision for credit impairment on loans at amortised cost, see *Note 17 Provision for credit impairment on loans at amortised cost* of the 2023 Financial Report (attached to this 2023 Full Year U.S. Disclosure Document as part of Annex B Financial Statements).

Credit impairment charge on loans at amortised cost

	2023	2022	2021	2020	2019
	$m	$m	$m	$m	$m
New and increased provisions (net of collective provision releases)	**1,043**	355	122	2,990	1,154
Write-backs of specific provisions	**(148)**	(161)	(270)	(169)	(170)
Recoveries of specific provisions	**(79)**	(70)	(54)	(69)	(57)
Total charge / (write-back) to the income statement	**816**	124	(202)	2,752	927

Provision for credit impairment on loans at amortised cost

	2023	2022	2021	2020	2019
	$m	$m	$m	$m	$m
Collective provision for credit Impairment - Performing 12 months ECL - Stage 1	**529**	448	256	470	368
Collective provision for credit Impairment - Performing lifetime ECL - Stage 2	**3,540**	3,276	3,376	3,897	2,227
Collective provision for credit Impairment - Non-performing lifetime ECL - Stage 3	**977**	817	889	824	523
Total collective provision for credit Impairment	**5,046**	4,541	4,521	5,191	3,118
Specific provision for credit Impairment - Non-performing lifetime ECL - Stage 3	**539**	515	650	820	782
Total provision for credit impairment	**5,585**	5,056	5,171	6,011	3,900

Collective provision for credit impairment by geography

	Collective provision(1)				
	2023	2022	2021	2020	2019
	$m	$m	$m	$m	$m
Australia	**4,220**	3,872	3,864	4,523	2,627
Overseas	**826**	669	657	668	491
Total collective provision for credit impairment	**5,046**	4,541	4,521	5,191	3,118

(1) Collective provision includes collective provision performing 12 month ECL, collective provision performing lifetime ECL and collective provision non-performing lifetime ECL.

Specific provision balances by industry category

	Specific provision				
	2023 $m	2022 $m	2021 $m	2020 $m	2019 $m
Australia					
Accommodation and hospitality	**21**	23	41	39	44
Agriculture, forestry, fishing and mining	**35**	29	31	46	113
Business services and property services	**56**	43	55	45	46
Commercial property	**17**	50	57	80	50
Construction	**63**	54	26	17	36
Financial and insurance	**16**	15	15	13	19
Manufacturing	**49**	21	42	46	42
Personal	**3**	2	2	3	3
Residential mortgages	**55**	66	97	110	110
Retail and wholesale trade	**75**	53	72	122	114
Transport and storage	**39**	34	31	37	33
Utilities	**3**	2	–	–	1
Other	**30**	51	57	51	13
Total Australia	**462**	443	526	609	624
Overseas					
Accommodation and hospitality	**–**	3	4	5	1
Agriculture, forestry, fishing and mining	**11**	6	15	56	69
Business services and property services	**43**	35	41	20	17
Commercial property	**1**	5	25	24	18
Construction	**1**	–	4	10	6
Financial and insurance	**–**	–	–	21	21
Manufacturing	**1**	1	4	36	8
Personal	**1**	1	1	1	1
Residential mortgages	**5**	4	3	5	5
Retail and wholesale trade	**8**	4	7	20	11
Transport and storage	**6**	12	18	11	1
Other	**–**	1	2	2	–
Total Overseas	**77**	72	124	211	158
Total specific provision for credit impairment	**539**	515	650	820	782

Total provision for credit impairment by geography

	Total provision				
	2023 $m	2022 $m	2021 $m	2020 $m	2019 $m
Australia	**4,682**	4,315	4,390	5,132	3,251
Overseas	**903**	741	781	879	649
Total provision for credit impairment	**5,585**	5,056	5,171	6,011	3,900

Write-offs from specific provisions by industry category

	Write-offs from specific provisions				
	2023	2022	2021	2020	2019
	$m	$m	$m	$m	$m
Australia					
Accommodation and hospitality	**5**	11	6	51	9
Agriculture, forestry, fishing and mining	**3**	12	16	80	11
Business services and property services	**4**	6	13	17	13
Commercial property	**28**	20	21	14	15
Construction	**12**	6	7	28	11
Financial and insurance	**1**	1	-	15	18
Manufacturing	**6**	20	5	21	23
Personal	**208**	136	131	251	311
Residential mortgages	**25**	36	45	60	66
Retail and wholesale trade	**16**	28	43	66	36
Transport and storage	**5**	6	26	2	3
Utilities	**-**	5	-	6	3
Other	**33**	10	11	14	13
Total Australia	**346**	297	324	625	532
Overseas					
Accommodation and hospitality	**3**	1	2	2	2
Agriculture, forestry, fishing and mining	**2**	11	27	26	9
Business services and property services	**1**	5	8	2	4
Commercial property	**6**	19	3	-	2
Construction	**1**	3	6	3	3
Manufacturing	**1**	1	11	3	1
Personal	**19**	18	23	32	29
Residential mortgages	**1**	1	1	2	4
Retail and wholesale trade	**5**	5	6	4	13
Transport and storage	**-**	1	1	1	1
Utilities	**23**	-	-	-	-
Other	**1**	-	1	-	-
Total Overseas	**63**	65	89	75	68
Total write-offs from specific provisions	**409**	362	413	700	600

Recoveries of specific provisions by industry category

	Recoveries of specific provisions				
	2023	2022	2021	2020	2019
	$m	$m	$m	$m	$m
Australia					
Agriculture, forestry, fishing and mining	**3**	6	5	–	–
Financial and insurance	**–**	–	–	1	–
Personal	**68**	54	33	52	48
Residential mortgages	**1**	–	–	3	(6)
Other	**1**	–	2	–	–
Total Australia	**73**	60	40	56	42
Overseas					
Agriculture, forestry, fishing and mining	**–**	–	3	2	2
Commercial property	**–**	1	3	3	1
Financial and insurance	**–**	1	–	–	3
Personal	**6**	7	8	8	9
Residential mortgages	**–**	1	–	–	–
Total Overseas	**6**	10	14	13	15
Total recoveries of specific provisions	**79**	70	54	69	57

Deposits and other borrowings

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

	2023 $m	2022 $m	2021 $m
Australia			
Term deposits	**150,538**	123,115	82,037
On-demand and short-term deposits	**269,740**	276,249	263,890
Certificates of deposit	**32,443**	27,663	30,384
Deposits not bearing interest[1]	**82,747**	89,022	77,812
Commercial paper and other borrowings	**34,835**	43,150	28,357
Repurchase agreements	**13,712**	4,751	2,898
Fair value adjustment	**3**	-	-
Total Australia	**584,018**	563,950	485,378
Overseas			
Term deposits	**41,386**	32,934	26,457
On-demand and short-term deposits	**30,229**	34,098	38,524
Certificates of deposit	**24,336**	22,365	17,135
Deposits not bearing interest[1]	**12,744**	11,267	11,538
Commercial paper and other borrowings	**1,274**	3,207	5,116
Repurchase agreements	**33,020**	19,189	27,450
Fair value adjustment	**(12)**	(6)	(3)
Total Overseas	**142,977**	123,054	126,217
Total deposits and other borrowings	**726,995**	687,004	611,595

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

Maturities of deposits

The following table shows the maturity profile of all certificates of deposit, and additionally term deposits issued with a value of $100,000 or more that are included within the deposits and other borrowings category at September 30, 2023:

	Less than 3 months $m	3 to 6 months $m	6 to 12 months $m	Over 12 months $m	Total $m
Australia					
Term deposits	78,020	37,326	28,232	2,820	146,398
Certificates of deposit	15,267	9,310	7,866	-	32,443
Total Australia	93,287	46,636	36,098	2,820	178,841
Overseas					
Term deposits	16,091	8,598	8,311	1,683	34,683
Certificates of deposit	9,586	13,053	1,697	-	24,336
Total Overseas	25,677	21,651	10,008	1,683	59,019
Total maturities of deposits	118,964	68,287	46,106	4,503	237,860

Short-term borrowings

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

	2023 $m	2022 $m	2021 $m
Balance outstanding at balance date	**35,755**	46,396	33,430
Maximum outstanding at any month end	**41,893**	48,771	35,337
Approximate average amount outstanding during the year	**35,692**	39,340	25,601
Approximate weighted average interest rate on average amount outstanding during the year (per annum)	**4.8%**	1.1%	0.2%

Annex A Remuneration Report
(extracts from the Group's 2023 Annual Report)

Remuneration Report

Letter from the People & Remuneration Committee Chair, Anne Loveridge

Dear Fellow Shareholders,

On behalf of the Board, I am pleased to present the 2023 Remuneration Report. Our results reflect the continued disciplined execution of the Group's long-term strategy to serve customers well and help our communities prosper. The Group CEO and Group Executives performed well in challenging conditions to deliver the Group's business plan.

Performance in 2023

In 2023, the Group CEO and Group Executives were supported by our 38,000 colleagues to deliver safe, sustainable growth and better outcomes for customers and colleagues. Key outcomes in 2023 include:

- Strong financial performance with cash earnings of $7.73 billion(1). This resulted in improved shareholder returns through a total dividend paid of 161 cents per share, fully franked for the year ended 30 September 2023.
- Reasonable market share growth in key categories including Australia business deposits (excluding Financial Institutions and Government), New Zealand home lending and New Zealand household deposits(2). Market share growth in Australia lending to Small & Medium Enterprises was below plan.
- Net Promoter Score (NPS)(3) results were mixed. While NAB remained #1 among the major Australian banks in one segment, the Board recognises there is more work to be done in this area. Further detail is in section 4.2.
- Colleague average engagement improved by 1% to 77%. This is pleasing and reflects our focus on the colleague experience.
- Automation and digitisation of our business driven by investment in new technologies, artificial intelligence and resources. This contributed to productivity benefits of $398 million.
- Action to keep the bank and customers safe through disciplined risk management, AUSTRAC compliance, continued investment in protection against financial crime and strong balance sheet settings.
- Investment in environmental initiatives including business loans for customers investing in emission-reducing technologies.

Additional detail about Group performance is in section 4.

Remuneration for colleagues excluding the Group CEO and Group Executives in 2023

Colleagues received an average Fixed Remuneration (FR) increase of 4.6% effective January 2023. Progress was made towards gender equality with an improvement of the gender pay gap to 15.8%. Progress continues to be made to addressing gender representation across the Group. The Group successfully renegotiated the new Enterprise Agreement (EA) in 2023, with 85% of colleagues who voted voting in favour of the new EA. The new EA provides certainty about pay and benefits, providing an average guaranteed FR increase of 4.5% to eligible colleagues in January 2024 and ongoing guaranteed increases in January 2025 and January 2026. Additional information about colleague benefits and progress of key initiatives is provided in section 1.3.

Remuneration for the Group CEO and Group Executives in 2023

The Group CEO and Group Executives delivered another year of strong results and progress on the Group strategy in 2023. The Board demonstrated discipline in determining executive remuneration outcomes and is focused on maintaining responsible levels of executive remuneration.

Key remuneration outcomes in 2023 were:

- Group Performance Indicators (GPI) achieved at 90% of target driven by strong cash earnings, good progress on colleague initiatives and safe growth, partially offset by some non-financial performance measures.
- The Group CEO's Annual Variable Reward (VR) outcome was 108% of his target opportunity (72% of maximum), recognising his leadership in delivering the Group strategy and engaging with customers.
- Annual VR outcomes for Group Executives were 81% to 117% of target (54% to 78% of maximum opportunity).
- No long-term VR vested in 2023 as the Group did not grant any long-term VR awards in 2018.
- The FR for three Group Executives will be increased in FY24 to reflect their increased accountabilities following changes in their portfolios and, for two individuals, realignment to external market positioning. No change was made to the FR for the Group CEO.

Further detail on the remuneration outcomes is in section 2.1.

Changes to the Group's remuneration frameworks

A decision in 2023 to change the executive remuneration framework with effect from 1 October 2023 was approved by the Board. The changes address the requirements of APRA's Prudential Standard CPS 511 *Remuneration* (CPS 511). For the Group CEO and Group Executives the changes were:

- The redesign of the Long Term Incentive (LTI) to give material weight to non-financial measures. The LTI is comprised of two equally weighted components being the Long Term Equity Award (LTEA) component (which is subject to a non-financial measure) and the Long Term Variable Reward (LTVR) component (which is subject to a financial measure);
- Longer deferral periods for the Group CEO and Group Executives to ensure long-term focus; and
- Strengthening of risk and conduct assessments aligned to our Group Risk Framework.

As a result of the changes the maximum remuneration opportunity for the Group CEO and Group Executives was reduced by 11%. Further detail is provided in section 5.

To address the requirements of CPS 511, the colleague remuneration framework was also reviewed, and modifications were made to the Group's specialist incentive plans to introduce materially weighted non-financial measures.

On behalf of the Board, I invite you to read this Remuneration Report which will be presented for adoption at the 2023 AGM.

Anne Loveridge
People & Remuneration Committee Chair
9 November 2023

(1) Full detail on how cash earnings is defined, a discussion of non-cash earnings items and a full reconciliation of statutory net profit attributable to owners of the Company is set out in the Financial Report on page 169.
(2) Further detail is provided in section 4.
(3) Net Promoter® and NPS® are registered trademarks and Net Promoter Score and Net Promoter Systems are trademarks of Bain & Company, Inc., NICE Systems, Inc., and Fred Reichheld.

Contents

Section 1 – Our remuneration framework

1.1 Strategic context for remuneration at NAB

Our Group strategy and remuneration principles

Our remuneration frameworks are informed by the Group strategy which focuses on customers and colleagues. Our remuneration principles support the delivery of our strategic priorities as outlined below. The Group operates an executive remuneration framework for the Group CEO and Group Executives, and a broader colleague remuneration framework. Our Group strategy and remuneration principles are outlined below.

NAB Group Strategy

Our strategic ambition

nab bnz ubank JBWere

Why we are here

To serve customers well and help our communities prosper

Who we are here for

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

Customers
Choose NAB because we serve them well every day

What we will be known for

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

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

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

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

Where we will grow

Business & Private	Corporate & Institutional	Personal	BNZ	ubank
Clear market leadership	Disciplined growth	Simple & digital	Personal & SME	Customer acquisition

How we work

Excellence for customers · Grow together · Be respectful · Own it

Measures for success

Engagement · NPS growth · Cash EPS growth · Return on Equity

NAB Group remuneration principles

Through six underpinning principles, we seek to demonstrate how we approach remuneration to all stakeholders, including our customers, regulators, communities and colleagues. We intend to be fair, appropriate, simple and transparent. The new executive remuneration framework outlined in section 5 is governed by the Group strategy and Group remuneration principles. These principles inform our Group remuneration framework, remuneration policy and remuneration structures.

Customers	Colleagues	Shareholders	Transparent	Safe	Long-term
Reinforce our commitment to customers	Fair and appropriate reward to attract and retain the best people	Align reward with sustainable shareholder value	Simple and easy to understand	Reflect risk, reputation, conduct and values outcomes	Drive delivery of long-term performance

1.2 Executive remuneration framework in 2023

The Group remuneration principles inform the remuneration framework for the Group CEO and Group Executives. The framework reinforces our commitment to customers, aligns with sustainable shareholder value creation and reflects risk, reputation, conduct, sustainability and values (How We Work) outcomes. The framework supports the Group CEO and Group Executives to drive both short and long term performance. The requirement to hold a minimum shareholding enhances the alignment between the interests of shareholders and the Group CEO and Group Executives. The diagram below illustrates the executive remuneration framework that applied to the Group CEO and Group Executives in 2023.

	Fixed Remuneration (FR)	Annual Variable Reward (VR)	Long-Term Variable Reward (LTVR)
WHY	**Set to attract and retain**	**Earned for delivery of annual goals that drive the Group's strategy**	**Align remuneration with long-term shareholder outcomes**
WHAT	• FR was comprised of base salary and superannuation • Paid regularly during the financial year	• 50% cash • 50% deferred rights (12.5% scheduled to vest at the end of year 1, year 2, year 3 and year 4) • Dividend equivalent payment for any vested deferred rights at the end of each deferral period	• 100% performance rights • Subject to four year performance hurdle • No dividend equivalent payments made for any vested performance rights
HOW	• Set at a market competitive level for their role and experience • Reviewed annually against the ASX20 and other relevant national and international financial services companies	• Quantum ranges (% of FR): 0% – 150% for Group CEO and Group Executives 0% – 112.5% for Group Chief Risk Officer • Outcomes vary depending on Group[1] and individual performance (balanced scorecard including risk goals), values and behaviours	• Maximum award value (% of FR)[2] 130% for Group CEO and Group Executives • Eligibility and award value determined by the Board • Subject to NAB's Total Shareholder Return (TSR) result against a financial services peer group[3]

Fixed Remuneration	Annual VR (cash)	Annual VR (deferred rights)	Long-Term Variable Reward
Performance Year (2023)		2024-2027	2026

Board discretion applies for qualitative matters including risk, reputation, conduct and values to ensure sustainable performance (including for malus and clawback)

At Risk

Minimum shareholding requirement

No change was made to the executive minimum shareholding requirement in 2023.
To align with shareholder interests, executives are required to hold NAB shares to the value of two times FR (for the Group CEO) and one times FR (for Group Executives). Newly appointed executives are required to satisfy the minimum shareholding requirement within a five-year period from the date of commencement in their role.
The value of an executive's shareholding is based on the share price on the last day of the financial year (i.e., 30 September).
The Group CEO and Group Executives have either met or are on track to meet their minimum shareholding requirement.
Holdings included in meeting the minimum shareholding requirement are NAB shares, unvested deferred shares and deferred rights not subject to further performance conditions held by the executive, and shares held by a closely related party or self-managed superannuation fund for the benefit of the executive.

(1) The outcome for the Managing Director and CEO, Bank of New Zealand (BNZ) will vary depending on overall Group and BNZ performance.
(2) The actual value delivered to the Group CEO or a Group Executive is subject to the level of achievement against the performance hurdle and NAB's share price at the time of vesting.
(3) For the LTVR allocated in February 2023, the financial services peer group was AMP Limited, Australia and New Zealand Banking Group Limited, Bank of Queensland Limited, Bendigo and Adelaide Bank Limited, Commonwealth Bank of Australia, Macquarie Group Limited, Suncorp Group Limited and Westpac Banking Corporation.

A decision in 2023 to change the executive remuneration framework with effect from 1 October 2023 was approved by the Board. Further information about the change is provided in section 5. Accordingly, the executive remuneration framework illustrated above ceased to apply on 30 September 2023.

1.3 Colleague remuneration framework

Informed by our remuneration principles, the colleague remuneration framework as outlined below applies to colleagues below the Group Executive level.

	Fixed Remuneration (FR)	Annual Variable Reward (VR)	Annual Equity Award
WHO	Colleagues appointed to Group 1 – 6 roles (1)	Colleagues appointed to Group 3 – 6 roles (1)	Certain colleagues appointed to Group 5 and 6 roles (1)
WHAT	• FR is comprised of base salary and superannuation • Paid regularly during the financial year • In addition to FR, a $1,000 share or cash grant to eligible colleagues in Group 1 – 5 roles will be made after the end of the financial year (3)	• Cash and restricted shares (where the Annual VR outcome meets the relevant deferral threshold) (2) • Cash component paid at the end of the financial year • Restricted shares are allocated at the end of the financial year and vest over the deferral period applicable to the colleague's role	• 100% restricted shares (1/3 scheduled to vest at the end of year 1, year 2 and year 3) • Allocated at the end of the financial year based on a pre-grant assessment of individual performance and conduct during the year
WHY	• Market competitive remuneration for role and experience to attract and retain high performing individuals • Only component of remuneration for some colleagues, providing certainty and encouraging stronger focus on customers • The $1,000 share or cash grant recognises colleague contribution to Group performance in 2023	• To reward contribution to delivery of annual goals that drive the Group's strategy • Motivates performance and safe growth for colleagues who have increased accountability for and influence over the Group's annual performance • Variable reward targets have been standardised to create more consistency and fairness	• To create shareholder alignment, drive continued sustainable performance and emphasise focus on risk management, good conduct and behaviour outcomes

Board discretion applies for qualitative matters including risk, reputation, conduct and values to ensure sustainable performance (including for malus and clawback)

At Risk

(1) Roles are defined in the NAB Enterprise Agreement 2023. Group 1 - 6 roles are roles below the Group CEO and Group Executives (which are Group 7 roles).
(2) Deferral thresholds and deferral periods are different depending on the incentive plan participated in and the seniority of the colleague.
(3) The grant of shares or cash and value of the award is determined by the Board each year in its discretion.

Enhancements to the colleague remuneration framework

In 2023 we reviewed the colleague remuneration framework to ensure compliance with the regulatory requirements introduced by CPS 511. The enhancements to the colleague remuneration framework were informed by an independent review of the Group remuneration framework, performance management framework and consequence management practices completed in June 2022. We continued our focus on embedding simplification and standardisation through a compliant, cost effective and market aligned approach.

Colleague benefits and initiatives

NAB provides a broad range of benefits including financial and other wellbeing benefits to all colleagues. This includes training and education such as the CQiB qualifications which more than 14,500 colleagues have completed, data analytics and digitisation training, flexible work arrangements, up to two days of volunteer leave per year, and wellness and mental health resources through our Employee Assistance Program.

In 2023 the Group successfully renegotiated the new EA by undertaking extensive negotiations and colleague engagement. The new EA provides certainty about pay and a range of additional benefits to colleagues including one week of You Leave every year to eligible colleagues. The FR increase for 2024 for eligible colleagues below Group Executive level is based on colleagues' current FR as outlined below:

- FR below $110,300: Colleagues will receive a 5% FR increase.
- FR of $110,300 – $140,000: Colleagues will receive a minimum FR increase of 3.5%.
- FR of $140,001 – $185,925: Colleagues will receive a minimum FR increase of 2.5%.
- FR above $185,925: A budget of 3% of FR has been allocated to these colleagues and will be distributed based on individual performance, internal peer relatives and external market remuneration positioning.

Progress was made on other key colleague initiatives including:

- refinement of our "Ways of Working" to ensure workloads are manageable and colleagues have the support and resources required to perform their role.

- embedding our Distinctive Leadership tools and practices through continued focus on building clear, capable and motivated leaders who drive positive change. 92% of leaders have now completed the Distinctive Leadership Program.
- continued focus during our annual performance and reward review process to ensure people leaders address gender pay equity through the performance and reward decisions they make. NAB's gender pay gap[(1)] decreased to 15.8% in 2023 (16.9% in 2022)[(2)].
- following the implementation of Reshaping Reward in 2021 and 2022 which simplified and standardised our reward offering, we continued to focus on our recognition program as a mechanism to continue to drive a positive culture.
- compliance with legislated Superannuation Guarantee Contribution changes that support a long-term benefit focus, together with awards being made under our $1,000 share or cash grant supporting long term value creation for colleagues.

(1) The pay gap analysis indicates NAB's gender pay gap when comparing the base salary of all females to males within the Australian-based workforce of NAB for the reporting period 1 April 2022 to 31 March 2023. The ratio is calculated by dividing the female average salary by the male average salary per employment level. It does not separately measure the gender pay gap in equivalent roles. Analysis includes permanent, fixed term, and casual colleagues and excludes contractors.
(2) The 2022 Remuneration Report included a typographic error that recorded the gender pay gap as 10.9% instead of 16.9%.

Section 2 - Key executive remuneration 2023 outcomes

2.1 Executive remuneration outcomes in 2023

Fixed Remuneration

2023 Fixed Remuneration outcomes

As disclosed in our 2022 Remuneration Report, the Board approved a FR increase of 2.5% for the Group Chief Risk Officer and 2% for the other Group Executives effective from 4 January 2023.

2023 Performance and Annual VR outcomes

2023 Annual VR outcomes

The Board considered performance across all elements of the scorecard, which reflected another year of good results and disciplined execution of strategic initiatives.

The Board determined that a GPI outcome of 90% appropriately reflected the mix of strong and partial achievements. The GPI outcome reflected good cash earnings, progress on colleague initiatives and safe growth, partially offset by some non-financial performance measures (see section 3.1). In arriving at this outcome, the Board considered the sustained improvements in the management of risk and progress against strategy, customer outcomes and sustainability priorities.

The 2023 Annual VR outcomes were:

	Individual Annual VR outcomes		
Position	**% of FR**	**% of Target Opportunity**	**% of Maximum Opportunity**
Group CEO	108%	108%	72%
Group Executives	81% – 117%	81% – 117%	54% – 78%

The five-year overview below shows modest Annual VR outcomes when compared to the maximum VR opportunity available. The level of variation in the outcomes for the Group CEO and Group Executives reflects appropriate pay for performance alignment.

	% of Annual VR maximum opportunity				
Position	**2023**	**2022**	**2021**	**2020**	**2019**
Group CEO	72%	74%	81%	0%	0%
Group Executives	54% – 78%	62% – 74%	70% – 99%	0%	0%

2018 Long-Term VR outcomes

There was no LTVR vesting in 2023 as NAB did not grant any LTVR awards in relation to the 2018 performance year. The following table provides a five-year overview of the vesting outcomes of long-term VR awards. Further details on awards are provided in section 4.4.

Plan Terms	2018	2017	2016	2015	2014
Allocation date	No long term VR awards were granted in 2018	December 2017	February 2017	March 2016	February 2015
Performance period		4 years	4 years	4 years	5 years
Date of testing		Nov 2021	Nov 2020	Nov 2019	Nov 2018
Number of Group Executives (including the Group CEO) who held the award[1]		5	3	2	4
% of award vested		65.7%	55.8%	37.6%	34.5%
% of award lapsed		34.3%	44.2%	62.4%	65.5%

(1) Number of Group Executives (including the Group CEO) who held the award and were a Group Executive on the vesting date

The 2023 executive remuneration framework ceased to operate on 30 September 2023. The new 2024 executive Remuneration Framework commenced on 1 October 2023. Further details are provided in section 5.

2.2 Group executive appointments and exit arrangements

The following table outlines the remuneration arrangements for Group Executives as a result of role changes in 2023. Further details are provided in section 2.3.

Group Executive	Remuneration arrangement
Nathan Goonan, Group Chief Financial Officer (appointed 1 July 2023, ceased to be the Group Executive, Strategy and Innovation on 30 June 2023)	• Mr Goonan was previously the Group Executive, Strategy and Innovation. • As an existing Group Executive, Mr Goonan's remuneration on appointment aligned to the 2023 executive remuneration framework. Effective from his appointment, Mr Goonan's remuneration comprised of annual FR of $1,127,500 with Annual VR maximum opportunity of 150% of FR and an LTVR maximum opportunity of 130% of FR.
Gary Lennon, Group Executive, Special Projects (ceased to be Group Chief Financial Officer on 1 July 2023, retired on 1 October 2023)(1)	• Mr Lennon retired from NAB on 1 October 2023. In accordance with the terms of NAB's VR programs, Mr Lennon retained all unvested deferred short-term and long-term VR awards. The awards remain subject to the relevant performance measures and restriction periods. • Mr Lennon remained eligible to participate in the FY23 Annual VR plan. Mr Lennon's Annual VR will be delivered in cash (50%) and deferred cash (50%), vesting in four equal annual tranches. • On retirement, Mr Lennon received a payment in respect of statutory entitlements and in recognition of his contribution to the Group. Payments made in connection with Mr Lennon's retirement complied with the termination benefits regime in the *Corporations Act 2001* (Cth).
Sarah White, Group Executive People and Culture (appointed 18 August 2023)(2)	• Ms White was previously the Chief of Staff to the Group CEO. • Due to the timing of her appointment, Ms White was provided with remuneration under the 2024 executive remuneration framework. Her remuneration is comprised of annual FR of $900,000 with Annual VR maximum opportunity of 100% of FR and LTI opportunity of 140% of FR (comprising the LTEA component of 70% of FR and the LTVR component of 70% of FR). Further information about the 2024 executive remuneration framework is provided in section 5. • Ms White's 2023 Annual VR outcome was based on her performance in her previous role.
Susan Ferrier, Group Executive People and Culture (ceased to be Group Executive People and Culture on 17 August 2023, retired on 31 October 2023)(3)	• Ms Ferrier retired from NAB on 31 October 2023. In accordance with NAB's VR programs, Ms Ferrier retained all unvested recognition award shares and all unvested deferred short-term and long-term VR awards. The awards remain subject to the relevant performance measures and restriction periods. • Ms Ferrier remained eligible to participate in the FY23 Annual VR plan. Ms Ferrier's Annual VR will delivered in cash (50%) and deferred cash (50%), vesting in four equal annual tranches. • On retirement, Ms Ferrier received a payment in respect of statutory entitlements, support for transition to her retirement and in recognition of her contribution to the Group. Payments made in connection with Ms Ferrier's retirement complied with the termination benefits regime in the *Corporations Act 2001* (Cth).

(1) Mr Lennon was appointed as Group Executive, Special Projects for the period 1 July 2023 to 30 September 2023. He ceased to be a KMP and member of the ELT on 30 September 2023. He retired on 1 October 2023.
(2) Ms White did not participate in the Annual VR program from 18 August 2023 to 30 September 2023, when she was appointed Group Executive People and Culture, and did not receive an Annual VR award in respect of this period. Consistent with the 2024 executive remuneration framework, Ms White will participate in the Annual VR plan and will receive an LTI award (comprising the LTEA component and LTVR component) in 2024.
(3) Ms Ferrier remained employed by NAB during the period 18 August 2023 to 31 October 2023 to transition functional accountability to Ms White. She was not a KMP or a member of the Executive Leadership Team in this period. Ms Ferrier retired on 31 October 2023.

Group executive changes

Ms Mentis announced her retirement at the end of FY23. Accordingly, her portfolio was reallocated to Mr Matheson from 1 November 2023. The table below outlines the change in his remuneration arrangements. Further details are provided in section 2.3.

Group Executive	Remuneration arrangement
Les Matheson, Group Executive Digital, Data and Chief Operating Officer (appointed 1 November 2023, ceased to be Group Chief Operating Officer on 31 October 2023)	• Mr Matheson was previously the Group Chief Operating Officer. • As the appointment occurred within the 2024 financial year, Mr Matheson's appointment aligned to the 2024 executive remuneration framework. On appointment, his remuneration comprised of annual FR of $1,150,000 with an Annual VR maximum opportunity of 100% of FR and LTI opportunity of 140% of FR (comprising the LTEA component of 70% of FR and the LTVR component of 70% of FR).
Angela Mentis, Group Chief Digital, Data and Analytics Officer (retired and ceased to be Group Chief Digital, Data & Analytics Officer on 31 October 2023)	• Ms Mentis retired from NAB on 31 October 2023. In accordance with the terms of NAB's VR programs, Ms Mentis retained all unvested deferred short-term and long-term VR awards. The awards remain subject to the relevant performance measures and restriction periods. • Ms Mentis remained eligible to participate in the FY23 Annual VR plan. Ms Mentis' Annual VR will be delivered in cash (50%) and deferred cash (50%), vesting in four equal annual tranches. • On retirement, Ms Mentis received a payment in respect of statutory entitlements and in recognition of her contribution to the Group. Payments made in connection with Ms Mentis' retirement complied with the termination benefits regime in the *Corporations Act 2001* (Cth).

2.3 Key management personnel

The list of NAB's Key Management Personnel (KMP) is assessed each year and comprises of the non-executive directors of NAB, the Group CEO (an executive director of NAB) and the Group Executives who represent employees of the Group and have authority and responsibility for planning, directing and controlling the activities of both NAB and the Group. The KMP during 2023 were:

Name	Position	Term as KMP
Non-executive directors		
Philip Chronican	Chair	Full year
David Armstrong	Director	Full year
Kathryn Fagg	Director	Full year
Christine Fellowes[1]	Director	Part year
Peeyush Gupta	Director	Full year
Carolyn Kay[2]	Director	Part year
Alison Kitchen[3]	Director	Part year
Anne Loveridge	Director	Full year
Douglas McKay	Director	Full year
Simon McKeon	Director	Full year
Ann Sherry	Director	Full year
Group CEO		
Ross McEwan	Group Chief Executive Officer and Managing Director	Full year
Group Executives		
Sharon Cook	Group Executive, Legal and Commercial Services	Full year
Shaun Dooley	Group Chief Risk Officer	Full year
Susan Ferrier[4]	Group Executive, People and Culture (to 17 August 2023)	Part year
David Gall	Group Executive, Corporate and Institutional Banking	Full year
Nathan Goonan[5]	Group Executive, Strategy and Innovation (to 30 June 2023) Group Chief Financial Officer (from 1 July 2023)	Full year
Daniel Huggins[6]	Managing Director and CEO of Bank of New Zealand	Full year
Andrew Irvine	Group Executive, Business and Private Banking	Full year
Gary Lennon[7]	Group Chief Financial Officer (to 30 June 2023) Group Executive, Special Projects (from 1 July 2023)	Full year
Les Matheson[8]	Group Chief Operating Officer	Full year
Angela Mentis[9]	Group Chief Digital, Data and Analytics Officer	Full year
Rachel Slade	Group Executive, Personal Banking	Full year
Patrick Wright	Group Executive, Technology and Enterprise Operations	Full year
Sarah White[10]	Group Executive, People and Culture (from 18 August 2023)	Part year

(1) Christine Fellowes' appointment was effective 5 June 2023. She will stand for election at the 2023 Annual General Meeting.
(2) Carolyn Kay's appointment was effective 31 July 2023. She will stand for election at the 2023 Annual General Meeting.
(3) Alison Kitchen's appointment was effective 27 September 2023. She will stand for election at the 2023 Annual General Meeting.
(4) Susan Ferrier ceased to be a KMP and member of the Executive Leadership Team on 17 August 2023. She remained an employee of NAB until 31 October 2023.
(5) As announced on 21 March 2023, Nathan Goonan commenced as Group Chief Financial Officer from 1 July 2023.
(6) All matters relating to the remuneration of Daniel Huggins including VR, have been approved by the BNZ Board as required under BNZ's Conditions of Registration which are set by the Reserve Bank of New Zealand.
(7) Gary Lennon ceased to be a KMP and member of the Executive Leadership team on 30 September 2023 and retired on 1 October 2023.
(8) As announced on 5 October 2023, Les Matheson commenced as Group Executive Digital, Data and Chief Operating Officer on 1 November 2023.
(9) Angela Mentis retired and ceased to be a KMP and member of the Executive Leadership Team following the end of FY23 on 31 October 2023.
(10) Sarah White's appointment was effective 18 August 2023.

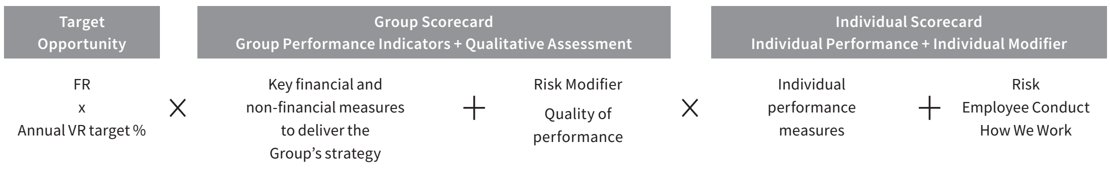
Section 3 – Our 2023 executive variable reward plans

The 2023 executive remuneration framework (including the executive variable reward plans described below) applied for 2023 and ceased to operate on 30 September 2023. From 1 October 2023, the new executive remuneration framework, as described in section 5, came into effect for the Group CEO and Group Executives.

3.1 Annual variable reward for 2023

The table below outlines the key features of the 2023 Annual VR plan for the Group CEO and Group Executives.

<table>
<tr><th>Feature</th><th>Description</th></tr>
<tr><td>Purpose</td><td>Annual VR rewards the Group CEO and Group Executives for delivery of annual goals that drive long-term sustainable performance. It provides an appropriate level of remuneration that varies based on the Board's determination of Group and individual performance over the financial year measured against agreed targets for financial and non-financial measures that are set to drive delivery of the Group's strategy. The plan is not wholly formulaic. Judgement is applied through qualitative assessment as determined by the Board.</td></tr>
<tr><td>Annual VR opportunity</td><td><table><tr><th>Position</th><th>Target opportunity</th><th>Maximum opportunity</th></tr><tr><td>Group CEO and Group Executives (excluding Group Chief Risk Officer)</td><td>100% of FR</td><td>150% of FR</td></tr><tr><td>Group Chief Risk Officer</td><td>75% of FR</td><td>112.5% of FR</td></tr></table></td></tr>
<tr><td>Group performance</td><td>Group performance is assessed on achievement of financial and non-financial measures (GPI) linked to the Group's key strategic priorities, overlaid by a qualitative assessment. The qualitative assessment may result in the outcome being adjusted upwards or downwards (including to zero) for risk, quality of performance (including consideration of financial and customer outcomes, sustainability matters, and progress made against strategy) and any other matters as determined by the Board. Further detail on the 2023 GPI and outcome is provided in section 4.1.</td></tr>
<tr><td>Individual performance and measures</td><td>Individual performance is assessed against a scorecard comprised of key financial and non-financial goals. The weighting of measures reflects the responsibilities for each individual's role. The Group CEO's 2023 scorecard is aligned to the GPI.


*The Board's assessment of the Group CEO's risk outcome is applied as an Individual Modifier.
Individual performance modifiers: The Board considers three individual performance modifiers which may result in an adjustment to individuals' performance and VR outcomes:
Risk: the individual's management of risk and compliance
Employee conduct: individual performance and VR outcomes may be reduced where expected standards of conduct are not met
How We Work: the individual's demonstration of NAB's values</td></tr>
<tr><td>Annual VR calculation</td><td>Individual Annual VR awards for the Group CEO and Group Executives[(1)] are calculated as follows:


Discretionary adjustments: Annual VR is discretionary and will vary in line with Group and individual performance and available funding. The Board may determine any amount be awarded from zero up to the maximum VR opportunity.
The Group CEO's 2023 scorecard, assessment and outcomes are provided in section 4.2.</td></tr>
<tr><td>Award delivery and deferral</td><td>Annual VR is delivered as a combination of cash and deferred rights. The cash component of Annual VR is paid following the performance year to which it relates.
Deferred rights are granted in February 2024 and are scheduled to vest pro-rata over four years from grant. Deferred rights are granted and may vest by the Board at its discretion, subject to the relevant plan rules including malus and clawback provisions.
A dividend equivalent payment for any vested deferred rights is paid at the end of each deferral period.</td></tr>
<tr><td>Separation</td><td>If the Group CEO or Group Executive resigns, they will not receive any Annual VR for that year and any unvested deferred rights will be forfeited.
Unvested awards may be retained on separation in other circumstances prior to the end of the vesting period. The Board retains discretion to determine a different treatment. Vesting of any unvested awards retained will generally not be accelerated and will continue to be held by the individual on the same terms.</td></tr>
<tr><td>Board discretion</td><td>The Board has extensive discretion in respect of the Annual VR awarded. Further detail on governance of Annual VR is outlined in section 6.2.</td></tr>
</table>

(1) All matters relating to the remuneration of Daniel Huggins, Managing Director and CEO BNZ, including scorecard measures and performance assessment, have been approved by the BNZ Board as required under BNZ's Conditions of Registration which are set by the Reserve Bank of New Zealand. Daniel Huggins' Annual VR is calculated as VR Target Opportunity x (50% Group performance + 50% BNZ performance) x Individual Performance Score. BNZ performance is assessed based on Customer (30%); Colleagues (12.5%); Safe Growth (7.5%) and Financial (50%). The assessed overall BNZ performance for 2023 was 100%.

3.2 Long-term variable reward allocated in 2023

The table below outlines the key features of the LTVR award allocated in February 2023 for the Group CEO and Group Executives.

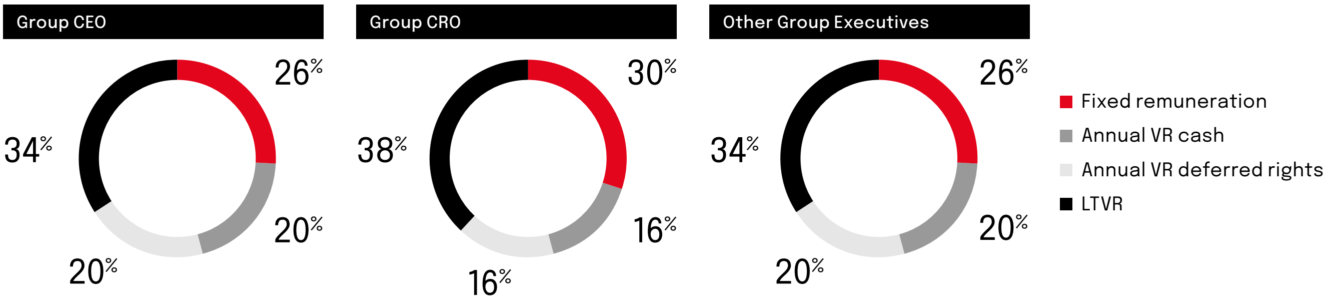
From 1 October 2023, the Group CEO and Group Executives will be awarded a Long Term Incentive (LTI) award under the new executive remuneration framework. The LTI award (comprising the LTEA and LTVR components) will be granted in February 2024 (subject to shareholder approval for the grant to the Group CEO). Further information about the new executive remuneration framework is provided in section 5.

<table>
<tr><th>Feature</th><th>Description</th></tr>
<tr><td>Purpose</td><td>LTVR awards were granted by the Board to encourage long-term decision making critical to creating long-term value for shareholders. They were determined and awarded independently from Annual VR decisions.</td></tr>
<tr><td>Participants</td><td>Group CEO and Group Executives as determined by the Board.</td></tr>
<tr><td>Award value</td><td>The maximum face value of the LTVR award was 130% of FR for the Group CEO and Group Executives. The value of the LTVR granted was determined by the Board. The Board considered the Group's and the relevant participant's performance when determining the LTVR granted to the participant.
The actual value delivered to each participant is subject to the level of achievement against the performance measure and may be zero if the performance measure is not achieved.</td></tr>
<tr><td>Instrument</td><td>The LTVR award was provided as performance rights.
Each performance right entitles its holder to receive one NAB share at the end of the four year performance period, subject to the performance measure being satisfied.</td></tr>
<tr><td>Allocation approach</td><td>The number of performance rights granted was calculated by dividing the LTVR award face value by NAB's weighted average share price over the last five trading days of the financial year. The weighted average share price used for the 2023 LTVR award, which was allocated on 23 February 2023, was $29.11.</td></tr>
<tr><td>Grant date</td><td>The LTVR award was granted on 23 February 2023.</td></tr>
<tr><td>Performance period</td><td>Four years from 15 November 2022 to 15 November 2026.</td></tr>
<tr><td>Performance measure</td><td>TSR measures the return that a shareholder receives through dividends (and any other distributions) together with capital gains over a specific period. For the purposes of calculating TSR over the performance period, the value of the relevant shares on the start date and the end date of the performance period are based on the volume weighted average price of those shares over the 30 trading days up to and including the relevant date.
NAB's TSR is measured against the TSR peer group to determine the level of vesting:
<table>
<tr><th>NAB's relative TSR outcome</th><th>Level of vesting</th></tr>
<tr><td>Below 50th percentile</td><td>0%</td></tr>
<tr><td>At 50th percentile</td><td>50%</td></tr>
<tr><td>Between 50th and 75th percentiles</td><td>Pro-rata vesting from 50% to 100%</td></tr>
<tr><td>At or above 75th percentile</td><td>100%</td></tr>
</table>
The TSR peer group is AMP Limited, Australia and New Zealand Banking Group Limited, Bank of Queensland Limited, Bendigo and Adelaide Bank Limited, Commonwealth Bank of Australia, Macquarie Group Limited, Suncorp Group Limited and Westpac Banking Corporation. No change was made from the prior year.</td></tr>
<tr><td>Testing</td><td>TSR outcomes are calculated by an independent provider.</td></tr>
<tr><td>No retesting</td><td>The performance measure is not retested. Any performance rights that have not vested after the end of performance period will lapse in December 2026.</td></tr>
<tr><td>Dividends</td><td>No dividends are paid throughout the vesting period or in respect of vested performance rights.</td></tr>
<tr><td>Separation</td><td>The treatment of performance rights will depend on the reason for separation:
• Resignation: performance rights will be forfeited in full
• All other circumstances including retrenchment and retirement: the performance rights will be retained in full unless otherwise determined by the Board in its absolute discretion[1]
Any performance rights a participant continues to hold will remain subject to the performance measure, with the measure being tested in accordance with the normal timetable.</td></tr>
<tr><td>Board discretion</td><td>The Board has extensive discretion in respect of the LTVR, including the initial value granted, the amount of performance rights that vest and any forfeiture or clawback applied. Further detail is provided in section 6.2.</td></tr>
</table>

(1) For example, if the participant retires prior to the end of the financial year in which the performance rights are granted, generally the Board will exercise its discretion to allow the participant to retain a pro-rata portion of the performance rights reflecting the proportion of the LTVR performance period served when the retirement occurs.

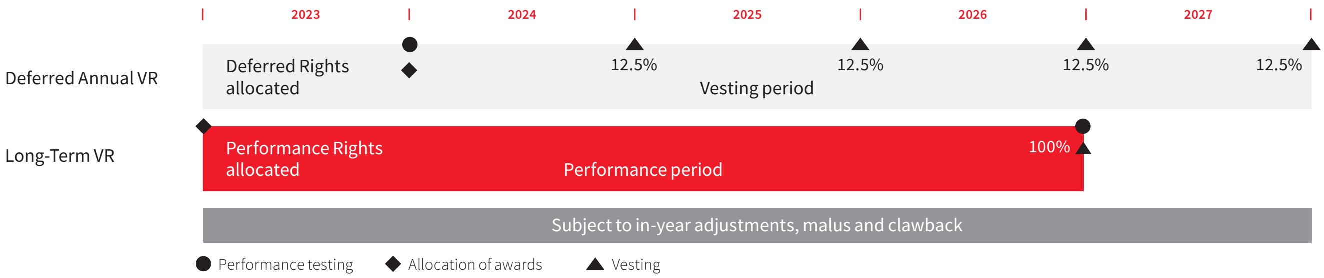
3.3 Remuneration mix

The 2023 remuneration mix for the Group CEO and Group Executives at maximum opportunity aimed to deliver approximately three-quarters of total remuneration as variable and 'at risk' remuneration. The actual remuneration mix for the Group CEO and each Group Executive is subject to Group[1] and individual performance each year.



3.4 Long-term alignment of remuneration

The executive remuneration framework that applied in 2023 incorporated deferral to ensure shareholder alignment and a focus on continued, sustainable performance. A proportion of remuneration is deferred in the form of equity for up to four years. This encourages long-term decisions which are critical to creating sustainable value for customers and shareholders. The Board retains discretion to determine whether all or some variable reward (unvested, vested or paid) may be subject to malus and clawback. See section 6.2 for more detail.



(1) The outcome for the Managing Director and CEO BNZ will vary depending on overall Group and BNZ performance.

Section 4 - Remuneration outcomes

4.1 Group performance

The Board determined Group performance for 2023 based on the GPI outlined below. The 2023 GPI was determined as 90%. The GPI is linked to the Group's key strategic priorities, and has regard to a qualitative assessment of risk, performance (including consideration of financial, sustainability and customer outcomes, and progress made against strategy) and any other matters as determined by the Board.

In 2023, when determining the GPI outcome, the Board considered a range of qualitative factors including progress on sustainability matters. This included progress against sustainability priorities, support for customers (including affordable housing, cost of living support and scam and fraud prevention), community initiatives, colleague engagement and gender equality. Further detail on the sustainability matters in our performance and reward framework is provided in section 4.2.

