HALF YEAR RESULTS 2019

National Australia Bank

Paul and Belinda Adams
Coastal Hydroponics
NAB customer

"Together with NAB's expertise and support in sourcing reliable export opportunities, Coastal Hydroponics is exploring global export markets and the prospect of installing innovative Cravo houses for the protected growing of their produce in the future."

Incorporating the requirements of Appendix 4D

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

The half year consolidated report is to be read in conjunction with the Annual Financial Report 2018.

National Australia Bank Limited ABN 12 004 044 937

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Results for Announcement to the Market

Report for the half year ended 31 March 2019

					31 March 2019 $m
Revenue from ordinary activities(1)	down	4.7%	*	to	9,169
Net profit after tax from ordinary activities attributable to owners of NAB	up	4.3%	*	to	2,694
Net profit attributable to owners of NAB	up	4.3%	*	to	2,694

** On prior corresponding period (six months ended 31 March 2018).*

Dividends	**Amount per share cents**	**Franked amount per share %**
Interim dividend	83	100
Ex-dividend date for interim dividend		14 May 2019
Record date for determining entitlements to the interim dividend		15 May 2019

A Glossary of Terms is included in Section 6.

A reference in this Appendix 4D to the 'Group' is a reference to NAB and its controlled entities. All currency amounts are expressed in Australian dollars unless otherwise stated. References in this document to the March 2019 half year are references to the six months ended 31 March 2019. Other six month periods are referred to in a corresponding manner. The Group's consolidated financial statements, prepared in accordance with the *Corporations Act 2001* (Cth), are included in Section 4. See page 99 for a complete index of ASX Appendix 4D requirements.

(1) *Required to be disclosed by ASX Listing Rule 4D. Reported as the sum of the following from the Group's consolidated income statement: Net interest income $6,741 million and total other income $2,428 million. On a cash earnings basis revenue decreased by 2.4%. Refer to information on cash earnings on page 2 of Section 1 of the 2019 half year results.*

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Half Year Results
2019

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NAB 2019 HALF YEAR RESULTS SUMMARY

Paul and Belinda Adams
Coastal Hydroponics
NAB customer

1H19 FINANCIAL HIGHLIGHTS

$2,694M
Statutory net profit

$2,954M
Cash earnings[1]
Up 7.1% v 1H18

$3,279m cash earnings ex customer-related remediation of $325m
Flat vs 1H18[2]

83CPS
Interim dividend
100% franked

10.4%
Group Common Equity Tier 1 (CET1) ratio

"This has been a challenging period for NAB with the Royal Commission highlighting the need for us to take greater action to earn back the trust of our customers and the community. This starts with remediating affected customers as quickly as possible, and fixing the issues that caused our failures so they don't happen again.

As a result, 1H19 earnings include a further $525 million in customer-related remediation costs ($325 million in cash earnings). Excluding remediation costs, 1H19 cash earnings are broadly flat compared with 1H18[2], with revenue up 1% reflecting market share gains in SME and home lending, and expenses 2% higher. Pleasingly, productivity benefits from our transformation program saw expenses fall 2% compared with 2H18 and we are on track to deliver broadly flat costs in FY19 and FY20 (excluding large notable expenses[3]).

The Board has determined it is prudent to reduce the 2019 interim dividend by 16% to 83 cents per share and to partially underwrite the 1H19 dividend reinvestment plan. These actions significantly strengthen NAB's balance sheet providing greater confidence in our ability to exceed APRA's 'Unquestionably Strong Capital' requirements from 2020.

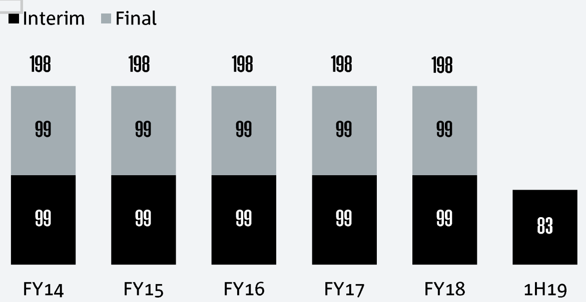
We are making changes, and while there is much more to do we are confident this will create the bank our customers, shareholders and the community deserve."