The 2023 GPI outcomes were:

Group Performance Indicators

Return on Total Allocated Equity (25%)
(expected loss basis)[1]
13.15%
Against plan of 12.93%
Outcome: **Above Plan**

Cash earnings (25%)
(expected loss basis)[2]
$7.64bn
Against plan of $7.5 billion
Outcome: **Above Plan**

Strategic Net Promoter Score[3] (20%)
(measures customer advocacy)

–3 **Consumer[4]** Against target of 2	6 **Business[5]** Against target of 2
–9 **High Net Worth & Mass Affluent[6]** Against target of +1	#1 **C&IB lead[7]** Against target of being #1

Outcome: **Partially Met**

Market Share (10%)
(assessment of growth in business lending, home lending and deposits, across Australia and New Zealand)[8]
20.04%
Against plan of 20.07%
Outcome: **Partially Met**

Colleague Engagement Score (7.5%)
(measures colleague engagement and motivation)
77
Against upper quartile target of 77
Outcome: **At Target**

Gender Equality (7.5%)
Representation of women in Group 4-6 roles
39%
Against plan of 39.7%
Outcome: **Partially Met**

Intelligent Control Score (5%)
(internal measure of the Group's control environment)
91
Against target of 86.1
Outcome: **Above Target**

(1) Return on Total Allocated Equity on an expected loss basis remains sensitive to changes in the risk profile of the Group's portfolio.

(2) Calculation of cash earnings on an expected loss basis provides a view that is reflective of long-term underlying business performance and is less volatile than cash earnings which includes the Credit Impairment Charge view, which in individual years can be impacted by large movements in economic adjustments and forward looking adjustments.

(3) Net Promoter® and NPS® are registered trademarks and Net Promoter Score and Net Promoter Systems are trademarks of Bain & Company, Inc., NICE Systems, Inc. and Fred Reichheld.

(4) Sourced from DBM Consumer Atlas (part of RFI Global), measured on 6 month rolling average to August 2023. Baseline is August 2022. Consumer NPS excludes consumers with Personal income of $260k+ and/or investible assets of $1m+. Ranking based on absolute scores, not statistically significant differences.

(5) Sourced from DBM Business Atlas (part of RFI Global), measured on 6 month rolling average to August 2023. Baseline is August 2022. Business NPS is based on equal (25:25:25:25) combined weighting of NAB turnover segments: Micro (Up to $100k turnover), Small ($100k-$5m turnover), Medium ($5m-$50m turnover), Large ($50m+). Ranking based on absolute scores, not statistically significant differences.

(6) Sourced from DBM Consumer Atlas (part of RFI Global), measured on 6 month rolling average to August 2023. Baseline is August 2022. Based on all consumers 18+, in either High Net Worth definition or Mass Affluent definition and on equal (50:50) combined weighting of included segments. Mass Affluent includes consumers with Personal income of $260k+ and/or investible assets less than $2.5m and/or investible assets $1m<$2.5m, High Net Worth includes consumers with investible assets of $2.5m+. Ranking based on absolute scores, not statistically significant differences.

(7) Met target based on ranking in our target market, informed by an independent survey.

(8) Each product line is assessed individually with overall market share assessment being the weighted sum of outcomes across all product lines. Market share targets per product are calibrated to the Annual Strategic and Financial Corporate Plan.

As part of our governance process, the GPI outcome may be modified by the Board due to unsatisfactory risk or conduct findings. The Group Risk Performance assessment, undertaken by the Group Chief Risk Officer, reviewed the Group's practices and presented the findings to the Board and the Board Risk and Compliance Committee.

Historical Group performance

The table below shows the Group's annual financial performance over the last five years and its impact on shareholder value, taking into account dividend payments, share price changes, and other capital adjustments during the period.

Financial performance measure	2023	2022	2021	2020	2019
Basic earnings per share (cents)	**238.0**	219.3	196.3	112.7	208.2
Cash earnings ($m)(1)	**7,731**	7,104	6,558	3,710	5,853
Dividends paid per share ($)	**1.61**	1.40	0.90	1.13	1.82
Company share price at start of year ($)	**28.81**	27.83	17.75	29.70	27.81
Company share price at end of year ($)	**29.07**	28.81	27.83	17.75	29.70
Absolute Total Shareholder Return - latest financial year	**6.5%**	8.6%	61.9%	(36.4%)	13.3%
Absolute Total Shareholder Return - rolling four financial year period	**14.9%**	22.5%	6.9%	(11.5%)	29.6%

(1) Information is presented on a continuing operations basis, unless otherwise stated. 2019 has been restated for the presentation of MLC Wealth as a discontinued operation. No other comparative periods have been restated.

The table below summarises the variable reward outcomes for the Group CEO and Group Executives over the last five years, including vesting of LTVR awards relating to prior periods.

	2023	2022	2021	2020	2019
Group CEO Annual VR (% of max. Annual VR)	**72%**	74%	81%	0%	0%
Average Group Executives Annual VR (% of max. Annual VR)(1)	**68%**	65%	83%	0%	0%
LTVR award - four year performance period (% of total award vested)(2)	**n/a**(3)	66%	56%	38%	0%
LTVR award - five year performance period (% of total award vested)(4)	**n/a**	n/a	n/a	35%	0%
NAB's four year relative TSR (S&P/ASX50)(5)	**n/a**	n/a	n/a	23rd	20th
NAB's four year relative TSR (Top Financial Services peer group)(5)(6)	**n/a**(3)	71st	71st	57th	43rd
NAB's five year relative TSR (S&P/ASX50)(5)	**n/a**	n/a	n/a	22nd	35th
NAB's five year relative TSR (Top Financial Services peer group)(5)(6)	**n/a**	n/a	n/a	57th	43rd

(1) The maximum Annual VR opportunity has changed over time, consistent with the relevant Annual VR plan.
(2) The amount shown for 2022 is the portion of the total 2017 LTI award that vested and for 2021 is the portion of the total 2016 LTI award that vested. Both awards were measured over a four year performance period, against relevant peer groups.
(3) NAB did not award any LTVR in 2018 and therefore there was no award to be tested for vesting in 2023.
(4) The amount shown for 2020 is the percentage of the total 2014 LTI award that vested. This award was measured over a five year performance period against relevant peer groups.
(5) Measured over the performance period of the relevant LTVR award.
(6) The Top Financial Services peer group for all awards is: AMP Limited, Australia and New Zealand Banking Group Limited, Bank of Queensland Limited, Bendigo & Adelaide Bank Limited, Commonwealth Bank of Australia, Suncorp Group Limited and Westpac Banking Corporation.

4.2 Group CEO's performance

The table below shows the key 2023 performance measures for the Group CEO and Group Executives and the Board's assessment of the Group CEO's performance against those measures. The measures were selected to support the Group strategy and are underpinned by the GPI scorecard in section 4.1. The Board considers that the Group CEO and Group Executives have maintained momentum in delivering the Group strategy and have delivered strong results against the Group's business plan in a challenging and competitive economic environment.

Goal, objective and assessment	Weighting	Outcome
Financial: *Deliver attractive returns, safe growth and the financial plan* Strong financial performance with above plan cash earnings and disciplined management of the Group's balance sheet. The Group has maintained strong liquidity through 2023 with surpluses above regulatory requirements. • Return on Total Allocated Equity (expected loss basis)[1] of 13.15% was 22 basis points higher than plan. • Cash earnings (expected loss basis)[2] of $7,639 million was $117 million or 1.6% higher than plan. • Market Share[3] below plan expectations. • Financial performance / profit growth reflects the continued, disciplined execution of our long-term strategy targeting growth in higher returning segments while managing the impact of the higher interest rate environment.	60%	Achieved
Customers: *Deliver a great customer experience and grow customer advocacy* Continued support for our customers with a focus on vulnerable customers, customer complaint handling, customer advocacy and our remediation program. Strategic NPS[4] results were disappointing and below target in 3 out of 4 priority segments. • C&IB NPS leads peers. This was at target[5]. • Consumer NPS was 3 points below the baseline of 0, with NAB ranked second among the major Australian banks[6]. • Business NPS was 10 points above baseline (-4), with NAB ranked second among the major Australian banks[7]. • High Net Worth and Mass Affluent NPS was 6 points below baseline (-3), with NAB ranked third among the major Australian banks[8]. The HNW NPS segment ended 2023 ranked first among the major Australian banks. • Accelerating efforts to protect customers against scams and fraud via customer awareness and education campaigns, and investing in biometric technologies, machine learning, 24/7 account monitoring, working with telecommunications companies and delivering pro-active customer alerts. • Continued improvement to complaints handling and resolution of remediation programs. • Increased climate and sustainable financing products including the NAB Agri Green Loan, business finance for "green" equipment and new capability to provide equity funding in innovative early-stage climate-related investments.	20%	Partially Achieved
Colleagues: *Lead cultural change through energy, positivity, simplicity and engaged colleagues* Colleague engagement increased steadily throughout the year achieving an average colleague engagement score of 77 for 2023, with a Q4 engagement spot score of 78, which was a top quartile outcome[9]. This reflects the work undertaken to realise our desired culture, including simplifying our processes and prioritising workload management and well-being. • Continued to embed effective leadership practices across the Group with 92% of leaders having completed the Distinctive Leadership Program. • Notable improvement (0.8% increase) in the representation of women in Leadership (Group 4 – 6) roles was achieved but was slightly below target. • Implementation of the three-year EA comprehensively supported by the colleague vote. • Effective leadership of challenging talent market with reduced attrition and effective attraction of key leadership roles and critical capabilities.	15%	Partially Achieved

Goal, objective and assessment	Weighting	Outcome
Safe Growth: *Deliver the Group strategy with improved processes and controls across the Group* Improved management of the Group's obligations, risk and control environment and delivery against our long-term strategy. • Achieved an Intelligent Control Score (internal measure of the Group's control environment) of 91 against a target of 86 (and a baseline of 81). • Strong momentum in innovation and partnerships highlighted by Instant Credit Decisioning and the launch of NAB Stablecoin (tokenisation) with our world's first borderless transaction. • Effective execution against our Technology Modernisation plan. • Good execution of Mergers and Acquisition integration agenda. • Good progress against our sustainability and climate strategy which is outlined further in NAB's Climate Report (see below for additional information on the application of sustainability matters within performance).	5%	Highly Achieved
Outcome before application of modifier		Partially Achieved
Risk modifier: *Regulatory, breach management, progress on matters of interest, losses associated with operational events and remediation costs, reputation* • Maintained a stable risk profile in a volatile external environment, with a majority of Material Risk Categories improved or stable and positive momentum on significant risk issues throughout 2023. • Increased focus on commitment to strengthening risk management and performance across the organisation, driven by Group CEO personal sponsorship, a focus on safe growth, protecting customers, improving risk management practices and disciplined management of compliance requirements, • Responses to challenges presented by increased fraud and scams managed effectively, resulting in the average 'speed of answer' for calls to Fraud Operations significantly improving, the fraud and scams NPS improving and complaints reducing. • Improvement in the Financial Crime risk profile including the on-schedule delivery of the AUSTRAC Enforceable Undertaking Remedial Action Plan. • Achieved highest RepTrak survey score in six years and third consecutive quarterly increase[10].		Achieved
How We Work modifier: *Individual conduct and demonstration of NAB's values* The Group CEO demonstrated the Group's values and supported the Group's desired culture. • Continued focus on simplification and productivity. • Consistently driving accountability and performance focus across all leadership segments. • Role modelled customer service behaviours with extensive engagement with key customers on a regular basis. • Leadership across scams and fraud. • Purposeful and regular engagement with colleagues including a focus on celebrating colleague success and encouraging colleagues to speak up and challenge the status quo. • Demonstrated all leadership requirements and has improved the culture of accountability across all colleagues.		Highly Achieved
Overall Outcome The Group CEO's overall outcome was assessed as Highly Achieved reflecting his personal leadership contribution internally on strategic matters and externally on matters of significance, as well as role-modelling individual conduct and NAB's values.		CEO: 108% of target 72% of maximum opportunity

(1) Return on Total Allocated Equity on an expected loss basis remains sensitive to changes in the risk profile of the Group's portfolio. Statutory net profit for the period amounted to $7,414 million.
(2) Calculation on an expected loss basis provides a view that is reflective of long-term underlying business performance and is less volatile than the Credit Impairment Charge view which in individual years can be impacted by large movements in economic adjustments and forward looking adjustments.
(3) Market Share is assessed by each product individually. Products include Australia Home Lending (16%, APRA), New Zealand Home Lending (4%, RBNZ), Australia SME Lending (27%, RBA), New Zealand Business Lending (3%, RBNZ), Australia Household Deposits (21%, APRA), New Zealand Household Deposits (4%, RBNZ), Australia Business Deposits excluding Financial Institutions and Government (21%, APRA), New Zealand Business Deposits (4%, RBNZ). Market Share movement results are July 2022 to July 2023.
(4) Net Promoter® and NPS® are registered trademarks and Net Promoter Score and Net Promoter Systems are trademarks of Bain & Company, Inc., NICE Systems, Inc. and Fred Reichheld.
(5) Met target based on ranking in our target market, informed by an independent survey.
(6) Sourced from DBM Consumer Atlas (part of RFI Global), measured on 6 month rolling average to August 2023. Baseline is August 2022. Consumer NPS excludes consumers with Personal income of $260k+ and/or investible assets of $1m+. Ranking based on absolute scores, not statistically significant differences.
(7) Sourced from DBM Business Atlas (part of RFI Global), measured on 6 month rolling average to August 2023. Baseline is August 2022. Business NPS is based on equal (25:25:25:25) combined weighting of NAB turnover segments: Micro (Up to $100k turnover), Small ($100k-$5m turnover), Medium ($5m-$50m turnover), Large ($50m+). Ranking based on absolute scores, not statistically significant differences.
(8) Sourced from DBM Consumer Atlas (part of RFI Global), measured on 6 month rolling average to August 2023. Baseline is August 2022. Based on all consumers 18+, in either High Net Worth definition or Mass Affluent definition and on equal (50:50) combined weighting of included segments. Mass Affluent includes consumers with Personal income of $260k+ and/or investible assets less than $2.5m and/or investible assets of $1m<$2.5m, High Net Worth includes consumers with investible assets of $2.5m+. Ranking based on absolute scores, not statistically significant differences.
(9) The Group's average colleague engagement increased to 77 over 2023, with a Q4 spot score of 78 in August 2023. This is based on the methodology adopted by Glint (which conducts the Heartbeat survey). Top quartile is based upon Glint's client group (domestic and global, from all industries).
(10) RepTrak Score (0-100) is provided by The RepTrak Company. It is an independent measurement of company reputation among those familiar with NAB. Data is reported on a quarterly basis.

Sustainability within our remuneration framework

Our strategic ambition, to serve customers well and help communities prosper is reflected in the measures that determine performance and remuneration across NAB. Sustainability related performance is part of this process and is applied within our GPI and qualitative assessment of performance, as well as Group CEO, Group Executive and colleague scorecards.

The governance and oversight of how these measures are set, reviewed and linked to the Group CEO and Group Executives' remuneration outcomes are in accordance with the Group's governance and oversight framework outlined in section 6.1.

Our approach has been consistent since 2020 when the new Group strategy was implemented.

Examples of Sustainability within our performance framework

The list below provides some examples of the types of sustainability related matters that have been incorporated into the assessments of the Group CEO and Group Executives' performance in 2023. For specific Group Executives, sustainability related measures are included within their individual performance scorecards.

- **Positive customer outcomes:** Including NPS measures, meaningful action on customer complaints, appropriate support for customers experiencing vulnerability, actions taken to build customer awareness and reduce the impact of fraud and scams.
- **Positive colleague outcomes:** Colleague engagement, gender equality, inclusion and diversity.
- **Progress against sustainability priorities:**
  - **Climate change:** Progress against existing, and establishing additional, sector decarbonisation targets; building operational maturity and colleague capability; increasing support for customers through product and service development and safe growth in environmental financing.
  - **Affordable and specialist housing:** Progress against NAB's affordable and specialist housing target and development of NAB's specialised customer proposition in target growth areas.
  - **Indigenous economic advancement:** Progress against NAB's Indigenous business strategy including growth of a specialised banking team, and safe growth in financing to Indigenous businesses.
  - **Natural disaster support:** Maturity of NAB's customer and colleague disaster support process and national partnerships implemented to drive meaningful philanthropic activity.

Individual performance modifiers for Risk and How We Work (conduct and values) also consider sustainability related matters, and therefore may influence final assessed performance.

Further information on NAB's approach to managing climate change and other sustainability related matters is provided in NAB's 2023 Climate Report.

4.3 In-year variable reward outcomes

Group CEO and Group Executives

The table below outlines the Annual VR outcome for the Group CEO and each Group Executive for 2023 compared to each individual's maximum Annual VR opportunity. The variance in the individual scores reflects differences in performance against individual scorecards.

Name	Maximum Annual VR opportunity $	Total Annual VR $	Annual VR cash $	VR deferred rights[1] $	% of maximum Annual VR opportunity %
Group CEO					
Ross McEwan	3,750,000	2,700,000	1,350,000	1,350,000	72
Group Executives					
Sharon Cook	1,460,625	920,194	460,097	460,097	63
Shaun Dooley	1,383,750	871,763	435,882	435,881	63
Susan Ferrier[2]	1,220,733	659,195	329,597	329,598	54
David Gall	1,845,000	1,383,750	691,875	691,875	75
Nathan Goonan	1,690,500	1,065,015	532,507	532,508	63
Andrew Irvine	1,845,000	1,439,100	719,550	719,550	78
Gary Lennon	1,691,250	1,166,963	583,482	583,481	69
Les Matheson	1,614,375	1,065,488	532,744	532,744	66
Angela Mentis	1,845,000	1,217,700	608,850	608,850	66
Rachel Slade	1,845,000	1,328,400	664,200	664,200	72
Patrick Wright	2,306,250	1,591,313	795,657	795,656	69
Daniel Huggins[3]	1,701,291	1,216,481	608,241	608,240	72
Sarah White[4]	-	-	-	-	n/a
Total	**24,198,774**	**16,625,362**	**8,312,682**	**8,312,680**	**69**

(1) Due to the retirement of Susan Ferrier, Gary Lennon and Angela Mentis, their Annual VR deferred award will be paid as deferred cash.
(2) Susan Ferrier's VR for 2023 has been pro-rated for the period she was a KMP being 1 October 2022 to 17 August 2023.
(3) VR converted from NZD using the average exchange rate for the 2023 financial year. The Board approved VR for Daniel Huggins of $1,215,269 based on a spot exchange rate of A$1 = NZ$1.0855.
(4) Sarah White received Annual VR in respect of her role prior to becoming a KMP. She was not awarded any Annual VR in relation to her Group Executive People and Culture role in 2023.

4.4 Prior year long-term VR awards

(a) LTVR award testing

No LTVR was available for vesting in the current year.

(b) Overview of unvested long-term awards

The following is a summary of the unvested long-term awards held by the Group CEO and Group Executives.

Award	Grant date	Performance period	Vesting date	Performance measures
LTVR allocated in 2019				No LTVR awards were granted for the 2018 performance year
LTVR allocated in 2020[1]	26/02/2020	15/11/2019 to 15/11/2023	22/12/2023	NAB's TSR performance against a financial services peer group
LTVR allocated in 2021[1]	24/02/2021	15/11/2020 to 15/11/2024	22/12/2024	NAB's TSR performance against a financial services peer group
LTVR allocated in 2022[1]	23/02/2022	15/11/2021 to 15/11/2025	22/12/2025	NAB's TSR performance against a financial services peer group
LTVR allocated in 2023[1]	23/02/2023	15/11/2022 to 15/11/2026	22/12/2026	NAB's TSR performance against a financial services peer group

(1) The LTVR awards were granted based on individual performance, risk and conduct outcomes in the respective prior performance year.

The FY24 LTI award (comprised of the LTVR and LTEA components) will be granted in February 2024 under the new executive remuneration framework.

4.5 Realised remuneration

The table below is a voluntary non-statutory disclosure that shows the realised remuneration the Group CEO and each Group Executive received during 2023. The amounts shown include fixed remuneration, and equity and cash-based awards that vested in 2023. The table provides shareholders with enhanced transparency of remuneration received by Executives. The table is not prepared in accordance with Australian Accounting Standards and this information differs from the statutory remuneration table (in section 7).

		2023			Prior years			
Name		Fixed remuneration[1] $	Annual VR cash $	Total 2023 remuneration $	LTI Performance[2] Rights[3] $	Other vested/ paid[4] remuneration[3] $	Total realised remuneration $	Equity forfeited /[5] lapsed[3] $
Group CEO								
Ross McEwan	**2023**	**2,494,509**	**1,350,000**	**3,844,509**	**–**	**432,063**	**4,276,572**	**–**
	2022	2,502,740	1,387,500	3,890,240	–	–	3,890,240	–
Group Executives								
Sharon Cook	**2023**	**966,371**	**460,097**	**1,426,468**	**–**	**421,622**	**1,848,090**	**–**
	2022	939,001	441,372	1,380,373	557,019	13,790	1,951,182	(294,095)
Shaun Dooley	**2023**	**1,219,188**	**435,881**	**1,655,069**	**–**	**121,496**	**1,776,565**	**–**
	2022	1,174,850	416,250	1,591,100	–	–	1,591,100	–
Susan Ferrier	**2023**	**1,376,319**	**329,598**	**1,705,917**	**–**	**118,051**	**1,823,968**	**–**
	2022	902,116	418,142	1,320,258	–	16,198	1,336,456	–
David Gall	**2023**	**1,220,965**	**691,875**	**1,912,840**	**–**	**234,448**	**2,147,288**	**–**
	2022	1,202,821	641,151	1,843,972	905,143	–	2,749,115	(477,886)
Nathan Goonan[6]	**2023**	**972,004**	**532,508**	**1,504,512**	**–**	**196,018**	**1,700,530**	**–**
	2022	902,116	418,142	1,320,258	–	4,667	1,324,925	–
Andrew Irvine	**2023**	**1,220,937**	**719,550**	**1,940,487**	**–**	**1,060,691**	**3,001,178**	**–**
	2022	1,202,822	669,027	1,871,849	–	767,561	2,639,410	–
Gary Lennon	**2023**	**1,681,268**	**583,481**	**2,264,749**	**–**	**520,867**	**2,785,616**	**–**
	2022	1,102,587	562,169	1,664,756	994,641	15,918	2,675,316	(525,196)
Les Matheson	**2023**	**1,068,057**	**532,744**	**1,600,801**	**–**	**113,708**	**1,714,509**	**–**
	2022	1,052,469	487,832	1,540,301	–	–	1,540,301	–
Angela Mentis	**2023**	**1,834,347**	**608,850**	**2,443,197**	**–**	**1,225,383**	**3,668,580**	**–**
	2022	1,205,315	692,367	1,897,682	1,193,581	44,380	3,135,643	(630,195)
Rachel Slade	**2023**	**1,220,937**	**664,200**	**1,885,137**	**–**	**577,998**	**2,463,135**	**–**
	2022	1,202,822	585,399	1,788,221	–	15,785	1,804,006	–
Patrick Wright	**2023**	**1,526,171**	**795,656**	**2,321,827**	**–**	**2,099,910**	**4,421,737**	**–**
	2022	1,503,527	696,903	2,200,430	1,293,065	81,400	3,574,895	(682,694)
Daniel Huggins[7][8]	**2023**	**1,141,636**	**608,240**	**1,749,876**	**–**	**187,776**	**1,937,652**	**–**
	2022	1,124,003	580,127	1,704,130	–	696,728	2,400,858	–
Sarah White[9][10]	**2023**	**105,814**	**–**	**105,814**	**–**	**–**	**105,814**	**–**

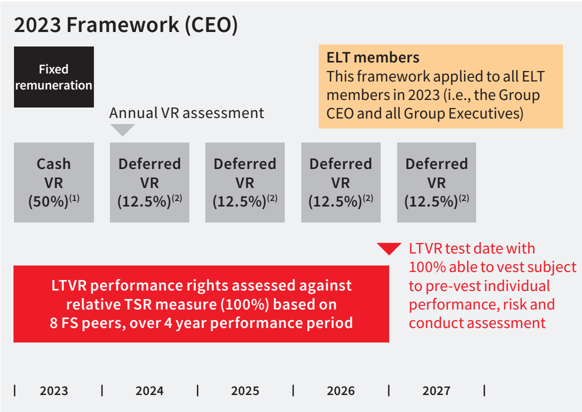
(1) Includes cash salary, superannuation and payments on separation consistent with the statutory remuneration table in section 7.1, excluding accrued annual leave entitlements.
(2) In 2018, no LTVR was awarded and available for vesting in the current year.
(3) The value of equity awards is calculated using NAB's closing share price on the vesting or forfeiture or lapsing date.
(4) Amounts related to other vested equity or cash-based remuneration from prior years. This includes VR deferred rights, commencement awards, shares received under the General Employee Share Offer and dividends accumulated during the vesting period on VR vesting in the year. Details of the vested equity awards are provided in section 7.
(5) Awards or remuneration lapsed or forfeited during 2023. Details of the awards are provided in section 7.
(6) Nathan Goonan was appointed Group Chief Financial Officer effective 1 July 2023. The figures disclosed reflect both his remuneration received as the former Group Executive, Strategy & Innovation and in his current role.
(7) AUD/NZD exchange rate of 1.08447, being year to date average exchange rate as of September 2023.
(8) Daniel Huggins' remuneration includes VR paid during the year relating to the period before he was a KMP.
(9) Sarah White received Annual VR in respect of her role prior to becoming a KMP. She was not awarded any Annual VR in relation to her Group Executive People and Culture role in 2023.
(10) Sarah White did not have any VR vest or paid during the period she was a KMP.

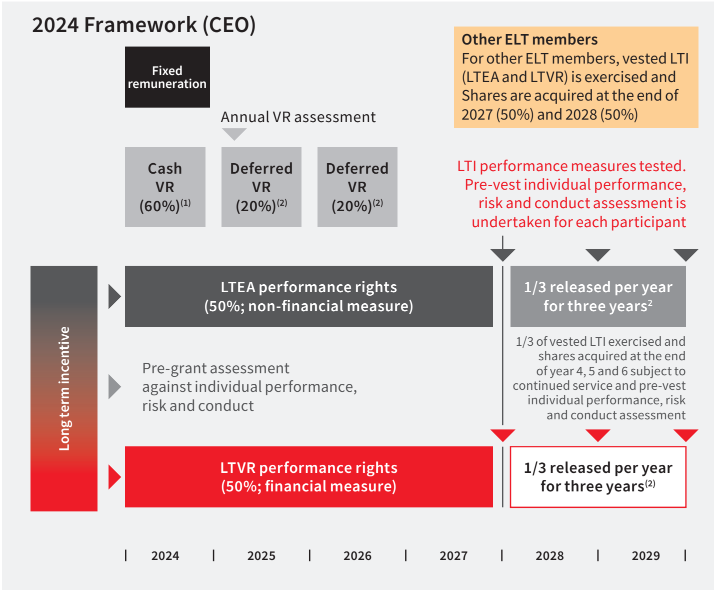
Section 5 - Executive remuneration in 2024

5.1 Our new executive remuneration framework

As foreshadowed in our 2022 Remuneration Report, the Board undertook a detailed review of the remuneration framework for the Group CEO and Group Executives in 2023. The review was in preparation for the implementation of APRA's Prudential Standard CPS 511 *Remuneration* (CPS 511). Based on the review, the Board approved changes to the framework, which took effect from 1 October 2023. The changes meet the requirements of CPS 511 and ensure that the remuneration framework:

- maintains a strong focus on individual performance, conduct and management of financial and non-financial risks;
- drives short and long-term performance, sustainable shareholder growth and a focus on customer outcomes; and
- provides mechanisms to ensure remuneration outcomes will be commensurate with performance and risk outcomes.





(1) Cash Annual VR is paid at the end of the financial year.
(2) Deferred VR, LTEA performance rights and LTVR performance rights are released at the end of the year.

Key changes in the executive remuneration framework

Long Term Incentive Award

- The new Long Term Incentive (LTI) Award is comprised of two equally weighted components of remuneration which together provide material weight to financial and non-financial measures in compliance with APRA requirements. These two components are the LTEA and LTVR(1):
  - LTEA: Performance rights subject to a non-financial performance measure tested over a four year period. The measure tests whether *NAB meets or exceeds risk expectations(2) and maintains an acceptable level of risk exposure within the agreed appetite levels for risks specific to the Group.*
  - LTVR: Performance rights subject to a financial performance measure tested over a four year period(3) being *Total Shareholder Return* (TSR). TSR aligns remuneration with long term shareholder outcomes and growth.

Reduction in remuneration

↓ Maximum Annual VR opportunity reduced from 150% of FR to 100%(4)

↑ Long term reward (LTEA + LTVR) increased from 130% of FR to 140%

↓ Maximum total remuneration opportunity reduced from 380% of FR to 340%

↓ Remuneration delivered in cash reduced from 175% to 160% of FR as a result of the reduced maximum total remuneration opportunity

↑ Proportion of total remuneration delivered in cash increases from 46% to 47% of maximum remuneration opportunity

VR is more heavily weighted towards long-term components, encouraging long-term decision making and safe, sustainable, long-term growth.

Overall longer VR deferral periods

− 2 years in the length of the Annual VR deferral period (from 50% deferred vesting over four years to 40% deferred vesting over two years)

\+ 2 years in the length of the LTI deferral period for the Group CEO (from four years to six years)(5)

\+ 1 year in the length of the LTI deferral period for Group Executives (from four years to five years)(5)

The longer LTI deferral period aligns executives with the longer term shareholder experience and encourages a focus on delivering sustainable long-term value.

The Annual VR deferral period has been shortened to balance the overall longer deferral period applied to the LTI.

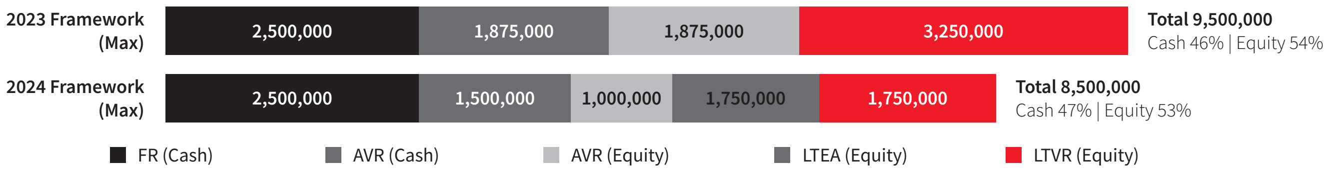
New relative TSR peer group

- The TSR peer group has been expanded to include twelve peer companies (previously eight). The expanded peer group provides a greater range of possible outcomes and reduces the sensitivity impact of a minor change in TSR(6). The TSR peer group now includes:
  - AMP Limited
  - Australia and New Zealand Banking Group
  - Bank of Queensland Limited
  - Bendigo and Adelaide Bank Limited
  - Commonwealth Bank of Australia
  - Macquarie Group Limited
  - Suncorp Group Limited
  - Westpac Banking Corporation
  - Medibank Private Limited – new
  - NIB Holdings Limited – new
  - QBE Insurance Group – new
  - Insurance Australia Group – new

(1) The LTI Award (LTEA and LTVR components) is granted at the start of the financial year subject to an individual pre-grant performance, risk and conduct assessment.
(2) The performance measure for the LTEA component is assessed at the end of the four-year performance period.
(3) No change has been made to the performance period of the LTVR component which will continue to be tested at the end of the four-year performance period.
(4) The maximum Annual VR opportunity for the Group Chief Risk Officer is reduced from 112.5% of FR to 65%.
(5) LTI participants will receive a cash amount equal to the value of dividends paid during the deferral period (including imputation credits applied to the dividends) in respect of each performance right that vests and is exercised. The dividend equivalents will be paid by NAB on or around the exercise date.
(6) The new TSR peer group will apply to any LTVR component awarded after 1 October 2023 (FY24).

Maximum remuneration opportunity – CEO

The chart below illustrates the reduction in the maximum total remuneration opportunity of the CEO under the 2024 executive remuneration framework. The reduction is driven by the decrease in Annual VR opportunity offset by an increase to the long-term VR opportunity reinforcing the importance of decision making, strategic execution and safe, sustainable growth over the long-term.



New risk management and conduct framework

The 2024 executive remuneration framework continues to focus executives on risk management through annual risk and conduct assessments. These are undertaken as follows:

VR plan	Timing of risk management and conduct assessment:
Annual VR	• At the end of the year when Annual VR outcomes are determined. • At the end of each year during the deferral period before deferred rights are exercised and shares are allocated.
LTI	Risk management and conduct assessments are undertaken at four stages: 1. Pre-grant risk and conduct assessment: At the start of the performance year, an individual assessment of each participant is undertaken to determine the value of performance rights (LTEA and LTVR components) to be awarded to the participant. 2. Throughout the performance period: Risk and conduct assessments are undertaken throughout the four year performance period. 3. Prior to vesting of performance rights: At the end of the four year performance period, the LTEA and LTVR performance measures are tested and an individual risk and conduct pre-vest assessment is undertaken for each participant. This pre-vest assessment will determine the value of the LTI award (LTEA and LTVR components) that will vest for each individual. 4. Before exercise of vested awards and acquisition of shares: At the end of each year during the deferral period before vested performance rights are exercised and shares are allocated.

Further information about the risk and conduct assessment mechanisms and the approach to determining remuneration adjustments is provided in section 6.3.

Pre-grant risk and conduct assessment	Performance period	Pre-vest risk and conduct assessment	Exercise of vested performance rights and allocation of shares[1]
End of 2023	2024 – 2027	End of 2027	End of 2027 / End of 2028 / End of 2029
1. Pre-grant individual performance, risk management and conduct assessment	2. Assessment of LTEA and LTVR performance measures	3. Pre-vest individual performance, risk and conduct assessment	4. Assessment of Individual performance, risk and conduct prior to allocation of shares
Performance Criteria • Individual performance • Risk Management • Conduct (How We Work) Application Number of awards granted determined by the Board Outcome Performance rights granted in February 2024	LTEA Risk measure LTVR Total Shareholder Return Application Preliminary vesting outcome determined by the Board	Performance Criteria • Individual performance • Risk Management • Conduct (How We Work) Board discretion to adjust outcome Application Vesting outcome determined by the Board Outcome Performance rights vest	Performance Criteria • Individual performance • Risk Management • Conduct (How We Work) Board discretion to adjust outcome Application Number of vested performance rights that can be exercised are modified by the Board where an event or matter justifies the adjustment Outcome Performance rights are exercised and shares are allocated

(1) Shares are allocated to the Group CEO in three equal tranches at the end of 2027, 2028 and 2029 (i.e., 33% per year). Shares are allocated to the Group Executives in two equal tranches at the end of 2027 and 2028 (i.e., 50% per year).

5.2 Executive remuneration in 2024

Feature	Description
Fixed Remuneration	As a result of the changes in the ELT in 2023 and 2024, the Board determined an increase in the FR for Sharon Cook, Shaun Dooley and Les Matheson to reflect the increase in accountabilities[1] and, Nathan Goonan and Daniel Huggins to reflect external pay relativity adjustments. The combination of the change in composition of the Executive Leadership Team and FR increases resulted in FR for the Executive Leadership Team decreasing by 15% for 2024. Total remuneration (at target) has decreased by 19% for 2024. This reflects the Board's focus on disciplined cost management and maintaining responsible levels of executive remuneration. No increase was made to the FR of the Group CEO for 2024. The FR increase for the following three Group Executives is effective from 1 November 2023, reflecting the changes to their portfolios. • Sharon Cook – Group Executive, Legal and Commercial Services: from \$973,750 to \$1,000,000 (\$26,250 increase) • Shaun Dooley – Group Chief Risk Officer: from \$1,230,000 to \$1,300,000 (\$70,000 increase) • Les Matheson – Group Chief Operating Officer: from \$1,076,250 to \$1,150,000 (\$73,750 increase) The FR increase for the following two Group Executives is effective from 3 January 2024, aligning to when FR increases apply for all other colleagues. • Nathan Goonan – Group Chief Financial Officer: from \$1,127,000 to \$1,175,000 (\$48,000 increase) • Daniel Huggins – Managing Director and CEO of Bank of New Zealand: from \$1,133,118 to \$1,179,180 (\$46,062 increase)
2024 LTI award (LTEA and LTVR components)	The Board assessed the Group CEO and all Group Executives as having met the pre-grant individual performance, risk management and conduct assessments. Accordingly, the Board determined that each be awarded a 2024 LTI award, comprising the LTEA component **and** the LTVR component, each with a face value of 70% of FR (i.e., a total value of 140% of FR). The LTI award (LTEA and LTVR components) will be granted in February 2024. The actual value delivered to the Group CEO and each Group Executive is subject to the level of achievement against the relevant four-year performance measures and may be zero if the performance measures are not achieved. For the Group CEO, the 2024 LTI award comprising of the LTEA component (60,511 performance rights) and LTVR component (60,511 performance rights) is proposed to be granted in February 2024 (based on NAB's weighted average share price of \$28.92 over the last five trading days of the 2023 financial year). The grant of this award is subject to shareholder approval at NAB's 2023 AGM. Further details about the 2024 LTI award (including the LTEA and LTVR components) is presented in section 5.1.
Non-executive directors	The Board undertakes a review of the quantum of Board fees annually in December. Based on the review undertaken in 2022, the Board determined not to make any changes to Board fees in the 2023 financial year. The Board will next review Board fees in December 2023. Any change to Board fees in 2024 will be reported in the 2024 Remuneration Report.

(1) Les Matheson was appointed as the Group Executive Digital, Data and Chief Operating Officer following the retirement of Angela Mentis on 31 October 2023. The responsibilities of Angela Mentis' role were distributed to Les Matheson (Group Executive Digital, Data and Chief Operating Officer). A small portion of Les Matheson's Chief Operating Officer responsibilities were distributed between Shaun Dooley (Group Chief Risk Officer), Sharon Cook (Group Executive, Legal and Commercial Services) and Sarah White (Group Executive, People and Culture). The FR increases for Les Matheson, Shaun Dooley and Sharon Cook recognise the increase in their responsibilities.

Section 6 - Governance, risk and consequence

6.1 Remuneration governance and oversight

Shareholders

NAB Board

Reviews and approves remuneration related recommendations from the People & Remuneration Committee

People & Remuneration Committee

Assists the Board to discharge its responsibilities relating to people and remuneration strategies, policies and practices of the Group.

This remit focuses on long-term sustainable policy settings that foster desired culture while reinforcing compliance with NAB's Code of Conduct and fulfilling regulatory requirements across jurisdictions in which the Group operates.

Undertakes the risk and conduct assessments of the ELT in consultation with the Risk & Compliance Committee.

Risk & Compliance Committee
Audit Committee
Customer Committee
Nomination & Governance Committee

Provide expert, independent reports and information as required.

Present the "voice" of customers and incorporate the customer experience in performance and reward outcomes.

Provide input to setting measures and targets and assessing performance. Refer any relevant matter which may impact performance and remuneration outcomes.

Consulted by PRemCo on the risk and conduct assessments of the ELT.

Executive Remuneration Committee

Makes recommendations to the People & Remuneration Committee and the Board about the impact of risk, conduct, performance and other issues on variable remuneration outcomes for current or former employees (excluding the Group CEO and Group Executives). Membership is comprised of the:

- Group Executive People and Culture
- Group Chief Risk Officer
- Group Executive Legal and Commercial

External

May be engaged to independently review the Group's remuneration framework, policy and practices to assist the People & Remuneration Committee and Board by providing relevant insights to inform decision making. Independent external advisors do not make any decisions on behalf of the People & Remuneration Committee or the Board.

6.2 Board discretion in relation to remuneration

The Board has absolute discretion to adjust the Rewards[(1)] of any employee down, or to zero, where appropriate, including in circumstances where Group or individual performance outcomes have changed over time since the Reward was provided or for an act or omission that has impacted performance outcomes. Adjustments include, but are not limited to:

- determining the initial value of Rewards and varying their terms and conditions, including the performance measures.
- determining that some, or all, of the unvested Rewards be forfeited or extending the deferral period at any time for any Rewards including due to the conduct standards in the Code not being met or following the occurrence of a Malus Event[(2)].
- clawing back paid and vested Rewards (to the extent legally permissible).

People & Remuneration Committee

On behalf of the Board, the Committee's responsibilities include:

- monitoring the effectiveness of the Colleague strategy.
- developing and maintaining an effective Remuneration Policy and ensuring governance in its application.
- making recommendations to the Board in relation to the performance and remuneration outcomes for the Group CEO, Group Executives and other persons determined by the Board and ensuring outcomes are responsible and consistent with the Group's strategy and risk appetite.
- consideration of the findings of risk and conduct assessments for the Group CEO, Group Executives and other persons determined by the Board and determination of consequences.
- oversight of the Group's people and remuneration strategies, frameworks, policies and practices to ensure compliance with legal and regulatory requirements, market practice and trends and the expectations of customers and shareholders.

Further detail about the Committee is provided in our *Corporate Governance Statement* (on page 79) and in the People & Remuneration Committee Charter which is available on nab.com.au.

(1) In this section, the term 'Rewards' refers to all forms of variable reward including cash provided under a VR plan, deferred VR (cash and equity) to be paid or granted, LTEA and LTVR performance rights and any VR granted in previous years.
(2) Examples include where the executive has failed to comply with their accountability obligations under the *Banking Act 1959* (Cth); has engaged in fraud, dishonesty, gross misconduct, behaviour that may negatively impact the Group's long-term financial soundness or prudential standing or behaviour that brings NAB into disrepute; or has materially breached a representation, warranty, undertaking or obligation to the Group.

6.3 Conduct, risk and consequence management

The risk management and conduct framework was reviewed and updated in 2023 to reflect CPS 511 requirements. The review resulted in:

- Creation of Risk Framework Guiding Principles which guide annual risk and conduct assessments and the application of consequences.
- A new People & Remuneration Committee and Board Risk and Conduct Assessment Guide which provides steps and factors to be considered when assessing the nature and type of risk or conduct matter and where required the adjustment criteria to be applied to VR.

The Committee regularly reviews Group and individual outcomes for risk, reputation, conduct and performance considerations. This includes oversight of the Group's Employee Conduct Management Framework (Framework) which supports an appropriate risk culture across the Group. The Board, Group CEO and Group Executives influence culture by focusing on leadership behaviour, systems and colleagues, reinforced through performance and remuneration outcomes.

How conduct and risk are integrated in our remuneration framework

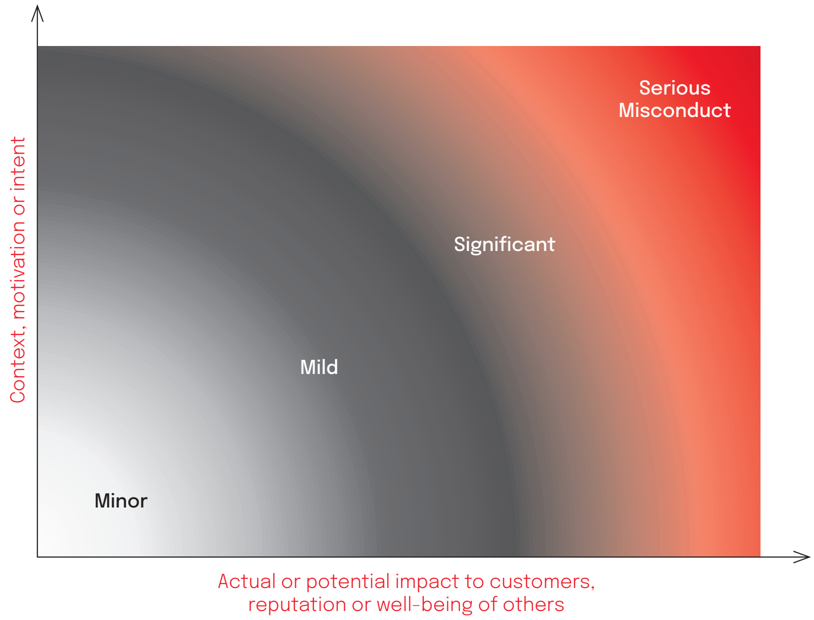
<table>
<tr><th></th><th>Conduct management</th><th>Risk assessment</th></tr>
<tr><td>Scope</td><td>• Applies to all colleagues including the Group CEO and Group Executives
• Colleagues are required to comply with the Code and Framework</td><td>• Applies to all colleagues including the Group CEO and Group Executives
• All colleagues (excluding the Group CEO) have a mandatory risk goal in their annual performance scorecard. The Group CEO has a risk modifier applied to his annual VR outcome</td></tr>
<tr><td>Individual assessment</td><td colspan="2">• Throughout the year: Leaders assess the severity of any employee conduct and risk matters and determine the appropriate consequence depending on the severity of the matter
Consequences may include any combination of coaching, counselling, formal warnings, termination of employment, impacts to in-year performance assessment, reduction to variable reward outcomes and the application of malus or clawback
• Quarterly: Risk goals are discussed during quarterly performance check-ins. Conduct matters and risk issues are discussed as appropriate
• At year end: Leaders undertake a holistic conduct history review and evaluate achievement of the risk goal. These are translated into the colleague's performance rating. Remuneration decisions are informed by the performance rating</td></tr>
<tr><td>Executive and Board oversight</td><td>• In assessing conduct and consequence, each business and enabling unit maintains a Professional Standards Forum which makes recommendations to the Executive Remuneration Committee (members include the Group Executive People and Culture, Group Chief Risk Officer and the Group Executive Legal and Commercial Services)
• The Executive Remuneration Committee oversees the effectiveness of the Framework, reviews material events, accountability and the application of suitable consequences
• The People & Remuneration Committee and the Board oversee variable remuneration adjustments for the Group CEO and Group Executives, as well as certain colleagues in designated roles as required by CPS 511</td><td>• Divisional Chief Risk Officers provide oversight, challenge and independent input into the performance review process
• The Group Chief Risk Officer prepares a detailed assessment of the risk outcomes for the Group CEO and each of the Group Executives
• The Risk & Compliance Committee reviews and challenges the Group Chief Risk Officer's risk management performance assessments. These assessments and the Risk & Compliance Committee's views are considered by the Board in determining individual variable reward outcomes for the Group CEO and Group Executives
• The variable reward for Group CEO, Group Executives and employees variable reward will be reduced and other consequences may be applied if risk is not appropriately managed</td></tr>
<tr><td>Potential impacts on remuneration</td><td colspan="2">• Risk adjustment: On recommendation from the People & Remuneration Committee, the Board may adjust the "in-year" funding level of VR outcomes. The Board may also reduce VR for individuals to align with employee conduct or risk outcomes
• Malus: Grant and vesting of all VR is subject to the employee meeting the conduct standards outlined in the Code and risk expectations. The Board may determine that unvested awards should be adjusted or forfeited (including to zero) in circumstances where these conduct standards or risk expectations are not met
• Clawback: Clawback may be applied to paid and vested VR provided to any colleague including the Group CEO and Group Executives</td></tr>
</table>

Risk, conduct and the consequence management framework

The Consequence Severity Matrix provides guidance to determine the severity of risk and conduct events. Based on the severity of the risk or conduct event, a fair and proportionate consequence outcome will be applied. Determination of the appropriate consequence is guided by an assessment of the quantitative and qualitative impacts of the event including financial impacts, physical, informational or reputational damage to the organisation and harm to colleagues or customers.

Consequence Severity Matrix

Intent	Behaviour
Intentional Wilful, deliberate, deceitful, fraudulent	**Dishonest** Covers up, blames others, does not take accountability
Error in Judgement Negligent	**Repeated behaviour** Doesn't learn from mistakes or persists with misconduct despite warnings
Unintentional Mistake, factors out of their control, took reasonable preventative steps	**Growth Mindset** Speaks up, shares learning, seeks to fix to prevent self or others making the same error



Nature	Non-adherence to standard practices	Breach of policy, procedures, guidelines or employment contract	Regulatory breach or breaking the law
Impact	No/Low impact	Moderate impact	Significant and material impact
Gain	Personal Loss	No personal gain	Self-serving profited

The Group CEO and Group Executives actively demonstrate strong risk management to set the "tone from the top" about expectations and behaviours. Risk issues that are identified are prioritised, clear accountability is defined, and an action plan is created to resolve the issue. This has resulted in an improvement in conduct risk, driven by the increased use of analytical monitoring tools and implementation of assurance capabilities. Enhancements in the use of risk monitoring tools has resulted in improved identification of risk events and an increase in the number of risk cases investigated relative to 2022.

Remuneration adjustments and consequence outcomes applied to employees (including the Group CEO and Group Executives) during 2023 are provided in the table below.

	2023	2022
Employees recognised for their positive contribution to risk culture	6,353	6,036
Employees identified as not having met risk expectations and accountabilities	2,535	2,737
Code of Conduct breaches identified that resulted in formal consequences	6,186(1)	5,788
Employees leaving due to consequence outcomes	156	166
Employees receiving coaching, warnings or other remedial actions	5,874	5,453
Employees recommended to receive an in-year performance rating and / or variable reward reduction of 5% to 100%	151	168
Deferred VR forfeitures and in-year VR adjustments as a result of Code of Conduct breaches and revisiting previous reward decisions	$1.19m(2)	$0.60m(3)

(1) Conduct outcomes are applied as conduct matters arise throughout the year. During the end of year performance and remuneration review process, governance checks and controls are applied to determine final performance and reward outcomes. Total number of cases may vary due to attrition.

(2) This is an indicative figure as the full performance and reward review cycle has not concluded. The final figure will be reflected in the 2024 Remuneration Report. For 2023, deferred VR forfeitures includes equity and cash.

(3) For 2022 this includes the value pertaining to in-year adjustments to VR as well as employees who left the organisation due to consequence outcomes (including on a voluntary basis).

Section 7 - Group CEO and Group Executive statutory remuneration disclosures

7.1 Group CEO and Group Executive statutory remuneration

The following table has been prepared in accordance with Australian Accounting Standards and section 300A of the *Corporations Act 2001* (Cth). The table shows details of the nature and amount of each element of remuneration paid or awarded to the Group CEO and Group Executives for services provided during the year while they were KMP (including variable reward amounts in respect of performance during the year which are paid following the end of the year).

		Short-term benefits			Post-employment benefits		Equity-based benefits			
Name		Cash salary[1] $	Annual VR cash[2] $	Non-monetary[3] $	Superannuation[4] $	Other long-term benefits[5] $	Shares[6] $	Rights[7] $	Other remuneration $	Total[8][9] $
Group CEO										
Ross McEwan	**2023**	**2,383,654**	**1,350,000**	**626**	**24,554**	**20,463**	**–**	**2,396,795**	**–**	**6,176,092**
	2022	2,450,563	1,387,500	–	23,410	17,170	–	2,392,323	–	6,270,966
Group Executives										
Sharon Cook	**2023**	**941,248**	**460,097**	**–**	**25,123**	**10,315**	**6,691**	**913,654**	**–**	**2,357,128**
	2022	882,372	441,372	585	23,685	8,886	53,093	680,593	–	2,090,586
Shaun Dooley	**2023**	**1,194,244**	**435,881**	**–**	**24,944**	**41,735**	**–**	**1,022,839**	**–**	**2,719,643**
	2022	1,123,618	416,250	585	23,616	40,042	–	1,012,079	–	2,616,190
Susan Ferrier[10]	**2023**	**759,132**	**329,598**	**3,972**	**25,160**	**6,661**	**107,481**	**567,918**	**566,986**	**2,366,908**
	2022	833,168	418,142	585	23,685	6,209	109,365	783,776	–	2,174,930
David Gall	**2023**	**1,176,909**	**691,875**	**2,257**	**29,903**	**18,880**	**–**	**1,303,310**	**–**	**3,223,134**
	2022	1,151,208	641,151	2,842	28,495	19,370	–	946,763	–	2,789,829
Nathan Goonan[11]	**2023**	**860,389**	**532,508**	**415**	**25,160**	**17,423**	**2,164**	**932,098**	**–**	**2,370,157**
	2022	808,894	418,142	585	23,685	14,776	17,211	815,077	–	2,098,370
Andrew Irvine[12]	**2023**	**1,139,383**	**719,550**	**50,000**	**24,940**	**8,651**	**259,642**	**1,270,779**	**–**	**3,472,945**
	2022	1,146,875	669,027	117,079	23,581	6,800	496,345	1,221,057	–	3,680,764
Gary Lennon[13]	**2023**	**1,128,646**	**583,481**	**1,267**	**25,014**	**17,372**	**7,724**	**858,372**	**562,205**	**3,184,081**
	2022	1,062,018	562,169	585	23,616	17,823	61,286	748,848	–	2,476,345
Les Matheson	**2023**	**1,022,367**	**532,744**	**9,488**	**25,050**	**7,570**	**–**	**1,030,559**	**–**	**2,627,778**
	2022	1,012,014	487,832	585	23,633	5,950	–	967,032	–	2,497,046
Angela Mentis[14]	**2023**	**1,224,399**	**608,850**	**16,562**	**24,940**	**18,607**	**21,065**	**1,060,696**	**613,315**	**3,588,434**
	2022	1,163,359	692,367	13,977	23,461	19,103	167,181	938,526	–	3,017,974

Name		Short-term benefits			Post-employment benefits		Equity-based benefits			
		Cash salary[1]	Annual VR cash[2]	Non-monetary[3]	Superannuation[4]	Other long-term benefits[5]	Shares[6]	Rights[7]	Other remuneration	Total[8] [9]
		$	$	$	$	$	$	$	$	$
Rachel Slade	**2023**	**1,162,972**	**664,200**	**415**	**24,940**	**14,748**	**7,659**	**1,246,085**	**-**	**3,121,019**
	2022	1,160,503	585,399	585	23,581	12,832	60,774	1,213,405	-	3,057,079
Patrick Wright	**2023**	**1,495,553**	**795,656**	**84,477**	**24,721**	**16,287**	**39,497**	**1,567,781**	**-**	**4,023,972**
	2022	1,555,186	696,903	134,929	23,476	14,030	313,399	1,082,488	-	3,820,411
Daniel Huggins	**2023**	**997,754**	**608,240**	**1,461**	**100,259**	**-**	**19,484**	**757,763**	**-**	**2,484,961**
	2022	1,050,508	580,127	-	94,514	-	198,570	631,168	-	2,554,887
Sarah White[15]	**2023**	**110,342**	**-**	**-**	**-**	**1,750**	**17,819**	**26,705**	**-**	**156,616**
Total	**2023**	**15,596,992**	**8,312,680**	**170,940**	**404,708**	**200,462**	**489,226**	**14,955,354**	**1,742,506**	**41,872,868**
Total	2022	15,400,286	7,996,381	272,922	382,438	182,991	1,477,224	13,433,135	-	39,145,377

(1) Includes cash allowances, payroll remediation payments, motor vehicle benefits and short-term compensated absences, such as annual leave entitlements accrued. Any related fringe benefits tax is included.
(2) The VR cash received in respect of 2023 is scheduled to be paid on 22 November 2023 in Australia and New Zealand.
(3) Includes relocation costs considered to provide a benefit to the individual (including temporary accommodation, furniture rental, utility costs, dependant travel costs, insurance, stamp duty, associated fringe benefit tax and other benefits). For international assignees this may also include the provision of health fund benefits and tax advisory services.
(4) Includes company contributions to superannuation and allocations by employees made by way of salary sacrifice of post-tax fixed remuneration. Superannuation contributions are not required to be paid to individuals based in New Zealand, but such payments may be made as part of cash salary.
(5) Includes long service leave entitlements accrued based on an actuarial calculation.
(6) 2023 expense based on the grant date fair value, amortised on a straight line basis over the vesting period for:
(a) Recognition shares granted to Susan Ferrier in February 2021, restricted until December 2023. The shares are subject to malus and clawback provisions.
(b) Commencement shares granted to Andrew Irvine in November 2020. 21% of the shares were restricted until December 2020, 21% until December 2021, 24% until December 2022, 31% until December 2023 and 3% in December 2024. The shares are subject to continued employment, malus and clawback provisions.
(c) 2018 VR deferred shares granted in February 2019 to Sharon Cook, Gary Lennon, Angela Mentis, Rachel Slade and Patrick Wright. The shares are restricted for approximately four years, subject to performance and service conditions. 2019 VR deferred shares granted in February 2020 to Nathan Goonan and Sarah White for performance in their previous roles. The shares are restricted for approximately three years, subject to performance and service conditions. 2020 and 2021 VR deferred shares granted in February 2021 and February 2022 respectively to Sarah White for performance in her previous role, restricted until November 2023 (2020 VR) and November 2024 (2021 VR). 2021 VR deferred shares granted in February 2022 to Daniel Huggins for performance in his previous role, restricted until November 2022. 2023 VR deferred shares to be granted in February 2024 to Sarah White for performance in her previous role, restricted until November 2026.
(d) 2022 Annual Equity Award granted in November 2022 to Sarah White for performance in her previous role, vesting across 3 years.
(7) 2023 expense based on the grant date fair value, amortised on a straight line basis over the vesting period for:
(a) 2023 VR deferred rights scheduled to be granted in February 2024. The VR deferred rights are restricted for up to four years, with 25% scheduled to vest in November 2024, 25% in November 2025, 25% in November 2026 and 25% in November 2027. The deferred rights are subject to continued employment, malus and clawback.
(b) 2022 VR deferred rights granted in February 2023. The VR deferred rights are restricted for up to four years, with 25% scheduled to vest in November 2023, 25% in November 2024, 25% in November 2025 and 25% in November 2026. The deferred rights are subject to continued employment, malus and clawback.
(c) 2021 VR deferred rights granted in February 2022, with 25% vested in November 2022, 25% scheduled to vest in November 2023, 25% in November 2024 and 25% in November 2025. The deferred rights are subject to continued employment, malus and clawback.
(d) LTVR performance rights granted in February 2020, February 2021, February 2022 and February 2023 respectively.
(e) LTVR and LTEA performance rights scheduled to be granted in February 2024 as a part of the new ELT Remuneration Framework for 2024.
(f) The increase for 2023 is due to expensing of new performance rights allocated in respect of the 2023 financial year, in addition to continued expensing of existing performance rights not yet vested.
(8) The percentage of 2023 total remuneration which was performance-based was: Ross McEwan 60%, Sharon Cook 56%, Shaun Dooley 55%, Susan Ferrier 60%, David Gall 57%, Nathan Goonan 60%, Andrew Irvine 65%, Gary Lennon 55%, Les Matheson 58%, Angela Mentis 60%, Rachel Slade 61%, Daniel Huggins 55%, Patrick Wright 55%.
(9) In addition to the remuneration benefits below, NAB paid an insurance premium for a contract insuring the Group CEO and Group Executives as officers. It is not possible to allocate the benefit of this premium between individuals. In accordance with usual commercial practice, the insurance contract prohibits disclosure of details of the premium paid.
(10) On her retirement on 31 October 2023, Susan Ferrier received a $566,986 payment in respect of statutory entitlements, support for transition to retirement and in recognition of her contribution to the Group. Ms Ferrier retained her 2021 deferred VR rights, 2021 recognition shares, 2022 deferred VR rights and her LTVR rights granted in 2021-2023. The value of the retained equity has been fully accounted for on retirement. That equity remains subject to the relevant performance measures and restriction periods.

(11) Nathan Goonan was appointed as the Group Chief Financial Officer effective 1 July 2023. The figures disclosed reflect both his remuneration received as the former Group Executive, Strategy & Innovation and in his current role.
(12) Non-monetary benefit received as Andrew Irvine's 2023 relocation entitlement on 12 October 2022.
(13) On his retirement on 1 October 2023, Gary Lennon received a $562,205 payment in respect of statutory entitlements and in recognition of his contribution to the Group. Mr Lennon retained his 2021 deferred VR rights, 2022 deferred VR rights and his LTVR rights granted in 2020-2023. The value of the retained equity has been fully accounted for on retirement. That equity remains subject to the relevant performance measures and restriction periods.
(14) On her retirement on 31 October 2023, Angela Mentis received a $613,315 payment in respect of statutory entitlements and in recognition of her contribution to the Group. Ms Mentis retained her 2021 deferred VR rights, 2022 deferred VR rights and her LTVR rights granted in 2020-2023. The value of the retained equity has been fully accounted for on retirement. That equity remains subject to the relevant performance measures and restriction periods.
(15) Sarah White did not participate in the Annual VR from 18 August 2023 to 30 September 2023 when she was appointed Group Executive People and Culture and did not receive an Annual VR award in respect of this period.

7.2 Value of shares and rights

The following table shows the number and value of shares and rights that were granted by NAB and held by the Group CEO and each Group Executive under NAB's employee equity plans during the year to 30 September 2023. Rights refers to VR deferred rights, LTVR performance rights and any other deferred rights or performance rights provided under a current or previous VR plan. A right is a right to receive one NAB share subject to the satisfaction of the relevant performance and service conditions. The grant value shown is the full accounting value to be expensed over the vesting period, which is generally longer than the current year. The Group CEO and Group Executives did not pay any amounts for rights that vested and were exercised during 2023. There are no amounts unpaid on any of the shares exercised.

There have been no changes to the terms and conditions of these awards, or any other awards since the awards were granted.

All rights that vest are automatically exercised when they vest. For the awards allocated during the year to 30 September 2023, the maximum number of shares or rights that may vest is shown for the Group CEO and each Group Executive. The maximum value of the equity awards is the number of shares or rights subject to NAB's share price at the time of vesting. The minimum number of shares or rights and the value of the equity awards is zero if the equity is fully forfeited or lapsed.

		Total		2023				
		Granted[1]	Grant date	Granted	Forfeited / lapsed	Forfeited / lapsed[2]	Vested[3]	Vested[4]
Name		No.		$	No.	$	No	$
Group CEO								
Ross McEwan	LTVR rights	180,655	24-02-2021	–	–	–	–	–
	Deferred VR rights	54,806	23-02-2022	–	–	–	13,702	417,774
	LTVR rights	118,010	23-02-2022	–	–	–	–	–
	Deferred VR rights	47,664	23-02-2023	1,387,499	–	–	–	–
	LTVR rights	111,645	23-02-2023	1,300,664	–	–	–	–
Group Executives								
Sharon Cook	Deferred VR shares	9,850	27-02-2019	–	–	–	9,850	300,327
	LTVR Rights	30,150	26-02-2020	–	–	–	–	–
	LTVR Rights	65,036	24-02-2021	–	–	–	–	–
	Deferred VR rights	14,411	23-02-2022	–	–	–	3,603	109,855
	LTVR Rights	42,483	23-02-2022	–	–	–	–	–
	Deferred VR rights	15,162	23-02-2023	441,366	–	–	–	–
	LTVR rights	43,485	23-02-2023	506,600	–	–	–	–
Shaun Dooley	LTVR rights	33,500	26-02-2020	–	–	–	–	–
	LTVR rights	72,262	24-02-2021	–	–	–	–	–
	Deferred VR rights	15,412	23-02-2022	–	–	–	3,853	117,478
	LTVR rights	51,924	23-02-2022	–	–	–	–	–
	Deferred VR rights	14,299	23-02-2023	416,244	–	–	–	–
	LTVR rights	54,929	23-02-2023	639,923	–	–	–	–
Susan Ferrier	Recognition shares	11,570	24-02-2021	–	–	–	–	–
	LTVR rights	65,036	24-02-2021	–	–	–	–	–
	Deferred VR rights	12,610	23-02-2022	–	–	–	3,153	96,135
	LTVR rights	42,483	23-02-2022	–	–	–	–	–
	Deferred VR rights	14,364	23-02-2023	418,136	–	–	–	–
	LTVR rights	41,197	23-02-2023	479,945	–	–	–	–
David Gall	LTVR rights	52,261	26-2-2020	–	–	–	–	–
	LTVR rights	86,714	24-2-2021	–	–	–	–	–
	Deferred VR rights	29,738	23-2-2022	–	–	–	7,435	226,693
	LTVR rights	56,644	23-02-2022	–	–	–	–	–
	Deferred VR rights	22,025	23-02-2023	641,148	–	–	–	–
	LTVR rights	54,929	23-02-2023	639,923	–	–	–	–

Remuneration Report (cont.)

Name		Total Granted[1] No.	Total Grant date	2023 Granted $	2023 Forfeited / lapsed No.	2023 Forfeited / lapsed[2] $	2023 Vested[3] No	2023 Vested[4] $
Nathan Goonan	General employee shares	39	11-12-2019	–	–	–	39	979
	Deferred VR shares	2,604	26-02-2020	–	–	–	2,604	79,396
	LTVR rights	65,036	24-02-2021	–	–	–	–	–
	Deferred VR rights	14,411	23-02-2022	–	–	–	3,603	109,855
	LTVR rights	42,483	23-02-2022	–	–	–	–	–
	Deferred VR rights	14,364	23-02-2023	418,136	–	–	–	–
	LTVR rights	41,197	23-02-2023	479,945	–	–	–	–
Andrew Irvine	Commencement shares	63,367	6-11-2020	–	–	–	25,773	774,736
	LTVR rights	86,714	24-02-2021	–	–	–	–	–
	Deferred VR rights	28,594	23-02-2022	–	–	–	7,149	217,973
	LTVR rights	56,644	23-02-2022	–	–	–	–	–
	Deferred VR rights	22,982	23-02-2023	669,006	–	–	–	–
	LTVR rights	54,929	23-02-2023	639,923	–	–	–	–
Gary Lennon	Deferred VR shares	11,370	27-02-2019	–	–	–	11,370	346,671
	LTVR Rights	47,906	26-02-2020	–	–	–	–	–
	LTVR Rights	79,488	24-02-2021	–	–	–	–	–
	Deferred VR rights	20,969	23-02-2022	–	–	–	5,243	159,859
	LTVR Rights	51,924	23-02-2022	–	–	–	–	–
	Deferred VR rights	19,311	23-02-2023	562,143	–	–	–	–
	LTVR rights	50,352	23-02-2023	586,601	–	–	–	–
Les Matheson	LTVR rights	75,875	24-02-2021	–	–	–	–	–
	Deferred VR rights	14,422	23-02-2022	–	–	–	3,606	109,947
	LTVR rights	49,564	23-02-2022	–	–	–	–	–
	Deferred VR rights	16,758	23-02-2023	487,825	–	–	–	–
	LTVR rights	48,063	23-02-2023	559,934	–	–	–	–
Angela Mentis	Deferred VR shares	31,009	27-02-2019	–	–	–	31,009	945,464
	LTVR Rights	52,261	26-02-2020	–	–	–	–	–
	LTVR Rights	86,714	24-02-2021	–	–	–	–	–
	Deferred VR rights	32,437	23-02-2022	–	–	–	8,110	247,274
	LTVR rights	56,644	23-02-2022	–	–	–	–	–
	Deferred VR rights	19,152	23-02-2023	557,515	–	–	–	–
	LTVR rights	54,929	23-02-2023	639,923	–	–	–	–
Rachel Slade	Deferred VR shares	11,275	27-02-2019	–	–	–	11,275	343,775
	LTVR rights	39,195	26-02-2020	–	–	–	–	–
	LTVR rights	86,714	24-02-2021	–	–	–	–	–
	Deferred VR rights	28,594	23-02-2022	–	–	–	7,149	217,973
	LTVR rights	56,644	23-02-2022	–	–	–	–	–
	Deferred VR rights	20,109	23-02-2023	585,373	–	–	–	–
	LTVR rights	54,929	23-02-2023	639,923	–	–	–	–
Patrick Wright	Deferred VR shares	58,143	27-02-2019	–	–	–	58,143	1,772,780
	LTVR Rights	65,326	26-02-2020	–	–	–	–	–
	LTVR Rights	108,393	24-02-2021	–	–	–	–	–
	Deferred VR rights	35,743	23-02-2022	–	–	–	8,936	272,459
	LTVR rights	70,806	23-02-2022	–	–	–	–	–
	Deferred VR rights	23,940	23-02-2023	696,893	–	–	–	–
	LTVR rights	68,661	23-02-2023	799,901	–	–	–	–

Name		Total		2023				
		Granted[1]	Grant date	Granted	Forfeited / lapsed	Forfeited / lapsed[2]	Vested[3]	Vested[4]
		No.		$	No.	$	No	$
Daniel Huggins	LTVR rights	54,019	23-02-2022	–	–	–	–	–
	Deferred VR shares	6,005	23-02-2022	–	–	–	6,005	183,092
	Deferred VR rights	18,997	23-02-2023	553,003	–	–	–	–
	LTVR rights	48,340	23-02-2023	563,161	–	–	–	–
Sarah White	General employee shares	39	11-12-2019	–	–	–	39	979
	Deferred VR shares	1,853	26-02-2020	–	–	–	1,853	56,498
	General employee shares	43	9-12-2020	–	–	–	–	–
	Deferred VR shares	1,442	24-02-2021	–	–	–	–	–
	Deferred VR shares	3,956	23-02-2022	–	–	–	–	–
	Deferred VR shares	1,950	10-11-2022	60,450	–	–	–	–
	Deferred VR shares	3,948	23-02-2023	117,492	–	–	–	–

(1) The following securities have been granted during 2023:
a) LTVR performance rights allocated in February 2023 (in respect of 2022) to the Group CEO and all Group Executives at the time of allocation. The performance rights are restricted until December 2026 and subject to service and performance measures.
b) Deferred VR rights allocated in February 2023 (in respect of 2022) to the Group CEO and all Group Executives at the time of allocation. The rights vest annually in four equal tranches between November 2023 and November 2026.
c) Deferred VR shares allocated in November 2022 and February 2023 (in respect of 2022) to Sarah White for her role prior to becoming a KMP.
(2) Calculated using NAB's closing share price on the forfeiture / lapsing date.
(3) The following securities have vested during 2023:
a) Deferred VR rights allocated in February 2022 partially vested in November 2022 for all ELT.
b) Deferred VR shares allocated in February 2019 vested in December 2022 for Sharon Cook, Gary Lennon, Angela Mentis, Rachael Slade and Patrick Wright.
c) Deferred VR shares allocated in February 2020 vested in December 2022 for Nathan Goonan and Sarah White.
d) Commencement shares allocated in November 2020 vested in December 2022 for Andrew Irvine.
e) General employee shares granted to Sarah White and Nathan Goonan in December 2019, fully vested in December 2022.
f) Deferred VR shares allocation in February 2022 vested in November 2022 for Daniel Huggins.
(4) Calculated using NAB's closing share price on the vesting date.

7.3 Determining the value of equity remuneration

The number of shares and rights provided to the Group CEO and Group Executives by NAB are determined using a face value methodology. The table below shows the fair value of shares and rights granted by NAB during 2023 in accordance with statutory requirements. The grant date fair value of each share is determined by the market value of NAB shares and is generally a five day weighted average share price. The grant date fair value of shares and rights with market performance measures is determined using a simulated version of the Black-Scholes model.

No performance options have been granted during the year. Shares and rights granted during 2023 were granted at no cost to the Group CEO or Group Executive and have a zero exercise price.

Type of allocation	Award type	Grant date	Grant share price[1]	Fair value	Restriction period end[2]
			$	$	
Deferred VR[3]	Performance rights	23 February 2023	29.76	29.11	15 November 2023 – 15 November 2026
Deferred VR[4]	Shares	23 February 2023		30.60	15 November 2025
Long-Term Variable Reward[5]	Performance rights	23 February 2023	29.76	11.65	22 December 2026

(1) The Grant share price is NAB's closing share price at the date of valuation (being the grant date of the relevant award). The Grant share price was used to determine the fair value for the LTVR performance rights.
(2) Any performance rights that vest are automatically exercised at the end of the restriction period. The end of the restriction period for the performance rights is also the expiry date for those performance rights.
(3) The number of deferred rights allocated to each eligible participant was calculated using the weighted average share price over the five trading days up to 30 September 2022, inclusive. The deferred rights are split across four equal tranches vesting on 15 November in 2023, 2024, 2025 and 2026.
(4) Deferred shares provided to Sarah White relating to the period prior to becoming a KMP.
(5) The number of LTVR performance rights allocated to each eligible participant was calculated using the weighted average share price over the five trading days up to 30 September 2022, inclusive.

Hedging policy

Directors and employees are prohibited from protecting the value of their equity awards by hedging. Further details are available in the Group Securities Trading Policy.

NAB's Group Securities Trading Policy explains the law and the Policy our colleagues must comply with when trading in NAB securities. All employees are prohibited from using derivatives in relation to elements of their remuneration that are unvested. In addition, closely related parties of KMP are prohibited from using derivatives or otherwise entering into hedging arrangements in relation to elements of their remuneration that are unvested or which have vested but remain subject to forfeiture conditions.

The Group Securities Trading Policy is available at nab.com.au/content/dam/nabrwd/documents/policy/corporate/group-securities-trading-policy.pdf.

7.4 Rights holdings

Rights were granted to the Group CEO and Group Executives in 2023 under the Annual VR and LTVR plans. No rights or performance options (i.e. entitlements to NAB shares) are granted to the Group CEO or Group Executives' related parties.

No performance options (i.e. a right requiring payment of a subscription price on vesting) are currently held by the Group CEO or Group Executives. The number of rights that vested during the year was equivalent to the number of rights that were exercised during the year. As at 30 September 2023, no rights held by the Group CEO or Group Executives were: (i) vested and exercisable; nor (ii) vested but not exercisable.

Name	Balance at beginning of year[1]	Granted during year as remuneration	Exercised during year	Forfeited / lapsed or expired during year	Balance at end of year
	No.	No.	No.	No.	No.
Group CEO					
Ross McEwan	353,471	159,309	(13,702)	–	499,078
Group Executives					
Sharon Cook	152,080	58,647	(3,603)	–	207,124
Shaun Dooley	173,098	69,228	(3,853)	–	238,473
Susan Ferrier	120,129	55,561	(3,153)	–	172,537
David Gall	225,357	76,954	(7,435)	–	294,876
Nathan Goonan	121,930	55,561	(3,603)	–	173,888
Andrew Irvine	171,952	77,911	(7,149)	–	242,714
Gary Lennon	200,287	69,663	(5,243)	–	264,707
Les Matheson	139,861	64,821	(3,606)	–	201,076
Angela Mentis	228,056	74,081	(8,110)	–	294,027
Rachel Slade	211,147	75,038	(7,149)	–	279,036
Patrick Wright	280,268	92,601	(8,936)	–	363,933
Daniel Huggins	54,019	67,337	–	–	121,356
Sarah White	–	–	–	–	–

(1) Balance may include rights granted prior to individuals becoming KMP. For individuals who became KMP during 2023, the balance is at the date they became KMP.

7.5 Group CEO and Group Executives' share ownership

The number of NAB shares held (directly and nominally) by the Group CEO and each Group Executive or their related parties (their close family members or any entity they, or their close family members, control, jointly control or significantly influence) are set out below:

Name	Balance at beginning of year[(1)] No.	Granted during year as remuneration No.	Received during year on exercise of rights No.	Other changes during year No.	Balance at end of year[(2)] No.
Group CEO					
Ross McEwan	53,897	-	13,702	-	67,599
Group Executives					
Sharon Cook	33,424	-	3,603	(25,177)	11,850
Shaun Dooley	71,104	-	3,853	-	74,957
Susan Ferrier	11,570	-	3,153	(3,153)	11,570
David Gall	119,848	-	7,435	(7,335)	119,948
Nathan Goonan	3,590	-	3,603	-	7,193
Andrew Irvine	86,371	-	7,149	(55,926)	37,594
Gary Lennon	136,913	-	5,243	(11,370)	130,786
Les Matheson	-	-	3,606	-	3,606
Angela Mentis	196,304	-	8,110	-	204,414
Rachel Slade	48,435	-	7,149	-	55,584
Patrick Wright	125,141	-	8,936	(57,077)	77,000
Daniel Huggins	6,005	-	-	(6,005)	-
Sarah White	11,992	-	-	-	11,992

(1) Balance may include shares held prior to individuals becoming KMP. For individuals who became KMP during 2023, the balance is at the date they became KMP.
(2) NAB maintains a minimum shareholding policy. Holdings included in meeting the minimum shareholding requirement are NAB shares, unvested deferred shares and deferred rights not subject to further performance conditions held by the executive and shares held by a closely related party or self-managed superannuation fund for the benefit of the executive. Refer to section 7.6 for further details. The Group CEO and Executives have all met or are on track to meet the minimum shareholding requirement.

7.6 Group CEO and Group Executive contract terms

The Group CEO and Group Executives are employed on the following contractual terms:

Contractual term	Arrangement
Duration	• Permanent ongoing employment
Notice period[(1)]	• 26 weeks[(2)]
Other key arrangements on separation	• If the Group CEO or Group Executive resigns they do not receive any annual or long-term variable reward in that year and any unvested awards are forfeited. • If the Group CEO or Group Executive ceases employment for any reason other than resignation (for example, retrenchment or retirement), they will retain all of their unvested awards unless the Board exercises its discretion to determine a different treatment.[(3)] • All statutory entitlements are paid.
Change of Control	• If a change of control occurs, the Board has discretion to determine the treatment of unvested shares and rights. Vesting of shares and rights will not be automatic or accelerated and the Board will retain discretion in relation to the vesting outcome including absolute discretion to forfeit all shares and rights.
Post-employment obligations	• Non-compete and non-solicitation obligations apply.
Minimum shareholding policy	• The Group CEO is required to hold NAB shares to the value of two times FR and Group Executives are required to hold NAB shares equal to their individual FR. • The Group CEO and Group Executives are required to satisfy the minimum shareholding requirement within a five-year period from the date of commencement in their role. • Holdings included in meeting the minimum shareholding requirement are NAB shares, unvested deferred shares and deferred rights not subject to further performance conditions held by the executive and shares held by a closely related party or self-managed superannuation fund for the benefit of the executive.

(1) Payment in lieu of notice for some or all of the notice period may be approved by the Board in certain circumstances. Termination payments are not paid on resignation, summary termination or termination for unsatisfactory performance, although the Board may determine exceptions to this.
(2) Subject to the terms of the Group policy on resignation.
(3) Any unvested awards retained will be held by the Group CEO or Group Executive on the same terms. Unvested LTI awards retained (including the LTEA and LTVR components) will remain subject to the performance measure, with that measure tested in accordance with the normal timetable.

Section 8 - Non-executive director remuneration

8.1 Fee policy and pool

Non-executive directors receive fees to recognise their contribution to the work of the Board. Additional fees are paid, where applicable, for serving on Board Committees, on Boards of controlled entities and internal advisory boards. Fees include NAB's compulsory contributions to superannuation. Fees are set to reflect the time commitment and responsibilities of the role.

To maintain independence and objectivity, non-executive directors do not receive any performance related remuneration. Non-executive directors do not receive any termination payments.

The total amount of non-executive directors' remuneration is capped at a maximum aggregate fee pool that is approved by shareholders. The current aggregate fee pool of $4.5 million per annum was approved by shareholders at NAB's 2008 AGM.

The total Board and Committee fees, including superannuation, paid to non-executive directors in 2023 is within the approved aggregate fee pool.

The following table shows the 2023 non-executive director Board and Committee fee policy structure.

	Chair ($pa)	Non-executive director ($pa)
Board	825,000	240,000
Audit Committee	65,000	32,500
Risk & Compliance Committee	65,000	32,500
People & Remuneration Committee	55,000	27,500
Customer Committee	40,000	20,000
Nomination & Governance Committee	-	10,000

8.2 Minimum shareholding policy

To align with shareholder interests, the Board has adopted a policy that within five years of appointment, non-executive directors must hold ordinary shares equal in value of the annual Chair fee for the Chair and base fee for all other non-executive directors.

The value of a non-executive director's shareholding is based on the total amount spent to purchase the shares (using the share price at the time the shares were acquired). Accordingly, the share price at the time of purchase will impact the number of shares a non-executive director must own to meet the minimum shareholding requirement.

All non-executive directors who have been on the Board for the full year have met their minimum shareholding requirements in full. Directors appointed during 2023 (Christine Fellowes, Carolyn Kay and Alison Kitchen) will be required to meet the minimum shareholding requirements by 2028.

8.3 Statutory remuneration

The fees paid to the non-executive directors are set out in the table below.

		Short-term benefits		Post-employment benefits	
Name		**Cash salary and fees[1]** **$**	**Non-monetary[2]** **$**	**Superannuation[3]** **$**	**Total** **$**
Non-executive directors					
Philip Chronican (Chair)	**2023**	**799,181**	**415**	**25,819**	**825,415**
	2022	801,001	–	23,999	825,000
David Armstrong	**2023**	**337,500**	**–**	**–**	**337,500**
	2022	313,501	–	23,999	337,500
Kathryn Fagg[4]	**2023**	**276,319**	**–**	**25,819**	**302,138**
	2022	281,001	–	23,999	305,000
Peeyush Gupta[5]	**2023**	**277,043**	**–**	**25,819**	**302,862**
[6]	2022	329,543	–	23,999	353,542
Anne Loveridge	**2023**	**318,677**	**415**	**6,323**	**325,415**
	2022	325,000	–	–	325,000
Douglas McKay[7]	**2023**	**557,145**	**415**	**25,819**	**583,379**
	2022	545,444	–	23,999	569,443
Simon McKeon	**2023**	**289,181**	**–**	**25,819**	**315,000**
	2022	308,677	–	6,323	315,000
Ann Sherry	**2023**	**281,681**	**415**	**25,819**	**307,915**
	2022	283,501	–	23,999	307,500
Alison Kitchen (for part year)[8]	**2023**	**2,923**	**–**	**321**	**3,244**
Carolyn Kay (for part year)[9]	**2023**	**41,890**	**–**	**3,998**	**45,888**
Christine Fellowes (for part year)[10]	**2023**	**82,007**	**–**	**8,500**	**90,507**
Total	**2023**	**3,263,547**	**1,660**	**174,056**	**3,439,263**
	2022	3,187,668	–	150,317	3,337,985

(1) The portion of fees in connection with their roles, duties and responsibilities as a non-executive director, and includes attendance at meetings of the Board, Board committees and boards of controlled entities, received as cash.
(2) Relates to incidental tourism costs incurred beyond work related travel that is considered to provide a benefit to the individual.
(3) Reflects compulsory company contributions to superannuation. David Armstrong and Anne Loveridge elected to receive all or part of their payments in fees and therefore received reduced or nil superannuation contributions during this period.
(4) Katherine Fagg's fees reflect her membership on the Board Audit Committee until 6 March 2023 and her membership on the People & Remuneration Committee commencing on the same date until the end of the financial year.
(5) Peeyush Gupta's fees reflect his membership on the People & Remuneration Committee until 6 March 2023 and his membership on the Board Audit Committee commencing on the same date until the end of the financial year.
(6) Peeyush Gupta received fees of $58,000 in 2022 in his capacity as a non-executive director of BNZ Life which were paid in NZD.
(7) Douglas McKay received fees of $315,000 in his capacity as Chair of Bank of New Zealand, which were paid in NZD.
(8) Alison Kitchen's fee reflects a pro rata for the period from her appointment on 27 September to 30 September 2023, during which she prepared for the October Board and Committee meetings.
(9) Carolyn Kay's fees reflect her remuneration since her appointment on 31 July 2023.
(10) Christine Fellowes' fees reflect her remuneration since her appointment on 5 June 2023.

8.4 Non-executive directors' share ownership and other interests

The number of NAB shares held (directly and nominally) by each non-executive director of NAB and the Group or their related parties (their close family members or any entity they, or their close family members, control, jointly control or significantly influence) are set out below. No rights or performance options are granted to non-executive directors or their related parties.

Name	Balance at beginning of year(1) No.	Acquired No.	Other changes during year No.	Balance at end of year(2) No.
Non-executive directors				
Philip Chronican (Chair)	42,120	-	-	42,120
David Armstrong	20,740	1,186	-	21,926
Kathryn Fagg	9,426	-	-	9,426
Peeyush Gupta	9,571	-	-	9,571
Anne Loveridge	12,120	-	-	12,120
Douglas McKay	11,972	-	-	11,972
Simon McKeon	15,000	-	-	15,000
Ann Sherry	12,698	-	-	12,698
Alison Kitchen(3)	-	-	-	-
Carolyn Kay(4)	-	5,567	-	5,567
Christine Fellowes(5)	-	3,438	-	3,438

(1) Balance may include shares held prior to individuals becoming a non-executive director.
(2) All non-executive directors met or are on track to meet the minimum shareholding requirements for the year.
(3) Alison Kitchen's appointment was effective 27 September 2023.
(4) Carolyn Kay's appointment was effective 31 July 2023.
(5) Christine Fellowes' appointment was effective 5 June 2023.

Section 9 - Loans, other transactions and other interests

9.1 Loans

Loans made to non-executive directors of NAB are made in the ordinary course of business on terms equivalent to those that prevail in arm's length transactions. Loans to the Group CEO and Group Executives may be made on similar terms and conditions generally available to other employees of the Group. Loans to KMP of NAB and the Group may be subject to restrictions under applicable laws and regulations including the *Corporations Act 2001* (Cth). The opening balance is 1 October and closing balance is 30 September, or the date of commencement or cessation of a KMP.

Total aggregated loans provided to KMP and their related parties

NAB and the Group	Terms and conditions	Balance at beginning of year(1) $	Interest charged(2) $	Interest not charged(2) $	Write-off(2) $	Balance at end of year(3) $
KMP(4)	Normal	11,938,677	550,119	-	-	14,634,986
	Employee	22,120,918	765,091	-	-	25,642,304
Other related parties(5)	Normal	17,103,246	661,749	-	-	18,879,701

(1) For KMPs who commenced during the year, the balance is as at the date they became a KMP.
(2) Relates to the period during which the Group Executive was KMP.
(3) For KMPs who ceased during the year, the balance is as at the date they ceased to be a KMP.
(4) The aggregated loan balance at the end of the year includes loans issued to 19 KMP.
(5) Includes the KMP's related parties, which includes their close family members or any entity they or their close family members control, jointly control or significantly influence.

Aggregated loans to KMP and their related parties above $100,000

NAB and the Group	Balance at beginning of year(1) $	Interest charged(2) $	Interest not charged $	Write-off $	Balance at end of year(3) $	KMP highest indebtedness during 2023(4) $
Non-executive directors						
David Armstrong	959,296	53,779	-	-	988,994	-
Kathryn Fagg	2,843,867	73,134	-	-	2,755,514	2,838,472
Doug McKay	1,067,314	66,076	-	-	2,226,851	5,475
Carolyn Kay	833,250	13,043	-	-	719,290	715,318
Group CEO						
Ross McEwan	1,306,449	11,584	-	-	1,089,706	1,125,000
Group Executives						
Sharon Cook	3,438,081	112,044	-	-	3,354,097	984,930
Shaun Dooley	594,739	26,448			1,047,745	602,914
Susan Ferrier	456,103	9,534	-	-	369,576	145,892
David Gall	4,169,411	121,135	-	-	4,338,972	783,481
Nathan Goonan	4,381,817	119,667	-	-	4,273,509	4,379,398
Daniel Huggins	1,989,223	329,318	-	-	4,835,215	8,325,773
Andrew Irvine	11,533,558	309,588	-	-	14,374,813	14,674,799
Gary Lennon	3,006,775	118,113	-	-	2,792,057	2,274,816
Les Matheson	5,051,657	174,356	-	-	3,655,493	1,262,142
Angela Mentis	699,377	43,892	-	-	639,676	42,455
Rachel Slade	2,250,667	313,109	-	-	5,240,616	9,434,948
Patrick Wright	3,131,905	61,156	-	-	3,006,150	45,680
Sarah White	3,448,737	20,982	-	-	3,448,696	3,465,805

(1) For KMPs who commenced during the year, the balance is as at the date they became a KMP.
(2) The interest charged may include the impact of interest offset facilities and only relates to the period during which the non-executive director, Group CEO or Group Executive was KMP.
(3) For KMPs who ceased during the year, the balance is as at the date they ceased to be a KMP.
(4) Represents aggregate highest indebtedness of the KMP during 2023. All other items in this table relate to the KMP and their related parties.

9.2 Other transactions

From time to time various KMP and their related parties will hold investments in funds that are either managed, related to or controlled by the Group. All such transactions with KMP and their related parties are made on terms equivalent to those that prevail in arm's length transactions.

All other transactions that have occurred with KMP are made on terms equivalent to those that prevail in arm's length transactions. These transactions generally involve the provision of financial and investment services including services to eligible international assignees ensuring they are neither financially advantaged nor disadvantaged by their relocation. All such transactions that have occurred with KMP and their related parties have been trivial or domestic in nature. In this context, transactions are trivial in nature when they are considered of little or no interest to the users of the Remuneration Report in making and evaluating decisions about the allocation of scarce resources. Transactions are domestic in nature when they relate to personal household activities.

9.3 Other equity instrument holdings

In the year ending 30 September 2023, no KMP or their related parties held or transacted any equity instruments (either directly or indirectly) other than the NAB shares and equity-based compensation disclosed in sections 7 and 8 .

9.4 Other relevant interests

Each KMP or their related parties from time to time invest in various debentures, registered schemes and securities offered by NAB and certain subsidiaries of NAB. The level of interests held directly and indirectly as at 30 September 2023 were:

Name	Nature of product	Relevant Interest (Units)
Non-executive directors		
Ann Sherry	NAB Capital Notes 3	1,500
Group Executives		
Sharon Cook(1)	NAB Capital Notes 3	2,000
	NAB Subordinated Notes 2	-
David Gall	NAB Capital Notes 5	700

(1) Sharon Cook redeemed 820 units of NAB Subordinated Notes 2 during the year on maturity.

There are no contracts, other than those disclosed in table 9.4 immediately above, to which directors are a party, or under which the directors are entitled to a benefit and that confer the right to call for, or deliver shares in, debentures of, or interests in, a registered scheme made available by NAB or a related body corporate. All of the directors have disclosed interests in organisations not related to the Group and are to be regarded as interested in any contract or proposed contract that may be made between NAB and any such organisations.

Annex B Financial Statements
(extracts from the Group's 2023 Annual Report)

Financial report

Income statements

For the year ended 30 September	Note	Group 2023 $m	Group 2022 $m	Company 2023 $m	Company 2022 $m
Interest income					
Effective interest rate method		**46,358**	21,465	**42,478**	19,167
Fair value through profit or loss		**1,714**	913	**1,404**	805
Interest expense		**(31,265)**	(7,538)	**(30,894)**	(8,799)
Net interest income	3	**16,807**	14,840	**12,988**	11,173
Other income	4	**3,841**	3,730	**10,301**	4,478
Operating expenses	5	**(9,382)**	(8,702)	**(8,423)**	(7,765)
Credit impairment charge	17	**(816)**	(124)	**(654)**	(48)
Profit before income tax		**10,450**	9,744	**14,212**	7,838
Income tax expense	6	**(2,980)**	(2,684)	**(2,200)**	(1,893)
Net profit for the year from continuing operations		**7,470**	7,060	**12,012**	5,945
Net loss after tax for the year from discontinued operations		**(51)**	(169)	**-**	-
Net profit for the year		**7,419**	6,891	**12,012**	5,945
Attributable to non-controlling interests		**5**	-	**-**	-
Attributable to owners of the Company		**7,414**	6,891	**12,012**	5,945

Earnings per share		**cents**	**cents**
Basic	7	**236.4**	214.1
Diluted	7	**228.7**	205.6
Basic from continuing operations	7	**238.0**	219.3
Diluted from continuing operations	7	**230.2**	210.5

Statements of comprehensive income

For the year ended 30 September	Note	Group 2023 $m	Group 2022 $m	Company 2023 $m	Company 2022 $m
Net profit for the year from continuing operations		**7,470**	7,060	**12,012**	5,945
Other comprehensive income					
Items that will not be reclassified to profit or loss					
Fair value changes on financial liabilities designated at fair value attributable to the Group's own credit risk		**(67)**	149	**(70)**	88
Revaluation of land and buildings		**(4)**	1	**-**	-
Equity instruments at fair value through other comprehensive income reserve:					
Revaluation gains / (losses)		**17**	11	**16**	(4)
Tax on items transferred directly to equity		**20**	(43)	**22**	(26)
Total items that will not be reclassified to profit or loss		**(34)**	118	**(32)**	58
Items that will be reclassified subsequently to profit or loss					
Cash flow hedge reserve		**66**	(2,510)	**303**	(2,813)
Cost of hedging reserve		**(160)**	488	**(44)**	283
Foreign currency translation reserve:					
Currency adjustments on translation of foreign operations, net of hedging		**709**	(776)	**117**	(22)
Transfer to the income statement on disposal or partial disposal of foreign operations[1]		**(29)**	(29)	**(29)**	-
Debt instruments at fair value through other comprehensive income reserve:					
Revaluation losses		**(14)**	(125)	**(14)**	(125)
Transferred to the income statement		**(32)**	(199)	**(32)**	(199)
Tax on items transferred directly to equity		**38**	705	**(63)**	852
Total items that will be reclassified subsequently to profit or loss		**578**	(2,446)	**238**	(2,024)
Other comprehensive income for the year, net of income tax		**544**	(2,328)	**206**	(1,966)
Total comprehensive income for the year from continuing operations		**8,014**	4,732	**12,218**	3,979
Net loss after tax for the year from discontinued operations		**(51)**	(169)	**-**	-
Total comprehensive income for the year		**7,963**	4,563	**12,218**	3,979
Attributable to non-controlling interests[2]		**13**	-	**-**	-
Total comprehensive income attributable to owners of the Company		**7,950**	4,563	**12,218**	3,979

(1) Partial disposals of foreign operations include returns of capital made by foreign branches.
(2) The Group includes $8 million (2022: $nil) relating to foreign currency translation of the non-controlling interests in BNZ.

Balance sheets

As at 30 September	Note	Group 2023 $m	Group 2022 $m	Company 2023 $m	Company 2022 $m
Assets					
Cash and liquid assets	8	**24,699**	56,451	**23,959**	56,121
Due from other banks	8	**117,306**	141,861	**106,955**	133,144
Collateral placed		**11,286**	13,115	**10,214**	10,636
Trading assets	9	**101,168**	40,573	**90,417**	34,043
Debt instruments	10	**46,357**	42,080	**46,336**	42,094
Other financial assets	11	**1,430**	2,061	**1,708**	2,749
Derivative assets	18	**34,269**	61,016	**33,784**	60,651
Loans and advances	12	**702,702**	680,434	**607,684**	592,679
Current tax assets		**20**	16	**19**	15
Due from controlled entities		**-**	-	**43,577**	38,226
Deferred tax assets	6	**3,499**	3,385	**3,059**	2,975
Property, plant and equipment		**3,016**	3,009	**1,935**	2,091
Investments in controlled entities		**-**	-	**10,025**	4,670
Goodwill and other intangible assets	22	**4,952**	4,652	**2,392**	2,172
Other assets	23	**8,379**	6,473	**7,717**	5,562
Total assets		**1,059,083**	1,055,126	**989,781**	987,828
Liabilities					
Due to other banks	8	**39,516**	74,679	**33,965**	69,295
Collateral received		**10,672**	17,245	**9,281**	15,365
Other financial liabilities	16	**66,352**	23,286	**51,745**	8,960
Derivative liabilities	18	**35,633**	57,486	**36,110**	57,494
Deposits and other borrowings	13	**682,120**	683,526	**608,641**	616,961
Current tax liabilities		**1,012**	1,011	**978**	716
Provisions	24	**1,852**	2,096	**1,651**	1,897
Due to controlled entities		**-**	-	**44,059**	41,639
Bonds, notes and subordinated debt	14	**135,645**	119,283	**124,329**	109,674
Debt issues	15	**8,561**	7,318	**8,561**	7,318
Other liabilities	25	**16,217**	10,164	**13,938**	8,381
Total liabilities		**997,580**	996,094	**933,258**	937,700
Net assets		**61,503**	59,032	**56,523**	50,128
Equity					
Contributed equity	27	**38,546**	39,399	**37,760**	38,613
Reserves	29	**(1,192)**	(1,839)	**(1,565)**	(1,874)
Retained profits		**23,800**	21,472	**20,328**	13,389
Total equity (attributable to owners of the Company)		**61,154**	59,032	**56,523**	50,128
Non-controlling interests	28	**349**	-	**-**	-
Total equity		**61,503**	59,032	**56,523**	50,128

Statements of cash flows

For the year ended 30 September	Note	Group 2023 $m	Group 2022 $m	Company 2023 $m	Company 2022 $m
Cash flows from operating activities					
Interest received		**47,338**	21,518	**43,275**	19,164
Interest paid		**(28,548)**	(6,544)	**(28,555)**	(7,906)
Dividends received		**2**	28	**2,053**	2,052
Net trading income received		**4,993**	5,370	**4,083**	4,995
Other income received		**2,572**	2,527	**1,704**	1,955
Operating expenses paid		**(7,614)**	(6,207)	**(6,598)**	(5,591)
Income tax paid		**(2,973)**	(1,641)	**(2,034)**	(956)
Cash flows from operating activities before changes in operating assets and liabilities		**15,770**	15,051	**13,928**	13,713
Changes in operating assets and liabilities					
Net (increase) / decrease in					
Collateral placed		**2,075**	(6,720)	**528**	(4,713)
Deposits with central banks and other regulatory authorities		**10,490**	(19,703)	**10,490**	(19,703)
Trading assets		**(58,148)**	6,273	**(53,920)**	6,661
Other financial assets designated at fair value		**682**	624	**1,036**	491
Loans and advances		**(15,854)**	(53,384)	**(13,534)**	(50,274)
Other assets		**(237)**	3,173	**(432)**	2,641
Net increase / (decrease) in					
Collateral received		**(6,893)**	12,624	**(6,297)**	11,245
Deposits and other borrowings		**(9,157)**	75,530	**(12,366)**	73,298
Other financial liabilities designated at fair value		**44,592**	(352)	**43,099**	2,910
Other liabilities		**296**	(2,667)	**814**	(2,169)
Net funds advanced to and receipts from other banks		**(10,468)**	5,121	**(10,857)**	4,452
Net movement in derivative assets and liabilities		**153**	(7,349)	**2,300**	(9,971)
Changes in operating assets and liabilities arising from cash flow movements		**(42,469)**	13,170	**(39,139)**	14,868
Net cash provided by / (used in) operating activities	37	**(26,699)**	28,221	**(25,211)**	28,581
Cash flows from investing activities					
Movement in debt instruments					
Purchases		**(34,455)**	(33,697)	**(34,435)**	(33,697)
Proceeds from disposal and maturity		**31,296**	29,084	**31,280**	29,071
Net movement in other debt and equity instruments		**59**	(2)	**(32)**	(80)
Net movement in amounts due from controlled entities		**-**	-	**(3,320)**	3,162
Net movement in shares in controlled entities		**-**	-	**5**	(159)
Net movement in shares in associates and joint ventures		**-**	(4)	**-**	-
Purchase of controlled entities and business combinations, net of cash acquired		**-**	(3,183)	**-**	(3,138)
Proceeds from sale of controlled entities and business closures, net of costs and cash disposed		**82**	176	**82**	-
Purchase of property, plant, equipment and software		**(1,192)**	(1,076)	**(900)**	(784)
Proceeds from sale of property, plant, equipment and software, net of costs		**-**	(1)	**-**	(1)
Net cash provided by / (used in) investing activities		**(4,210)**	(8,703)	**(7,320)**	(5,626)

Statements of cash flows

For the year ended 30 September	Note	Group 2023 $m	Group 2022 $m	Company 2023 $m	Company 2022 $m
Cash flows from financing activities					
Repayments of bonds, notes and subordinated debt		**(31,143)**	(27,640)	**(26,937)**	(24,319)
Proceeds from issue of bonds, notes and subordinated debt, net of costs[1]		**42,827**	41,932	**38,948**	35,188
Payments for share buy-back		**(904)**	(3,917)	**(904)**	(3,917)
Purchase of shares for dividend reinvestment plan neutralisation		**(693)**	(500)	**(693)**	(500)
Purchase of treasury shares for employee share offer		**(23)**	-	**(23)**	-
Proceeds from debt issues, net of costs		**1,243**	1,983	**1,243**	1,983
Proceeds from issue of BNZ perpetual preference shares		**336**	-	**-**	-
Repayments of debt issues		**-**	(1,504)	**-**	(1,504)
Dividends and distributions paid (excluding dividend reinvestment plan)		**(4,339)**	(4,006)	**(4,334)**	(4,006)
Repayments of other financing activities		**(328)**	(339)	**(284)**	(299)
Net cash provided by / (used in) financing activities		**6,976**	6,009	**7,016**	2,626
Net increase / (decrease) in cash and cash equivalents		**(23,933)**	25,527	**(25,515)**	25,581
Cash and cash equivalents at beginning of period		**62,179**	37,881	**55,183**	30,462
Effects of exchange rate changes on balance of cash held in foreign currencies		**2,343**	(1,229)	**2,113**	(860)
Cash and cash equivalents at end of year	37	**40,589**	62,179	**31,781**	55,183

(1) Includes RBNZ's FLP.

Statements of changes in equity

Group	Contributed equity[1] $m	Reserves[2] $m	Retained profits $m	Total $m	Non-controlling interests $m	Total equity $m
Year to 30 September 2022						
Balance at 1 October 2021	43,247	550	18,982	62,779	-	62,779
Net profit for the year from continuing operations	-	-	7,060	7,060	-	7,060
Net loss for the year from discontinued operations	-	-	(169)	(169)	-	(169)
Other comprehensive income for the year from continuing operations	-	(2,429)	101	(2,328)	-	(2,328)
Total comprehensive income for the year	-	(2,429)	6,992	4,563	-	4,563
Transactions with owners, recorded directly in equity						
Contributions by and distributions to owners						
Issue of ordinary shares	500	-	-	500	-	500
On-market purchase of shares for dividend reinvestment plan neutralisation	(500)	-	-	(500)	-	(500)
Share buy-back	(3,917)	-	-	(3,917)	-	(3,917)
Transfer from / (to) retained profits	-	(4)	4	-	-	-
Transfer from / (to) equity-based compensation reserve	69	(69)	-	-	-	-
Equity-based compensation	-	113	-	113	-	113
Dividends paid[3]	-	-	(4,506)	(4,506)	-	(4,506)
Balance as at 30 September 2022	39,399	(1,839)	21,472	59,032	-	59,032
Year to 30 September 2023						
Net profit for the year from continuing operations	**-**	**-**	**7,465**	**7,465**	**5**	**7,470**
Net loss for the year from discontinued operations	**-**	**-**	**(51)**	**(51)**	**-**	**(51)**
Other comprehensive income for the year from continuing operations	**-**	**583**	**(47)**	**536**	**8**	**544**
Total comprehensive income for the year	**-**	**583**	**7,367**	**7,950**	**13**	**7,963**
Transactions with owners, recorded directly in equity						
Contributions by and distributions to owners						
Issue of ordinary shares	**693**	**-**	**-**	**693**	**-**	**693**
On-market purchase of shares for dividend reinvestment plan neutralisation	**(693)**	**-**	**-**	**(693)**	**-**	**(693)**
Share buy-back	**(904)**	**-**	**-**	**(904)**	**-**	**(904)**
Purchase of treasury shares for employee share offer[4]	**(23)**	**-**	**-**	**(23)**	**-**	**(23)**
Transfer from / (to) retained profits	**-**	**7**	**(7)**	**-**	**-**	**-**
Transfer from / (to) equity-based compensation reserve	**74**	**(74)**	**-**	**-**	**-**	**-**
Equity-based compensation	**-**	**131**	**-**	**131**	**-**	**131**
Dividends paid[3]	**-**	**-**	**(5,027)**	**(5,027)**	**(5)**	**(5,032)**
Other equity movements						
Issue of BNZ perpetual preference shares[5]	**-**	**-**	**(5)**	**(5)**	**341**	**336**
Balance as at 30 September 2023	**38,546**	**(1,192)**	**23,800**	**61,154**	**349**	**61,503**

(1) Refer to *Note 27 Contributed equity* for further details.
(2) Refer to *Note 29 Reserves* for further details.
(3) Refer to *Note 30 Dividends* for further details.
(4) This represents an on-market purchase of 748,032 shares at an average price of $30.70 per share.
(5) Refer to *Note 28 Non-controlling interests* for further details.

Statements of changes in equity

Company	Contributed equity[1] $m	Reserves[2] $m	Retained profits $m	Total equity $m
Year to 30 September 2022				
Balance at 1 October 2021	42,461	99	11,899	54,459
Net profit for the year from continuing operations	-	-	5,945	5,945
Other comprehensive income for the year from continuing operations	-	(2,023)	57	(1,966)
Total comprehensive income for the year	-	(2,023)	6,002	3,979
Transactions with owners, recorded directly in equity				
Contributions by and distributions to owners				
Issue of ordinary shares	500	-	-	500
On-market purchase of shares for dividend reinvestment plan neutralisation	(500)	-	-	(500)
Share buy-back	(3,917)	-	-	(3,917)
Transfer from / (to) retained profits	-	6	(6)	-
Transfer from / (to) equity-based compensation reserve	69	(69)	-	-
Equity-based compensation	-	113	-	113
Dividends paid[3]	-	-	(4,506)	(4,506)
Balance as at 30 September 2022	38,613	(1,874)	13,389	50,128
Year to 30 September 2023				
Net profit for the year from continuing operations	**-**	**-**	**12,012**	**12,012**
Other comprehensive income for the year from continuing operations	**-**	**254**	**(48)**	**206**
Total comprehensive income for the year	**-**	**254**	**11,964**	**12,218**
Transactions with owners, recorded directly in equity				
Contributions by and distributions to owners				
Issue of ordinary shares	**693**	**-**	**-**	**693**
On-market purchase of shares for dividend reinvestment plan neutralisation	**(693)**	**-**	**-**	**(693)**
Purchase of treasury shares for employee share offer[4]	**(23)**	**-**	**-**	**(23)**
Share buy-back	**(904)**	**-**	**-**	**(904)**
Transfer from / (to) retained profits	**-**	**(2)**	**2**	**-**
Transfer from / (to) equity-based compensation reserve	**74**	**(74)**	**-**	**-**
Equity-based compensation	**-**	**131**	**-**	**131**
Dividends paid[3]	**-**	**-**	**(5,027)**	**(5,027)**
Balance as at 30 September 2023	**37,760**	**(1,565)**	**20,328**	**56,523**

(1) Refer to *Note 27 Contributed equity* for further details.
(2) Refer to *Note 29 Reserves* for further details.
(3) Refer to *Note 30 Dividends* for further details.
(4) This represents an on-market purchase of 748,032 shares at an average price of $30.70 per share.

Introduction

Note 1
Basis of preparation

This is the financial report of National Australia Bank Limited (the Company) together with its controlled entities (Group) for the year ended 30 September 2023. The Company, incorporated and domiciled in Australia, is a for-profit company limited by shares which are publicly traded on the Australian Securities Exchange.

The directors resolved to authorise the issue of the financial report on 9 November 2023. The directors have the power to amend and reissue the financial report.

The financial report includes information to the extent the Group considers it material and relevant to the understanding of users. Disclosed information is considered material and relevant if, for example:

- The dollar amount is significant in size or by nature.
- The Group's results cannot be understood by users without the specific disclosure.
- The information is important to help users understand the impact of significant changes in the Group's business during the financial year, for example, a business acquisition, disposal, or an impairment / write-down.
- The information relates to an aspect of the Group's operations which is important to its future performance.
- The information is required under legislative requirements of the *Corporations Act 2001* (Cth), the *Banking Act 1959* (Cth) or by the Group's principal regulators, including the Australian Securities and Investments Commission (ASIC) and the Australian Prudential Regulation Authority (APRA).

Basis of preparation

This general purpose financial report has been prepared by a for-profit company, in accordance with the requirements of the *Corporations Act 2001* (Cth) and accounting standards and interpretations issued by the Australian Accounting Standards Board (AASB). Compliance with standards and interpretations issued by the AASB ensures that this financial report complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Amounts are presented in Australian dollars (unless otherwise stated), which is the Company's functional and presentation currency. These amounts have been rounded to the nearest million dollars ($m), except where indicated, as allowed by ASIC Corporations Instrument 2016/191.

Unless otherwise stated, comparative information has been restated for any changes to presentation made in the current year. Discontinued operations are excluded from the results of continuing operations and are presented as a single amount in the Group's income statement and statement of comprehensive income.

To comply with its obligations as an Australian Financial Services Licence holder, the Group includes the separate financial statements of the Company in this financial report, which is permitted by ASIC Corporations (Parent Entity Financial Statements) Instrument 2021/195.

Basis of measurement

The financial report has been prepared under the historical cost convention, except for:

- Certain assets and liabilities (including derivative instruments) measured at fair value through profit or loss, or at fair value through other comprehensive income.
- Financial assets and liabilities that are otherwise measured on an amortised cost basis but adjusted for changes in fair value attributable to the risk being hedged in qualifying fair value hedge relationships.

Accounting policies

During the year ended 30 September 2023, the Group revised its accounting treatment of ongoing trail commission payable to mortgage brokers. The Group has recognised a liability within 'Other liabilities' equal to the present value of expected future trail commission payments and a corresponding increase in capitalised brokerage costs within 'Loans and advances'. Comparative information has not been restated.

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

Critical accounting judgements and estimates

In the process of applying the Group's accounting policies, management have made a number of judgements and assumptions and applied estimates of future events. Some of these areas include:

- Impairment charges on loans and advances.
- Fair value of financial assets and liabilities.
- Impairment assessment of goodwill and other intangible assets.
- Determination of income tax.
- Provisions for customer-related remediation and other regulatory matters.

Further details of these critical accounting judgements and estimates are provided in the respective notes to the financial statements.

Note 1 Basis of preparation (cont.)

Other developments

Interest rate benchmark reform

Over the 2023 financial year, the Group has transitioned materially all contracts referencing Interbank Offered Rates (IBOR) benchmarks subject to cessation at 30 June 2023. Additionally, fallback language continues to be updated for contracts referencing IBOR benchmarks subject to cessation in 2024.

The Group continues to meet jurisdictional regulatory guidance and national working group timelines to cease referencing IBOR benchmarks subject to cessation and IBOR benchmarks which have ceased in new transactions, and actively transition legacy contracts to alternative risk-free rates. The Group continues to manage the risk arising from transition to ensure a low probability of occurrence and impact to the Group and its customers. Following the cessation of some benchmarks on 31 December 2021 and 30 June 2023, and adoption of fallback rates in contracts with major counterparties (in particular, central clearing counterparties), there has been a significant reduction in transition risk since 30 September 2022. In particular:

- Following cessation of USD London Interbank Offered Rate (LIBOR) benchmarks on 30 June 2023, the Group's exposure to these benchmarks has reduced significantly. As at 30 September 2023, there is an immaterial exposure referencing the synthetic version of some of the ceased benchmarks. These financial instruments are awaiting the next contractual rate reset or customers have chosen to not transition for administrative reasons as their financial instruments mature before the cessation of the relevant synthetic benchmark.
- Financial instruments referencing other ceased IBOR benchmarks are not material.
- Financial instruments referencing IBOR benchmarks subject to a future announced cessation are also not material.

Future accounting developments

AASB 17 *Insurance Contracts* (AASB 17) will be effective for the Group from 1 October 2023. The expected impact to the Group from this new accounting standard is limited to the Group's equity-accounted associate MLC Life. The change in timing of profit recognition under AASB 17 is expected to result in a decrease in the carrying value of the MLC Life investment (included within *Note 23 Other assets*) by approximately $200 million with a corresponding decrease in retained earnings as at 1 October 2023. Refer to *Note 32 Interest in subsidiaries and other entities* for further information.

There are no other new standards or amendments to existing standards that are not yet effective which are expected to have a material impact on the Group's financial statements.

Financial performance

Overview

The Group's reportable segments are unchanged from the 2022 Annual Report.

A description of the operating activities of each reportable segment is provided below:

- *Business and Private Banking* focuses on NAB's priority small and medium (SME) customer segments. This includes diversified businesses, as well as specialised Agriculture, Health, Professional Services, Franchisees, Government, Education and Community service segments along with Private Banking and JBWere.
- *Personal Banking* provides banking products and services to customers including securing a home loan and managing personal finances through deposits, credit card or personal loan facilities. Customers are supported through a network of branches and ATMs, call centres, digital capabilities as well as through proprietary lenders and mortgage brokers. Personal Banking results include the financial performance of the Citi consumer business, acquired effective 1 June 2022.
- *Corporate and Institutional Banking* provides a range of products and services including client coverage, corporate finance, markets, asset servicing, transactional banking and enterprise payments. The division serves its customers across Australia, the United States, Europe and Asia, with specialised industry relationships and product teams. It includes Bank of New Zealand's Markets Trading operations.
- *New Zealand Banking* provides banking and financial services across customer segments in New Zealand. It consists of Partnership Banking servicing retail, business and private customers; Corporate and Institutional Banking servicing corporate and institutional customers, and includes Markets Sales operations in New Zealand. New Zealand Banking also includes the Wealth franchise operating under the 'Bank of New Zealand' brand. It excludes the Bank of New Zealand's Markets Trading operations. New Zealand Banking results include the financial performance of the New Zealand liquidity management portfolio, effective 1 October 2022.
- *Corporate Functions and Other* includes ubank and enabling units that support all businesses including Treasury, Technology and Enterprise Operations, Digital, Data and Analytics, Support Units and eliminations.

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

Cash earnings is calculated by adjusting statutory net profit from continuing operations for certain non-cash earnings items. Non-cash earnings items are those items which are considered separately when assessing performance and analysing the underlying trends in the business. Cash earnings for the year ended 30 September 2023 has been adjusted for hedging and fair value volatility, amortisation of acquired intangible assets, and certain other items associated with acquisitions, disposals and business closures. Cash earnings does not purport to represent the cash flows, funding or liquidity position of the Group, nor any amount represented on a statement of cash flows.

The Group earns the vast majority of its revenue in the form of net interest income, being the difference between interest earned on financial assets and interest paid on financial liabilities and other financing costs.

Note 2
Segment information

	2023					
	Business and Private Banking	Personal Banking	Corporate and Institutional Banking[1]	New Zealand Banking[1]	Corporate Functions and Other[2]	Total Group
	$m	$m	$m	$m	$m	$m
Reportable segment information						
Net interest income	7,270	4,329	2,361	2,616	231	16,807
Other income	976	567	1,593	536	175	3,847
Net operating income	8,246	4,896	3,954	3,152	406	20,654
Operating expenses	(2,931)	(2,561)	(1,452)	(1,105)	(974)	(9,023)
Underlying profit / (loss)	5,315	2,335	2,502	2,047	(568)	11,631
Credit Impairment (charge) / write-back	(568)	(287)	(32)	(85)	170	(802)
Cash earnings / (loss) before tax and distributions	4,747	2,048	2,470	1,962	(398)	10,829
Income tax (expense) / benefit	(1,429)	(602)	(600)	(553)	91	(3,093)
Cash earnings / (loss) before non-controlling interests	3,318	1,446	1,870	1,409	(307)	7,736
Non-controlling interests	-	-	-	(5)	-	(5)
Cash earnings / (loss)	3,318	1,446	1,870	1,404	(307)	7,731
Hedging and fair value volatility	(2)	(6)	(95)	(8)	82	(29)
Other non-cash earnings items	(9)	(17)	-	-	(211)	(237)
Net profit / (loss) for the year from continuing operations	3,307	1,423	1,775	1,396	(436)	7,465
Net loss from discontinued operations attributable to owners of the Company	-	-	-	-	(51)	(51)
Net profit / (loss) attributable to owners of the Company	3,307	1,423	1,775	1,396	(487)	7,414
Reportable segment assets[3]	255,451	247,934	282,809	117,090	155,799	1,059,083

(1) For the year ended 30 September 2023, the New Zealand liquidity management portfolio of $18.3 billion of assets is reported within New Zealand Banking. Previously the assets and liabilities together with the related income was reported as part of Corporate and Institutional Banking. Comparative information has not been restated.
(2) Corporate Functions and Other includes eliminations.
(3) Reportable segment assets include inter-company balances which are eliminated within the Corporate Functions and Other segment.

Note 2 Segment information (cont.)

	2022					
	Business and Private Banking	Personal Banking	Corporate and Institutional Banking	New Zealand Banking	Corporate Functions and Other[1]	Total Group
	$m	$m	$m	$m	$m	$m
Reportable segment information						
Net interest income	6,074	4,055	2,058	2,302	363	14,852
Other income	962	524	1,413	518	27	3,444
Net operating income	7,036	4,579	3,471	2,820	390	18,296
Operating expenses	(2,664)	(2,311)	(1,377)	(971)	(951)	(8,274)
Underlying profit / (loss)	4,372	2,268	2,094	1,849	(561)	10,022
Credit Impairment (charge) / write-back	(60)	5	26	(47)	(49)	(125)
Cash earnings / (loss) before tax and distributions	4,312	2,273	2,120	1,802	(610)	9,897
Income tax (expense) / benefit	(1,299)	(682)	(492)	(507)	187	(2,793)
Cash earnings / (loss)	3,013	1,591	1,628	1,295	(423)	7,104
Hedging and fair value volatility	(2)	9	90	40	(68)	69
Other non-cash earnings items	(2)	(7)	-	-	(104)	(113)
Net profit / (loss) for the year from continuing operations	3,009	1,593	1,718	1,335	(595)	7,060
Net loss from discontinued operations attributable to owners of the Company	-	-	-	-	(169)	(169)
Net profit / (loss) attributable to owners of the Company	3,009	1,593	1,718	1,335	(764)	6,891
Reportable segment assets[2]	235,322	244,822	348,035	93,243	133,704	1,055,126

(1) Corporate Functions and Other includes eliminations.
(2) Reportable segment assets include inter-company balances which are eliminated within the Corporate Functions and Other segment.

Major customers

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

Geographical information

The Group has operations in Australia (the Company's country of domicile), New Zealand, Europe, the United States and Asia. The allocation of income and non-current assets is based on the geographical location in which transactions are booked.

	Group			
	Income		Non-current assets[1]	
	2023	2022	2023	2022
	$m	$m	$m	$m
Australia	**16,674**	14,746	**7,115**	7,081
New Zealand	**3,218**	2,953	**1,275**	986
Other International	**1,051**	936	**118**	108
Total before inter-geographic eliminations	**20,943**	18,635	**8,508**	8,175
Elimination of inter-geographic items	**(295)**	(65)	**-**	-
Total	**20,648**	18,570	**8,508**	8,175

(1) Non-current assets includes goodwill and other intangible assets, property, plant and equipment and investments in joint ventures and associates.

Note 3
Net interest income

Accounting policy

Interest income and expense are recognised in the income statement using the effective interest method. The effective interest method measures the amortised cost of a financial asset or financial liability using the effective interest rate. The effective interest rate discounts the estimated stream of future cash payments or receipts over the expected life of the financial instrument to the net carrying amount of the financial instrument.

Fees and costs which form an integral part of the effective interest rate of a financial instrument (for example, loan origination fees) are recognised using the effective interest method and recorded in interest income or expense depending on whether the underlying instrument is a financial asset or liability.

Included in net interest income are interest income and expense on trading assets, hedging instruments and financial instruments measured at fair value through profit or loss.

	Group		Company	
	2023	2022	2023	2022
	$m	$m	$m	$m
Interest income				
Effective interest rate method				
Amortised cost				
Due from other banks	**5,253**	930	**4,713**	767
Loans and advances	**35,807**	19,542	**30,175**	16,264
Due from controlled entities	**-**	-	**2,586**	1,183
Other interest income	**3,554**	592	**3,261**	553
Fair value through other comprehensive income				
Debt instruments	**1,744**	401	**1,743**	400
Total effective interest method	**46,358**	21,465	**42,478**	19,167
Fair value through profit or loss				
Trading instruments	**1,607**	803	**1,328**	712
Other financial assets	**107**	110	**76**	93
Total fair value through profit or loss	**1,714**	913	**1,404**	805
Total interest income	**48,072**	22,378	**43,882**	19,972
Interest expense				
Effective interest rate method				
Due to other banks	**1,705**	375	**1,525**	343
Deposits and other borrowings	**19,889**	3,832	**17,636**	3,191
Bonds, notes and subordinated debt	**7,083**	1,726	**6,413**	1,598
Due to controlled entities	**-**	-	**3,515**	2,527
Debt issues	**362**	224	**362**	224
Other interest expense	**640**	394	**555**	371
Total effective interest method	**29,679**	6,551	**30,006**	8,254
Fair value through profit or loss				
Trading instruments	**51**	5	**51**	5
Other financial liabilities	**1,163**	635	**465**	193
Total fair value through profit or loss	**1,214**	640	**516**	198
Bank levy	**372**	347	**372**	347
Total interest expense	**31,265**	7,538	**30,894**	8,799
Net interest income	**16,807**	14,840	**12,988**	11,173

Note 4
Other income

Accounting policy

Categories of other income are measured as follows:

Item	Measurement basis
Trading instruments	***Trading derivatives*** – Total fair value change (including interest income or expense). ***Trading assets*** – All fair value changes except for interest income or expense, which is recognised within net interest income.
Hedge ineffectiveness	Represents hedge ineffectiveness arising from hedge accounting, which are the fair value movements (excluding interest income or expense) that do not offset the hedged risk.
Financial instruments designated at fair value	Includes fair value movements on such items, other than interest income or expense and movements attributable to the Group's own credit risk.
Dividend revenue	Dividend revenue is recognised in the income statement when the Group's right to receive the dividend is established.
Lending fees and other fees and commissions	Unless included in the effective interest rate, fees and commissions are recognised on an accruals basis when the service has been provided or on completion of the underlying transaction. Fees charged for providing ongoing services (for example, maintaining and administering existing facilities) are recognised as income over the period the service is provided. When a third party is involved in providing goods or services to the Group's customer, the Group assesses whether the nature of the arrangement with its customer is as a principal or an agent of the third party. When the Group is not acting in a principal capacity, the income earned by the Group is net of the amounts paid to the third party provider. The net consideration represents the Group's income for facilitating the transaction.
Net investment management income	Investment management income is recognised on an accruals basis as the services are provided and is presented net of direct and incremental investment management expenses incurred in the provision of these services.

	Group		Company	
	2023	2022	2023	2022
	$m	$m	$m	$m
Net fees and commissions				
Lending fees	**1,141**	1,125	**932**	925
Other fees and commissions[1]	**893**	838	**667**	618
Net investment management income				
Investment management income	**304**	296	**-**	-
Investment management expense	**(155)**	(140)	**-**	-
Total net fees and commissions	**2,183**	2,119	**1,599**	1,543
Gains less losses on financial instruments at fair value				
Trading instruments	**1,141**	(196)	**813**	30
Hedge ineffectiveness	**(21)**	58	**(27)**	31
Financial instruments designated at fair value	**390**	1,205	**418**	592
Total gains less losses on financial instruments at fair value	**1,510**	1,067	**1,202**	653
Other operating income				
Dividend revenue[2]	**2**	28	**7,423**	2,053
Net other income[3]	**146**	516	**77**	229
Total net other operating income	**148**	544	**7,500**	2,282
Total other income	**3,841**	3,730	**10,301**	4,478

(1) The Group recognised customer-related remediation charges of $29 million (2022: $71 million charge) and the Company recognised customer-related remediation charges of $39 million (2022: $40 million charge) in other fees and commissions. Customer-related remediation charges in the Company include MLC Wealth-related matters which are presented in discontinued operations at the Group level.
(2) In the 2023 financial year, the Company received a dividend of $5.4 billion from National Equities Limited (following a dividend payment by BNZ) which was reinvested into additional ordinary shares.
(3) On 30 September 2022, the Group completed the disposal of BNZ Life, resulting in an overall gain on disposal of $197 million in other income.

Note 5
Operating expenses

Accounting policy

Operating expenses are recognised as services are provided to the Group, over the period in which an asset is consumed or once a liability is created.

Amounts received by the Group as a reimbursement for costs incurred are recognised as a reduction of the related expense.

Annual leave, long service leave and other personnel expenses

Salaries, annual leave and other employee entitlements expected to be paid or settled within 12 months of employees rendering service are measured at their nominal amounts using remuneration rates that the Group expects to pay when the liabilities are settled. A liability is recognised for the amount expected to be paid under short-term cash bonuses when the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably. All other employee entitlements that are not expected to be paid or settled within 12 months of the reporting date are measured at the present value of net future cash flows. Employee entitlements to long service leave are accrued using an actuarial calculation, which includes assumptions regarding employee departures, leave utilisation and future salary increases.

Termination benefits are recognised as an expense when the Group is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancy are recognised as an expense if the Group has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

Refer to *Note 24 Provisions* for balances of provisions for employee entitlements.

	Group		Company[1]	
	2023	2022	2023	2022
	$m	$m	$m	$m
Personnel expenses				
Salaries and related on-costs	**4,353**	3,964	**3,590**	3,355
Superannuation costs-defined contribution plans	**366**	319	**348**	302
Performance-based compensation	**557**	517	**510**	471
Other expenses	**215**	177	**196**	166
Total personnel expenses	**5,491**	4,977	**4,644**	4,294
Occupancy and depreciation expenses				
Rental expense	**100**	103	**209**	203
Depreciation and impairment	**594**	577	**408**	411
Other expenses	**57**	42	**53**	39
Total occupancy and depreciation expenses	**751**	722	**670**	653
General expenses				
Fees and commissions expense	**18**	44	**17**	29
Amortisation of intangible assets	**620**	535	**519**	460
Advertising and marketing	**220**	187	**166**	142
Charges to provide for operational risk event losses	**103**	107	**72**	328
Communications, postage and stationery	**150**	137	**125**	114
Computer equipment and software	**888**	789	**740**	694
Data communication and processing charges	**127**	90	**109**	78
Professional fees	**711**	729	**679**	689
Impairment losses recognised	**13**	10	**14**	18
Other expenses	**290**	375	**668**	266
Total general expenses	**3,140**	3,003	**3,109**	2,818
Total operating expenses	**9,382**	8,702	**8,423**	7,765

(1) Operating expenses in the Company include amounts which are presented in discontinued operations at the Group level.

Note 5 Operating expenses (cont.)

Customer-related and payroll remediation

Customer-related remediation recognised by the Group relates to costs for executing the remediation programs for banking-related matters. Payroll remediation relates to costs to address potential payroll issues relating to both current and former Australian colleagues, comprising payments to colleagues and costs to execute the remediation program. The charges recognised by the Company include costs related to the remediation programs for banking and MLC Wealth-related matters.

In the 2023 financial year, the Group recognised a charge of $20 million (2022: $45 million) and the Company recognised a charge of $45 million (2022: $219 million) for customer-related remediation.

The payroll remediation program was largely completed in December 2022 with all known remediation matters resolved. No charges were recognised in the 2023 financial year (2022: $55 million for the Group and $72 million for the Company).

Note 6
Income tax

Accounting policy

Income tax expense (or benefit) is the tax payable (or receivable) on the current year's taxable income based on the applicable tax rate in each jurisdiction, adjusted by changes in deferred tax assets and liabilities. Income tax expense is recognised in the income statement except to the extent that it relates to items recognised directly in other comprehensive income, in which case it is recognised in the statement of comprehensive income. The tax associated with these transactions will be recognised in the income statement at the same time as the underlying transaction.

Deferred tax assets and liabilities are recognised for temporary differences arising between the tax bases of assets and liabilities and their carrying amounts. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted as at the reporting date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are only recognised for temporary differences, unused tax losses and unused tax credits if it is probable that future taxable amounts will arise to utilise those temporary differences and losses. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax assets and deferred tax liabilities are offset where there is a legally enforceable right to offset current tax assets and current tax liabilities and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities which intend either to settle current tax liabilities and assets on a net basis or to realise the assets and settle the liabilities simultaneously.

The Company and its wholly owned Australian subsidiaries are part of a tax consolidated group. The Company is the head entity in the tax consolidated group. The members of the tax consolidated group have entered into tax funding and tax sharing agreements, which set out the funding obligations of members. Any current tax liabilities / assets and deferred tax assets from unused tax losses of subsidiaries in the tax consolidated group are recognised by the Company and funded in line with the tax funding arrangements.

Critical accounting judgements and estimates

The Group undertakes transactions in the ordinary course of business where the income tax treatment requires the exercise of judgement. The Group estimates the amount expected to be paid to tax authorities based on its understanding and interpretation of relevant tax laws. The effect of uncertainty over income tax treatments is reflected in determining the relevant taxable profit or tax loss, tax bases, unused tax losses and unused tax credits or tax rates. Uncertain tax positions are presented as current or deferred tax assets or liabilities as appropriate.

Income tax expense

The income tax expense for the year reconciles to the profit before income tax as follows:

	Group		Company	
	2023	2022	2023	2022
	$m	$m	$m	$m
Profit before income tax	**10,450**	9,744	**14,212**	7,838
Prima facie income tax expense at 30%	**3,135**	2,923	**4,264**	2,351
Tax effect of permanent differences:				
Assessable foreign income	**11**	7	**11**	7
Foreign tax rate differences	**(68)**	(65)	**(24)**	(25)
Adjustments to deferred tax balances for tax losses(1)	**(142)**	(82)	**(142)**	(82)
Foreign branch income not deductible / (assessable)	**6**	(12)	**6**	(12)
Over provision in prior years	**(11)**	(5)	**(11)**	(5)
Offshore banking unit adjustment	**(77)**	(97)	**(65)**	(57)
Restatement of deferred tax balances for tax rate changes	**(1)**	(5)	**(1)**	4
Non-deductible interest on convertible instruments	**109**	67	**109**	67
Dividend income adjustments	**-**	-	**(1,954)**	(345)
Gain on disposal of BNZ Life	**-**	(59)	**-**	-
Other	**18**	12	**7**	(10)
Income tax expense	**2,980**	2,684	**2,200**	1,893
Current tax expense	**3,081**	2,365	**2,323**	1,569
Deferred tax (benefit) / expense	**(101)**	319	**(123)**	324
Total income tax expense	**2,980**	2,684	**2,200**	1,893

(1) In the 2023 financial year, adjustments relating to certain tax losses have been disaggregated from the line item 'Other,' and presented separately in the reconciliation. Comparative information has been restated to align to the presentation in the 2023 financial year.

Note 6 Income tax (cont.)

Deferred tax assets and liabilities

The balance comprises temporary differences attributable to:

	Group		Company	
	2023 $m	2022 $m	2023 $m	2022 $m
Deferred tax assets				
Specific provision for credit impairment	**159**	148	**137**	129
Collective provision for credit impairment	**1,485**	1,281	**1,239**	1,078
Employee entitlements	**275**	286	**257**	269
Tax losses	**131**	50	**121**	47
Unrealised derivatives in funding vehicles	**39**	90	**-**	-
Other provisions	**91**	169	**91**	168
Depreciation	**327**	309	**244**	240
Reserves				
Cash flow hedge reserve	**732**	821	**724**	814
Other reserves	**45**	4	**42**	23
Other	**324**	353	**304**	321
Total deferred tax assets	**3,608**	3,511	**3,159**	3,089
Set-off of deferred tax liabilities pursuant to set-off provisions	**(109)**	(126)	**(100)**	(114)
Net deferred tax assets	**3,499**	3,385	**3,059**	2,975
Deferred tax liabilities				
Intangible assets	**32**	27	**27**	23
Defined benefit superannuation plan assets	**12**	11	**10**	9
Reserves	**28**	63	**28**	63
Other	**37**	25	**35**	19
Total deferred tax liabilities	**109**	126	**100**	114
Deferred tax liabilities set off against deferred tax assets pursuant to set-off provisions	**(109)**	(126)	**(100)**	(114)
Net deferred tax liability	**-**	-	**-**	-

Deferred tax assets not brought to account

Deferred tax assets have not been brought to account for the following realised losses as the utilisation of the losses is not regarded as probable:

	Group		Company	
	2023 $m	2022 $m	2023 $m	2022 $m
Capital gains tax losses	**1,909**	1,910	**1,909**	1,910
Income tax losses	**125**	239	**125**	239

Income tax losses of $119m for the Group and Company are expected to expire between the 2030 to 2036 financial years. Capital gains tax losses of the Group and Company do not have any expiry date.

Note 7
Earnings per share

	Group			
	Basic		Diluted	
	2023	2022	2023	2022
Earnings ($m)				
Net profit attributable to owners of the Company	**7,414**	6,891	**7,414**	6,891
Potential dilutive adjustments				
Interest expense on convertible notes	**-**	-	**371**	232
Adjusted earnings	**7,414**	6,891	**7,785**	7,123
Net loss from discontinued operations attributable to owners of the Company	**51**	169	**51**	169
Adjusted earnings from continuing operations	**7,465**	7,060	**7,836**	7,292
Weighted average number of ordinary shares (millions)				
Weighted average number of ordinary shares (net of treasury shares)	**3,136**	3,219	**3,136**	3,219
Weighted average number of dilutive potential ordinary shares				
Convertible notes	**-**	-	**258**	240
Share-based payments	**-**	-	**10**	6
Total weighted average number of ordinary shares	**3,136**	3,219	**3,404**	3,465
Earnings per share attributable to owners of the Company (cents)	**236.4**	214.1	**228.7**	205.6
Earnings per share from continuing operations	**238.0**	219.3	**230.2**	210.5
Earnings per share from discontinued operations	**(1.6)**	(5.2)	**(1.5)**	(4.9)

Financial instruments

Overview

Financial instruments represent the majority of the Group's balance sheet, including loans and advances, deposits, trading assets and derivatives.

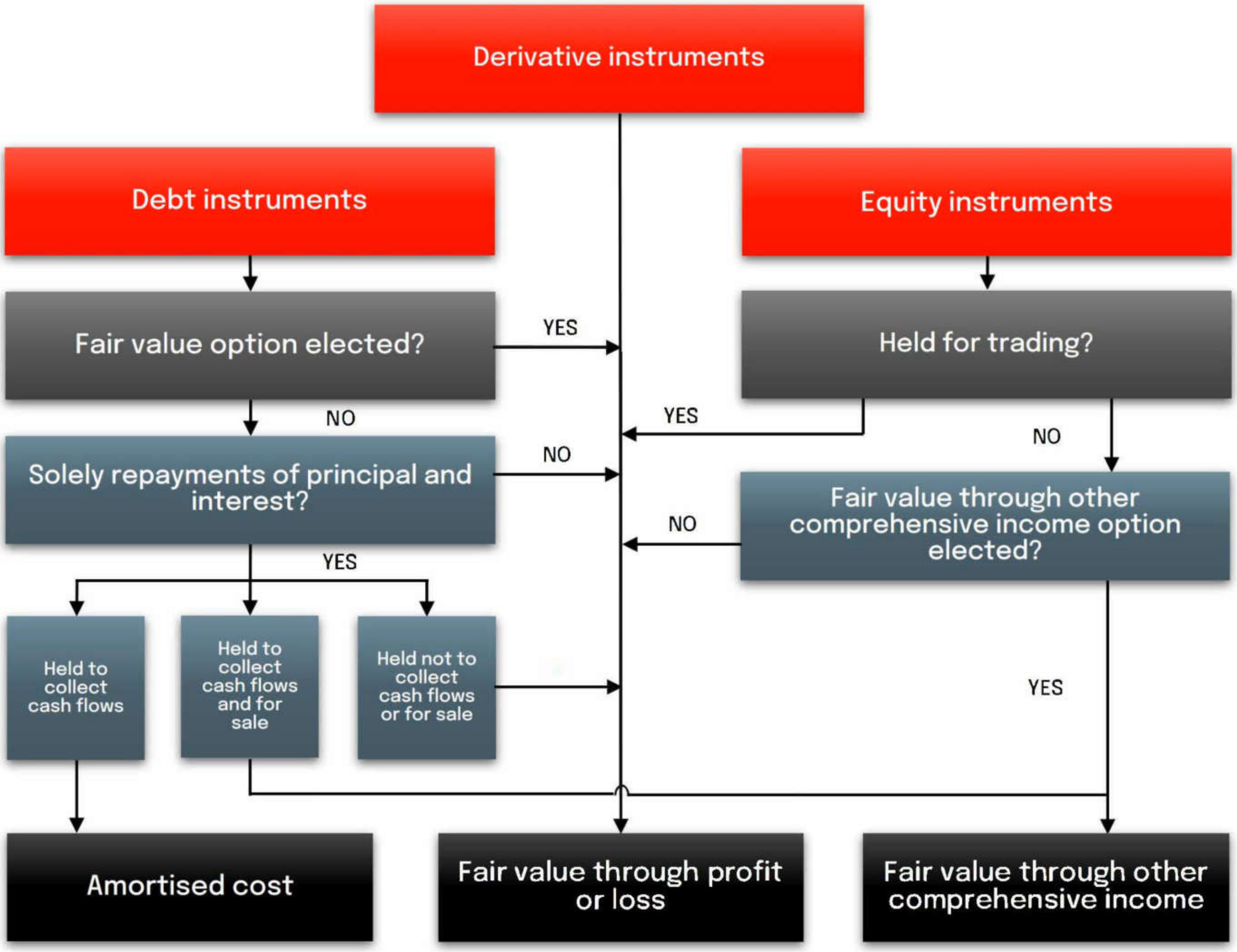
Initial recognition of financial instruments

A financial asset or financial liability is recognised on the balance sheet when the Group becomes a party to the contractual provisions of the instrument. The Group recognises regular way transactions on the trade date.

All financial instruments are initially recognised at fair value. Directly attributable transaction costs are added to or deducted from the carrying value of the asset or liability on initial recognition, unless the instrument is measured at fair value through profit or loss, in which case they are recognised in profit or loss.

Classification

Subsequently, financial instruments are measured either at amortised cost or fair value depending on their classification. Classification of financial assets is driven by the Group's business model for managing the asset and the contractual cash flows of the asset. The Group uses the following flowchart to determine the appropriate classification for financial assets.



Non-derivative financial liabilities are measured at amortised cost unless the Group elects to measure the financial liability at fair value through profit or loss. The Group will elect to measure a financial liability at fair value through profit or loss if such measurement significantly reduces or eliminates an accounting mismatch.

Refer to the table at the end of this section for a summary of the classification of the Group's financial instruments.

Overview (cont.)

Measurement

Financial instruments measured at amortised cost

Amortised cost is the amount at which a financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation of transaction costs, premiums or discounts using the effective interest method, and for financial assets, adjusted for any loss allowance.

Financial assets measured at fair value through other comprehensive income

Gains or losses arising from changes in the fair value of debt instruments measured at fair value through other comprehensive income are recognised in other comprehensive income and accumulated in a separate component of equity. Upon disposal, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to the income statement.

Investments in equity instruments that are neither held for trading nor contingent consideration recognised by the Group in a business combination to which AASB 3 *Business Combinations* applies, are measured at fair value through other comprehensive income, where an irrevocable election has been made by management. Amounts recognised in other comprehensive income are not subsequently transferred to profit or loss. Dividends on such investments are recognised in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment.

Financial instruments at fair value through profit or loss

Changes in the fair value of financial assets are recognised in profit or loss.

Where a financial liability is designated at fair value through profit or loss, the movement in fair value attributable to changes in the Group's own credit risk is calculated by determining the changes in own credit spreads and is recognised separately in other comprehensive income.

Derivative financial instruments and hedge accounting

Derivative financial instruments are contracts whose value is derived from an underlying price, index or other variable, and include instruments such as swaps, forward rate agreements, futures and options.

All derivatives are recognised initially on the balance sheet at fair value and are subsequently measured at fair value through profit or loss, except where they are designated as a part of an effective hedge relationship and classified as hedging derivatives. Derivatives are presented as assets when their fair value is positive and as liabilities when their fair value is negative.

The method of recognising the resulting fair value gain or loss on a derivative depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. Refer to *Note 18 Derivatives and hedge accounting*.

Derecognition of financial instruments

The Group derecognises a financial asset when the contractual cash flows from the asset expire or it transfers its rights to receive contractual cash flows from the financial asset in a transaction in which substantially all the risks and rewards of ownership are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

The Group derecognises a financial liability when the obligation specified in the contract is discharged, cancelled or expires.

Reverse repurchase and repurchase agreements (and similar lending and borrowing)

The Group executes reverse repurchase agreements where it purchases a security under an agreement to resell that security at a predetermined price. These securities are not recognised on the balance sheet because the Group does not acquire the risks and rewards of ownership of the security. Consideration paid for the purchase is accounted for as a reverse repurchase agreement and classified as a financial asset. Reverse repurchase agreements that are part of a portfolio of financial instruments managed together for short-term profit taking are measured at fair value through profit or loss and are included within *Note 9 Trading assets*. All other reverse repurchase agreements are measured at amortised cost.

The Group also executes repurchase agreements, where it sells a security under an agreement to repurchase that security at a predetermined price. These securities are not derecognised from the balance sheet because the Group retains substantially all of the risks and rewards of ownership of the security. Consideration received for the sale is accounted for as a repurchase agreement and classified as a financial liability. Repurchase agreements that are part of a portfolio of financial instruments managed together for short-term profit taking are measured at fair value through profit or loss and are included within *Note 16 Other financial liabilities*. All other repurchase agreements are measured at amortised cost.

Overview (cont.)

Summary of classification and measurement basis

Financial assets

Type of instrument	Classification and measurement	Reason	Note
Loans and advances (customer loans and facilities)	Amortised cost	Cash flows represent solely payments of principal and interest, held with the objective to collect contractual cash flows	*Note 12 Loans and advances*
Trading assets (bonds, reverse repurchase agreements, notes or securities issued by government, financial institutions or other corporates)	Fair value through profit or loss	Principal purpose is selling or repurchasing in the near term, or part of a portfolio of financial instruments that are managed together and for which there is evidence of short-term profit taking	*Note 9 Trading assets*
Other financial assets		Cash flows are not solely payments of principal and interest or designated at fair value through profit or loss to eliminate an accounting mismatch	*Note 11 Other financial assets*
Debt instruments (bonds, notes or securities issued by government, financial institutions or other corporates)	Fair value through other comprehensive income	Cash flows represent solely payments of principal and interest, held with the objective to both collect contractual cash flows or to sell	*Note 10 Debt instruments*
Derivatives (forwards, swaps, futures, options)	Fair value(1)	Trading derivatives - not in a qualifying hedging relationship	*Note 18 Derivatives and hedge accounting*
		Hedging derivatives - designated in a qualifying hedging relationship	

Financial liabilities

Type of instrument	Classification and measurement	Reason	Note
Deposits and other borrowings (deposits, commercial paper, repurchase agreements)	Amortised cost	Not designated at fair value through profit or loss	*Note 13 Deposits and other borrowings*
Bonds and notes			*Note 14 Bonds, notes and subordinated debt*
Perpetual notes and convertible notes			*Note 15 Debt issues*
Certain bonds, notes and deposits	Fair value through profit or loss(2)	Designated at fair value through profit or loss to eliminate an accounting mismatch	*Note 16 Other financial liabilities*
Repurchase agreements, securities short sold, other financial liabilities		Part of a portfolio of financial instruments that are managed together and for which there is evidence of short-term profit taking	
Derivatives (forwards, swaps, futures, options)	Fair value(1)	Trading derivatives - not in a qualifying hedging relationship	*Note 18 Derivatives and hedge accounting*
		Hedging derivatives - designated in a qualifying hedging relationship	

(1) Fair value movements on trading derivatives are recognised in profit or loss. The recognition of the fair value movements on hedging derivatives will depend on the type of hedge (i.e. fair value hedge or cash flow hedge). Refer to *Note 18 Derivatives and hedge accounting*.
(2) Except for changes in own credit risk which are recognised in other comprehensive income.

Note 8
Cash and balances with other banks

Accounting policy

Cash and liquid assets, and balances with other banks are initially measured at fair value and subsequently at amortised cost. For the purposes of the statement of cash flows, cash and cash equivalents include cash and liquid assets (including reverse repurchase agreements and short-term government securities) and amounts due from other banks net of amounts due to other banks that are highly liquid, readily convertible to known amounts of cash within three months and are subject to an insignificant risk of changes in value. They are held for the purposes of meeting short-term cash commitments (rather than for investment or other purposes). Refer to *Note 37 Notes to the statement of cash flows* for a detailed reconciliation of cash and cash equivalents.

	Group		Company	
	2023	2022	2023	2022
	$m	$m	$m	$m
Cash and liquid assets				
Coins, notes and cash at bank	**1,030**	1,147	**937**	1,021
Reverse repurchase agreements[1]	**21,808**	53,785	**21,350**	53,725
Other (including bills receivable and remittances in transit)	**1,861**	1,519	**1,672**	1,375
Total cash and liquid assets	**24,699**	56,451	**23,959**	56,121
Due from other banks				
Central banks	**105,034**	113,232	**95,638**	105,857
Other banks[1]	**12,272**	28,629	**11,317**	27,287
Total due from other banks	**117,306**	141,861	**106,955**	133,144
Due to other banks				
Central banks[2]	**25,394**	40,824	**21,041**	37,713
Other banks[1]	**14,122**	33,855	**12,924**	31,582
Total due to other banks	**39,516**	74,679	**33,965**	69,295

(1) During the 2023 financial year, the Group established a new portfolio of reverse repurchase agreements, which is managed together with other financial instruments for short-term profit taking. These agreements are measured at fair value through profit or loss and are included in *Note 9 Trading assets*.
(2) Included within amounts due to central banks is $21,869 million (2022: $35,316 million) for the Group and $17,596 million (2022: $32,275 million) for the Company relating to the TFF provided by the RBA and the TLF, FLP provided by the RBNZ.

Note 9
Trading assets

Accounting policy

Trading assets comprise assets that are classified as held for trading because they are acquired or incurred principally for the purpose of selling or repurchasing in the near term, or form part of a portfolio of financial instruments that are managed together and for which there is evidence of short-term profit taking. Trading assets are measured at fair value through profit or loss. Trading assets include commodities measured at fair value less cost to sell in accordance with AASB 102 *Inventories*.

	Group		Company	
	2023	2022	2023	2022
	$m	$m	$m	$m
Trading assets				
Government bonds, notes and securities	**29,237**	26,127	**26,690**	23,036
Semi-government bonds, notes and securities	**10,092**	5,346	**6,887**	2,989
Corporate / financial institution bonds, notes and securities	**5,360**	8,681	**3,392**	7,598
Reverse repurchase agreements[1]	**55,403**	-	**52,373**	-
Commodity inventory at fair value	**610**	-	**610**	-
Other bonds, notes, securities, equities and other assets	**466**	419	**465**	420
Total trading assets	**101,168**	40,573	**90,417**	34,043

(1) During the 2023 financial year, the Group established a new portfolio of reverse repurchase agreements, which is managed together with other financial instruments for short-term profit taking.

Note 10
Debt instruments

Accounting policy

Debt instruments are measured at fair value through other comprehensive income as they are held in a business model with the objective of both collecting contractual cash flows and realising assets through sale and they have contractual cash flows which are considered to be solely payments of principal and interest.

	Group		Company	
	2023 $m	2022 $m	2023 $m	2022 $m
Debt instruments				
Government bonds, notes and securities	**2,691**	3,626	**2,691**	3,626
Semi-government bonds, notes and securities	**28,892**	25,275	**28,892**	25,275
Corporate / financial institution bonds, notes and securities	**8,238**	6,933	**8,238**	6,933
Other bonds, notes and securities	**6,536**	6,246	**6,515**	6,260
Total debt instruments	**46,357**	42,080	**46,336**	42,094

Note 11
Other financial assets

Accounting policy

Other financial assets are measured at fair value through profit or loss. Changes in fair value and transaction costs are recognised in the income statement. Financial assets are measured at fair value through profit or loss when they have contractual cash flow characteristics that are not considered to be solely payments of principal and interest or they have been designated as such to eliminate or reduce an accounting mismatch.

	Group		Company	
	2023 $m	2022 $m	2023 $m	2022 $m
Other financial assets				
Loans at fair value	**1,243**	1,876	**682**	1,305
Other financial assets at fair value	**187**	185	**1,026**	1,444
Total other financial assets	**1,430**	2,061	**1,708**	2,749

The maximum credit exposure of loans (excluding any undrawn facility limits) included in other financial assets is $1,243 million (2022: $1,876 million) for the Group and $682 million (2022: $1,305 million) for the Company. The cumulative change in fair value of the loans attributable to changes in credit risk amounted to a $33 million loss (2022: $49 million loss) for the Group and a $27 million loss (2022: $28 million loss) for the Company.

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Note 12
Loans and advances

Accounting policy

Loans and advances are financial assets for which the contractual cash flows are solely payments of principal and interest and that are held in a business model with the objective of collecting contractual cash flows.

Loans and advances are initially recognised at fair value plus transaction costs directly attributable to the origination of the loan or advance, which are primarily brokerage and origination fees. Subsequently, loans and advances are measured at amortised cost using the effective interest rate method, net of any provision for credit impairment.

	Group		Company	
	2023	2022	2023	2022
	$m	$m	$m	$m
Loans and advances				
Housing loans	**406,298**	389,124	**352,113**	340,278
Other term lending	**261,520**	260,487	**223,490**	224,128
Asset and lease financing	**17,214**	14,988	**17,158**	14,937
Overdrafts	**5,459**	4,689	**3,420**	2,819
Credit card outstandings	**9,528**	8,684	**8,609**	7,816
Other lending	**7,209**	7,867	**6,766**	7,467
Total gross loans and advances	**707,228**	685,839	**611,556**	597,445
Unearned income and deferred net fee income[1]	**(1,453)**	(1,020)	**(1,536)**	(1,067)
Capitalised brokerage costs[1][2]	**2,512**	671	**2,357**	633
Provision for credit impairment	**(5,585)**	(5,056)	**(4,693)**	(4,332)
Total net loans and advances	**702,702**	680,434	**607,684**	592,679

(1) During the 2023 financial year, upfront brokerage costs previously presented as a net number within Unearned income and deferred net fee income were separately classified as Capitalised brokerage costs to better align with the nature of the balances. Comparative information has been restated accordingly.
(2) The balance as at 30 September 2023 includes $1,795 million for the Group and $1,684 million for the Company of capitalised brokerage costs reflecting the revised accounting treatment of trail commissions payable to mortgage brokers. Comparative information has not been restated. Refer to *Note 1 Basis of preparation* for further information.

Note 13
Deposits and other borrowings

Accounting policy

Deposits and other borrowings are initially recognised at fair value less directly attributable transaction costs and subsequently measured at amortised cost.

	Group		Company	
	2023	2022	2023	2022
	$m	$m	$m	$m
Deposits and other borrowings				
Term deposits	**191,924**	156,049	**159,535**	131,275
On-demand and short-term deposits	**299,969**	310,347	**272,035**	281,021
Certificates of deposit	**55,290**	48,555	**55,290**	48,555
Deposits not bearing interest	**95,491**	100,289	**82,754**	89,029
Commercial paper and other borrowings	**35,255**	44,346	**34,835**	43,150
Repurchase agreements[1]	**4,191**	23,940	**4,192**	23,931
Total deposits and other borrowings	**682,120**	683,526	**608,641**	616,961

(1) During the 2023 financial year, the Group established a new portfolio of repurchase agreements, which is managed together with other financial instruments for short-term profit taking. These agreements are measured at fair value through profit or loss and are included in *Note 16 Other financial liabilities*.

Note 14
Bonds, notes and subordinated debt

Accounting policy

Bonds, notes and subordinated debt are initially recognised at fair value less directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method. Premiums, discounts and associated issue expenses are recognised using the effective interest method through the income statement from the date of issue.

	Group		Company	
	2023	2022	2023	2022
	$m	$m	$m	$m
Bonds, notes and subordinated debt				
Medium-term notes	**83,218**	74,076	**76,801**	69,042
Securitisation notes	**2,593**	3,504	**-**	-
Covered bonds	**30,093**	23,511	**27,787**	22,440
Subordinated medium-term notes	**19,741**	18,192	**19,741**	18,192
Total bonds, notes and subordinated debt	**135,645**	119,283	**124,329**	109,674
Issued bonds, notes and subordinated debt by currency				
AUD	**40,873**	37,972	**38,245**	34,432
USD	**46,363**	37,002	**40,838**	32,727
EUR	**24,979**	23,463	**22,487**	22,289
GBP	**10,342**	8,240	**10,389**	8,298
JPY	**3,952**	4,285	**3,952**	4,285
CHF	**3,756**	3,589	**3,011**	2,908
Other	**5,380**	4,732	**5,407**	4,735
Total bonds, notes and subordinated debt	**135,645**	119,283	**124,329**	109,674

Note 14 Bonds, notes and subordinated debt (cont.)

Subordinated medium-term notes

					Group		Company	
Currency	Notional amount Currency amount (m)(1)	Rate	First optional call date(2)	Maturity date(3)	2023 $m	2022 $m	2023 $m	2022 $m
SGD	450	Fixed	n/a	Matured 2023	-	479	-	479
AUD	943	Float	n/a	Matured 2023	-	942	-	942
AUD	20	Fixed	n/a	Buy-back 2023	-	23	-	23
AUD	20	Fixed	n/a	Buy-back 2023	-	23	-	23
AUD	1,000	Float	2024	2029	1,000	1,000	1,000	1,000
CAD	1,000	Fixed	2025	2030	1,080	1,061	1,080	1,061
AUD	1,250	Float	2025	2030	1,250	1,250	1,250	1,250
USD	1,500	Fixed	n/a	2030	1,785	1,806	1,785	1,806
USD	1,250	Fixed	n/a	2031	1,561	1,603	1,561	1,603
GBP	600	Fixed	2026	2031	994	858	994	858
AUD	1,175	Float	2026	2031	1,175	1,175	1,175	1,175
AUD	225	Fixed	2026	2031	205	201	205	201
AUD	275	Fixed	2027	2032	262	260	262	260
JPY	17,000	Fixed	2027	2032	174	180	174	180
AUD	1,000	Fixed	2027	2032	1,000	1,000	1,000	1,000
AUD	250	Float	2027	2032	250	250	250	250
HKD	382	Fixed	2027	2032	71	71	71	71
AUD	950	Fixed	2028	2033	950	-	950	-
AUD	300	Float	2028	2033	300	-	300	-
HKD	640	Fixed	2028	2033	122	-	122	-
USD	1,250	Fixed	n/a	2033	1,796	-	1,796	-
USD	1,500	Fixed	2029	2034	2,004	2,037	2,004	2,037
AUD	205	Fixed	n/a	2035	205	205	205	205
USD	1,250	Fixed	2032	2037	1,549	1,602	1,549	1,602
AUD	85	Fixed	n/a	2037	85	85	85	85
AUD	215	Fixed	n/a	2040	122	129	122	129
AUD	245	Fixed	n/a	2040	140	148	140	148
AUD	100	Fixed	n/a	2040	57	60	57	60
USD	1,250	Fixed	n/a	2041	1,206	1,346	1,206	1,346
AUD	195	Fixed	n/a	2041	195	195	195	195
AUD	203	Fixed	n/a	2042	203	203	203	203
Total					**19,741**	18,192	**19,741**	18,192

(1) Subordinated medium-term notes qualify as Tier 2 capital, in some cases subject to transitional Basel III treatment.
(2) Reflects calendar year of first optional call date (subject to APRA's prior written approval).
(3) Reflects calendar year of maturity date.

Note 15
Debt issues

Accounting policy

Convertible notes are initially recognised at fair value less directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

	Group		Company	
	2023	2022	2023	2022
	$m	$m	$m	$m
Debt issues				
Convertible notes	**8,561**	7,318	**8,561**	7,318
Total debt issues	**8,561**	7,318	**8,561**	7,318

The table below highlights the key features of the Group's debt issuances.

					Maturity / Conversion	
Convertible notes(1)	**Outstanding amount**	**Issued date**	**Interest payment frequency (in arrears)**	**Interest rate (per annum)**	**Mandatory conversion**	**Issuer conversion option**
NAB Capital Notes 3	$1.87bn	20 March 2019	Quarterly	4.00% above 3 month BBSW	19 June 2028	17 June 2026
NAB Capital Notes 5	$2.39bn	17 December 2020	Quarterly	3.50% above 3 month BBSW	17 December 2029	17 December 2027
NAB Capital Notes 6	$2.00bn	7 July 2022	Quarterly	3.15% above 3 month BBSW	17 September 2032	17 December 2029(2)
NAB Capital Notes 7	$1.25bn	14 September 2023	Quarterly	2.80% above 3 month BBSW	17 June 2033	17 September 2030(3)
NAB Wholesale Capital Notes	$500m	12 December 2019	Semi-annually until the optional call date. Quarterly thereafter.	4.95% until the optional call date. 3.75% above 3 month BBSW thereafter.	12 December 2031	12 December 2029
NAB Wholesale Capital Notes 2	$600m	17 July 2020	Quarterly	4.00% above 3 month BBSW	17 July 2027	17 July 2025

(1) All convertible notes are treated as AT1 capital.
(2) First optional conversion date of 17 December 2029, with subsequent optional conversion dates on 17 March 2030, 17 June 2030 and 17 September 2030.
(3) First optional conversion date of 17 September 2030, with subsequent optional conversion dates on 17 December 2030, 17 March 2031 and 17 June 2031.

Note 16
Other financial liabilities

Accounting policy

In certain circumstances, the Group applies the fair value measurement option to financial liabilities. This option is applied where an accounting mismatch is significantly reduced or eliminated by measuring the financial liability at fair value through profit or loss.

Where liabilities are designated at fair value through profit or loss, they are initially recognised at fair value, with transaction costs recognised in the income statement as incurred. Subsequently, they are measured at fair value and any gains or losses are recognised in the income statement, with the exception of changes in own credit risk which are recognised in other comprehensive income.

	Group		Company	
	2023	2022	2023	2022
	$m	$m	$m	$m
Other financial liabilities designated at fair value				
Bonds, notes and subordinated debt	**13,741**	15,061	**4,371**	4,479
Deposits and other borrowings				
Certificates of deposit	**1,477**	1,463	**-**	-
Commercial paper and other borrowings	**854**	2,016	**-**	-
Other financial liabilities measured at fair value				
Repurchase agreements(1)	**42,547**	-	**39,860**	-
Securities sold short	**6,697**	3,575	**6,476**	3,310
Other financial liabilities	**1,036**	1,171	**1,038**	1,171
Total other financial liabilities	**66,352**	23,286	**51,745**	8,960

(1) During the 2023 financial year, the Group established a new portfolio of repurchase agreements, which is managed together with other financial instruments for short-term profit taking and measured at fair value through profit or loss.

The change in fair value of bonds, notes and subordinated debt attributable to changes in credit risk amounted to a loss for the 2023 financial year of $67 million (2022: $149 million gain) for the Group and a loss of $75 million (2022: $88 million gain) for the Company. The cumulative change in fair value of bonds, notes and subordinated debt attributable to changes in credit risk amounted to a loss of $79 million (2022: $12 million loss) for the Group and a loss of $39 million (2022: $35 million gain) for the Company. The contractual amount to be paid at the maturity of the bonds, notes and subordinated debt is $14,964 million (2022: $15,958 million) for the Group and $5,335 million (2022: $5,079 million) for the Company.

Note 17
Provision for credit impairment on loans at amortised cost

Accounting policy

The Group applies a three-stage approach to measuring expected credit losses (ECL) for the following categories of financial assets that are not measured at fair value through profit or loss:

- Debt instruments measured at amortised cost and fair value through other comprehensive income.
- Loan commitments.
- Financial guarantee contracts.

Exposures are assessed on a collective basis in each stage unless there is sufficient evidence that one or more events associated with an exposure could have a detrimental impact on estimated future cash flows. Where such evidence exists, the exposure is assessed on an individual basis.

Stage	Measurement basis
Performing - 12-month ECL (Stage 1)	The portion of lifetime ECL associated with the probability of default events occurring within the next 12 months.
Performing - Lifetime ECL (Stage 2)	ECL associated with the probability of default events occurring throughout the life of an instrument.
Non-performing - Lifetime ECL(Stage 3)	Lifetime ECL, but interest revenue is measured based on the carrying amount of the instrument net of the associated ECL.

At each reporting date, the Group assesses the default risk of exposures in comparison to the default risk at initial recognition, to determine the stage that applies to the associated ECL measurement. If no significant increase in default risk is observed, the exposure will remain in Stage 1. If the default risk of an exposure has increased significantly since initial recognition, the exposure will migrate to Stage 2. Should an exposure become non-performing it will migrate to Stage 3.

For this purpose, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes quantitative and qualitative information and also forward looking analysis.

ECL are derived from probability-weighted estimates of expected loss, and are measured as follows:

- Financial assets that are performing at the reporting date: as the present value of all cash shortfalls over the expected life of the financial asset discounted by the effective interest rate. The cash shortfall is the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive.
- Financial assets that are non-performing at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows discounted by the effective interest rate.
- Undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Group if the commitment is drawn down and the cash flows that the Group expects to receive.
- Financial guarantee contracts: as the expected payments to reimburse the holder less any amounts that the Group expects to recover.

Credit quality of financial assets

The Group's internally developed credit rating system utilises historical default data drawn from a number of sources to assess the potential default risk of lending, or other financial services products, provided to counterparties or customers. The Group has defined counterparty probabilities of default across retail and non-retail loans and advances, including performing (pre-default) and non-performing (post-default) rating grades. In assessing for credit impairment of financial assets under the ECL model, the Group aligns credit impairment with the definition of default prescribed in its Credit Policy and Procedures.

Assessment of significant increase in credit risk

When determining whether the default risk has increased significantly since initial recognition, the Group considers both quantitative and qualitative information, including expert credit risk assessment, forward looking information and analysis based on the Group's historical default experience.

- For non-retail facilities, internally derived credit ratings, as described above, represent a key determinant of default risk. The Group assigns each customer a credit rating at initial recognition based on available information. Credit risk is deemed to have increased significantly if the credit rating has significantly deteriorated at the reporting date, relative to the credit rating at the date of initial recognition.

Note 17 Provision for credit impairment on loans at amortised cost (cont.)

- Retail facilities use the number of days past due (DPD) or the relative change in probability of default at an account level, to determine whether or not there has been a significant increase in credit risk.
- In addition, the Group considers that significant increase in credit risk occurs when a facility is more than 30 DPD.

Definition of default

Default occurs when a loan obligation is contractually 90+ DPD, or when it is considered unlikely that the credit obligation to the Group will be paid in full without remedial action, such as realisation of security. Exposures which are in default align to the non-performing exposures definition in APS 220 *Credit Risk Management*.

Calculation of ECL

- ECL are calculated using three main parameters being probability of default (PD), loss given default (LGD) and exposure at default (EAD). These parameters are generally derived from internally developed statistical models combined with historical, current and forward looking information, including macro-economic data.
- For accounting purposes, the 12-month and lifetime PD represent the expected point-in-time probability of a default over the next 12 months and remaining expected lifetime of the financial instrument, respectively, based on conditions existing at the balance sheet date and future economic conditions that affect credit risk.
- The LGD represents expected loss conditional on default, taking into account the mitigating effect of collateral, its expected value when realised and the time value of money.
- The EAD represents the expected exposure at default, taking into account the repayment of principal and interest from the balance sheet date to the default event together with any expected drawdown of a facility.
- The 12-month ECL is equal to the discounted sum over the next 12-months of monthly PD multiplied by LGD and EAD. Lifetime ECL is calculated using the discounted sum of monthly PD over the expected remaining life multiplied by LGD and EAD.

Incorporation of forward looking information

- The Group uses internal subject matter experts from Risk, Economics and customer divisions to consider a range of relevant forward looking data, including macro-economic forecasts and assumptions, for the determination of general economic adjustments and any idiosyncratic or targeted portfolio / industry adjustments, to support the calculation of ECL.
- Forward looking provisions for both general macro-economic adjustments (EA) and more targeted portfolio / industry forward looking adjustments (FLAs), reflect reasonable and supportable forecasts of potential future conditions that are not captured within the base ECL calculations.
- Macro-economic factors taken into consideration include (but are not limited to) the cash rate, unemployment rates, GDP growth rates, inflation and residential and commercial property prices, and require an evaluation of both the current and forecast direction of the macro-economic cycle.
- Incorporating forward looking information, including macro-economic forecasts, increases the degree of judgement required to assess how changes in these data points will affect ECL. The methodologies and assumptions, including any forecasts of future economic conditions, are reviewed regularly.

Critical accounting judgements and estimates

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

Note 17 Provision for credit impairment on loans at amortised cost (cont.)

	Group 2023 $m	Group 2022 $m	Company 2023 $m	Company 2022 $m
Credit impairment charge on loans at amortised cost				
New and increased provisions (net of collective provision releases)	**1,043**	355	**820**	257
Write-backs of specific provisions	**(148)**	(161)	**(93)**	(147)
Recoveries of specific provisions	**(79)**	(70)	**(73)**	(62)
Total charge to the income statement	**816**	124	**654**	48

Group	Stage 1 Performing 12-mth ECL Collective provision $m	Stage 2 Performing Lifetime ECL Collective provision $m	Stage 3 Non-performing Lifetime ECL Collective provision $m	Stage 3 Non-performing Lifetime ECL Specific provision $m	Total $m
Balance at 1 October 2021	256	3,376	889	650	5,171
Changes due to financial assets recognised in the opening balance that have:					
Transferred to performing - 12-mth ECL - collective provision	238	(221)	(17)	-	-
Transferred to performing - Lifetime ECL - collective provision	(39)	155	(116)	-	-
Transferred to non-performing - Lifetime ECL - collective provision	(1)	(47)	48	-	-
Transferred to non-performing - Lifetime ECL - specific provision	-	(25)	(45)	70	-
New and increased provisions (net of collective provision releases)	(42)	22	47	328	355
Write-backs of specific provisions	-	-	-	(161)	(161)
Write-offs from specific provisions	-	-	-	(362)	(362)
Foreign currency translation and other adjustments(1)	36	16	11	(10)	53
Balance as at 30 September 2022	448	3,276	817	515	5,056
Changes due to financial assets recognised in the opening balance that have:					
Transferred to performing - 12-mth ECL - collective provision	**247**	**(234)**	**(13)**	**-**	**-**
Transferred to performing - Lifetime ECL - collective provision	**(26)**	**104**	**(78)**	**-**	**-**
Transferred to non-performing - Lifetime ECL - collective provision	**(1)**	**(49)**	**50**	**-**	**-**
Transferred to non-performing - Lifetime ECL - specific provision	**-**	**(14)**	**(46)**	**60**	**-**
New and increased provisions (net of collective provision releases)	**(143)**	**428**	**242**	**516**	**1,043**
Write-backs of specific provisions	**-**	**-**	**-**	**(148)**	**(148)**
Write-offs from specific provisions	**-**	**-**	**-**	**(409)**	**(409)**
Foreign currency translation and other adjustments	**4**	**29**	**5**	**5**	**43**
Balance as at 30 September 2023	**529**	**3,540**	**977**	**539**	**5,585**

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

Impact of movements in gross carrying amount on provision for ECL for the Group

Provision for credit impairment reflects ECL measured using the three-stage approach. The following explains how significant changes in the gross carrying amount of loans and advances during the 2023 financial year have contributed to the changes in the provision for credit impairment for the Group under the ECL model.

Overall, the total provision for credit impairment increased by $529 million compared to the balance as at 30 September 2022.

Specific provisions increased by $24 million compared to the balance as at 30 September 2022, mainly due to new and increased specific provisions in the Business and Private Banking business lending portfolio, partially offset by work-outs for a small number of larger exposures in the business lending portfolio in Australia and New Zealand.

Note 17 Provision for credit impairment on loans at amortised cost (cont.)

Collective provisions increased by $505 million compared to the balance as at 30 September 2022, comprised of:

Collective provision performing – 12-months ECL (Stage 1) increased by $81 million as a result of:

- $149 billion of loans and advances that were newly originated or migrated into Stage 1 from Stage 2 or Stage 3 due to credit quality improvement.

This was partially offset by:

- $120 billion of loans and advances that were repaid, experienced movement in underlying account balances during the period or migrated from Stage 1 to Stage 2 or Stage 3 due to deterioration in credit quality.
- A decrease in net forward looking provisions.

Collective provision performing – Lifetime ECL (Stage 2) increased by $264 million as a result of:

- $72 billion of loans and advances that were originated and migrated over the year to Stage 2, including the impact of forward looking economic information applied in the ECL model or migrating into Stage 2 as a result of loans and advances transferred from Stage 1 or Stage 3.

This was partially offset by:

- $86 billion of loans and advances that migrated to Stage 1 as a result of improved credit quality or into Stage 3 due to deterioration in credit quality, were repaid or experienced movement in underlying account balances during the period.
- A decrease in net forward looking provisions.

Collective provision non-performing – Lifetime ECL (Stage 3) increased by $160 million as a result of:

- $5 billion of loans and advances that experienced movement in underlying account balances during the period or were transferred into Stage 3 from Stage 1 and Stage 2 due to credit quality deterioration.

This was partially offset by:

- $4 billion of loans and advances that were repaid or migrated to Stage 1 or Stage 2 due to credit quality improvement or migrated to individually credit assessed with specific provisions raised.
- A decrease in net forward looking provisions.

ECL scenario analysis

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

The following table shows the key macro-economic variables for the Australian economy used in the base case and downside scenarios as at 30 September 2023.

	Base case			Downside		
	Financial year			Financial year		
	2024	2025	2026	2024	2025	2026
	%	%	%	%	%	%
GDP change (year ended September)	0.8	2.0	2.6	(1.2)	(2.6)	2.8
Unemployment (as at 30 September)	4.7	4.7	4.5	4.7	7.9	9.1
House price change (year ended September)	4.1	3.3	3.0	(24.5)	(20.3)	5.5

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

	Group	
	2023	2022
	$m	$m
Total provisions for ECL		
Probability weighted	**5,585**	5,056
100% Base case	**4,000**	4,292
100% Downside	**7,546**	6,008

Applying the average provision coverage ratios by stage, if 1% of the Group's Stage 1 gross loans and advances, contingent liabilities and credit commitments were included as Stage 2 the provision for ECL as at September 2023 would increase by $111 million (September 2022: $90 million).

Applying the average provision coverage ratios by stage, if 1% of the Group's Stage 2 gross loans and advances, contingent liabilities and credit commitments were included as Stage 1 the provision for ECL as at September 2023 would decrease by $34 million (September 2022: $31 million).

Note 17 Provision for credit impairment on loans at amortised cost (cont.)

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

	2023 %	2022 %
Macro-economics scenario weightings		
Upside	**2.5**	2.5
Base case	**52.5**	52.5
Downside	**45.0**	45.0

- The September 2023 provisions for ECL in the 100% base case have decreased since September 2022 primarily due to an improved economic outlook. This was partially offset by deterioration in asset quality across the Group's lending portfolio combined with volume growth and updated methodology in Business and Private Banking.
- The September 2023 provisions for ECL in the 100% downside scenario have increased since September 2022 primarily due to an increase in the severity of the stress applied in the downside scenario and deterioration in asset quality across the Group's lending portfolio combined with volume growth and updated methodology in Business and Private Banking.
- The upside, downside and base case scenario weightings for the Australian portfolio have remained constant compared with September 2022.

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

	Group	
	2023 $m	2022 $m
Total provision for ECL for key portfolios		
Housing	**1,424**	1,296
Business	**3,744**	3,429
Others	**417**	331
Total	**5,585**	5,056

	Stage 1	Stage 2	Stage 3		
	Performing 12-mth ECL	Performing Lifetime ECL	Non-performing Lifetime ECL		
	Collective provision	Collective provision	Collective provision	Specific provision	Total
Company	$m	$m	$m	$m	$m
Balance at 1 October 2021	203	2,872	806	526	4,407
Changes due to financial assets recognised in the opening balance that have:					
Transferred to performing - 12-mth ECL - collective provision	210	(196)	(14)	-	-
Transferred to performing - Lifetime ECL - collective provision	(31)	143	(112)	-	-
Transferred to non-performing - Lifetime ECL - collective provision	(1)	(38)	39	-	-
Transferred to non-performing - Lifetime ECL - specific provision	-	(23)	(39)	62	-
New and increased provisions (net of collective provision releases)	(39)	(54)	51	299	257
Write-backs of specific provisions	-	-	-	(147)	(147)
Write-offs from specific provisions	-	-	-	(294)	(294)
Foreign currency translation and other adjustments[1]	43	54	16	(4)	109
Balance as at 30 September 2022	385	2,758	747	442	4,332
Changes due to financial assets recognised in the opening balance that have:					
Transferred to performing - 12-mth ECL - collective provision	**223**	**(212)**	**(11)**	**-**	**-**
Transferred to performing - Lifetime ECL - collective provision	**(18)**	**88**	**(70)**	**-**	**-**
Transferred to non-performing - Lifetime ECL - collective provision	**(1)**	**(42)**	**43**	**-**	**-**
Transferred to non-performing - Lifetime ECL - specific provision	**-**	**(11)**	**(32)**	**43**	**-**
New and increased provisions (net of collective provision releases)	**(135)**	**360**	**160**	**435**	**820**
Write-backs of specific provisions	**-**	**-**	**-**	**(93)**	**(93)**
Write-offs from specific provisions	**-**	**-**	**-**	**(367)**	**(367)**
Foreign currency translation and other adjustments	**-**	**-**	**-**	**1**	**1**
Balance as at 30 September 2023	**454**	**2,941**	**837**	**461**	**4,693**

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

Note 17 Provision for credit impairment on loans at amortised cost (cont.)

Impact of movements in gross carrying amount on provision for ECL for the Company

Provision for credit impairment reflects ECL measured using the three-stage approach. The following explains how significant changes in the gross carrying amount of loans and advances during the 2023 financial year have contributed to the changes in the provision for credit impairment for the Company under the ECL model.

Overall, the total provision for credit impairment increased by $361 million compared to the balance as at 30 September 2022.

Specific provisions increased by $19 million compared to the balance as at 30 September 2022, mainly due to new and increased specific provisions in the Business and Private Banking business lending portfolio, partially offset by work-outs for a small number of larger exposures in the Australian business lending portfolio.

Collective provisions increased by $342 million compared to the balance as at 30 September 2022, comprised of:

Collective provision performing – 12-months ECL (Stage 1) increased by $69 million due to:

- $131 billion of loans and advances that were newly originated or migrated into Stage 1 from Stage 2 or Stage 3 due to credit quality improvement.

This was partially offset by:

- $105 billion of loans and advances that were repaid, experienced movement in underlying account balances during the period or migrated from Stage 1 to Stage 2 or Stage 3 due to deterioration in credit quality.
- A decrease in net forward looking provisions.

Collective provision performing – Lifetime ECL (Stage 2) increased by $183 million due to:

- $60 billion of loans and advances that were originated and migrated over the year to Stage 2, including the impact of forward looking economic information applied in the ECL model or migrating into Stage 2 as a result of loans and advances transferred from Stage 1 or Stage 3.

This was partially offset by:

- $72 billion of loans and advances that were repaid, experienced movement in underlying account balances during the period, migrated to Stage 1 as a result of improved credit quality or into Stage 3 due to deterioration in credit quality.
- A decrease in net forward looking provisions.

Collective provision non-performing – Lifetime ECL (Stage 3) increased by $90 million due to:

- $4 billion of existing loans and advances that were transferred into Stage 3 from Stage 1 and Stage 2 due to credit quality deterioration or experienced movement in underlying account balances during the period.

This was partially offset by:

- $3 billion of loan and advances that were repaid, migrated to Stage 1 or Stage 2 due to credit quality improvement or migrated to individually credit assessed with specific provisions raised.
- A decrease in net forward looking provisions.

Write-offs still under enforcement activity

The contractual amount outstanding on loans and advances that were written off during the 2023 financial year, which are still subject to enforcement activity was $9 million (2022: $68 million) for the Group and $8 million (2022: $45 million) for the Company.

Information about gross impaired assets

Stage 3 non-performing exposures include both default but not impaired and gross impaired assets. The following table provides details on gross impaired assets. Gross amounts are shown before taking into account any collateral held or other credit enhancements. Refer to *Note 19 Financial risk management* for analysis of the credit quality of the Group's loans and advances, including by provision stage.

	Group		Company	
	2023	**2022**	**2023**	**2022**
	$m	**$m**	**$m**	**$m**
Summary of gross impaired assets				
Gross impaired assets(1)	**1,260**	1,029	**853**	878
Specific provision for credit impairment(2)	**(539)**	(531)	**(461)**	(442)
Net impaired assets(3)	**721**	498	**392**	436

(1) Gross impaired assets include $nil (2022: $29 million) for the Group and $nil (2022: $nil) for the Company of gross impaired loans at fair value, $10 million (2022: $7 million) of impaired off-balance sheet credit exposures for the Group and $7 million (2022: $6 million) for the Company.

(2) Specific provision for credit impairment includes $nil (2022: $16 million) for the Group and $nil (2022: $nil) for the Company of fair value credit adjustments on loans at fair value.

(3) The fair value of security in respect of impaired assets is $498 million (2022: $499 million) for the Group and $433 million (2022: $444 million) for the Company. Fair value amounts of security held in excess of the outstanding balance of individual impaired assets are not included in these amounts.

Note 18
Derivatives and hedge accounting

Accounting policy

Trading derivatives

Trading derivatives are not in a qualifying hedging relationship and are measured at fair value through profit or loss.

Hedge accounting

The Group utilises the following types of hedge relationships in managing its exposure to risk. At inception of all hedge relationships the Group documents the relationship between the hedging instrument and hedged item, the risk being hedged, the Group's risk management objective and strategy and how effectiveness will be measured throughout the hedge relationship.

	Cash flow hedge	Fair value hedge
Objective	To hedge changes to cash flows arising from interest rate and foreign currency risk.	To hedge fair value changes to recognised assets and liabilities arising from interest rate and foreign currency risk.
Methods for testing hedge effectiveness	Critical terms matching, regression analysis or cumulative dollar offset.	Critical terms matching or cumulative dollar offset.
Potential sources of ineffectiveness	Primarily mismatches in terms of the hedged item and the hedging instrument. Discounting basis between the hedged item and hedging instrument.	Primarily mismatches in terms of the hedged item and the hedging instrument, prepayment risk and reset risk. Discounting basis between the hedged item and hedging instrument.
Recognition of effective hedge portion	Fair value changes of the hedging instrument associated with the hedged risk are recognised in the cash flow hedge reserve in equity.	Fair value changes of the hedging instrument and those arising from the hedged risk on the hedged item are recognised in the income statement.
Recognition of ineffective hedge portion	Recognised in the income statement as ineffectiveness arises.	
Hedging instrument expires, is sold, or when hedging criteria are no longer met	Transferred to the income statement as / when the hedged item affects the income statement. If the hedged item is no longer expected to occur the effective portion accumulated in equity is transferred to the income statement immediately.	Cumulative hedge adjustment to the hedged item is amortised to the income statement on an effective yield basis.
Cost of hedging reserve	For qualifying hedging instruments, the Group excludes foreign currency basis spreads from hedge designations. Any change in the fair value of these hedging instruments for changes in cross currency basis spreads is deferred to the cost of hedging reserve and released to profit or loss either when the hedged exposure affects profit or loss or on a systematic basis over the life of the hedge. The cumulative movements are expected to be nil by maturity of the hedging instruments.	

Note 18 Derivatives and hedge accounting (cont.)

Derivative assets and liabilities

The tables below set out total derivative assets and liabilities disclosed as trading and hedging derivatives.

Total derivatives

	Group				Company			
	Assets		Liabilities		Assets		Liabilities	
	2023	2022	2023	2022	2023	2022	2023	2022
	$m	$m	$m	$m	$m	$m	$m	$m
Trading derivatives	30,770	53,429	31,122	50,729	31,079	54,932	33,587	53,397
Hedging derivatives	3,499	7,587	4,511	6,757	2,705	5,719	2,523	4,097
Total derivatives	34,269	61,016	35,633	57,486	33,784	60,651	36,110	57,494

Trading derivatives

	Group				Company			
	Assets		Liabilities		Assets		Liabilities	
	2023	2022	2023	2022	2023	2022	2023	2022
	$m	$m	$m	$m	$m	$m	$m	$m
Foreign exchange rate-related contracts								
Spot and forward contracts	11,514	26,167	10,284	21,887	11,209	24,668	10,022	20,612
Cross currency swaps	8,656	15,825	7,969	14,418	10,545	19,941	11,446	19,076
Options / swaptions	138	427	133	400	136	431	133	400
Total foreign exchange rate-related contracts	20,308	42,419	18,386	36,705	21,890	45,040	21,601	40,088
Interest rate-related contracts								
Swaps	8,710	8,444	10,671	10,903	7,429	7,320	9,919	10,184
Options / swaptions	1,148	1,045	1,393	1,356	1,148	1,045	1,389	1,352
Total interest rate-related contracts	9,858	9,489	12,064	12,259	8,577	8,365	11,308	11,536
Credit derivatives	146	234	134	157	146	234	134	157
Commodity derivatives	453	1,268	533	1,592	461	1,274	541	1,600
Other derivatives	5	19	5	16	5	19	3	16
Total trading derivatives	30,770	53,429	31,122	50,729	31,079	54,932	33,587	53,397

Note 18 Derivatives and hedge accounting (cont.)

Risk management strategy for hedge accounting

Overview

The Group's hedging strategy is to manage its exposure to interest rate risk on a net variable basis in Australian or New Zealand dollars. For Australian and New Zealand denominated exposures the Group will enter into interest rate swaps where the exposure is to a fixed interest rate. In some instances, cash flow hedges of interest rate risk are also used to arrive at a net variable rate position. Foreign currency exposures are swapped to Australian or New Zealand dollars using cross-currency swaps and interest rate swaps. The material risks and the risk management strategy are explained further below.

Cash flow hedges – interest rate risk

The Group manages interest rate risk exposure on deposits and loans via interest rate derivatives. The Group accounts for these hedge relationships as a macro cash flow hedge. The gross exposures are allocated to time buckets based on expected repricing dates, with interest rate derivatives allocated to hedge accordingly. The benchmark interest rate is hedged which represents the largest component of changes in fair value and is observable in relevant financial markets.

Cash flow hedges – foreign currency risk

The Group is exposed to foreign currency risk on credit margin cash flows and foreign currency risk on the principal cash flows, both of which arise from foreign currency debt issuances.

The Group uses foreign currency derivatives to manage changes between the foreign currency and Australian and New Zealand dollars for the above mentioned cash flows.

Fair value hedges – interest rate risk

Interest rate risk arises on fixed rate bonds, notes and subordinated debt issuances, fixed rate debt instruments held for liquidity purposes and fixed rate loans and advances. The Group hedges its interest rate risk on these instruments with relevant interest rate derivatives to reduce its exposure to changes in fair value due to interest rate fluctuations.

Hedging relationships are predominantly one-to-one, with the exception of fixed rate housing loans which were previously designated on a macro basis until de-designation in the 2022 financial year.

With all the fair value hedges, the benchmark interest rate is hedged which represents the largest component of changes in fair value and is observable in relevant financial markets.

Note 18 Derivatives and hedge accounting (cont.)

Hedging derivatives

Hedging derivative assets and liabilities are disclosed by the hedged risk and type of hedge relationship in which they are designated. The Group may designate separate derivatives to hedge different risk components of one hedged item. In such scenario the notional amount of hedging derivatives will, in sum, exceed the notional amount of the hedged item. In the case of cross-currency swaps, the Group can designate a single instrument to hedge both interest rate risk in a fair value hedge and currency risk in a cash flow hedge.

			Group				Company			
			2023		2022		2023		2022	
			Carrying amount	Notional	Carrying amount	Notional	Carrying amount	Notional	Carrying amount	Notional
	Hedging instrument	Risk	$m	$m	$m	$m	$m	$m	$m	$m
Derivative assets										
Cash flow hedges	Interest rate swaps	Interest	-	177,400	-	160,449	-	159,050	-	144,670
Cash flow hedges	Cross-currency swaps	Currency	3,370	90,389	7,340	119,820	2,576	70,629	5,493	93,038
Cash flow hedges	Foreign exchange contracts	Currency	98	7,908	212	6,257	98	7,908	212	6,257
Fair value hedges	Interest rate swaps	Interest	28	67,540	19	75,768	28	65,635	11	73,012
Fair value and cash flow hedges	Cross-currency swaps	Interest and currency	1	21	16	475	1	21	3	167
Cash flow hedges	Futures[1]	Interest	2	1,866	-	59	2	1,866	-	59
Total derivative assets			3,499	345,124	7,587	362,828	2,705	305,109	5,719	317,203
Derivative liabilities										
Cash flow hedges	Interest rate swaps	Interest	3	165,627	5	206,451	3	152,929	5	201,808
Cash flow hedges	Cross-currency swaps	Currency	2,580	94,734	4,152	64,945	1,844	56,839	3,513	49,626
Cash flow hedges	Foreign exchange contracts	Currency	151	15,864	1	506	151	15,864	1	506
Fair value hedges	Interest rate swaps	Interest	425	108,249	383	108,169	290	81,548	279	90,448
Fair value and cash flow hedges	Cross-currency swaps	Interest and currency	1,352	6,773	2,209	8,589	235	1,934	292	2,612
Cash flow hedges[2]	Futures[1]	Interest	-	465	7	1,128	-	465	7	1,128
Total derivative liabilities			4,511	391,712	6,757	389,788	2,523	309,579	4,097	346,128

(1) Futures notional amounts are netted for presentation purposes.
(2) Comparative information has been restated to align to the presentation in the current period.

Note 18 Derivatives and hedge accounting (cont.)

The following table shows the maturity profile of hedging instruments based on their notional amounts.

	2023				2022			
	0 to 12 months $m	1 to 5 years $m	Over 5 years $m	Total $m	0 to 12 months $m	1 to 5 years $m	Over 5 years $m	Total $m
Group								
Interest rate swaps	**235,775**	**229,751**	**53,290**	**518,816**	247,746	245,893	57,198	550,837
Foreign exchange contracts	**23,714**	**58**	**–**	**23,772**	6,622	141	–	6,763
Futures[1][2]	**1,681**	**650**	**–**	**2,331**	892	295	–	1,187
Cross-currency swaps - interest and currency	**744**	**5,746**	**304**	**6,794**	3,178	5,144	742	9,064
Cross-currency swaps - currency	**28,518**	**120,530**	**36,075**	**185,123**	37,059	104,868	42,838	184,765
Company								
Interest rate swaps	**220,232**	**191,754**	**47,176**	**459,162**	241,175	216,746	52,017	509,938
Foreign exchange contracts	**23,714**	**58**	**–**	**23,772**	6,622	141	–	6,763
Futures[1]	**1,681**	**650**	**–**	**2,331**	892	295	–	1,187
Cross-currency swaps - interest and currency	**404**	**1,247**	**304**	**1,955**	1,358	982	439	2,779
Cross-currency swaps - currency	**26,676**	**75,784**	**25,008**	**127,468**	33,441	75,627	33,596	142,664

(1) Futures notional amounts are netted for presentation purposes.
(2) Comparative information has been restated to align to the presentation in the current period.

Note 18 Derivatives and hedge accounting (cont.)

The average rate for major currencies of the final exchange of cross-currency swaps designated in hedge accounting relationships is as follows:

	Group		Company	
	2023	2022	2023	2022
USD:AUD	**1.416**	1.362	**1.412**	1.361
EUR:AUD	**1.514**	1.497	**1.546**	1.551
GBP:AUD	**1.867**	1.868	**1.861**	1.863
USD:NZD	**1.488**	1.458	**n/a**	n/a
CHF:NZD	**1.554**	1.554	**n/a**	n/a
EUR:NZD	**1.715**	1.683	**n/a**	n/a

The average executed rate for interest rate swaps in hedge accounting relationships for major currencies is as follows:

	Group				Company			
	2023		2022		2023		2022	
	Fair value hedges	Cash flow hedges	Fair value hedges	Cash flow hedges	Fair value hedges	Cash flow hedges	Fair value hedges	Cash flow hedges
	%	%	%	%	%	%	%	%
NZD interest rates	**1.95 to 3.05**	**0.04 to 7.30**	1.95 to 4.50	(0.01) to 4.87	**1.95 to 3.05**	**-**	1.95 to 3.05	-
USD interest rates	**0.61 to 4.85**	**-**	0.61 to 2.96	-	**0.61 to 2.73**	**-**	0.61 to 2.73	-
AUD interest rates	**0.40 to 4.37**	**0.06 to 7.02**	0.40 to 7.13	0.06 to 7.29	**0.40 to 3.99**	**0.06 to 7.02**	0.40 to 7.13	0.06 to 7.29
EUR interest rates	**(0.22) to 3.71**	**-**	(0.22) to 2.61	-	**(0.22) to 2.61**	**-**	(0.22) to 2.61	-

Note 18 Derivatives and hedge accounting (cont.)

Hedged items

The balance of the cash flow hedge reserve, which represents the effective portion of the movements in the hedging instrument, is presented in *Note 29 Reserves*. The movements in hedging instruments recognised in other comprehensive income are reported in the Group's Statement of other comprehensive income. As at 30 September, the amounts recognised in the cash flow hedge reserve for which hedge accounting is no longer applied is a loss of $11 million (2022: loss of $14 million).

The following table shows the carrying amount of fair value hedged items in hedge relationships, and the accumulated amount of fair value hedge adjustments in these carrying amounts. The Group does not hedge its entire exposure to a class of financial instruments, therefore the carrying amounts below do not equal the total carrying amounts disclosed in other notes.

	Group				Company			
	2023		2022		2023		2022	
	Carrying amount $m	Fair value hedge adjustments $m	Carrying amount $m	Fair value hedge adjustments $m	Carrying amount $m	Fair value hedge adjustments $m	Carrying amount $m	Fair value hedge adjustments $m
Debt instruments[1]								
Semi-government bonds, notes and securities	**22,872**	**-**	19,075	-	**22,872**	**-**	19,075	-
Loans and advances								
Housing loans[2]	**(13)**	**(13)**	(26)	(26)	**-**	**-**	-	-
Other term lending	**763**	**(54)**	984	(55)	**763**	**(54)**	984	(55)
Bonds, notes and subordinated debt								
Medium-term notes	**46,451**	**(2,876)**	41,765	(2,698)	**40,033**	**(2,348)**	36,730	(2,204)
Covered bonds[3]	**22,969**	**(1,463)**	18,126	(1,219)	**-**	**-**	-	-
Subordinated medium-term notes	**13,128**	**(2,906)**	11,887	(2,464)	**13,128**	**(2,906)**	11,887	(2,464)

(1) The carrying amount of debt instruments at fair value through other comprehensive income does not include a fair value hedge adjustment as the hedged asset is measured at fair value. The accounting for the hedge relationship results in a transfer from other comprehensive income to the income statement.

(2) On 1 April 2022, BNZ discontinued portfolio fair value hedge accounting for its housing loans. The carrying amount represents the accumulated unamortised portion of the fair value hedge adjustment which will be amortised to profit or loss over the remaining term of the loans. The amount that has ceased to be adjusted for hedging gains and losses is a loss of $13 million (2022: loss of $26 million) for the Group and $nil (2022: $nil) for the Company.

(3) The Company does not apply hedge accounting to covered bonds, however these are designated for hedge accounting purposes at the Group level.

Note 18 Derivatives and hedge accounting (cont.)

Hedge ineffectiveness

Fair value and cash flow hedge relationships result in the following changes in value used as the basis for recognising hedge ineffectiveness for the years ended 30 September:

	Change in fair value on hedging instruments		Change in fair value on hedged items		Hedge ineffectiveness recognised in income statement	
	2023	2022	2023	2022	2023	2022
	$m	$m	$m	$m	$m	$m
Group						
Fair value hedges (interest rate risk)	**(1,660)**	(4,259)	**1,610**	4,286	**(50)**	27
Cash flow hedges (interest rate risk)	**151**	(2,748)	**(149)**	2,749	**2**	1
Cash flow hedges (currency risk)	**3,065**	2,836	**(3,038)**	(2,806)	**27**	30
Fair value and Cash flow hedges (interest rate and currency risk)	**21**	(73)	**(21)**	73	**-**	-
Total	**1,577**	(4,244)	**(1,598)**	4,302	**(21)**	58
Company						
Fair value hedges (interest rate risk)	**(1,488)**	(1,966)	**1,439**	1,970	**(49)**	4
Cash flow hedges (interest rate risk)	**352**	(3,004)	**(352)**	3,004	**-**	-
Cash flow hedges (currency risk)	**1,502**	2,701	**(1,480)**	(2,674)	**22**	27
Total	**366**	(2,269)	**(393)**	2,300	**(27)**	31

	Group		Company	
	2023	2022	2023	2022
	$m	$m	$m	$m
Cash flow hedge (interest rate risk)				
Cash flow hedges - gains / (losses) recognised in other comprehensive income(1)	**(292)**	(2,509)	**(357)**	(2,804)
Amount reclassified from the cash flow hedge reserve to income statement(1)	**427**	(205)	**711**	(200)

(1) Comparative information has been restated to align to the disclosure in the current period.

	Group		Company	
	2023	2022	2023	2022
	$m	$m	$m	$m
Cash flow hedge (currency risk)				
Cash flow hedges - gains / (losses) recognised in other comprehensive income	**3,034**	2,787	**1,480**	2,674
Amount reclassified from the cash flow hedge reserve to income statement	**(3,103)**	(2,583)	**(1,531)**	(2,483)

Note 19
Financial risk management

Overview of Risk Management Framework

Risk is the potential for harm and an inherent part of the Group's business. The Group's ability to manage risk effectively is critical to being a safe and secure bank that can serve customers well and help our communities prosper. The Group's risk management is in line with APRA Prudential Standard CPS 220 *Risk Management*.

The Group's Risk Management Framework (RMF) consists of systems, structures, policies, processes and people within the Group that manage the Group's material risks. The RMF is comprehensively reviewed every three years for appropriateness, effectiveness and adequacy by an operationally independent party. The Board is ultimately responsible for the Risk Management Framework and oversees its operation by management. In addition, directors and senior executives are held accountable for the parts of the Group's operations they manage or control.

The Group applies a 'Three Lines of Accountability' operating model in relation to the management of risk. The overarching principle of the model is that risk management capability must be embedded within the business to be effective. The role of each line is:

- First Line - Businesses own risks and obligations, and the controls and mitigation strategies that help manage them.
- Second Line - A functionally segregated Risk function develops risk management frameworks, defines risk boundaries, provides objective review and challenge regarding the effectiveness of risk management within the first line businesses, and executes specific risk management activities where a functional segregation of duties and/or specific risk capability is required.
- Third Line - An independent Internal Audit function reporting to the Board monitors the end-to-end effectiveness of risk management and compliance with the RMF.

Further risk management information for the Group is disclosed in the *Corporate Governance* section of the Group's website at nab.com.au/about-us/corporate-governance.

Credit risk

Credit risk overview, management and control responsibilities

Credit is any transaction that creates an actual or potential obligation for a counterparty or a customer to pay the Group. Credit risk is the potential that a counterparty or customer will fail to meet its obligations to the Group in accordance with the agreed terms. Lending activities account for most of the Group's credit risk, however other sources of credit risk also exist throughout the activities of the Group. These activities include the trading book, and other financial instruments and loans (including, but not limited to, acceptances, placements, inter-bank transactions, trade financing, foreign exchange transactions, swaps, bonds and options), as well as in the extension of commitments and guarantees and the settlement of transactions.

The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to existing or potential counterparties or customers, groups of related counterparties or groups of related customers, and to geographical and industry segments. Such risks are monitored on an ongoing basis and are subject to annual or more frequent review.

In general, the Group does not take possession of collateral it holds as security or call on other credit enhancements that would result in recognition of an asset on the balance sheet.

Exposure to credit risk is managed through regular analysis of the ability of existing or potential counterparties, customers, groups of related counterparties or groups of related customers to meet repayment obligations, primarily interest and principal, and by changing credit limits where appropriate. Exposure to credit risk is also managed in part, by obtaining collateral and corporate and personal guarantees.

The Group further restricts its exposure to credit losses by entering into master netting arrangements for derivatives, repurchase and securities lending transactions with counterparties with which it undertakes a significant volume of transactions. The credit risk associated with contracts favourable to a Group entity is reduced by a master netting arrangement to the extent that if a counterparty failed to meet its obligations in accordance with agreed terms, all contracts with a counterparty can be terminated and settled on a net basis.

ESG risks

The Group is exposed to ESG and other emerging risks. The following items are examples of how these risks may impact the Group:

- Increases in the frequency and severity of climatic events could impact customers' ability to service their loans or the value of the collateral held to secure the loans.
- Action taken by governments, regulators and society more generally, to transition to a low-carbon economy, could impact the ability of some customers to generate long-term returns in a sustainable way or lead to certain assets being stranded in the future.
- Failure to comply with environmental and social legislation (emerging and current) may impact customers' ability to generate sustainable returns and service their loans.
- If in future customers don't hold appropriate levels of insurance for physical assets against certain risks, this may impact the value the Group can recover in the event of certain natural disasters.

The Group considers these risks as part of the credit risk assessment and due diligence process before relevant customers are granted credit and for new product development. The Group also manages its total credit portfolio within established risk appetite and limits, particularly for specific industries or regions that are more exposed to these types of risks. In addition, the Group may recognise FLAs to the provision for credit impairment for the impact of adverse climate events. In the 2022 financial year, the Group recognised a FLA of $14 million for the potential impact of the Lismore floods (2023: nil).

Note 19 Financial risk management (cont.)

Maximum exposure to credit risk

For financial assets recognised on the balance sheet, the maximum exposure to credit risk is the carrying amount. In certain circumstances, there may be differences between the carrying amounts reported on the balance sheet and the amounts reported in the tables below. Principally, these differences arise in respect of financial assets that are subject to risks other than credit risk, such as equity instruments which are primarily subject to market risk, or bank notes and coins.

For financial guarantees granted, the maximum exposure to credit risk is the maximum amount that the Group would have to pay if the guarantees are called upon. For irrevocable loan commitments and other credit-related commitments, the maximum exposure to credit risk is the full amount of committed facilities.

The table below shows the Group's maximum exposure to credit risk for on-balance sheet and off-balance sheet positions before taking into account any collateral held or other credit enhancements.

		Group		Company	
		2023	2022	2023	2022
	Footnote	$m	$m	$m	$m
Financial assets					
Cash and liquid assets	(a)	**23,669**	55,304	**23,022**	55,100
Due from other banks	(b)	**117,306**	141,861	**106,955**	133,144
Collateral placed	(c)	**11,286**	13,115	**10,214**	10,636
Trading assets	(d)	**101,168**	40,573	**90,417**	34,043
Debt instruments	(e)	**46,357**	42,080	**46,336**	42,094
Other financial assets	(f)	**1,430**	2,061	**1,708**	2,749
Derivative assets	(d)	**34,269**	61,016	**33,784**	60,651
Gross loans and advances	(f)	**707,228**	685,839	**611,556**	597,445
Due from controlled entities	(g)	**-**	-	**43,577**	38,226
Other assets	(g)	**6,869**	4,861	**6,572**	4,181
Total		**1,049,582**	1,046,710	**974,141**	978,269
Bank guarantees and letters of credit	(h)	**26,321**	25,683	**24,637**	23,958
Credit commitments	(h)	**208,853**	201,147	**188,268**	182,667
Total		**235,174**	226,830	**212,905**	206,625
Total credit risk exposure		**1,284,756**	1,273,540	**1,187,046**	1,184,894

(a) The balance of **Cash and liquid assets** that is exposed to credit risk is comprised primarily of reverse repurchase agreements and securities borrowing agreements.

(b) The balance of **Due from other banks** that is exposed to credit risk is comprised primarily of securities borrowing agreements and reverse repurchase agreements, as well as balances held with central supervisory banks and other interest earning assets. Securities borrowing agreements and reverse repurchase agreements are collateralised with highly liquid securities and the collateral is in excess of the borrowed or loaned amount.
Balances held with central supervisory banks and other interest earning assets that are due from other banks are managed based on the counterparty's creditworthiness. The Group will utilise master netting arrangements where possible to reduce its exposure to credit risk.

(c) The maximum exposure to credit risk from **Collateral placed** is the collateral placed with the counterparty before consideration of any netting arrangements.

(d) At any one time, the maximum exposure to credit risk from **Trading assets** and **Derivative assets** is limited to the current fair value of instruments that are favourable to the Group less collateral obtained. This credit risk is managed as part of the overall lending limits with customers, together with potential exposures from market movements.
The Group uses documentation including International Swaps and Derivatives Association (ISDA) Master Agreements to document derivative activities. Under ISDA Master Agreements, if a default of a counterparty occurs, all contracts with the counterparty are terminated. They are then settled on a net basis at market levels current at the time of default. The Group also executes Credit Support Annexes in conjunction with ISDA Master Agreements.
Credit risk from over-the-counter trading and hedging derivatives is mitigated where possible through netting arrangements whereby derivative assets and liabilities with the same counterparty can be offset in certain circumstances. Derivatives that are cleared through a central clearing counterparty or an exchange have less credit risk than over-the-counter derivatives and are subject to relevant netting and collateral agreements.
Collateral is obtained against derivative assets, depending on the creditworthiness of the counterparty and / or the nature of the transaction.

(e) **Debt instruments** are generally comprised of government, semi-government, corporate and financial institution bonds, notes and securities. The amount of collateral held against such instruments will depend on the counterparty and the nature of the specific financial instrument.
The Group may utilise credit default swaps, guarantees provided by central banks, other forms of credit enhancements or collateral to minimise the Group's exposure to credit risk.

Note 19 Financial risk management (cont.)

(f) **Gross loans and advances and Other financial assets** primarily comprise general lending and line of credit products. The distinction is due to accounting classification and measurement. These lending products will generally have a significant level of collateralisation depending on the nature of the product.
Other lending to non-retail customers may be provided on an unsecured basis or secured (partially or fully) by acceptable collateral defined in specific Group credit policy and business unit procedures. Collateral is generally comprised of business assets, inventories and in some cases personal assets of the borrower. The Group manages its exposure to these products by completing a credit evaluation to assess the customer's character, industry, business model and capacity to meet their commitments without distress. Collateral provides a secondary source of repayment for funds advanced in the event that a customer cannot meet their contractual repayment obligations. For amounts due from customers on acceptances the Group generally has recourse to guarantees, underlying inventories or other assets in the event of default which significantly mitigates the credit risk associated with accepting the customer's credit facility with a third party.
Housing loans are secured against residential property as collateral and, where applicable, Lenders Mortgage Insurance (LMI) is obtained by the Group (mostly in Australia) to cover any shortfall in outstanding loan principal and accrued interest. LMI is generally obtained for residential mortgages with a Loan to Valuation Ratio (LVR) in excess of 80%. The financial effect of these measures is that remaining credit risk on residential mortgage loans is minimal. Other retail lending products are mostly unsecured (e.g. credit card outstandings and other personal lending).

(g) The balance of **Other assets** which is exposed to credit risk includes securities sold not delivered, interest receivable accruals and other receivables. Interest receivable accruals are subject to the same collateral as the underlying borrowings. Other receivables will mostly be unsecured. There are typically no collateral or other credit enhancements obtained in respect of amounts **Due from controlled entities**.

(h) **Bank guarantees and letters of credit** are comprised primarily of guarantees to customers, standby or documentary letters of credit and performance related contingencies. The Group will typically have recourse to specific assets pledged as collateral in the event of a default by a party for which the Group has guaranteed its obligations to a third party and therefore tend to carry the same credit risk as loans.
Credit commitments represent binding commitments to extend credit where the Group is potentially exposed to loss of an amount equal to the total unused commitments. However, the likely amount of loss is generally less than the total unused commitments, as most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Group monitors the term to maturity of credit commitments because, in general, longer-term commitments have a greater degree of credit risk than shorter term commitments.

Note 19 Financial risk management (cont.)

Offsetting financial assets and liabilities

The tables below present the amounts of financial instruments that have been offset on the balance sheet, as well as those amounts that are subject to enforceable master netting arrangements or similar agreements. The tables exclude financial instruments that are not subject to offsetting arrangements but are instead only subject to collateral arrangements.

The 'Net amounts' presented in the tables are not intended to represent the Group's actual exposure to credit risk. The Group utilises a wide range of strategies to mitigate credit risk in addition to netting and collateral arrangements, including placing limits on the amount of risk accepted in relation to counterparties, customers, groups of related counterparties or customers and geographical and industry segments.

The amounts recognised on the balance sheet are presented in the 'Total balance sheet amount' column in the tables below, and comprise the sum of the 'Net amount reported on balance sheet' and 'Amounts not subject to enforceable netting arrangements'.

	2023								
	Subject to enforceable netting arrangements								
	Amounts offset on balance sheet			Amounts not offset on balance sheet					
	Gross amount	Amount offset	Net amount reported on balance sheet	Financial Instruments	Non-cash collateral	Cash collateral	Net Amount	Amounts not subject to enforceable netting arrangements	Total balance sheet amount
Group	$m	$m	$m	$m	$m	$m	$m	$m	$m
Derivative assets[1]	157,389	(127,890)	29,499	(14,611)	(362)	(10,164)	4,362	4,770	34,269
Reverse repurchase agreements	95,197	(14,542)	80,655	-	(80,655)	-	-	-	80,655
Loans and advances	5,748	(5,705)	43	-	-	-	43	708,428	708,471
Total assets	258,334	(148,137)	110,197	(14,611)	(81,017)	(10,164)	4,405	713,198	823,395
Derivative liabilities[1]	(154,459)	127,891	(26,568)	14,611	210	9,171	(2,576)	(9,065)	(35,633)
Repurchase agreements	(88,674)	14,542	(74,132)	-	74,132	-	-	-	(74,132)
Deposits and other borrowings	(9,122)	5,705	(3,417)	-	-	-	(3,417)	(681,034)	(684,451)
Total liabilities	(252,255)	148,138	(104,117)	14,611	74,342	9,171	(5,993)	(690,099)	(794,216)
Company									
Derivative assets[1]	143,179	(114,623)	28,556	(12,808)	(83)	(8,822)	6,843	5,228	33,784
Reverse repurchase agreements	91,333	(14,166)	77,167	-	(77,167)	-	-	-	77,167
Loans and advances	4,203	(4,191)	12	-	-	-	12	612,226	612,238
Total assets	238,715	(132,980)	105,735	(12,808)	(77,250)	(8,822)	6,855	617,454	723,189
Derivative liabilities[1]	(141,028)	114,624	(26,404)	12,808	210	8,701	(4,685)	(9,706)	(36,110)
Repurchase agreements	(81,339)	14,166	(67,173)	-	67,173	-	-	-	(67,173)
Deposits and other borrowings	(6,163)	4,191	(1,972)	-	-	-	(1,972)	(606,669)	(608,641)
Total liabilities	(228,530)	132,981	(95,549)	12,808	67,383	8,701	(6,657)	(616,375)	(711,924)

(1) As at 30 September 2023, the amount offset for derivative assets includes $9,495 million (Company: $8,377 million) of cash collateral netting and the amount offset for derivative liabilities includes $4,828 million (Company: $4,758 million) of cash collateral netting.

Note 19 Financial risk management (cont.)

	2022								
	Subject to enforceable netting arrangements								
	Amounts offset on balance sheet			Amounts not offset on balance sheet					
	Gross amount	Amount offset	Net amount reported on balance sheet	Financial Instruments	Non-cash collateral	Cash collateral	Net Amount	Amounts not subject to enforceable netting arrangements	Total balance sheet amount
Group	$m	$m	$m	$m	$m	$m	$m	$m	$m
Derivative assets[1]	171,721	(117,807)	53,914	(33,670)	(956)	(15,053)	4,235	7,102	61,016
Reverse repurchase agreements[2]	95,371	(18,831)	76,540	-	(76,540)	-	-	-	76,540
Loans and advances[2]	1,399	(1,344)	55	-	-	-	55	687,660	687,715
Total assets	268,491	(137,982)	130,509	(33,670)	(77,496)	(15,053)	4,290	694,762	825,271
Derivative liabilities[1]	(165,410)	117,807	(47,603)	33,670	503	7,655	(5,775)	(9,883)	(57,486)
Repurchase agreements[2]	(104,094)	18,831	(85,263)	-	85,263	-	-	-	(85,263)
Deposits and other borrowings[2]	(6,906)	1,344	(5,562)	-	-	-	(5,562)	(681,443)	(687,005)
Total liabilities	(276,410)	137,982	(138,428)	33,670	85,766	7,655	(11,337)	(691,326)	(829,754)
Company									
Derivative assets[1]	160,532	(106,481)	54,051	(34,420)	(814)	(13,299)	5,518	6,600	60,651
Reverse repurchase agreements[2]	95,092	(18,831)	76,261	-	(76,261)	-	-	-	76,261
Loans and advances[2]	582	(556)	26	-	-	-	26	598,724	598,750
Total assets	256,206	(125,868)	130,338	(34,420)	(77,075)	(13,299)	5,544	605,324	735,662
Derivative liabilities[1]	(154,789)	106,481	(48,308)	34,420	503	6,115	(7,270)	(9,186)	(57,494)
Repurchase agreements[2]	(100,922)	18,831	(82,091)	-	82,091	-	-	-	(82,091)
Deposits and other borrowings[2]	(4,959)	556	(4,403)	-	-	-	(4,403)	(612,558)	(616,961)
Total liabilities	(260,670)	125,868	(134,802)	34,420	82,594	6,115	(11,673)	(621,744)	(756,546)

(1) As at 30 September 2022, the amount offset for derivative assets includes $7,663 million (Company: $6,667 million) of cash collateral netting and the amount offset for derivative liabilities includes $4,097 million (Company: $3,994 million) of cash collateral netting.
(2) Comparative information has been restated to align to the presentation in the current period.

Derivative assets and derivative liabilities

Derivative assets and derivative liabilities are only offset on the balance sheet where the Group has a legally enforceable right to offset in all circumstances and there is an intention to settle the asset and liability on a net basis, or to realise the asset and settle the liability simultaneously. The Group has applied offsetting to certain centrally cleared derivatives and their associated collateral amounts which satisfy the AASB 132 *Financial Instruments: Presentation* requirements.

Reverse repurchase and repurchase agreements

Reverse repurchase and repurchase agreements will typically be subject to Global Master Repurchase Agreements or similar agreements whereby all outstanding transactions with the same counterparty can only be offset and closed out upon a default or insolvency event. In some instances, the agreement provides the Group with a legally enforceable right to offset in all circumstances. In such a case and where there is an intention to settle the asset and liability on a net basis, or to realise the asset and settle the liability simultaneously, the amounts with that counterparty are offset on the balance sheet.

Where the Group has a right to offset on default or insolvency only, the related non-cash collateral amounts comprise highly liquid securities, either obtained or pledged, which can be realised in the event of a default or insolvency by one of the counterparties. The value of such securities obtained or pledged must at least equate to the value of the exposure to the counterparty, therefore the net exposure is considered to be nil.

Loans and advances, deposits and other borrowings

The amounts offset for loans and advances and deposits and other borrowings represent amounts subject to set-off agreements that satisfy the AASB 132 requirements. The 'Net amounts reported on balance sheet' are included within 'Overdrafts' in *Note 12 Loans and Advances* and 'On-demand and short-term deposits' and 'Deposits not bearing interest' in *Note 13 Deposits and other borrowings*. The 'Amounts not subject to enforceable netting arrangements' represent all other loans and advances and deposits and other borrowings of the Group, including those measured at fair value.

Note 19 Financial risk management (cont.)

Credit risk exposure by risk grade

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

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

Notional stage allocations (Stage 1 and Stage 2) for credit risk exposures incorporate the impact of forward looking economic information applied in the expected credit loss model. Refer Accounting Policy section of *Note 17 Provision for credit impairment on loans at amortised cost* for further details.

	Stage 1 Performing		Stage 2 Performing		Stage 3 Non-performing		Total	
	2023	2022	2023	2022	2023	2022	2023	2022
Group	$m	$m	$m	$m	$m	$m	$m	$m
Gross loans and advances								
Senior investment grade	**124,634**	127,878	**2,356**	4,376	**-**	-	**126,990**	132,254
Investment grade	**277,097**	270,812	**27,385**	33,614	**-**	-	**304,482**	304,426
Sub-investment grade	**126,373**	99,753	**141,747**	143,291	**-**	-	**268,120**	243,044
Default	**-**	-	**-**	-	**7,636**	6,115	**7,636**	6,115
Total gross loans and advances	**528,104**	498,443	**171,488**	181,281	**7,636**	6,115	**707,228**	685,839
Contingent liabilities and credit commitments								
Senior investment grade	**88,046**	85,149	**3,442**	4,196	**-**	-	**91,488**	89,345
Investment grade	**75,102**	70,260	**12,832**	15,775	**-**	-	**87,934**	86,035
Sub-investment grade	**25,753**	18,517	**29,643**	32,577	**-**	-	**55,396**	51,094
Default	**-**	-	**-**	-	**356**	356	**356**	356
Total contingent liabilities and credit commitments	**188,901**	173,926	**45,917**	52,548	**356**	356	**235,174**	226,830
Total gross loans and advances, contingent liabilities and credit commitments	**717,005**	672,369	**217,405**	233,829	**7,992**	6,471	**942,402**	912,669
Debt instruments								
Senior investment grade	**46,357**	41,644	**-**	-	**-**	-	**46,357**	41,644
Investment grade	**-**	436	**-**	-	**-**	-	**-**	436
Sub-investment grade	**-**	-	**-**	-	**-**	-	**-**	-
Default	**-**	-	**-**	-	**-**	-	**-**	-
Total debt instruments	**46,357**	42,080	**-**	-	**-**	-	**46,357**	42,080

Note 19 Financial risk management (cont.)

Company	Stage 1 Performing 2023 $m	Stage 1 Performing 2022 $m	Stage 2 Performing 2023 $m	Stage 2 Performing 2022 $m	Stage 3 Non-performing 2023 $m	Stage 3 Non-performing 2022 $m	Total 2023 $m	Total 2022 $m
Gross loans and advances								
Senior investment grade	**88,177**	96,635	**1,257**	2,842	**-**	-	**89,434**	99,477
Investment grade	**255,873**	250,467	**22,003**	26,761	**-**	-	**277,876**	277,228
Sub-investment grade	**114,773**	89,083	**122,956**	126,225	**-**	-	**237,729**	215,308
Default	**-**	-	**-**	-	**6,517**	5,432	**6,517**	5,432
Total gross loans and advances	**458,823**	436,185	**146,216**	155,828	**6,517**	5,432	**611,556**	597,445
Contingent liabilities and credit commitments								
Senior investment grade	**82,623**	80,614	**2,484**	3,326	**-**	-	**85,107**	83,940
Investment grade	**68,954**	65,389	**10,087**	12,291	**-**	-	**79,041**	77,680
Sub-investment grade	**22,744**	16,103	**25,665**	28,553	**-**	-	**48,409**	44,656
Default	**-**	-	**-**	-	**348**	349	**348**	349
Total contingent liabilities and credit commitments	**174,321**	162,106	**38,236**	44,170	**348**	349	**212,905**	206,625
Total gross loans and advances, contingent liabilities and credit commitments	**633,144**	598,291	**184,452**	199,998	**6,865**	5,781	**824,461**	804,070
Debt instruments								
Senior investment grade	**46,336**	41,658	**-**	-	**-**	-	**46,336**	41,658
Investment grade	**-**	436	**-**	-	**-**	-	**-**	436
Sub-investment grade	**-**	-	**-**	-	**-**	-	**-**	-
Default	**-**	-	**-**	-	**-**	-	**-**	-
Total debt instruments	**46,336**	42,094	**-**	-	**-**	-	**46,336**	42,094

Concentration of exposure

Concentration of credit risk exists when a number of counterparties are engaged in similar activities, or operate in the same geographical areas or industry sectors and have similar economic characteristics so that their ability to meet contractual obligations is similarly affected by changes in economic, political or other conditions.

The diversification and size of the Group is such that its lending is widely spread both geographically and in terms of the types of industries it serves.

Note 19 Financial risk management (cont.)

Industry concentration of financial assets

	Net loans and advances(1)		Other financial assets(2)		Contingent liabilities and credit commitments		Total	
	2023 $m	2022 $m	2023 $m	2022 $m	2023 $m	2022 $m	2023 $m	2022 $m
Group								
Accommodation and hospitality	**9,337**	8,712	**-**	-	**2,101**	1,771	**11,438**	10,483
Agriculture, forestry, fishing & mining	**55,912**	51,518	**-**	-	**14,112**	13,280	**70,024**	64,798
Business services and property services	**19,266**	18,502	**-**	-	**8,754**	8,023	**28,020**	26,525
Commercial property	**70,739**	69,148	**-**	-	**12,660**	14,168	**83,399**	83,316
Construction	**8,500**	7,777	**-**	-	**7,109**	6,306	**15,609**	14,083
Financial & insurance	**38,456**	46,554	**137,048**	161,724	**49,722**	48,952	**225,226**	257,230
Government & public authorities	**1,820**	2,794	**31,005**	28,773	**2,884**	3,769	**35,709**	35,336
Manufacturing	**13,383**	12,497	**-**	-	**8,313**	7,373	**21,696**	19,870
Personal	**12,161**	11,097	**-**	-	**18,594**	18,062	**30,755**	29,159
Residential mortgages	**404,870**	387,817	**6,489**	6,166	**68,943**	66,554	**480,302**	460,537
Retail and wholesale trade	**20,679**	20,385	**-**	-	**12,699**	12,124	**33,378**	32,509
Transport and storage	**15,662**	15,514	**-**	-	**9,246**	8,471	**24,908**	23,985
Utilities	**10,818**	9,984	**157**	203	**7,187**	5,919	**18,162**	16,106
Other	**21,283**	20,360	**250**	190	**12,850**	12,058	**34,383**	32,608
Total	**702,886**	682,659	**174,949**	197,056	**235,174**	226,830	**1,113,009**	1,106,545
Company								
Accommodation and hospitality	**8,103**	7,557	**-**	-	**1,955**	1,630	**10,058**	9,187
Agriculture, forestry, fishing & mining	**41,642**	38,099	**-**	-	**11,963**	11,290	**53,605**	49,389
Business services and property services	**17,640**	17,029	**-**	-	**7,851**	7,273	**25,491**	24,302
Commercial property	**63,613**	61,707	**-**	-	**11,196**	12,439	**74,809**	74,146
Construction	**7,072**	6,651	**-**	-	**6,118**	5,382	**13,190**	12,033
Financial & insurance	**36,369**	43,821	**125,643**	150,572	**47,114**	47,325	**209,126**	241,718
Government & public authorities	**1,753**	2,734	**30,987**	28,759	**2,224**	3,122	**34,964**	34,615
Manufacturing	**10,189**	9,562	**-**	-	**6,374**	5,713	**16,563**	15,275
Personal	**11,194**	10,243	**-**	-	**16,460**	15,926	**27,654**	26,169
Residential mortgages	**350,823**	339,061	**6,467**	6,150	**65,403**	63,186	**422,693**	408,397
Retail and wholesale trade	**16,638**	16,721	**-**	-	**10,695**	10,442	**27,333**	27,163
Transport and storage	**13,914**	13,891	**-**	-	**7,738**	7,138	**21,652**	21,029
Utilities	**9,775**	9,185	**157**	203	**6,612**	5,270	**16,544**	14,658
Other	**18,820**	18,157	**251**	190	**11,202**	10,489	**30,273**	28,836
Total	**607,545**	594,418	**163,505**	185,874	**212,905**	206,625	**983,955**	986,917

(1) Net loans and advances includes loans at fair value.
(2) Other financial assets represents amounts due from other banks, debt instruments and collateral placed.

Note 19 Financial risk management (cont.)

Geographic concentration of financial assets

	Australia		New Zealand		Other International	
	2023	2022	2023	2022	2023	2022
	$m	$m	$m	$m	$m	$m
Group						
Cash and liquid assets	**4,345**	15,567	**36**	46	**19,288**	39,691
Due from other banks	**92,378**	112,767	**10,140**	8,580	**14,788**	20,514
Collateral placed	**8,709**	9,401	**1,030**	2,479	**1,547**	1,235
Trading assets	**65,086**	34,025	**7,782**	6,530	**28,300**	18
Debt instruments	**35,377**	31,449	**-**	-	**10,980**	10,631
Other financial assets	**869**	1,355	**561**	570	**-**	136
Derivative assets	**24,329**	47,115	**2,720**	4,882	**7,220**	9,019
Loans and advances	**588,961**	571,773	**94,206**	87,006	**19,535**	21,655
Other assets	**6,110**	4,836	**764**	938	**1,321**	554
Total	**826,164**	828,288	**117,239**	111,031	**102,979**	103,453
Company						
Cash and liquid assets	**4,259**	15,464	**-**	-	**18,763**	39,636
Due from other banks	**92,371**	112,765	**-**	-	**14,584**	20,379
Collateral placed	**8,701**	9,401	**-**	-	**1,513**	1,235
Trading assets	**65,086**	34,025	**-**	-	**25,331**	18
Debt instruments	**35,378**	31,479	**-**	-	**10,958**	10,615
Other financial assets	**869**	1,354	**-**	-	**839**	1,395
Derivative assets	**26,247**	50,953	**-**	-	**7,537**	9,698
Loans and advances	**588,288**	571,074	**-**	-	**19,396**	21,605
Other assets	**6,255**	4,877	**-**	-	**1,300**	551
Total	**827,454**	831,392	**-**	-	**100,221**	105,132

Market risk

Market risk overview and management

Market risk primarily stems from the Group's trading and balance sheet management activities, the impact of changes and correlation between interest rates, foreign exchange rates, credit spreads and volatility in bond, commodity or equity prices.

Market risk is represented by the below two categories:

Traded Market Risk	Non-Traded Market Risk
Traded Market Risk is the potential for gains or losses to arise from trading activities undertaken by the Group as a result of movements in market prices. The trading activities of the Group are principally carried out by Corporate and Institutional Banking. Trading activities represent dealings that encompass both active management of market risk and supporting client sales businesses. The types of market risk arising from these activities include interest rate, foreign exchange, commodity, equity price, credit spread and volatility risk.	The Group has exposure to non-traded market risk, primarily Interest Rate Risk in the Banking Book (IRRBB). IRRBB is the risk that the Group's earnings or economic value will be affected or reduced by changes in interest rates. The sources of IRRBB are as follows: • Repricing risk, arising from changes to the overall level of interest rates and inherent mismatches in the repricing term of banking book items. • Yield curve risk, arising from a change in the relative level of interest rates for different tenors and changes in the slope or shape of the yield curve. • Basis risk, arising from differences between the actual and expected interest margins on banking book items over the implied cost of funds of those items. • Optionality risk, arising from the existence of stand-alone or embedded options in banking book items, to the extent that the potential for those losses is not included in the above risks.

Measurement of market risk

The Group primarily manages and controls market risk using Value at Risk (VaR), which is a standard measure used throughout the industry. VaR gauges the Group's possible loss for the holding period based on historical market movements. VaR is measured at a 99% confidence interval. This means that there is a 99% chance that the loss will not exceed the VaR estimate during the holding period.

The Group employs other risk measures to supplement VaR, with appropriate limits to manage and control risks, and communicate the specific nature of market exposures to management, the Board Risk & Compliance Committee and ultimately the Board. These supplementary measures include stress testing, stop loss, position and sensitivity limits.

Note 19 Financial risk management (cont.)

Traded market risk

The VaR methodology involves multiple revaluations of the trading books using 550 days of historical pricing shifts. The pricing data is rolled daily.

The use of VaR methodology has limitations, which include:

- The historical data used to calculate VaR is not always an appropriate proxy for current market conditions. If market volatility or correlation conditions change significantly, losses may occur more frequently and to a greater magnitude than the VaR measure suggests.
- VaR methodology assumes that positions are held for one day and may underestimate losses on positions that cannot be hedged or reversed inside that timeframe.
- VaR is calculated on positions at the close of each trading day, and does not measure risk on intra-day positions.
- VaR does not describe the directional bias or size of the positions generating the risk.

The table below shows the Group and Company VaR for the trading portfolio, including both physical and derivative positions:

	Group								Company							
	As at 30 September		Average value		Minimum value		Maximum value		As at 30 September		Average value		Minimum value		Maximum value	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
	$m	$m	$m	$m	$m	$m	$m	$m	$m	$m	$m	$m	$m	$m	$m	$m
Value at Risk at a 99% confidence level																
Foreign exchange risk	**3.3**	2.4	**2.7**	3.0	**1.0**	1.3	**5.7**	5.8	**3.7**	2.3	**2.2**	2.7	**0.8**	1.3	**5.0**	5.4
Interest rate risk	**6.7**	5.4	**8.4**	8.9	**5.3**	5.2	**17.8**	14.1	**6.1**	5.2	**7.5**	7.6	**5.1**	4.5	**17.4**	12.3
Volatility risk	**1.8**	2.3	**1.8**	2.9	**0.9**	2.0	**2.7**	6.4	**1.8**	2.3	**1.8**	2.9	**0.9**	2.0	**2.8**	6.4
Commodities risk	**1.0**	1.6	**1.4**	1.6	**0.9**	0.5	**2.9**	2.9	**1.0**	1.6	**1.4**	1.6	**0.9**	0.5	**2.9**	2.9
Credit risk	**2.0**	1.2	**1.8**	1.8	**0.9**	0.9	**3.2**	3.4	**1.8**	1.0	**1.5**	1.4	**0.7**	0.7	**2.9**	2.9
Inflation risk	**2.3**	1.7	**2.4**	2.2	**1.6**	1.4	**3.4**	3.4	**2.3**	1.7	**2.4**	2.0	**1.6**	1.4	**3.4**	3.2
Diversification benefit	**(7.1)**	(7.5)	**(7.8)**	(9.1)	**n/a**	n/a	**n/a**	n/a	**(6.7)**	(7.2)	**(7.2)**	(8.1)	**n/a**	n/a	**n/a**	n/a
Total Diversified VaR at 99% confidence interval	**10.0**	7.1	**10.7**	11.3	**7.2**	7.1	**20.3**	18.7	**10.0**	6.9	**9.6**	10.1	**6.8**	6.5	**17.5**	17.0
Other market risks	**2.3**	3.4	**1.9**	4.5	**0.6**	1.0	**3.2**	8.4	**2.3**	3.4	**1.9**	4.5	**0.6**	1.0	**3.2**	8.4
Total	**12.3**	10.5	**12.6**	15.8	**7.8**	8.1	**23.5**	27.1	**12.3**	10.3	**11.5**	14.6	**7.4**	7.5	**20.7**	25.4

Note 19 Financial risk management (cont.)

Non-traded market risk - Balance sheet risk management

The principal objective of balance sheet risk management is to maintain acceptable levels of interest rate and liquidity risk to mitigate the negative impact of movements in interest rates on the earnings and market value of the Group's banking book, while ensuring the Group maintains sufficient liquidity to meet its obligations as they fall due.

Non-traded market risk – Interest rate risk management

IRRBB is measured, monitored, and managed from both an internal management and regulatory perspective. The Risk Management Framework incorporates both market valuation and earnings based approaches in accordance with the IRRBB Policy and Prudential Practice Guides. Risk measurement techniques include VaR, Earnings at Risk (EaR), interest rate risk stress testing, repricing analysis, cash flow analysis and scenario analysis. The IRRBB regulatory capital calculation incorporates repricing, yield curve, basis, and optionality risk, embedded gains / losses and any inter-risk and / or inter-currency diversification. The Group has been accredited by APRA to use its internal model for the measurement of IRRBB.

Key features of the internal interest rate risk management model include:

- Historical simulation approach utilising instantaneous interest rate shocks.
- Static balance sheet (i.e. any new business is assumed to be matched, hedged or subject to immediate repricing).
- VaR and EaR are measured on a consistent basis.
- 99% confidence level.
- Three month holding period.
- EaR utilises a 12 month forecast period.
- At least six years of business day historical data (updated daily).
- Investment term for capital is modelled with an established benchmark term of between one and five years.
- Investment term for core non-interest bearing assets and liabilities is modelled on a behavioural basis with a term that is consistent with sound statistical analysis.

The following table shows the Group and the Company aggregate VaR and EaR for the IRRBB:

	Group							
	As at 30 September		Average value		Minimum value		Maximum value	
	2023 $m	2022 $m	2023 $m	2022 $m	2023 $m	2022 $m	2023 $m	2022 $m
Value at Risk								
Australia	**379.1**	300.5	**375.1**	307.3	**315.0**	289.0	**407.9**	326.4
New Zealand	**33.6**	25.5	**31.6**	31.6	**24.1**	22.5	**36.7**	39.4
Other International	**34.6**	47.9	**44.0**	37.1	**27.0**	30.8	**62.8**	47.9
Earnings at Risk[1]								
Australia	**59.1**	29.6	**55.3**	24.3	**38.2**	14.0	**73.3**	50.7
New Zealand	**9.6**	18.4	**15.0**	18.8	**7.8**	10.0	**22.7**	28.1
Other International	**-**	-	**-**	-	**-**	-	**0.1**	-

	Company							
	As at 30 September		Average value		Minimum value		Maximum value	
	2023 $m	2022 $m	2023 $m	2022 $m	2023 $m	2022 $m	2023 $m	2022 $m
Value at Risk								
Australia	**379.1**	300.5	**375.1**	307.3	**315.0**	289.0	**407.9**	326.4
New Zealand	**-**	-	**-**	-	**-**	-	**-**	-
Other International	**34.6**	47.9	**44.0**	37.1	**27.0**	30.8	**62.8**	47.9
Earnings at Risk[1]								
Australia	**59.1**	29.6	**55.3**	24.3	**38.2**	14.0	**73.3**	50.7
New Zealand	**-**	-	**-**	-	**-**	-	**-**	-
Other International	**-**	-	**-**	-	**-**	-	**-**	-

(1) EaR amounts calculated under the IRRBB model include Australian banking and other overseas banking subsidiary books, however excludes offshore branches.

Residual value risk

As part of its normal lending activities, the Group takes residual value risk on assets such as industrial, mining, rail, aircraft, marine, technology, healthcare and other equipment. This exposes the Group to a potential fall in prices of these assets below the outstanding residual exposure at the facility expiry.

Note 19 Financial risk management (cont.)

Liquidity risk and funding mix

Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its financial obligations as they fall due. These obligations include the repayment of deposits on demand or at their contractual maturity, the repayment of wholesale borrowings and loan capital as they mature and the payment of interest on borrowings.

These risks are governed by the Group's funding and liquidity risk appetite which is set by the Board. Group Treasury is responsible for the management of these risks. Objective review and challenge of the effectiveness of risk management is provided by Group Balance Sheet and Liquidity Risk Management with oversight by the Group Asset and Liability Committee. The Board has the ultimate responsibility to monitor and review the adequacy of the Group's funding and liquidity RMF and the Group's compliance with risk appetite.

Key principles adopted in the Group's approach to managing liquidity risk include:

- Monitoring the Group's liquidity position on a daily basis, using a combination of contractual and behavioural modelling of balance sheet and cash flow information.
- Maintaining a HQLA portfolio which supports intra-day operations and may be sold in times of market stress.
- Operating a prudent funding strategy which ensures appropriate diversification and limits maturity concentrations. The Group undertakes a conservative approach by imposing internal limits that are in addition to regulatory requirements.
- Maintaining a contingent funding plan designed to respond to an accelerated outflow of funds from the Group.
- Requiring the Group to have the ability to meet a range of survival horizon scenarios, including name-specific and general liquidity stress scenarios.

The Group maintained funding and liquidity metrics well above regulatory minimums throughout the 2023 financial year. The CLF has been fully phased out to zero on 1 January 2023.

The liquid asset portfolio held as part of these principles is well diversified by currency, counterparty and product type with the mix consistent with the liquidity risks of the Group. The composition of the portfolio includes cash, government securities and highly rated investment grade paper. The market value of total on-balance sheet liquid assets held as at 30 September 2023 was $222,463 million (2022: $220,415 million). In addition, the Group holds internal RMBS as a source of contingent liquidity. As at 30 September 2023, the cash value of unencumbered internal RMBS held and available was $80,089 million (2022: $66,114 million).

Funding mix

The Group's funding is comprised of a mix of deposits, term wholesale funding, short-term wholesale funding and equity. The Group manages this within risk appetite settings to ensure suitable funding of its asset base and to enable it to respond to changing market conditions and regulatory requirements.

The Group maintains a strong focus on stable deposits both from a growth and quality perspective and continues to utilise deposits as a key funding source for funded assets.

The Group supplements deposit-raising via its term funding programmes, raising $40,254 million[1] of term wholesale funding in the 2023 financial year (2022: $38,676 million). The weighted average maturity of term wholesale funding issued by the Group was 4.3[2] years to first call (2022: 5.0[2] years). In addition, during the 2023 financial year, the Group continued to access international and domestic short-term wholesale markets.

On 19 March 2020, the RBA announced the establishment of the TFF for the Australian banking system to support ADIs in providing credit into the economy. The TFF provided access to three-year secured funding, supporting lending to the Group's customers and reducing wholesale funding refinancing risks at the time. The total available TFF allocation of $31,866 million (excluding the TFF acquired via the Citi consumer business acquisition) was drawn, consisting of $14,270 million of Initial Allowance in the 2020 financial year and $17,596 million of Additional and Supplementary Allowances in the 2021 financial year. As at 30 September 2023, the full Initial Allowance amount has been repaid. The Additional and Supplementary Allowances are due to mature by 30 June 2024.

Contractual maturity of assets and liabilities

The following tables show an analysis of contractual maturities of assets and liabilities at the reporting date. The Group expects that certain assets and liabilities will be recovered or settled at maturities which are different to their contractual maturities, including deposits where the Group expects as part of normal banking operations that a large proportion of these balances will roll over.

(1) Includes FLP.
(2) Excludes AT1 capital, Residential Mortgage Backed Securities (RMBS), TFF and FLP.

Note 19 Financial risk management (cont.)

	Less than 12 months		Greater than 12 months		No specific maturity		Total	
	2023 $m	2022 $m	2023 $m	2022 $m	2023 $m	2022 $m	2023 $m	2022 $m
Group								
Assets								
Cash and liquid assets	**24,699**	56,451	**-**	-	**-**	-	**24,699**	56,451
Due from other banks	**116,984**	141,530	**322**	331	**-**	-	**117,306**	141,861
Collateral placed	**11,286**	13,115	**-**	-	**-**	-	**11,286**	13,115
Trading assets	**66,717**	13,948	**34,434**	26,524	**17**	101	**101,168**	40,573
Debt instruments	**6,505**	7,081	**39,852**	34,999	**-**	-	**46,357**	42,080
Other financial assets	**858**	966	**572**	1,095	**-**	-	**1,430**	2,061
Derivative assets	**236**	1,379	**3,263**	6,208	**30,770**	53,429	**34,269**	61,016
Loans and advances	**130,430**	117,119	**562,744**	554,631	**9,528**	8,684	**702,702**	680,434
All other assets	**7,429**	5,418	**97**	347	**12,340**	11,770	**19,866**	17,535
Total assets	**365,144**	357,007	**641,284**	624,135	**52,655**	73,984	**1,059,083**	1,055,126
Liabilities								
Due to other banks	**37,200**	55,140	**2,316**	19,539	**-**	-	**39,516**	74,679
Collateral received	**10,672**	17,245	**-**	-	**-**	-	**10,672**	17,245
Other financial liabilities	**52,386**	8,941	**13,966**	14,345	**-**	-	**66,352**	23,286
Derivative liabilities	**985**	1,528	**3,526**	5,229	**31,122**	50,729	**35,633**	57,486
Deposits and other borrowings	**631,645**	654,090	**50,475**	29,436	**-**	-	**682,120**	683,526
Bonds, notes and subordinated debt	**20,848**	26,080	**114,797**	93,203	**-**	-	**135,645**	119,283
Debt issues	**-**	-	**-**	-	**8,561**	7,318	**8,561**	7,318
All other liabilities	**12,726**	8,266	**4,456**	2,213	**1,899**	2,792	**19,081**	13,271
Total liabilities	**766,462**	771,290	**189,536**	163,965	**41,582**	60,839	**997,580**	996,094
Net (liabilities) / assets	**(401,318)**	(414,283)	**451,748**	460,170	**11,073**	13,145	**61,503**	59,032
Company								
Assets								
Cash and liquid assets	**23,959**	56,121	**-**	-	**-**	-	**23,959**	56,121
Due from other banks	**106,634**	132,813	**321**	331	**-**	-	**106,955**	133,144
Collateral placed	**10,214**	10,636	**-**	-	**-**	-	**10,214**	10,636
Trading assets	**61,684**	11,044	**28,716**	22,898	**17**	101	**90,417**	34,043
Debt instruments	**6,499**	7,092	**39,837**	35,002	**-**	-	**46,336**	42,094
Other financial assets	**1,147**	405	**561**	2,344	**-**	-	**1,708**	2,749
Derivative assets	**571**	1,311	**2,134**	4,408	**31,079**	54,932	**33,784**	60,651
Loans and advances	**108,016**	96,689	**491,059**	488,174	**8,609**	7,816	**607,684**	592,679
All other assets	**6,472**	4,357	**609**	643	**61,643**	50,711	**68,724**	55,711
Total assets	**325,196**	320,468	**563,237**	553,800	**101,348**	113,560	**989,781**	987,828
Liabilities								
Due to other banks	**33,965**	51,635	**-**	17,660	**-**	-	**33,965**	69,295
Collateral received	**9,281**	15,365	**-**	-	**-**	-	**9,281**	15,365
Other financial liabilities	**42,512**	2,340	**9,233**	6,620	**-**	-	**51,745**	8,960
Derivative liabilities	**957**	1,021	**1,566**	3,076	**33,587**	53,397	**36,110**	57,494
Deposits and other borrowings	**560,238**	589,160	**48,403**	27,801	**-**	-	**608,641**	616,961
Bonds, notes and subordinated debt	**20,587**	25,995	**103,742**	83,679	**-**	-	**124,329**	109,674
Debt issues	**-**	-	**-**	-	**8,561**	7,318	**8,561**	7,318
All other liabilities	**11,567**	6,670	**3,324**	1,745	**45,735**	44,218	**60,626**	52,633
Total liabilities	**679,107**	692,186	**166,268**	140,581	**87,883**	104,933	**933,258**	937,700
Net (liabilities) / assets	**(353,911)**	(371,718)	**396,969**	413,219	**13,465**	8,627	**56,523**	50,128

Note 20
Fair value of financial instruments

Accounting policy

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Where the classification of a financial asset or liability results in it being measured at fair value, wherever possible, the fair value is determined with reference to the quoted bid or offer price in the most advantageous active market to which the Group has immediate access. An adjustment for credit risk (CVA) is also incorporated into the fair value as appropriate as well as an adjustment for funding costs (FVA) related to uncollateralised over-the-counter derivatives. The fair value measurement technique of each class of instrument is described below.

Instrument	Fair value measurement technique
Loans and advances	The fair value of loans and advances that are priced based on a variable rate with no contractual repricing tenor is assumed to equate to the carrying value. The fair value of all other loans and advances is calculated using discounted cash flow models based on the maturity of the loans and advances. The discount rates applied are based on interest rates at the reporting date for similar types of loans and advances, if the loans and advances were performing at the reporting date.
Deposits and other borrowings	The fair value of deposits and other borrowings that are non-interest bearing or at call, is assumed to equate to the carrying value. The fair value of other deposits and other borrowings is calculated using discounted cash flow models based on the deposit type and maturity.
Bonds, notes and subordinated debt and debt issues	The fair values of bonds, notes and subordinated debt and debt issues are calculated based on a discounted cash flow model using a yield curve appropriate to the remaining maturity of the instruments and appropriate credit spreads, or in some instances are calculated based on market quoted prices when there is sufficient liquidity in the market.
Derivatives	The fair values of trading and hedging derivative assets and liabilities are obtained from quoted closing market prices at the reporting date, discounted cash flow models or option pricing models as appropriate.
Trading assets and debt instruments	The fair values of trading assets and debt instruments are based on quoted closing market prices at the reporting date. Where securities are unlisted and quoted market prices are not available, the Group obtains the fair value by means of discounted cash flows and other valuation techniques that are commonly used by market participants. These techniques address factors such as interest rates, credit risk and liquidity.
Equity instruments	The fair value of equity instruments at fair value through other comprehensive income is estimated on the basis of the actual and forecasted financial position and results of the underlying assets or net assets taking into consideration their risk profile.
Other financial assets and liabilities	The fair values of other financial assets and liabilities are based on quoted closing market prices and data or valuation techniques, appropriate to the nature and type of the underlying instrument.
Due to controlled entities and due from controlled entities	Includes reverse repurchase agreements and repurchase agreements that are classified as held for trading and measured at fair value through profit and loss. The fair values are based on a discounted cash flow model using an appropriate yield curve.

The carrying amounts of cash and liquid assets, due from and to other banks, other assets, other liabilities and amounts due from and to controlled entities, approximate their fair value as they are short-term in nature or are receivable or payable on demand.

Guarantees, letters of credit, performance related contingencies and credit related commitments are generally not sold or traded and estimated fair values are not readily ascertainable. The fair value of these items are not calculated, as very few of the commitments extending beyond six months would commit the Group to a predetermined rate of interest, and the fees attaching to these commitments are the same as those currently charged for similar arrangements.

Fair value for a net open position is the offer price for a financial liability and the bid price for a financial asset, multiplied by the number of units of the instrument issued or held.

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

Critical accounting judgements and estimates

A significant portion of financial instruments are carried on the balance sheet at fair value.

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

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price (i.e. the fair value of the consideration given or received) unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets. When such evidence exists, the Group recognises the difference between the transaction price and the fair value in profit or loss on initial recognition (i.e. on day one).

Note 20 Fair value of financial instruments (cont.)

Fair value hierarchy

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

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

Transfers into and out of Level 3 take place when there are changes to the inputs in the valuation technique. Where inputs are no longer observable the fair value measurement is transferred into Level 3. Conversely, a measurement is transferred out of Level 3 when inputs become observable.

The Group's exposure to fair value measurements based in full or in part on unobservable inputs is restricted to a small number of financial instruments, which comprise an insignificant component of the portfolios in which they belong. As such, a change in the assumption used to value the instruments as at 30 September 2023 attributable to reasonably possible alternatives would not have a material effect.

Fair value of financial instruments, carried at amortised cost

The financial assets and financial liabilities listed in the table below are carried at amortised cost. While this is the value at which the Group expects the assets to be realised and the liabilities to be settled, the table below includes their fair values as at 30 September:

	2023					2022				
	Carrying value	Level 1	Level 2	Level 3	Fair value	Carrying value	Level 1	Level 2	Level 3	Fair value
	$m	$m	$m	$m	$m	$m	$m	$m	$m	$m
Group										
Financial assets										
Loans and advances	702,702	–	5,530	693,672	699,202	680,434	–	4,744	670,807	675,551
Total financial assets	702,702	–	5,530	693,672	699,202	680,434	–	4,744	670,807	675,551
Financial liabilities										
Deposits and other borrowings	682,120	–	683,857	–	683,857	683,526	–	683,530	–	683,530
Bonds, notes and subordinated debt	135,645	–	135,405	7	135,412	119,283	–	118,417	–	118,417
Debt issues	8,561	7,802	1,040	–	8,842	7,318	6,466	1,065	–	7,531
Total financial liabilities	826,326	7,802	820,302	7	828,111	810,127	6,466	803,012	–	809,478
Company										
Financial assets										
Loans and advances	607,684	–	3,414	602,221	605,635	592,679	–	2,811	586,399	589,210
Total financial assets	607,684	–	3,414	602,221	605,635	592,679	–	2,811	586,399	589,210
Financial liabilities										
Deposits and other borrowings	608,641	–	610,438	–	610,438	616,961	–	617,073	–	617,073
Bonds, notes and subordinated debt	124,329	–	122,888	–	122,888	109,674	–	107,792	–	107,792
Debt issues	8,561	7,802	1,040	–	8,842	7,318	6,466	1,065	–	7,531
Total financial liabilities	741,531	7,802	734,366	–	742,168	733,953	6,466	725,930	–	732,396

Note 20 Fair value of financial instruments (cont.)

Fair value measurements recognised on the balance sheet

	2023				2022			
	Level 1 $m	Level 2 $m	Level 3 $m	Total $m	Level 1 $m	Level 2 $m	Level 3 $m	Total $m
Group								
Financial assets								
Trading assets	**30,482**	**70,686**	**-**	**101,168**	27,393	13,180	-	40,573
Debt instruments	**2,691**	**43,377**	**289**	**46,357**	3,625	37,732	723	42,080
Other financial assets	**-**	**1,243**	**187**	**1,430**	-	1,740	321	2,061
Derivative assets	**-**	**33,946**	**323**	**34,269**	-	60,567	449	61,016
Equity instruments(1)	**-**	**-**	**257**	**257**	-	-	187	187
Total financial assets measured at fair value	**33,173**	**149,252**	**1,056**	**183,481**	31,018	113,219	1,680	145,917
Financial liabilities								
Other financial liabilities	**5,453**	**60,899**	**-**	**66,352**	2,441	20,845	-	23,286
Derivative liabilities	**-**	**35,362**	**271**	**35,633**	-	57,117	369	57,486
Total financial liabilities measured at fair value	**5,453**	**96,261**	**271**	**101,985**	2,441	77,962	369	80,772
Company								
Financial assets								
Trading assets	**27,935**	**62,482**	**-**	**90,417**	24,303	9,740	-	34,043
Debt instruments	**2,691**	**43,356**	**289**	**46,336**	3,626	37,745	723	42,094
Other financial assets	**-**	**1,521**	**187**	**1,708**	-	2,428	321	2,749
Derivative assets	**-**	**33,461**	**323**	**33,784**	-	60,202	449	60,651
Equity instruments(1)	**-**	**-**	**122**	**122**	-	-	86	86
Due from controlled entities	**-**	**1,238**	**-**	**1,238**	-	-	-	-
Total financial assets measured at fair value	**30,626**	**142,058**	**921**	**173,605**	27,929	110,115	1,579	139,623
Financial liabilities								
Other financial liabilities	**5,254**	**46,491**	**-**	**51,745**	2,198	6,762	-	8,960
Derivative liabilities	**-**	**35,839**	**271**	**36,110**	-	57,125	369	57,494
Due to controlled entities	**-**	**1,159**	**-**	**1,159**	-	-	-	-
Total financial liabilities measured at fair value	**5,254**	**83,489**	**271**	**89,014**	2,198	63,887	369	66,454

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

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

Note 20 Fair value of financial instruments (cont.)

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

	Assets						Liabilities	
	Derivatives		Debt instruments		Other[(1)]		Derivatives	
	2023 $m	2022 $m	2023 $m	2022 $m	2023 $m	2022 $m	2023 $m	2022 $m
Group								
Balance at the beginning of year	**449**	148	**723**	919	**508**	369	**369**	96
Gains / (losses) on assets and (gains) / losses on liabilities recognised:								
In profit or loss[(2)]	**(20)**	245	**–**	–	**7**	(50)	**(18)**	253
In other comprehensive income[(2)]	**–**	–	**5**	(15)	**17**	12	**–**	–
Purchases and issues	**25**	72	**77**	386	**59**	461	**–**	20
Sales and settlements	**–**	(13)	**(237)**	(380)	**(112)**	(280)	**–**	–
Transfers into Level 3	**20**	–	**72**	250	**–**	–	**–**	1
Transfers out of Level 3	**(153)**	(1)	**(351)**	(438)	**(49)**	–	**(81)**	–
Foreign currency translation adjustments	**2**	(2)	**–**	1	**14**	(4)	**1**	(1)
Balance at end of year	**323**	449	**289**	723	**444**	508	**271**	369
Gains / (losses) on assets and (gains) / losses on liabilities for the reporting period related to financial instruments held at the end of the reporting period recognised:								
In profit or loss[(2)]	**(20)**	245	**–**	–	**7**	(50)	**(18)**	253
In other comprehensive income[(2)]	**–**	–	**5**	(15)	**17**	12	**–**	–
Company								
Balance at the beginning of year	**449**	148	**723**	919	**407**	285	**369**	96
Gains / (losses) on assets and (gains) / losses on liabilities recognised:								
In profit or loss[(2)]	**(20)**	245	**–**	–	**7**	(50)	**(18)**	253
In other comprehensive income[(2)]	**–**	–	**5**	(15)	**16**	(4)	**–**	–
Purchases and issues	**25**	72	**77**	386	**20**	419	**–**	20
Sales and settlements	**–**	(13)	**(237)**	(380)	**(105)**	(242)	**–**	–
Transfers into Level 3	**20**	–	**72**	250	**–**	–	**–**	1
Transfers out of Level 3	**(153)**	(1)	**(351)**	(438)	**(49)**	–	**(81)**	–
Foreign currency translation adjustments	**2**	(2)	**–**	1	**13**	(1)	**1**	(1)
Balance at end of year	**323**	449	**289**	723	**309**	407	**271**	369
Gains / (losses) on assets and (gains) / losses on liabilities for the reporting period related to financial instruments held at the end of the reporting period recognised:								
In profit or loss[(2)]	**(20)**	245	**–**	–	**7**	(50)	**(18)**	253
In other comprehensive income[(2)]	**–**	–	**5**	(15)	**16**	(4)	**–**	–

(1) Includes other financial assets and equity instruments.
(2) Comparative information has been restated to align to the presentation in the current period.

Note 21
Financial asset transfers

The Group and the Company enter into transactions by which they transfer financial assets to counterparties or to structured entities. Financial assets that do not qualify for derecognition are typically associated with repurchase agreements, covered bonds and securitisation program agreements. The following table sets out the carrying amount of financial assets that did not qualify for derecognition and their associated liabilities. Where relevant, the table also sets out the net position of the fair value of financial assets where the counterparty to the associated liabilities has recourse only to the transferred assets.

	Group						Company					
	Repurchase agreements		Covered bonds		Securitisation		Repurchase agreements		Covered bonds		Securitisation(1)(2)	
	2023 $m	2022 $m	2023 $m	2022 $m	2023 $m	2022 $m	2023 $m	2022 $m	2023 $m	2022 $m	2023 $m	2022 $m
Carrying amount of transferred assets	**44,955**	60,136	**40,508**	35,343	**2,545**	3,477	**39,401**	56,327	**33,439**	29,742	**2,738**	3,757
Carrying amount of associated liabilities	**40,282**	54,005	**33,617**	26,874	**2,545**	3,477	**35,646**	50,823	**27,701**	22,298	**2,738**	3,757
For those liabilities that have recourse only to the transferred assets												
Fair value of transferred assets	**n/a**	n/a	**n/a**	n/a	**2,532**	3,452	**n/a**	n/a	**n/a**	n/a	**2,729**	3,735
Fair value of associated liabilities	**n/a**	n/a	**n/a**	n/a	**2,541**	3,452	**n/a**	n/a	**n/a**	n/a	**2,706**	3,693
Net position	**n/a**	n/a	**n/a**	n/a	**(9)**	-	**n/a**	n/a	**n/a**	n/a	**23**	42

(1) Securitisation assets exclude $124,807 million of assets (2022: $127,801 million) where the Company holds all of the issued instruments of the securitisation vehicle.
(2) Comparative information has been restated to align to the presentation in the current period.

Other assets and liabilities

Note 22
Goodwill and other intangible assets

Accounting policy

Goodwill

Goodwill arises on the acquisition of an entity and represents the excess of the consideration paid over the fair value of the identifiable net assets acquired.

Software costs

External and internal costs that are incurred to acquire or develop software are capitalised and recognised as an intangible asset. Capitalised software costs and other intangible assets are amortised on a systematic basis once deployed, using the straight-line method over their expected useful lives which are between three and ten years.

Impairment of intangible assets

Assets with an indefinite useful life, including goodwill, are not subject to amortisation and are tested on an annual basis for impairment, and additionally whenever an indication of impairment exists. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of an asset exceeds its recoverable amount.

The recoverable amount of an asset is the higher of its fair value less costs of disposal or its value in use. For assets that do not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit (CGU) to which that asset belongs.

Goodwill impairment is assessed for each CGU or group of CGUs that represents the lowest level within the Group at which goodwill is monitored for internal management purposes.

Recoverable amounts of CGUs

The recoverable amount of a CGU is determined using either value in use or fair value less costs of disposal. Assumptions for determining the recoverable amount of each CGU are based on past experience and expectations for the future. Cash flow projections for value in use are based on the latest management approved forecasts and are then extrapolated using a constant growth rate for up to a further five years. These forecasts use management estimates to determine income, expenses, capital expenditure and cash flows for each CGU.

The discount rate used reflects the market determined post-tax discount rate which is adjusted for specific risks relating to the CGUs and the countries in which they operate. The growth rate applied to extrapolate cash flows beyond the forecast period are based on forecast assumptions of the CGUs' long-term performance in their respective markets.

Critical accounting judgements and estimates

The measurement of goodwill is subject to a number of key judgements and estimates. These include:

- The allocation of goodwill to CGUs on initial recognition.
- The re-allocation of goodwill in the event of disposal or reorganisation.
- The appropriate cash flow forecasts, growth rates and discount rates.

Further details about these items are provided below.

Note 22 Goodwill and other intangible assets (cont.)

	Group		Company	
	2023	2022	2023	2022
	$m	$m	$m	$m
Goodwill and other intangible assets				
Goodwill	**2,070**	2,089	**80**	99
Internally generated software	**2,484**	2,174	**2,052**	1,837
Acquired software	**238**	208	**115**	71
Other acquired intangible assets[1]	**160**	181	**145**	165
Total goodwill and other intangible assets	**4,952**	4,652	**2,392**	2,172
At cost	**11,560**	10,627	**7,949**	7,207
Deduct: Accumulated amortisation / impairment losses	**(6,608)**	(5,975)	**(5,557)**	(5,035)
Total goodwill and other intangible assets	**4,952**	4,652	**2,392**	2,172

(1) Other acquired intangible assets primarily relate to the Citi consumer business customer relationships and core deposits.

Reconciliation of movements in goodwill and internally generated software

	Group		Company	
	2023	2022	2023	2022
	$m	$m	$m	$m
Goodwill				
Balance at beginning of year	**2,089**	1,964	**99**	-
Acquisition of controlled entities and business combinations[1][2]	**(19)**	125	**(19)**	99
Balance at end of year	**2,070**	2,089	**80**	99
Internally generated software				
Balance at beginning of year	**2,174**	1,956	**1,837**	1,703
Additions from internal development	**863**	730	**702**	584
Disposals, impairments and write-offs	**(9)**	(23)	**(2)**	(23)
Amortisation	**(558)**	(497)	**(485)**	(449)
Foreign currency translation adjustments	**14**	8	**-**	22
Balance at end of year	**2,484**	2,174	**2,052**	1,837

(1) Goodwill decreased by $19 million compared to the September 2022 financial year due to post-completion adjustments arising from the Group's acquisition of the Citi consumer business during the September 2022 financial year.
(2) Refer to *Note 38 Acquisitions of subsidiaries* for further details.

Note 22 Goodwill and other intangible assets (cont.)

Goodwill allocation to CGUs

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

	Goodwill		Discount rate per annum	Terminal growth rate per annum
	2023	2022	2023	2023
	$m	$m	%	%
CGUs				
Business and Private Banking	**94**	94	**9.9**	**3.4**
New Zealand Banking	**258**	258	**10.4**	**3.1**
Personal Banking[1]	**1,592**	1,611	**9.9**	**3.4**
ubank	**126**	126	**10.4**	**3.4**
Total goodwill	**2,070**	2,089	**n/a**	**n/a**

(1) Goodwill in the Personal Banking CGU decreased by $19 million compared to the September 2022 financial year due to post-completion adjustments arising from the Group's acquisition of the Citi consumer business during the September 2022 financial year.

Note 23 Other assets

	Group		Company	
	2023	2022	2023	2022
	$m	$m	$m	$m
Other assets				
Accrued interest receivable	**2,527**	1,608	**2,285**	1,459
Prepayments	**328**	314	**264**	260
Receivables	**349**	555	**102**	80
Other debt instruments at amortised cost	**97**	197	**608**	586
Equity instruments at fair value through other comprehensive income	**245**	175	**111**	75
Investment in associates - MLC Life[1]	**515**	486	**477**	477
Securities sold not delivered	**3,742**	2,402	**3,447**	1,980
Other	**576**	736	**423**	645
Total other assets	**8,379**	6,473	**7,717**	5,562

(1) Refer to table (b) in *Note 32 Interest in subsidiaries and other entities* for further details.

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Note 24
Provisions

Accounting policy

Provisions

Provisions are recognised when the Group has a legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and the amount of the obligation can be reliably estimated. Provisions are not discounted to the present value of their expected net future cash flows except where the time value of money is material.

Operational risk event losses

Provisions are recognised for non-lending losses which include losses arising from specific legal actions not directly related to amounts of principal outstanding for loans and advances, and losses arising from forgeries, fraud and the correction of operational issues.

Customer-related and payroll remediation

Provisions for customer-related and payroll remediation include provisions for potential refunds and other compensation to customers, payments to colleagues, as well as associated program costs.

Critical accounting judgements and estimates

Provisions are held in respect of a range of future obligations such as employee entitlements, restructuring costs, customer-related and payroll remediation. The recognition and measurement of some of these provisions involves significant judgement about the existence of a present obligation, the likely outcome of various future events and the related estimated future cash flows. If the future events are uncertain or where the outflows cannot be reliably measured a contingent liability is disclosed, refer to *Note 31 Commitments and contingent liabilities*.

Payments that are expected to be incurred after more than one year from the reporting date are discounted at a rate which reflects both current interest rates and the risks specific to that provision.

In relation to customer-related remediation, determining the amount of the provision requires the exercise of significant judgement. This includes forming a view on a number of different estimates, including the number of impacted customers, average refund per customer and the associated costs required to complete the remediation activities. The appropriateness of underlying assumptions is reviewed on a regular basis against actual experience and other available evidence, and adjustments are made to the provision where required.

	Group		Company	
	2023	2022	2023	2022
	$m	$m	$m	$m
Provisions				
Employee entitlements	**1,021**	1,026	**872**	905
Operational risk event losses	**43**	47	**25**	29
Customer-related and payroll remediation	**305**	557	**305**	554
Other	**483**	466	**449**	409
Total provisions	**1,852**	2,096	**1,651**	1,897

Note 24 Provisions (cont.)

Reconciliation of movements in provisions

	Group		Company	
	2023 $m	2022 $m	2023 $m	2022 $m
Operational risk event losses				
Balance at beginning of year	**47**	134	**29**	81
Provisions made[(1)]	**90**	35	**68**	32
Payments out of provisions	**(94)**	(92)	**(72)**	(84)
Provisions no longer required and net foreign currency movements	**-**	(30)	**-**	-
Balance at end of year	**43**	47	**25**	29
Customer-related and payroll remediation				
Balance at beginning of year	**557**	1,231	**554**	1,221
Provisions made (continuing operations)	**52**	179	**51**	181
Provisions made (discontinued operations)	**35**	160	**35**	160
Payments out of provisions	**(339)**	(1,013)	**(335)**	(1,008)
Balance at end of year	**305**	557	**305**	554

(1) Amounts include provisions made in both continuing and discontinued operations.

Note 25
Other liabilities

	Group		Company	
	2023 $m	2022 $m	2023 $m	2022 $m
Other liabilities				
Accrued interest payable	**4,599**	1,840	**4,011**	1,644
Payables and accrued expenses	**1,094**	1,377	**684**	692
Securities purchased not delivered	**5,341**	2,824	**5,048**	2,223
Lease liabilities	**2,259**	2,238	**1,816**	1,978
Trail commission payable[(1)]	**1,795**	-	**1,330**	-
Other	**1,129**	1,885	**1,049**	1,844
Total other liabilities	**16,217**	10,164	**13,938**	8,381

(1) During the 2023 financial year, the Group revised its accounting treatment of trail commissions payable to mortgage brokers to recognise a liability representing the present value of expected future trail commission payments and a corresponding increase in capitalised brokerage costs within 'Loans and advances'. Comparative information has not been restated. Refer to *Note 1 Basis of preparation* for further information.

Note 26
Leases

Accounting policy

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 leases of land and buildings where the Group is the lessee, the Group has elected not to separate non-lease components, and accounts 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 which is based on the Group's funds transfer pricing curve. 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 does not include extension options in the measurement of the lease liability until such time that it is reasonably certain that the options will be exercised.

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.

Effect of leases on the balance sheets

	Group		Company	
	2023 $m	2022 $m	2023 $m	2022 $m
Right-of-use assets				
Property, plant and equipment				
Buildings	**1,912**	1,883	**1,481**	1,628
Technology	**47**	63	**45**	60
Total right-of-use assets	**1,959**	1,946	**1,526**	1,688
Additions to right-of-use assets during the period	**334**	601	**121**	589
Lease liabilities				
Other liabilities	**2,259**	2,238	**1,816**	1,978
Total lease liabilities	**2,259**	2,238	**1,816**	1,978

Note 26 Leases (cont.)

Effect of leases on the income statements

	Group		Company	
	2023 $m	2022 $m	2023 $m	2022 $m
Depreciation				
Buildings	**318**	331	**264**	284
Technology	**20**	17	**18**	16
Total depreciation on right-of-use assets	**338**	348	**282**	300
Interest				
Interest expense on lease liabilities	**49**	46	**39**	40
Total interest expense on lease liabilities	**49**	46	**39**	40
Short-term lease expense				
Short-term lease expense	**7**	11	**4**	5
Total short-term lease expense	**7**	11	**4**	5

Future cash flow effect of leases

The table below is a maturity analysis of future lease payments in respect of existing lease arrangements on an undiscounted basis.

	Group		Company	
	2023 $m	2022 $m	2023 $m	2022 $m
Due within one year	**361**	339	**306**	294
Due after one year but no later than five years	**1,151**	1,120	**974**	992
Due after five years	**1,176**	997	**686**	855
Total future lease payments	**2,688**	2,456	**1,966**	2,141

Capital management

Note 27
Contributed equity

In accordance with the *Corporations Act 2001* (Cth), the Company does not have authorised capital and all ordinary shares have no par value. Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are included within equity. Holders of ordinary shares are entitled to receive dividends as determined from time to time and are entitled to one vote, on a show of hands or on a poll, for each fully paid ordinary share held at shareholders' meetings. In the event of a winding-up of the Company, ordinary shareholders rank after all other shareholders and creditors and are fully entitled to any residual proceeds of liquidation.

	Group		Company	
	2023	2022	2023	2022
	$m	$m	$m	$m
Issued and paid-up ordinary share capital				
Ordinary shares, fully paid	**38,546**	39,399	**37,760**	38,613
Total contributed equity	**38,546**	39,399	**37,760**	38,613

Reconciliation of movement in ordinary shares

	Group		Company	
	2023	2022	2023	2022
	$m	$m	$m	$m
Balance at beginning of year	**39,399**	43,247	**38,613**	42,461
Shares issued:				
Dividend reinvestment plan	**693**	500	**693**	500
Transfer from equity-based compensation reserve	**74**	69	**74**	69
Purchase of treasury shares for employee share offer	**(23)**	-	**(23)**	-
On-market purchase of shares for dividend reinvestment plan neutralisation	**(693)**	(500)	**(693)**	(500)
Share buy-back	**(904)**	(3,917)	**(904)**	(3,917)
Balance at end of year	**38,546**	39,399	**37,760**	38,613

Note 27 Contributed equity (cont.)

The number of ordinary shares on issue for the last two years as at 30 September was as follows:

	Company	
	2023 No. '000	2022 No. '000
Ordinary shares, fully paid		
Balance at beginning of year	**3,153,813**	3,281,991
Shares issued:		
Dividend reinvestment plan	**24,676**	16,890
Bonus share plan	**1,338**	1,227
Share-based payments	**3,628**	5,547
Paying up of partly paid shares	**3**	-
On-market purchase of shares for dividend reinvestment plan neutralisation	**(24,676)**	(16,890)
Share buy-back	**(29,833)**	(134,952)
Total ordinary shares, fully paid	**3,128,949**	3,153,813
Ordinary shares, partly paid to 25 cents		
Balance at beginning of year	**12**	12
Paying up of partly paid shares	**(3)**	-
Total ordinary shares, partly paid to 25 cents	**9**	12
Total ordinary shares (including treasury shares)	**3,128,958**	3,153,825
Less: Treasury shares	**(8,137)**	(6,331)
Total ordinary shares (excluding treasury shares)	**3,120,821**	3,147,494

Note 28
Non-controlling interests

Non-controlling interests represent the share in the net assets of controlled entities attributable to equity interests which the Company does not own directly or indirectly.

	Group		Company	
	2023 $m	2022 $m	2023 $m	2022 $m
Non-controlling interests				
BNZ perpetual preference shares	**349**	-	**-**	-
Total	**349**	-	**-**	-

Bank of New Zealand preference shares

On 14 June 2023, Bank of New Zealand (BNZ), a wholly owned subsidiary of the Group, issued NZD $375 million of perpetual preference shares (PPS) that are classified as non-controlling interests to the Group. The balance as at 30 September 2023 represents an AUD equivalent of $341 million of PPS issued and $8 million impact of changes in the exchange rate between AUD and NZD during the 2023 financial year.

The key terms of the PPS are summarised below:

PPS distributions

Distributions on the PPS are discretionary and non-cumulative. If a PPS distribution is not paid in full within 3 business days of a distribution payment date, BNZ must not authorise or pay a dividend on its ordinary shares, acquire its ordinary shares or otherwise undertake a capital reduction in respect of its ordinary shares, until a subsequent PPS distribution is paid in full or there are no longer any PPS outstanding.

The distribution rate for the PPS is fixed at 7.30% per annum until the first optional redemption date of 14 June 2029. After this date the distribution rate will be a floating rate, reset quarterly, equal to the New Zealand 3 month bank bill rate plus 3.0%. Scheduled distribution payment dates are on 14 March, 14 June, 14 September and 14 December each year. Any distributions will comprise a cash amount and imputation credits.

Redemption

The PPS have no fixed maturity date and will remain on issue indefinitely if not redeemed by BNZ.

BNZ may redeem the PPS on the first optional redemption date of 14 June 2029 or on each quarterly scheduled distribution payment date thereafter, or at any time if a tax event or regulatory event occurs. Redemption is subject to certain conditions being met, including obtaining the RBNZ's approval. Holders of PPS have no right to require that the PPS be redeemed.

Note 29
Reserves

Accounting policy

Foreign currency translation reserve

Exchange differences arising on translation of the Group's foreign operations, any offsetting gains or losses on net investment hedges and any associated tax effect are reflected in the foreign currency translation reserve.

The results and financial position of the Group entities that have a functional currency different from Australian dollars are translated into Australian dollars as follows:

- Assets and liabilities are translated at the closing exchange rate at the balance sheet date.
- Income and expenses are translated at average exchange rates for the period.
- All resulting exchange differences are recognised in the foreign currency translation reserve.

A cumulative credit balance in this reserve would not normally be regarded as available for payment of dividends until such gains are realised and recognised in the income statement on sale or disposal of the foreign operation.

Asset revaluation reserve

The asset revaluation reserve is used to record revaluation adjustments on land and buildings. When an asset is sold or disposed of the related balance in the reserve is transferred directly to retained profits.

Cash flow hedge reserve and cost of hedging reserve

For qualifying hedging instruments, the Group excludes foreign currency basis spreads from hedge designations. Any change in the fair value of these hedging instruments for changes in cross currency basis spreads is deferred to the cost of hedging reserve and released to profit or loss either when the hedged exposure affects profit or loss or on a systematic basis over the life of the hedge. The cumulative movements are expected to be nil by maturity of the hedging instruments.

Equity-based compensation reserve

The equity-based compensation reserve comprises the fair value of shares and rights provided to employees.

Debt instruments at fair value through other comprehensive income reserve

The reserve includes all changes in the fair value of investments in debt instruments that are measured at fair value through other comprehensive income, other than impairment losses, foreign exchange gains and losses, interest income and net of any related hedge accounting adjustments. The cumulative amount recognised in the reserve is transferred to profit or loss when the related asset is derecognised.

Equity instruments at fair value through other comprehensive income reserve

The Group has made an irrevocable election to measure certain investments in equity instruments that are not held for trading purposes at fair value through other comprehensive income. Changes in the fair value of these investments are recognised in this reserve, while dividends are recognised in profit or loss. The cumulative amount recognised in the reserve is transferred directly to retained profits when the related asset is derecognised.

Note 29 Reserves (cont.)

Reserves

	Group 2023 $m	Group 2022 $m	Company 2023 $m	Company 2022 $m
Foreign currency translation reserve	**156**	(516)	**(134)**	(222)
Asset revaluation reserve	**21**	25	**-**	-
Cash flow hedge reserve	**(1,611)**	(1,667)	**(1,688)**	(1,900)
Cost of hedging reserve	**(34)**	81	**(5)**	28
Equity-based compensation reserve	**237**	180	**237**	180
Debt instruments at fair value through other comprehensive income reserve	**5**	36	**5**	36
Equity instruments at fair value through other comprehensive income reserve	**34**	22	**20**	4
Total reserves	**(1,192)**	(1,839)	**(1,565)**	(1,874)

Foreign currency translation reserve

	Group 2023 $m	Group 2022 $m	Company 2023 $m	Company 2022 $m
Balance at beginning of year	**(516)**	288	**(222)**	(200)
Transfer from retained profits	**-**	1	**-**	-
Currency adjustments on translation of foreign operations, net of hedging	**701**	(776)	**117**	(22)
Transfer to the income statement on disposal or partial disposal of foreign operations[1]	**(29)**	(29)	**(29)**	-
Balance at end of year	**156**	(516)	**(134)**	(222)

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

Note 30 Dividends

	Amount per share cents	Total amount $m
Dividends paid		
For the year ended 30 September 2023		
Final dividend determined in respect of the year ended 30 September 2022	**78**	**2,460**
Interim dividend determined in respect of the year ended 30 September 2023	**83**	**2,605**
Deduct: Bonus shares in lieu of dividend	**n/a**	**(38)**
Dividends paid by the Company during the year ended 30 September 2023	**n/a**	**5,027**
Add: Dividends paid to non-controlling interests in controlled entities	**n/a**	**5**
Total dividends paid by the Group (before dividend reinvestment plan)	**n/a**	**5,032**
For the year ended 30 September 2022		
Final dividend determined in respect of the year ended 30 September 2021	67	2,196
Interim dividend determined in respect of the year ended 30 September 2022	73	2,347
Deduct: Bonus shares in lieu of dividend	n/a	(37)
Total dividends paid by the Group (before dividend reinvestment plan)	n/a	4,506

Dividends paid during 2023 were fully franked at a tax rate of 30% (2022: 30%).

Note 30 Dividends (cont.)

Final dividend

On 9 November 2023, the directors determined the following dividend:

	Amount per share	Total amount	Franked amount per share
	cents	$m	%
Final dividend determined in respect of the year ended 30 September 2023	84	**2,628**	100

The 2023 final dividend is payable on 15 December 2023. The DRP discount for the 2023 final dividend is nil. Eligible shareholders have the ability to participate in the DRP for the 2023 final dividend for up to 5 million NAB ordinary shares per participant. The financial effect of this dividend has not been brought to account in the financial statements for the year ended 30 September 2023 and will be recognised in subsequent financial reports.

Australian franking credits

The franking credits available to the Company as at 30 September 2023 are estimated to be $768 million (2022: $665 million) after allowing for Australian tax payable in respect of the current reporting period's profit and the receipt of dividends recognised as a receivable at reporting date.

The final 2023 dividend will utilise the balance of franking credits available as at 30 September 2023. The Company's franking account will fluctuate during the year depending on the timing of tax and dividend payments. A surplus franking account balance is only required as at 30 June each year for the purpose of complying with Australian income tax legislation. Instalment tax payments made after 30 September 2023 will generate sufficient franking credits to enable the final 2023 dividend to be fully franked and comply with the income tax legislation.

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

New Zealand imputation credits

The New Zealand imputation credits available to the Company as at 30 September 2023 are estimated to be NZD $2,273 million (2022: NZD $232 million). The increase in this balance is due to the NZD $5.0 billion dividend that was paid by BNZ in the 2023 financial year.

The Company is able to attach available New Zealand imputation credits to dividends paid. As a result, New Zealand imputation credits of NZD $0.15 per share will be attached to the final 2023 dividend payable by the Company. New Zealand imputation credits are only relevant for shareholders who are required to file New Zealand income tax returns.

Unrecognised items

Note 31
Commitments and contingent liabilities

Accounting policy

The Group discloses certain items as contingent liabilities, as they are either possible obligations whose existence will be confirmed only by uncertain future events, or they are present obligations where a transfer of economic resources is not probable or cannot be reliably measured. Contingent liabilities are not recognised on the balance sheet but are disclosed unless an outflow of economic resources is remote.

Commitments

Financial assets are pledged as collateral predominantly under repurchase agreements with other banks. The financial assets pledged by the Group are strictly for the purpose of providing collateral for the counterparty. These transactions are conducted under terms that are usual and customary to standard lending and securities borrowing and lending activities, as well as requirements determined by exchanges where the Group acts as an intermediary. Repurchase agreements that do not qualify for derecognition are reported in *Note 21 Financial asset transfers*.

Bank guarantees and letters of credit

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

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

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

	Group		Company	
	2023 $m	2022 $m	2023 $m	2022 $m
Bank guarantees and letters of credit				
Bank guarantees	**5,249**	4,912	**5,421**	4,859
Standby letters of credit	**7,380**	7,270	**7,380**	7,270
Documentary letters of credit	**2,767**	3,358	**2,434**	2,942
Performance-related contingencies[1]	**10,925**	10,143	**9,402**	8,887
Total bank guarantees and letters of credit	**26,321**	25,683	**24,637**	23,958

(1) Comparative information has been restated to reflect product reclassification in the 2023 financial year

Clearing and settlement obligations

The Group is subject to a commitment in accordance with the rules governing clearing and settlement arrangements contained in the Australian Payments Network Regulations for the Australian Paper Clearing System, the Bulk Electronic Clearing System, the Consumer Electronic Clearing System and the High Value Clearing System which could result in a credit risk exposure and loss in the event of a failure to settle by a member institution. The Group also has a commitment in accordance with the Austraclear System Regulations and the Continuous Linked Settlement Bank Rules to participate in loss-sharing arrangements in the event that another financial institution fails to settle.

The Group is a member of various central clearing houses, most notably the London Clearing House (LCH) SwapClear and RepoClear platforms and the ASX Over-The-Counter Central Counterparty, which enables the Group to centrally clear derivative and repurchase agreement instruments respectively. As a member of these central clearing houses, the Group is required to make a default fund contribution. The exposure to risk associated with this commitment is reflected for capital adequacy purposes in the Group's Pillar 3 reporting. In the event of a default of another clearing member, the Group could be required to commit additional funds to the default fund contribution.

Credit-related commitments

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

Note 31 Commitments and contingent liabilities (cont.)

	Group		Company	
	2023	2022	2023	2022
	$m	$m	$m	$m
Credit-related commitments				
Binding credit commitments(1)	**208,853**	201,147	**188,268**	182,667
Total credit-related commitments	**208,853**	201,147	**188,268**	182,667
Credit-related commitments by geographical location				
Australia	**165,594**	162,265	**164,994**	161,686
New Zealand	**19,985**	17,901	**-**	-
Other International	**23,274**	20,981	**23,274**	20,981
Total credit-related commitments	**208,853**	201,147	**188,268**	182,667

(1) Comparative information has been restated to reflect product reclassification in the 2023 financial year

Parent entity guarantees and undertakings

The Company has provided the following guarantees and undertakings relating to entities in the Group. These guarantees and undertakings are not included in previous tables in this note:

- The Company will guarantee up to $30,881 million (2022: $29,023 million) of commercial paper issuances by National Australia Funding (Delaware) Inc. Commercial paper of $419 million (2022: $1,196 million) has been issued.
- The Company is responsible to its customers for any direct loss suffered as a result of National Nominees Limited failing to perform its obligations to the Company.
- The Company and MLC Wealth had both been granted a licence (the Licence) in 2007 by the Safety, Rehabilitation and Compensation Commission (the Commission) to operate as self-insurers under the Commonwealth Government Comcare Scheme (the Commonwealth Scheme). The Company still holds its Licence and continues to be self-insured under the Commonwealth Scheme. Following the sale of MLC Wealth to Insignia Financial Ltd (formerly IOOF) in 2021, the Commission agreed to revoke MLC Wealth's Licence effective from the date of the sale. As required by legislation and the Commission, the Company has provided a guarantee in respect of any workers' compensation liabilities of employees of MLC Wealth in respect of injuries that arose before the completion of the sale.
- The Company has issued letters of support in respect of certain subsidiaries and associates in the normal course of business. The letters recognise that the Company has a responsibility to ensure that those subsidiaries and associates continue to meet their obligations.

Contingent liabilities

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

- Actual and potential disputes, claims and legal proceedings.
- Investigations into past conduct, including actual and potential regulatory breaches carried out by regulatory authorities on either an industry-wide or Group-specific basis.
- Internal investigations and reviews into past conduct, including actual and potential regulatory breaches, carried out by or on behalf of the Group.
- Contracts that involve giving contingent commitments such as warranties, indemnities or guarantees.

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

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

Legal proceedings

United Kingdom matters

Nine separate claims (comprising 904 individual claimants) focused on Tailored Business Loans (TBLs) have been commenced against the Company and Clydesdale Bank Plc, now owned by Virgin Money UK Plc and trading as Virgin Money (Virgin Money) by former customers of Virgin Money, represented by RGL Management Limited (a claims management company) (RGL) and law firm Fladgate LLP, in the English Courts. The cases involving four individual claimants (being the first and fourth claims) proceeded to a 12 week trial which commenced on 2 October 2023, effectively as test cases. The cases of the remaining individual claimants are currently stayed pending the outcome of the first and fourth claims.

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

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

Note 31 Commitments and contingent liabilities (cont.)

Walton Construction Group class action

In January 2022, a class action complaint was filed in the Federal Court by a number of subcontractors regarding the Company's alleged conduct in connection with the collapse of the Walton Construction Group (WCG). It is alleged that the Company's conduct in the period prior to the collapse of WCG contributed to losses incurred by subcontractors following the liquidation of WCG. The Company filed and served its defence to the claims on 16 December 2022, however, the Applicant is seeking to file a second Further Amended Statement of Claim (FASC) and has been given until 7 February 2024 to provide a draft FASC. The potential outcome and total costs associated with the claims under this class action remain uncertain.

Regulatory activity, compliance investigations and associated proceedings

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

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

On 29 April 2022, the Company entered into an enforceable undertaking (EU) with AUSTRAC to address AUSTRAC's concerns with the Group's compliance with certain AML and CTF requirements. In accepting the EU, AUSTRAC stated that the regulator had "formed the view at the start of the investigation that a civil penalty proceeding was not appropriate at that time" and that it had "not identified any information during the investigation to change that view". Under the terms of the EU, the Company and certain subsidiaries are required to:

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

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

Banking matters

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

- Incorrect fees being applied in connection with certain products.
- Incorrect interest rates being applied in relation to certain products, including home lending products on conversion from interest only to principal.
- Capturing customer consent to receive electronic statements and inconsistencies with recording statement preferences.
- Issues with treatment of deregistered companies identified in the customer base.

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

Employment matters

In December 2019, NAB announced an end-to-end payroll review examining internal pay processes and compliance with pay related obligations under Australian employment laws. The review identified a range of issues, which have been notified to the Fair Work Ombudsman (FWO). A remediation program was undertaken, which is now largely complete save for some discrete residual matters still being addressed. There remains some potential for further developments regarding this matter, including possible enforcement action by the FWO or other legal actions, so the final outcome and total costs associated with this matter remain uncertain.

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

Wealth - Advice review

In October 2015, the Group began contacting certain groups of customers where there was a concern that they may have received non-compliant financial advice since 2009 to: (a) assess the appropriateness of that advice; and (b) identify whether customers had suffered loss as a result of non-compliant advice that would warrant compensation. Subsequent to this, these cases are now progressing through the Customer Response Initiative review program, the scope of which includes the advice businesses of MLC Advice, NAB Advice Partnerships and JBWere, with compensation offered and paid in a number of cases[(1)]. Where customer compensation is able to be reliably estimated, provisions have been recognised. The final outcome and total costs associated with this work remain uncertain.

(1) While the businesses of MLC Advice and NAB Advice Partnerships relevant to these matters have been sold to Insignia Financial Ltd (formerly known as IOOF) pursuant to the MLC Wealth Transaction, the Group has retained the companies that operated the advice business, such that the Group has retained all liabilities associated with the conduct of these businesses pre-completion of the MLC Wealth Transaction. JBWere is not within the scope of the MLC Wealth Transaction.

Note 31 Commitments and contingent liabilities (cont.)

Wealth - Adviser service fees

The Group is undertaking a remediation program in relation to financial advice fees paid by customers pursuant to ongoing service arrangements. This matter relates to JBWere and the various advice businesses, which were operated by the Group prior to completion of the MLC Wealth Transaction discussed below, including MLC Advice (formerly known as NAB Financial Planning) and NAB Advice Partnerships.(1) Payments with respect to MLC Advice are now complete. Payments with respect to NAB Advice Partnerships are largely complete.

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

While the Group has taken provisions in relation to these matters based on current information, there remains the potential for further developments and the potential outcomes and total costs associated with these matters remains uncertain.

Contractual commitments

BNZ Life transaction

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

MLC Life insurance transaction

In connection with the sale of 80% of MLC Life to Nippon Life Insurance Company (Nippon Life) in October 2016, the Company gave certain covenants, warranties and indemnities in favour of Nippon Life and MLC Life. The claims periods for some of these covenants, warranties and indemnities have expired. The potential outcome and total costs associated with any claims under these covenants, warranties and indemnities remain uncertain.

MLC Wealth Transaction

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

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

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

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

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

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

NULIS and MLCN - class actions

In October 2019, litigation funder Omni Bridgeway (formerly IMF Bentham) and William Roberts Lawyers commenced a class action against NULIS Nominees (Australia) Limited (NULIS) alleging breaches of NULIS's trustee obligations to act in the best interests of the former members of The Universal Super Scheme in deciding to maintain grandfathered commissions on their transfer into the MLC Super Fund on 1 July 2016. NULIS filed its first defence in the proceeding in February 2020. An initial trial to make determinations on the individual claims of the applicant and one sample group member was held on 9 October 2023. Judgment has been reserved.

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

(1) While the businesses of MLC Advice and NAB Advice Partnerships relevant to these matters have been sold to Insignia Financial Ltd (formerly known as IOOF) pursuant to the MLC Wealth Transaction, the Group has retained the companies that operated the advice business, such that the Group has retained all liabilities associated with the conduct of these businesses pre-completion of the MLC Wealth Transaction. JBWere is not within the scope of the MLC Wealth Transaction.

Note 31 Commitments and contingent liabilities (cont.)

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

Note 32
Interest in subsidiaries and other entities

Accounting policy

Investments in controlled entities

Controlled entities are all those entities (including structured entities) to which the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. An assessment of control is performed on an ongoing basis. Entities are consolidated from the date on which control is obtained by the Group. Entities are deconsolidated from the date that control ceases. The effects of transactions between entities within the Group are eliminated in full upon consolidation.

Investments in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies. The Group's investments in associates are accounted for using the equity method, with the carrying amount of the investment increased or decreased to recognise the Group's share of the profit or loss of the investee.

Structured entities

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity. Structured entities generally have restricted activities and a narrow and well-defined objective which is created through contractual arrangement. Depending on the Group's power over the relevant activities of the structured entity and its exposure to and ability to influence its own returns, it may or may not consolidate the entity.

Unconsolidated structured entities refer to all structured entities that are not controlled by the Group. The Group enters into transactions with unconsolidated structured entities in the normal course of business to facilitate customer transactions or for specific investment opportunities.

Interests in unconsolidated structured entities include, but are not limited to, debt and equity investments, guarantees, liquidity arrangements, commitments, fees from investment structures, and derivative instruments that expose the Group to the risks of the unconsolidated structured entities. Interests do not include plain vanilla derivatives (e.g. interest rate swaps and cross currency swaps) and positions where the Group:

- Creates rather than absorbs variability of the unconsolidated structured entity.
- Provides administrative, trustee or other services as agent to third party managed structured entities.

Involvement is considered on a case by case basis, taking into account the nature of the structured entity's activities. This excludes involvement that exists only because of typical customer-supplier relationships.

(a) Investments in controlled entities

The following table presents the material controlled entities as at 30 September 2023:

Entity name	Ownership %	Incorporated / formed in
National Equities Limited	100	Australia
National Australia Group (NZ) Limited	100	New Zealand
Bank of New Zealand	100	New Zealand

Significant restrictions

Subsidiary companies that are subject to prudential regulation are required to maintain minimum capital and other regulatory requirements that may restrict the ability of these entities to make distributions of cash or other assets to the parent company. These restrictions are managed in accordance with the Group's normal risk management policies set out in *Note 19 Financial risk management* and capital adequacy requirements in *Note 36 Capital adequacy*.

Note 32 Interest in subsidiaries and other entities (cont.)

(b) Investments in associates

The Group's investments in associates include a 20% interest in MLC Life, a provider of life insurance products in Australia. Set out below is the summarised financial information of MLC Life based on its financial information (and not the Group's 20% share of those amounts) and a reconciliation of that information to the equity-accounted carrying amount as at 30 September:

	2023 $m	2022 $m
Summarised income statement of MLC Life		
Revenue	1,656	949
Net profit for the period	146	69
Total comprehensive income for the period	146	69
Reconciliation to the Group's share of profit		
MLC Life's net profit for the period	146	69
Prima facie share of profit at 20%	29	14
Group's share of profit for the period	29	14
Summarised balance sheet of MLC Life		
Total assets	7,137	6,841
Total liabilities	4,129	3,979
Net assets	3,008	2,862
Reconciliation to the Group's investment in MLC Life		
Prima facie share of net assets at 20%	601	572
Accumulated impairment losses	(86)	(86)
Group's carrying amount of the investment in MLC Life	515	486

There was no dividend received from MLC Life during the 2023 financial year (2022: $nil).

Impact of AASB 17 Insurance Contracts

AASB 17 will be effective for the Group from 1 October 2023. AASB 17 will change the timing of profit recognition from insurance contracts. In general, profits will be recognised later than under the current accounting standard.

On transition to AASB 17 the value of MLC Life's insurance and reinsurance contract liabilities, net of insurance and reinsurance contract assets, is expected to increase by approximately $1.5 billion, before associated tax impacts. As a result, the carrying value of the Group's investment in MLC Life is expected to reduce by approximately $200 million with a corresponding decrease in retained earnings as at 1 October 2023.

Significant restrictions

Assets in a statutory fund of MLC Life can only be used to meet the liabilities and expenses of that fund, to acquire investments to further the business of that fund, or to make profit distributions when solvency and capital adequacy requirements of the *Life Insurance Act 1995* (Cth) are met. This may impact MLC Life's ability to transfer funds to the Group in the form of dividends. In addition, in certain circumstances the payment of dividends may require approval by APRA.

Transactions

As part of a long-term commercial arrangement with Nippon Life and MLC Life, the Group refers certain bank customers to MLC Life. Under a financial services agreement and certain linked arrangements, the Group provides MLC Life with certain financial services on an arm's length basis, including custody, transactional banking facilities, fixed income and currency services.

Note 32 Interest in subsidiaries and other entities (cont.)

(c) Consolidated structured entities

The Group has interests in the following types of consolidated structured entities:

Type	Details
Securitisation	The Group engages in securitisation activities for funding, liquidity and capital management purposes. The Group principally packages and sells residential mortgage loans as securities to investors through a series of bankruptcy remote securitisation vehicles. The Group is entitled to any residual income after all payments to investors and costs related to the program have been met. The note holders only have recourse to the pool of assets. The Group is considered to hold the majority of the residual risks and benefits of the vehicles. All relevant financial assets continue to be held on the Group balance sheet, and a liability is recognised for the proceeds of the funding transaction. The Group provides liquidity facilities to the securitisation vehicles. These facilities can only be drawn to manage the timing mismatch of cash inflows from securitised loans and cash outflows due to investors. The Group also provides redraw facilities to certain securitisation vehicles to manage the timing mismatch of principal collections from securitised loans and cash outflows in respect of customer redraws. The aggregate limit of these liquidity and redraw facilities as at 30 September 2023 is $1,364 million.
Covered bonds	The Group is entitled to any residual income after all payments due to covered bonds investors and costs related to the program have been met. Residential mortgage loans are assigned to a bankruptcy remote structured entity, which provides guarantees on the payments to covered bondholders. The covered bondholders have recourse to the Group and, following certain trigger events including payment default, the covered pool assets.

(d) Unconsolidated structured entities

The Group has interests in the following types of unconsolidated structured entities:

Type	Details
Securitisation	The Group engages with third party (client) securitisation vehicles by providing warehouse facilities, liquidity support and derivatives. The Group invests in residential mortgage and asset-backed securities.
Other financing	The Group provides tailored lending to limited recourse single purpose vehicles which are established to facilitate asset financing for clients. The assets are pledged as collateral to the Group. The Group engages in raising finance for leasing assets such as aircraft, trains, shipping vessels and other infrastructure assets. The Group may act as a lender, arranger or derivative counterparty to these vehicles. Other financing transactions are generally senior, secured self-liquidating facilities in compliance with Group credit lending policies. Regular credit and financial reviews of the borrowers are conducted to ensure collateral is sufficient to support the Group's maximum exposures.
Investment funds	The Group has direct interests in unconsolidated investment funds. The Group's interests include holding units and receiving fees for services. The Group's interest in unconsolidated investment funds is immaterial.

Note 32 Interest in subsidiaries and other entities (cont.)

The table below shows the carrying value and maximum exposure to loss of the Group's interests in unconsolidated structured entities:

	Group					
	Securitisations		Other financing		Total	
	2023 $m	2022 $m	2023 $m	2022 $m	2023 $m	2022 $m
Loans and advances	**19,833**	22,849	**2,564**	3,132	**22,397**	25,981
Debt instruments	**6,536**	6,283	**-**	-	**6,536**	6,283
Total carrying value of assets in unconsolidated structured entities	**26,369**	29,132	**2,564**	3,132	**28,933**	32,264
Commitment / contingencies	**7,486**	8,490	**62**	121	**7,548**	8,611
Total maximum exposure to loss in unconsolidated structured entities	**33,855**	37,622	**2,626**	3,253	**36,481**	40,875

Exposure to loss is managed as part of the Group's RMF. The Group's maximum exposure to loss is the total of its on-balance sheet positions and its off-balance sheet arrangements, being loan commitments, financial guarantees, and liquidity support. Consequently, the Group has presented these measures rather than the total assets of the unconsolidated structured entities. Refer to *Note 19 Financial risk management* for further details. Income earned from interests in unconsolidated structured entities primarily results from interest income, mark-to-market movements and fees and commissions.

The majority of the Group's exposures are senior investment grade, but in some limited cases, the Group may be required to absorb losses from unconsolidated structured entities before other parties because the Group's interests are subordinated to others in the ownership structure. The table below shows the credit quality of the Group's exposures in unconsolidated structured entities:

	Group					
	Securitisations		Other financing		Total	
	2023 $m	2022 $m	2023 $m	2022 $m	2023 $m	2022 $m
Senior investment grade	**26,358**	29,065	**708**	790	**27,066**	29,855
Investment grade	**9**	57	**1,352**	1,419	**1,361**	1,476
Sub-investment grade	**2**	10	**504**	923	**506**	933
Total[1]	**26,369**	29,132	**2,564**	3,132	**28,933**	32,264

(1) Of the total, $28,798 million (2022: $32,051 million) represents the Group's interest in senior notes and $135 million in subordinated notes (2022: $213 million).

Note 33
Related party disclosures

The Group provides a range of services to related parties including the provision of banking facilities and standby financing arrangements. Other dealings include granting loans and accepting deposits, and the provision of finance. These transactions are normally entered into on terms equivalent to those that prevail on an arm's length basis in the ordinary course of business.

Other transactions with controlled entities may involve leases of properties, plant and equipment, provision of data processing services or access to intellectual or other intangible property rights. Charges for these transactions are normally on an arm's length basis and are otherwise on the basis of equitable rates agreed between the parties. The Company also provides various administrative services to the Group, which may include accounting, secretarial and legal. Fees may be charged for these services.

Loans made to subsidiaries are generally entered into on terms equivalent to those that prevail on an arm's length basis, except that there are often no fixed repayment terms for the settlement of loans between parties. Outstanding balances are unsecured and are repayable in cash.

The Company may incur costs on behalf of controlled entities in respect of customer-related remediation, regulatory activity, compliance investigations and associated proceedings. Refer to *Note 31 Commitments and contingent liabilities* for further details in respect of these matters.

Subsidiaries

The table below shows the net amounts payable to subsidiaries for the years ended 30 September:

	Company	
	2023 $m	2022 $m
Balance at beginning of year	**(3,413)**	(83)
Net cash outflows / (inflows)	**3,320**	(3,162)
Net foreign currency translation movements and other amounts receivable	**(389)**	(168)
Balance at end of year	**(482)**	(3,413)

The table below shows material transactions with subsidiaries for the years ended 30 September:

	Company	
	2023 $m	2022 $m
Net interest expense	**(929)**	(1,344)
Dividend revenue	**7,421**	2,024

Superannuation plans

The following payments were made to superannuation plans sponsored by the Group:

	Group		Company	
Payment to:	2023 $m	2022 $m	2023 $m	2022 $m
National Australia Bank Group Superannuation Fund A	**298**	**272**	**298**	**272**
Other	**9**	**9**	**9**	**8**

Transactions between the Group and superannuation plans sponsored by the Group were made on commercial terms and conditions.

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Note 33 Related party disclosures (cont.)

Key Management Personnel (KMP)

The list of the Company's KMP is assessed each year and comprises the non-executive directors of the Company, the Group CEO (an executive director of the Company) and those employees of the Group who have authority and responsibility for planning, directing and controlling the activities of both the Company and the Group. Details of KMP are set out in Section 7.1 and Section 8.3 of the *Remuneration Report* included in the *Report of the Directors*.

Remuneration

Total remuneration of KMP is included within total personnel expenses in *Note 5 Operating expenses*. The total remuneration is as follows:

	Group	
	2023	2022
	$	$
Short-term benefits		
Cash salary	**18,860,539**	18,587,954
Variable reward cash	**8,312,680**	7,996,381
Non-monetary	**172,600**	272,922
Post-employment benefits		
Superannuation	**578,764**	532,755
Other long-term benefits		
Other long-term benefits	**200,462**	182,991
Equity-based benefits		
Shares	**489,226**	1,477,224
Performance rights	**14,955,354**	13,433,135
Other		
Other remuneration	**1,742,506**	-
Total	**45,312,131**	42,483,362

Performance rights and shareholdings of KMP are set out in the *Remuneration Report* included in the *Report of the Directors*.

Loans to KMP and their related parties

During the 2023 financial year, loans made to KMP and other related parties of the Group and Company were $21 million (2022: $13 million). Loans to non-executive directors of the Company are made in the ordinary course of business on terms equivalent to those that prevail in arm's length transactions. Loans to the Group CEO and Group Executives may be made on similar terms and conditions generally available to other employees of the Group. Loans may be secured or unsecured depending on the nature of the lending product advanced. As at 30 September 2023, the total loan balances outstanding were $59 million (2022: $47 million).

No amounts were written off in respect of any loans made to directors or other KMP of the Group and Company during the current or prior reporting period.

Further details regarding loans advanced to KMP of the Group and Company are included in the *Remuneration Report* within the *Report of the Directors*.

86 400 Transfer of banking business

On 8 December 2021, 86 400 transferred approximately $1,286 million of its banking related mortgage assets and $663 million of its banking related deposit liabilities to the Company on an arms-length basis under the *Financial Sector (Transfer and Restructure) Act 1999* (Cth) (FSTRA). In addition, 86 400 transferred approximately $285 million of its fixed income securities portfolio, held for liquidity purposes, to the Company on an arm's length basis under the FSTRA. These fixed income securities were previously measured at amortised cost as they were managed within a 'hold to collect' business model. Following the transfer to the Company, these securities were reclassified to fair value through profit or loss as the revised business model is neither 'hold to collect' nor 'hold to collect and sell'. The difference between the previous amortised cost of these assets and their fair value at the reclassification date was not material. Following these transfers 86 400 surrendered its ADI Licence to APRA and returned approximately $144 million of share capital to the Company. On a prospective basis, 86 400 will perform various technology and operational services to support and grow the Company's digital banking activities and business.

Note 34
Remuneration of external auditor

	Group 2023 $'000	Group 2022 $'000	Company 2023 $'000	Company 2022 $'000
EY Australia				
Audit services	**12,862**	12,457	**10,527**	10,405
Audit-related services	**5,660**	5,475	**5,303**	5,094
Taxation-related services	**50**	47	**50**	47
Non-audit services[1]	**500**	-	**500**	-
Total Australia	**19,072**	17,979	**16,380**	15,546
EY Overseas				
Audit services	**4,152**	4,079	**1,991**	1,962
Audit-related services	**1,027**	865	**355**	344
Taxation-related services	**5**	-	**-**	-
Non-audit services[1]	**56**	1,163	**-**	-
Total Overseas	**5,240**	6,107	**2,346**	2,306
Total Australia and Overseas	**24,312**	24,086	**18,726**	17,852
Fees paid to the external auditor for services to non-consolidated entities of the Group	**673**	435	**-**	-
Total remuneration paid to the external auditor	**24,985**	24,521	**18,726**	17,852

(1) The Board Audit Committee considered all non-audit services and were satisfied that these are compatible with maintaining audit independence.

Total remuneration paid to another audit firm where EY is in a joint audit arrangement for the audit of a Group subsidiary is $104,000.

The Joint Parliamentary Committee inquiry into the Regulation of Auditing in Australia highlighted the disparity and lack of comparability of the external auditor fee remuneration disclosure for ASX listed corporates. ASIC are proposing four categories to define external auditor services as the basis of the proposed future disclosure requirements which are set out below.

Auditor's remuneration – ASIC disclosures

	Group 2023 $'000	Group 2022 $'000	Company 2023 $'000	Company 2022 $'000
EY Australia – consolidated entities				
Audit services for the statutory financial report of the parent and any of its controlled entities	**12,862**	12,457	**10,527**	10,405
Assurance services that are required by legislation to be provided by the external auditor	**196**	224	**139**	128
Other assurance and agreed-upon-procedures under other legislation or contractual arrangements	**5,305**	5,099	**5,005**	4,814
Other services	**709**	199	**709**	199
Total Australia	**19,072**	17,979	**16,380**	15,546
EY Overseas – consolidated entities				
Audit services for the statutory financial report of the parent and any of its controlled entities	**4,152**	4,079	**1,991**	1,962
Other assurance and agreed-upon-procedures under other legislation or contractual arrangements	**1,032**	865	**355**	344
Other services	**56**	1,163	**-**	-
Total Overseas	**5,240**	6,107	**2,346**	2,306
Total Australia and Overseas	**24,312**	24,086	**18,726**	17,852
EY Australia and Overseas – non-consolidated entities				
Other assurance and agreed-upon-procedures under other legislation or contractual arrangements	**673**	435	**-**	-
Total remuneration paid to the external auditor	**24,985**	24,521	**18,726**	17,852

A description of the Board Audit Committee's pre-approval policies and procedures are set out in *Assurance and Control* in the Corporate Governance section and included in the *Report of the Directors*.

Note 35
Equity-based plans

Accounting policy

The value of shares and rights provided to employees are measured by reference to their grant date fair value. The grant date fair value of each share is determined by the market value of NAB shares and is generally a five-day weighted average share price. The grant date fair value of shares and rights with market performance hurdles is determined using a simulated version of the Black-Scholes model.

With the exception of general employee shares in Australia, the expense for each tranche of shares or rights granted is recognised in the income statement on a straight-line basis, adjusted for forfeitures, over the vesting period for the shares or rights. The expense for general employee shares in Australia is recognised in the income statement in the year the shares are granted as they are not subject to forfeiture. A corresponding increase is recorded in the equity-based compensation reserve.

Critical accounting judgements and estimates

The key estimates and inputs used in the Black-Scholes model vary depending on the award and type of security granted. They include the NAB share price at the time of the grant, exercise price of the rights (which is nil), the expected volatility of NAB's share price, the risk-free interest rate and the expected dividend yield on NAB shares for the life of the rights. When estimating expected volatility, historic daily share prices are analysed to arrive at annual and cumulative historic volatility estimates (which may be adjusted for any abnormal periods or non-recurring significant events). Trends in the data are analysed to estimate volatility movements in the future for use in the numeric pricing model. The simulated version of the Black-Scholes model takes into account both the probability of achieving market performance conditions and the potential for early exercise of vested rights.

While market performance conditions are incorporated into the grant date fair values, non-market conditions are not taken into account when determining the fair value and expected time to vesting of shares and rights. Instead, non-market conditions are taken into account by adjusting the number of shares and rights included in the measurement of the expense so that the amount recognised in the income statement reflects the number of shares or rights that actually vest.

Under the Group's employee equity plans, employees of the Group are awarded shares and rights. An employee's right to participate in a plan is often dependent on their performance or the performance of the Group, and shares and rights awarded under the plans are often subject to service and/or performance conditions.

Generally, a right entitles its holder to be allocated one share when the right vests and is exercised. However, under certain bespoke plans, a right entitles its holder to be allocated a number of shares equal to a predetermined value on vesting and exercise of the right.

The Board determines the maximum total value of shares or rights offered under each plan having regard to the rules of the relevant plan and, where required, the method used in calculating the fair value per security. Under ASX Listing Rules, shares and rights may not be issued to the Company's directors under an employee equity plan without specific shareholder approval.

Under the terms of most offers, there is a period during which shares are held on trust for the employee they are allocated to and cannot be dealt with, or rights granted to an employee cannot be exercised, by that employee. There may be forfeiture or lapse conditions which apply to shares or rights allocated to an employee (as described below), including as a result of the employee ceasing employment with the Group during those periods or conduct standards not being met. Shares allocated to employees are eligible for any cash dividends paid by the Company on those shares from the time those shares are allocated to the trustee on their behalf. Rights granted to employees are not eligible for any cash dividends paid by the Company. In some limited circumstances, there may be a cash dividend equivalent payment made in the event that rights vest.

The table below sets out details of the Group's employee equity plans that are offered on a regular basis. As noted above, the Group also offers bespoke plans in certain circumstances, including in connection with material transactions, as a retention mechanism and to encourage the achievement of certain specific business growth targets.

Note 35 Equity-based plans (cont.)

	Variable Reward (VR)	Long-term Variable Reward (LTVR) (Up to 30 September 2023)	Long-term Incentive (LTI) – LTEA & LTVR (From 1 October 2023)	Annual Equity Award (AEA)	Commencement awards	Recognition/ Retention awards	General employee shares
Description	A proportion of an employee's annual VR is provided in equity and is deferred for a specified period. The deferred amount and the deferral period is different based on the incentive plan participated in, and the level of risk, responsibility and seniority of the employees. VR was referred to as 'short-term incentive' before the 2019 financial year.	LTVRs (including prior year Long-term Incentive (LTI) grants) are awarded to encourage long-term decision-making critical to creating long-term value for shareholders through the use of challenging long-term performance hurdles.	LTI consists of two equally weighted components: **Long-term Equity Award (LTEA)** – Represents the non-financial measure component of LTI, focused on risk. It is awarded to ensure risk management is front of mind in making long-term decisions and encourage the creation of safe, sustainable growth in shareholder value. **Long-term Variable Reward (LTVR)** – Represents the financial measure component of LTI. It is awarded to encourage long-term decision-making critical to creating long-term value for shareholders.	Annual awards of deferred shares under the AEA to create shareholder alignment, drive continued sustainable performance and emphasise focus on risk management and good conduct and behaviour outcomes. Deferred shares are subject to restrictions and certain forfeiture or lapsing conditions, including forfeiture or lapsing on resignation from the Group, or if conduct standards are not met.	Provided to enable the buy-out of equity or other incentives from an employee's previous employment.	Offered to key individuals in roles where retention is critical over the medium-term (generally between 2 and 3 years).	Shares up to a target value of $1,000 are offered to eligible employees.
Eligibility	Certain employees based in Australia and certain overseas jurisdictions having regard to their individual performance and the performance of the Group.	The ELT up to and including the 2023 financial year (except for the 2018 financial year when no LTVRs were awarded).	The ELT from the 2024 financial year onwards, subject to pre-grant assessments undertaken by the Board.	Certain employees appointed to Group 5 and 6 roles based in Australia and certain overseas jurisdictions.	Provided on a case by case basis, with the recommendation of the People & Remuneration Committee and the approval of the Board.	Provided on a case by case basis, with the recommendation of the People & Remuneration Committee and the approval of the Board.	Permanent employees in Australia.

Note 35 Equity-based plans (cont.)

	Variable Reward (VR)	Long-term Variable Reward (LTVR) (Up to 30 September 2023)	Long-term Incentive (LTI) - LTEA & LTVR (From 1 October 2023)	Annual Equity Award (AEA)	Commencement awards	Recognition/ Retention awards	General employee shares
Type of equity-based payment	Generally shares. However, rights are also granted for jurisdictional reasons.	Performance rights.	Performance rights.	Generally shares.	Generally shares. However, rights are also granted for jurisdictional reasons.	Generally shares. However, rights are also granted for jurisdictional reasons.	Shares.
Service conditions and performance hurdles	Deferred shares or rights are forfeited or lapsed during the vesting period if: • the employee resigns • the employee does not meet conduct standards • the employee's employment with the Group is terminated, subject to certain exclusions.	During the vesting period, all of an executive's performance rights will lapse on the executive's resignation from the Group. Performance rights will also lapse if conduct standards or performance hurdles are not met. The Board has absolute discretion to determine vesting or lapsing outcomes for the performance rights.	During the performance period and post-vesting deferral period, all of an executive's performance rights will lapse on the executive's resignation from the Group. Performance rights will also lapse if risk management, conduct standards or performance hurdles are not met. The Board has absolute discretion to determine vesting or lapsing outcomes for the performance rights.	Deferred shares are subject to restrictions and certain forfeiture or lapsing conditions, including forfeiture or lapsing on resignation from the Group, or if conduct standards are not met.	Shares or rights are subject to restrictions and certain forfeiture or lapsing conditions, including forfeiture or lapsing on resignation from the Group or if conduct standards are not met.	Shares or rights are subject to restrictions and certain forfeiture or lapsing conditions, including forfeiture or lapsing on resignation from the Group or if conduct standards are not met.	Shares are subject to restrictions on dealing for three years and are not subject to forfeiture.

Note 35 Equity-based plans (cont.)

	Variable Reward (VR)	Long-term Variable Reward (LTVR) (Up to 30 September 2023)	Long-term Incentive (LTI) – LTEA & LTVR (From 1 October 2023)	Annual Equity Award (AEA)	Commencement awards	Recognition/ Retention awards	General employee shares
Vesting, performance or deferral period	Defined period which differs based on the VR plan participated in and the employee's seniority. The period aligns with the level of risk, impact of the role on business performance and results and regulatory requirements. The vesting period will generally be between 1 and 7 years.	Defined period set at time of grant, generally between 4 and 5 years.	Defined performance period of 4 years, followed by a further 2 years (for CEO) or 1 year (all other ELT) restriction period. A risk and conduct assessment will be undertaken by the Board prior to vesting.	Defined period set at time of grant. Deferred Shares vest in equal tranches over 3 years.	Defined period set at time of grant, based on satisfactory evidence of foregone awards from previous employment.	Defined period set at time of grant.	3 years.
Exercise period (only applicable for rights)	If the applicable conditions are met, deferred rights will vest and each right will be automatically exercised. n/a for share grants.	Performance rights will be automatically exercised if they vest.	Performance rights will be automatically exercised if they vest.	n/a	If the applicable conditions are met, rights will vest and each right will be automatically exercised. n/a for share grants.	If the applicable conditions are met, rights will vest and each right will be automatically exercised. n/a for share grants.	n/a
Board discretion	The Board regularly reviews Group performance for risk, reputation, conduct and performance considerations and has the ability to: • Extend the vesting, performance or deferral period beyond the original period for the ELT, other Accountable Persons and, in certain circumstances, other employees. • Forfeit or lapse the deferred shares or rights. • Clawback the deferred shares or rights from the ELT, other Accountable Persons and in certain circumstances, other employees. In addition, the Board generally has discretion to determine the treatment of unvested shares and rights at the time a change of control event occurs. Vesting of shares and rights will not be automatic or accelerated and the Board will retain discretion in relation to the vesting outcome including absolute discretion to forfeit all shares and rights.						n/a

Note 35 Equity-based plans (cont.)

Employee share plan

	2023		2022	
	Fully paid ordinary shares granted during the year	Weighted average grant date fair value	Fully paid ordinary shares granted during the year	Weighted average grant date fair value
	No.	$	No.	$
Employee share plans				
Variable reward deferred shares	**2,666,264**	30.60	3,309,953	28.99
Commencement and recognition shares	**235,641**	30.23	889,923	29.12
General employee shares	**747,328**	30.71	747,285	28.39
Annual Equity Award shares	**771,935**	29.11	453,216	30.09

The closing market price of NAB shares as at 30 September 2023 was $29.07 (2022: $28.81). The volume weighted average share price during the year ended 30 September 2023 was $28.86 (2022: $29.44).

Rights movements

	2023	2022
Number of rights		
Opening balance as at 1 October	**2,935,432**	2,645,771
Granted[1]	**1,194,372**	1,029,947
Forfeited[1]	**(116,286)**	(405,781)
Exercised	**(166,898)**	(334,505)
Closing balance as at 30 September	**3,846,620**	2,935,432
Exercisable as at 30 September	**-**	-

(1) Where rights have been allocated or forfeited to a predetermined value, the total number granted or forfeited has been estimated using a share price of $28.86, being the volume weighted average share price of NAB shares during the financial year ended 30 September 2023 (2022: $29.44).

	2023		2022	
	Outstanding at 30 Sep	Weighted average remaining life	Outstanding at 30 Sep	Weighted average remaining life
	No.	months	No.	months
Terms and conditions				
Market hurdle	**2,867,981**	**23**	2,140,396	32
Non-market hurdle[1]	**211,210**	**8**	361,180	21
Individual hurdle[1]	**767,429**	**17**	433,856	23

(1) Where rights have been allocated or forfeited to a predetermined value, the total number granted or forfeited has been estimated using a share price of $28.86, being the volume weighted average share price of NAB shares during the financial year ended 30 September 2023 (2022: $29.44).

Note 35 Equity-based plans (cont.)

Information on fair value calculation

The table below shows the significant assumptions used as inputs into the grant date fair value calculation of rights granted during each of the last two years. In the following table, values have been presented as weighted averages, but the specific values for each grant are used for the fair value calculation. The table also shows a 'no hurdle' value for rights that do not have any market-based performance hurdles attached. The 'no hurdle' value is calculated as the grant date fair value of the rights, and in most instances is adjusted for expected dividends over the vesting period.

	2023	2022
Weighted average values		
Contractual life (years)	**3.3**	3.5
Risk-free interest rate (per annum) (%)	**3.45**	1.61
Expected volatility of share price (%)	**31**	30
Closing share price on grant date ($)	**30.12**	28.81
Dividend yield (per annum) (%)	**5.00**	4.93
Fair value of rights with a market hurdle ($)	**11.62**	17.30
Fair value of rights without a market hurdle ($)	**27.35**	23.41
Expected time to vesting (years)	**3.18**	3.30

Note 36
Capital adequacy

As an ADI, the Company is subject to regulation by APRA under the authority of the *Banking Act 1959* (Cth). APRA has set minimum Prudential Capital Requirements (PCR) for ADIs consistent with the Basel Committee on Banking Supervision capital adequacy framework. PCR are expressed as a percentage of total RWA. APRA requirements are summarised below:

CET1 capital	Tier 1 capital	Total capital
CET1 capital ranks behind the claims of depositors and other creditors in the event of winding-up of the issuer, absorbs losses as and when they occur, has full flexibility of dividend payments and has no maturity date. CET1 capital consists of the sum of paid-up ordinary share capital, retained profits plus certain other items as defined in APS 111 *Capital Adequacy: Measurement of Capital*.	CET1 capital plus AT1 capital. AT1 capital comprises high quality components of capital that satisfy the following essential characteristics: • provide a permanent and unrestricted commitment of funds • are freely available to absorb losses • rank behind the claims of depositors and other more senior creditors in the event of winding up of the issuer • provide for fully discretionary capital distributions.	Tier 1 capital plus Tier 2 capital. Tier 2 capital comprises other components of capital that, to varying degrees, do not meet the requirements of Tier 1 capital but nonetheless contribute to the overall strength of an ADI and its capacity to absorb losses.

Reporting levels

Regulatory capital requirements are measured on a Level 1 and Level 2 basis. Level 1 comprises the Company and Extended Licenced Entities approved by APRA. Level 2 comprises the Company and the entities it controls, excluding securitisation special purpose vehicles (SPVs) to which assets have been transferred in accordance with the requirements for regulatory capital relief in APS 120 *Securitisation* and funds management entities.

APRA minimum requirements

APRA's revised capital framework has applied since 1 January 2023. Under this framework, APRA's minimum PCR as a percentage of the ADI's total RWA are: 4.5% of RWA for CET1 capital, 6% for Tier 1 capital and 8% for Total capital.

An ADI must hold a capital conservation buffer above the PCR for CET1 capital. The capital conservation buffer is 3.75% of the ADI's total RWA. As a D-SIB in Australia, the Group is also required to hold an additional buffer of 1% in CET1 capital.

In addition, APRA requires the Group to hold a countercyclical capital buffer set on a jurisdictional basis, with a default setting of 1% for Australia.

APRA may determine higher PCRs for an ADI and may change an ADI's PCRs at any time. A breach of the required ratios under APRA's prudential standards may trigger legally enforceable directions by APRA, which can include a direction to raise additional capital.

Capital Management

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

Capital ratios are monitored against operating targets that are set by the Board above minimum capital requirements set by APRA.

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.

From 1 January 2023, the Group's CET1 target range moved to 11.00-11.50% to align with the new calculation methodology under APRA's revised capital framework.

Note 37
Notes to the statement of cash flows

Reconciliation of net profit attributable to owners the Company to net cash provided by / (used in) operating activities

	Group		Company	
	2023	2022	2023	2022
	$m	$m	$m	$m
Net profit attributable to owners of the Company	7,414	6,891	12,012	5,945
Add / (deduct) non-cash items in the income statement:				
(Increase) in interest receivable	(1,086)	(981)	(995)	(922)
Increase in interest payable	2,717	994	2,339	843
Increase in unearned income and deferred net fee income	381	166	419	159
Fair value movements on assets, liabilities and derivatives held at fair value	3,482	4,299	2,879	4,389
Increase in provisions	834	1,341	813	1,242
Equity-based compensation recognised in equity or reserves	131	113	131	113
Superannuation costs - defined benefit plans	(2)	-	(2)	-
Impairment losses on non-financial assets	13	10	14	18
Impairment losses on financial assets	-	1	-	-
Credit Impairment write-back	895	194	727	110
Depreciation and amortisation expense	1,214	1,112	927	871
(Increase) / decrease in other assets	150	84	(5,430)	233
Increase / (decrease) in other liabilities	(293)	280	(8)	48
Increase in income tax payable	77	659	289	610
(Increase) / decrease in deferred tax assets	(109)	352	(134)	307
Increase / (decrease) in deferred tax liabilities	8	(13)	11	20
Operating cash flow items not included in profit	(42,474)	13,170	(39,141)	14,868
Investing or financing cash flows included in profit				
(Gain) on sale of controlled entities, before income tax	(29)	(197)	(29)	-
(Gain) on sale of other debt and equity instruments	(32)	(199)	(32)	(199)
(Gain) / loss on sale of property, plant, equipment and other assets	10	(55)	(1)	(74)
Net cash provided by / (used in) operating activities	(26,699)	28,221	(25,211)	28,581

Note 37 Notes to the statement of cash flows (cont.)

Reconciliation of liabilities arising from financing activities

	Group				Company			
	Bonds, notes and subordinated debt		Debt issues	Lease liabilities	Bonds, notes and subordinated debt		Debt issues	Lease liabilities
	At fair value	At amortised cost			At fair value	At amortised cost		
	$m	$m	$m	$m	$m	$m	$m	$m
Balance at 1 October 2021	18,416	109,154	6,831	1,967	5,570	102,501	6,831	1,659
Cash flows								
Proceeds from issue	1,500	40,432	1,983	-	268	34,919	1,983	-
Repayments	(3,280)	(24,359)	(1,504)	(339)	(742)	(23,577)	(1,504)	(299)
Non-cash changes								
Additions to lease liabilities	-	-	-	631	-	-	-	617
Fair value changes, including fair value hedge adjustments	(1,497)	(7,718)	-	-	(900)	(5,371)	-	-
Foreign currency translation and other adjustments	(78)	1,774	8	(21)	283	1,202	8	1
Balance as at 30 September 2022	15,061	119,283	7,318	2,238	4,479	109,674	7,318	1,978
Cash flows								
Proceeds from issue	**1,466**	**41,361**	**1,243**	**-**	**78**	**38,870**	**1,243**	**-**
Repayments	**(3,325)**	**(27,819)**	**-**	**(328)**	**(93)**	**(26,844)**	**-**	**(284)**
Non-cash changes								
Additions to lease liabilities	**-**	**-**	**-**	**333**	**-**	**-**	**-**	**120**
Fair value changes, including fair value hedge adjustments	**(99)**	**(817)**	**-**	**-**	**(159)**	**(623)**	**-**	**-**
Foreign currency translation and other adjustments	**638**	**3,637**	**-**	**16**	**66**	**3,252**	**-**	**2**
Balance as at 30 September 2023	**13,741**	**135,645**	**8,561**	**2,259**	**4,371**	**124,329**	**8,561**	**1,816**

Note 37 Notes to the statement of cash flows (cont.)

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 cash flow statement is reconciled to the related items on the balance sheet as follows:

	Group		Company	
	2023 $m	2022 $m	2023 $m	2022 $m
Assets				
Cash and liquid assets	**24,699**	56,451	**23,959**	56,121
Treasury and other eligible bills	**53**	505	**-**	-
Due from other banks (excluding mandatory deposits with supervisory central banks)	**28,114**	38,822	**17,772**	30,142
Total cash and cash equivalent assets	**52,866**	95,778	**41,731**	86,263
Liabilities				
Due to other banks	**(12,277)**	(33,599)	**(9,950)**	(31,080)
Total cash and cash equivalents	**40,589**	62,179	**31,781**	55,183

Non-cash investing activities

In the 2023 financial year, the Company received a dividend of $5.4 billion from National Equities Limited (following a dividend payment by BNZ) which was reinvested into additional ordinary shares. These transactions were settled on a net basis and no cash was transferred. As these are transactions between entities within the Group they are eliminated in full upon consolidation.

Non-cash financing activities

	Group		Company	
	2023 $m	2022 $m	2023 $m	2022 $m
Shares issued under the Dividend Reinvestment Plan	**693**	500	**693**	500

There was no DRP discount on dividends paid in the 2023 financial year (2022: $nil).

Note 38
Acquisition of subsidiaries

Acquisition of Citigroup's Australian consumer business – 1 June 2022

On 1 June 2022, the Company completed the acquisition of the Citi consumer business, including its home lending portfolio, unsecured lending business (personal loans and credit cards), retail deposits business and private wealth management business. The acquisition qualified as a business combination as defined in AASB 3 *Business Combinations*.

The acquisition was undertaken to support NAB's ambition to build a leading personal bank with a simpler, more digital experience.

The net assets recognised in the 2022 financial year were recorded on a provisional basis using preliminary completion accounts and a draft purchase price allocation. During the 2023 financial year the final completion payment was made and the purchase price allocation was finalised.

The final fair values of the assets and liabilities are summarised in the table below:

	Group
	$m
Consideration	
Total cash consideration for the acquisition	3,135
Assets and liabilities acquired	
Loans and advances	12,832
Other assets	523
Total assets	13,355
Deposits and other borrowings	9,488
Other liabilities	732
Total liabilities	10,220
Net assets	3,135
Goodwill and other intangible assets	248
Goodwill	80
Intangible assets	168

The most significant adjustments to the provisional amounts disclosed in the 2022 Annual Report are in relation to a $19 million increase in net deferred tax assets recognised and a $3 million decrease in intangible assets.

The final goodwill value of $80 million is supported by the scale and expertise in unsecured lending acquired, together with anticipated synergies. Other intangible assets comprise customer relationships and core deposits.

The goodwill has been allocated to the Personal Banking CGU (refer to *Note 22 Goodwill and other intangible assets*).

Note 39
Events subsequent to reporting date

There are no items, transactions or events of a material or unusual nature that have arisen in the interval between 30 September 2023 and the date of this report that, in the opinion of the directors, have significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in future years.

Annex C Audit Report
(extracts from the Group's 2023 Annual Report)

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

As lead auditor for the audit of the financial report of National Australia Bank Limited for the financial year ended 30 September 2023, I declare to the best of my knowledge and belief, there have been:

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

b) no contraventions of any applicable code of professional conduct in relation to the audit; and

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

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

Ernst & Young

Ernst & Young

T M Dring
Partner
9 November 2023

Directors' declaration

The directors of National Australia Bank Limited declare that:

(a) in the opinion of the directors, the financial statements and notes for the year ended 30 September 2023, as set out on pages 159 to 254, are in accordance with the *Corporations Act 2001* (Cth), including:

i) in compliance with Australian Accounting Standards (including Australian Accounting Interpretations), International Financial Reporting Standards as stated in *Note 1 Basis of preparation, and* any further requirements of the *Corporations Regulations 2001;* and

ii) give a true and fair view of the financial position of the Company and the Group as at 30 September 2023, and of the performance of the Company and the Group for the year ended 30 September 2023.

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

(c) the directors have been given the declarations required by section 295A of the *Corporations Act 2001* (Cth) for the year ended 30 September 2023.

Signed in accordance with a resolution of the directors.

Philip Chronican
Chair
9 November 2023

Ross McEwan CBE
Group Chief Executive Officer
9 November 2023

Building a better
working world

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Independent Auditor’s Report to the Members of National Australia Bank Limited

Report on the audit of the Financial Report

Opinion

We have audited the Financial Report of National Australia Bank Limited (the Company) and its subsidiaries (collectively the Group), which comprises:

► The Group consolidated and Company Balance sheets as at 30 September 2023;

► The Group consolidated and Company income statements, statements of comprehensive income, statements of cash flows and statements of changes in equity for the year then ended;

► Notes to the financial statements, including a summary of significant accounting policies; and

► The Directors’ declaration.

In our opinion, the accompanying Financial Report is in accordance with the *Corporations Act 2001*, including:

a. Giving a true and fair view of the Company’s and the Group’s financial position as at 30 September 2023 and of their financial performance for the year ended on that date; and

b. Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor’s responsibilities for the audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board’s APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the Financial Report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Financial Report of the current year. These matters were addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context. The key audit matters identified below, unless otherwise stated, relate to both the Company and the Group.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the Financial Report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying Financial Report.

Why significant	How our audit addressed the key audit matter
Provision for credit impairment	
As at 30 September 2023 the Group has a provision for credit impairment of $5,585 million as disclosed in Note 17 *Provision for credit impairment on loans at amortised cost*. The provision for credit impairment is measured in accordance with the requirements of Australian Accounting Standard – AASB 9 *Financial Instruments* (AASB 9). Key areas of significant judgment included: ▶ the application of the impairment requirements of AASB 9 within the expected credit loss methodology; ▶ the identification of exposures with a significant increase in credit risk; ▶ assumptions used in the expected credit loss model (for exposures assessed on an individual or collective basis); and ▶ the incorporation of forward-looking information to reflect current and anticipated future external factors, both in the multiple economic scenarios and the probability weighting determined for each of these scenarios. This was a key audit matter due to the value of the provision, and the degree of judgment and estimation uncertainty associated with the provision calculation.	Our audit procedures included the following: We assessed the alignment of the Group's expected credit loss model and its underlying methodology against the requirements of AASB 9. In conjunction with our actuarial and economic specialists, we assessed the following for exposures evaluated on a collective basis: ▶ significant modelling and macroeconomic assumptions, including the reasonableness of forward-looking information and scenarios; ▶ the determination and assessment of significant increase in credit risk; ▶ sensitivity of collective provisions to changes in modelling assumptions; ▶ the mathematical accuracy of management's model; and ▶ the basis for and data used to determine forward looking adjustments. We assessed a sample of exposures on an individual basis by: ▶ assessing the reasonableness and timeliness of internal credit quality assessments based on the borrowers' particular circumstances; and ▶ evaluating the associated provisions by assessing the reasonableness of key inputs into the credit impairment calculation, with particular focus on high-risk industries, work out strategies, collateral values, and the value and timing of recoveries. In conjunction with our IT specialists, we assessed the effectiveness of relevant controls relating to the: ▶ capture of data, including loan origination and transactional data, ongoing internal credit quality assessments, storage of data in data warehouses, and interfaces with the models; and ▶ expected credit loss models, including functionality, ongoing monitoring/validation and model governance. We assessed the processes used to identify and evaluate climate-related risks associated with the provision for credit impairment. We assessed the adequacy of the disclosures related to credit impairment within the Notes to the financial statements.

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Why significant	How our audit addressed the key audit matter
Impairment assessment of goodwill	
The Group has recognised goodwill of $2,070 million on its balance sheet as at 30 September 2023. During the year, the purchase price allocation for the acquisitions of Citigroup's Australian consumer business (Citi consumer business) was finalised. As disclosed in Note 22 *Goodwill and other intangible assets*, the Group performs an annual impairment assessment, or more frequently if there is an indication that goodwill may be impaired. This involves a comparison of the carrying value of the cash generating unit (CGU) to which the goodwill has been attributed with its recoverable amount. The recoverable amount was determined using a value in use basis (VIU) for all CGUs. The determination of VIU incorporated a range of key assumptions, including: ▶ future cash flows; ▶ discount rate; and ▶ terminal growth rate. The impairment assessment of goodwill was a key audit matter due to the degree of estimation uncertainty associated with the assumptions applied in the impairment assessment.	Our audit procedures included the following: We assessed whether the VIU calculation methodology used by the Group for the impairment assessment of goodwill was in accordance with the requirements of Australian Accounting Standards. We assessed the appropriateness of the CGUs identified to which goodwill has been allocated. We agreed the forecast cash flows to the most recent Board or management approved cash flow forecasts and assessed the historical accuracy of the forecasts by performing a comparison of recent forecasts to actual results. We involved our valuation specialists to assess, with reference to comparable companies, the key assumptions used in the impairment assessment, including future cash flow forecasts, discount rates and terminal growth rates, and to test the mathematical accuracy of the impairment models. We assessed the Group's current market capitalisation against the recoverable amount implied by the Group's VIU calculation and benchmarked the implied valuation multiples to comparable company valuation multiples. We assessed the adequacy of the disclosures related to the impairment assessment of goodwill within the Notes to the financial statements.

Building a better working world

Why significant	How our audit addressed the key audit matter
Information Technology (IT) systems and controls over financial reporting	
A significant part of the financial reporting process is primarily reliant on IT systems with automated processes and controls relating to the capture, storage and extraction of a high volume of information. A fundamental component of these IT systems and controls is ensuring that risks relating to inappropriate user access management, unauthorised program changes and IT operating protocols are addressed. This was identified as a key audit matter as our audit approach is dependent on the effective operation of the IT controls.	Our audit procedures included the following: We focused on those IT systems and controls that are significant to the financial reporting process. We involved our IT specialists, as audit procedures over IT systems and controls require specific expertise. We assessed the design, implementation, and operating effectiveness of IT controls, including those related to: ▶ General security settings and authentication ▶ User access management and revalidation ▶ Change and release management ▶ IT operations Where we identified design and/or operating deficiencies in the IT control environment, our audit procedures included the following: ▶ we assessed the integrity and reliability of the systems and data related to financial reporting; and ▶ where automated procedures were supported by systems with identified deficiencies, we either 1) assessed compensating or mitigating controls that were not reliant on the IT control environment, 2) performed direct testing of IT application controls and/or IT dependent manual controls, or 3) varied the nature, timing and extent of substantive procedures performed.

Information other than the Financial Report and auditor's report thereon

The directors are responsible for the other information. The other information comprises the information included in the Company's 2023 Annual Report, but does not include the Financial Report and our auditor's report thereon.

Our opinion on the Financial Report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the Financial Report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Financial Report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

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

In preparing the Financial Report, the Directors are responsible for assessing the Company's and Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this Financial Report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Financial Report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's or the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's or Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company or the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the Financial Report, including the disclosures, and whether the Financial Report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Financial Report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated to the Directors, we determine those matters that were of most significance in the audit of the Financial Report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 115 to 154 of the directors' report for the year ended 30 September 2023.

In our opinion, the Remuneration Report of National Australia Bank Limited for the year ended 30 September 2023, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Ernst & Young

T M Dring
Partner
Melbourne
9 November 2023

Glossary

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

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

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

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

AASB
Australian Accounting Standards Board.

Accountable Person
An accountable person for the purposes of the Banking Act 1959 (Cth).

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

ADI
Authorised Deposit-taking Institution.

ADR
American Depositary Receipt.

AGM
Annual General Meeting of National Australia Bank Limited.

AML
Anti-Money Laundering.

Annual Variable Reward (VR)
An 'at risk' opportunity for individuals to receive an annual performance-based reward. The actual VR that an individual will receive in any particular year will reflect both business and individual performance.

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).

AUSTRAC
Australian Transaction Reports and Analysis Centre.

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

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

Bank levy
A levy imposed under the Major Bank Levy Act 2017 (Cth) on ADIs with total liabilities of more than $100 billion.

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.

BBSW
Bank Bill Swap Rate.

BEAR
Banking Executive Accountability Regime.

BEAR Accountable Person
For the purposes of BEAR, NAB has registered certain individuals (the directors, Group Executives, Executive Internal Audit and Executive Group Money Laundering Reporting Officer) as 'Accountable Persons' with APRA.

BKBM
New Zealand's Bank Bill Benchmark Rate.

BNZ
Bank of New Zealand, a subsidiary of National Australia Bank Group.

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

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

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

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

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

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

CGU
Cash-generating unit.

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

Citigroup
Citigroup Pty Limited and Citigroup Overseas Investment Corporation.

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

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

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

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

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

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

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

Cost to income ratio (CTI)
Represents operating expenses as a percentage of operating revenue.

CQiB
Career Qualified in Banking program.

CTF
Counter-Terrorism Financing.

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

Customer Funding Index (CFI)
Customer deposits (excluding certain short dated institutional deposits used to fund liquid assets) divided by core assets.

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

D-SIB
Domestic Systemically Important Banks.

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

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

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

Dilutive potential ordinary share
A financial instrument or other contract that may entitle its holder to ordinary shares and which would have the effect of decreasing earnings per share. For the Group in the September 2022 full year, these include convertible notes and notes issued under employee incentive schemes. The September 2021 full year also includes convertible preference shares.

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

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

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

DLP
Distinctive Leadership program.

EaR
Earnings at risk.

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

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

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

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

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

Environmental reporting year
Environmental reporting period from 1 July to 30 June. Aligned with the National Greenhouse and Energy Reporting Act 2007 (Cth).

Executive Leadership Team (ELT)
Executive Leadership Team means the Group CEO and the Group Executives.

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 (for the purposes of equity awards set out in the Remuneration Report)
The value of the awards provided are measured by reference to the grant date fair value of the shares and performance rights provided to employees. The grant date fair value of each share is determined by the market value of NAB shares, and is generally a five-day weighted average share price. The fair value of the shares and performance rights with market performance hurdles is determined using a simulated version of the Black-Scholes model.

FINSIA
Financial Services Institute of Australasia.

Fixed Remuneration (FR)
Base salary and superannuation paid regularly during the year.

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

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

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

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

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

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

Group
NAB and its controlled entities.

Group Executives
The Executive Leadership Team, excluding the Group CEO.

Group Performance Indicators (GPI)
A scorecard of financial and non-financial performance measures linked to the Group's key strategic priorities, overlaid by a qualitative assessment. The GPI is used to assess the Group's performance for the purpose of the Annual VR Plan.

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

HICAPS
Health Industry Claims and Payments Service.

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.

IBOR
Interbank Offered Rates.

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

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

Imputation credit
Tax credit passed on to shareholders who receive partially or fully franked dividend / distribution.

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

Key Management Personnel (KMP)
NAB's Key Management Personnel (KMP) is assessed each year and comprises the non-executive directors of NAB, the Group CEO (an executive director of NAB) and those employees of the Group who have authority and responsibility for planning, directing and controlling the activities of both NAB and the Group.

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

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

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

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

Long Term Variable Reward (LTVR)
An 'at risk' opportunity for the ELT to receive a long-term performance-based reward, vesting after a four-year performance period subject to the applicable performance hurdle. The actual LTVR that an individual will receive on vesting will reflect achievement of the performance hurdle.

Marketable debt securities
Comprises trading securities and debt instruments.

MLC Life
MLC Limited.

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

NAB
'NAB' or the 'Company' means National Australia Bank Limited ABN 12 004 044 937.

NAB Foundation
A registered charity which does not form part of the Group.

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

Net Promoter Score (NPS)
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. Net Promoter Score measures the likelihood of a customer's recommendation to others.

Net Stable Funding Ratio (NSFR)
A ratio of the amount of available stable funding (ASF) to the amount of required stable funding (RSF).

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

NZBA
Net Zero Banking Alliance.

Official Cash Rate
Official Cash Rate is an interest rate set by the Reserve Bank of New Zealand.

PPS
Perpetual preference shares.

RBA
Reserve Bank of Australia.

RBNZ
Reserve Bank of New Zealand.

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

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

RMBS
Residential Mortgage Backed Securities.

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.

Stable Funding Index (SFI)
Term Funding Index (TFI) plus Customer Funding Index (CFI).

Standardised approach
An alternative approach to the assessment of credit risk which utilises regulatory prescribed risk-weights based on external ratings and / or the application of specific regulator defined metrics to determine risk-weighted assets.

Standardised Measurement Approach (SMA)
An approach used to calculate the capital requirement for operational risk based on a business indicator, a financial statement proxy of operational risk exposure. This approach was applied by the Group from 1 January 2022.

Statutory net profit
Net profit attributable to owners of NAB.

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

Structured entity
An entity created to accomplish a narrow well-defined objective (e.g. securitisation of financial assets). A structured entity may take the form of a corporation, trust, partnership or unincorporated entity. Structured entities are often created with legal arrangements that impose strict limits on the activities of the structured entity.

TCFD
The Financial Stability Board Task Force on Climate-related Financial Disclosures.

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

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

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

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

Top quartile
Top quartile comparison is based upon Glint's client group (domestic and global, from all industries).

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

Total capital
Tier 1 capital plus Tier 2 capital.

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

Total Shareholder Return (TSR)
The return that a shareholder receives through dividends (and any other distributions) together with capital gains over a specific period.

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

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

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

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