PHILIP CHRONICAN
NAB CEO

DELIVERING FOR OUR SHAREHOLDERS

DIVIDENDS (CPS)

In respect of each financial year period



BACKING OUR CUSTOMERS & THE COMMUNITY IN 1H19

- Priority Segments Net Promoter Score (NPS)[4] for March 2019 is down 1 point to -17 compared to September 2018 levels and is second of major banks
- Support for 72 of the Royal Commission's 76 recommendations, and have action underway on 26
- Pledged to keep our 316 NAB branches in regional and rural Australia open until at least January 2021
- Abolished grandfathered commissions for NAB Financial Planning employed advisers and closing the 'Introducer' payments program from 1 October 2019
- Almost $3 billion of lending to small and medium sized business each month since March 2018

[1] Refer to cash earnings note and reconciliation on page 6.
[2] Excluding restructuring-related costs of $755 million in 1H18.
[3] Large notable expenses includes customer-related remediation and restructuring-related costs. Refer to key risks, qualifications and assumptions in relation to forward looking statements on page 7.
[4] Net Promoter® and NPS® are registered trademarks and Net Promoter Score and Net Promoter System are trademarks of Bain & Company, Satmetrix Systems and Fred Reichheld. Priority Segments Net Promoter Score (NPS) is a simple average of the NPS scores of four priority segments: NAB defined Home Owners (Home Loan @ Bank) and Investors, as well as Small Business ($0.1m-<$5m) and Medium Business ($5m-<$50m). The Priority Segments NPS data is based on six month moving averages from DBM Atlas & BFSM Research. Roy Morgan Research no longer provide Home Owners and Investors segment data and accordingly historical data has been restated.

The March 2019 half year results are compared with the March 2018 half year results for continuing operations and are expressed on a cash earnings basis (excluding customer-related remediation and restructuring-related costs) unless otherwise stated.

OPERATING PERFORMANCE 1H19 V 1H18

- Revenue up 1.4% with growth in housing and business lending, partly offset by lower margins.
- Net Interest Margin down 7 basis points (bps), primarily due to housing lending competition and product mix changes.
- Expenses up 1.7%, reflecting continued higher investment spend partly offset by productivity benefits.

1H19 V 1H18 DRIVERS OF CASH EARNINGS CHANGE[5]

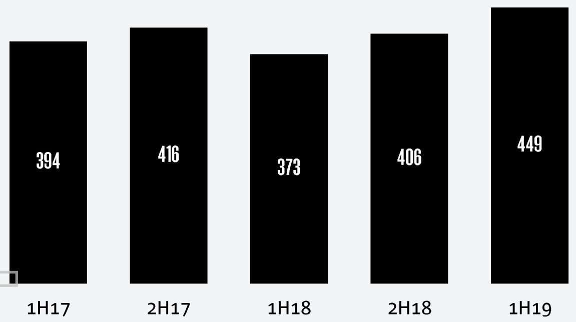
"Expenses growth is slowing, and compared with 2H18 has declined 2%, as benefits of our transformation continue to be delivered.

We continue to target broadly flat expense growth for FY19 and FY20 excluding large notable expenses[3]."

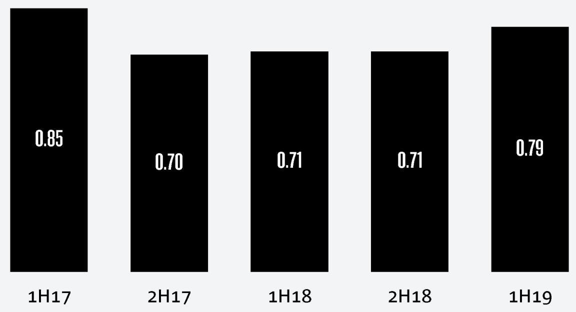
ASSET QUALITY 1H19 V 1H18

- Credit impairment charges increased 20.4% to $449 million, and as a percentage of gross loans and acceptances increased 2bps to 15bps.
- Higher 1H19 charges reflect impairment of a small number of larger exposures, and include $33 million of additional collective provision forward looking adjustments for targeted sectors experiencing elevated levels of risk.
- The ratio of 90+ days past due and gross impaired assets to gross loans and acceptances increased by 8bps to 0.79%, driven primarily by increased delinquencies in the Australian mortgage portfolio.

CREDIT IMPAIRMENT CHARGES ($ MILLIONS)



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

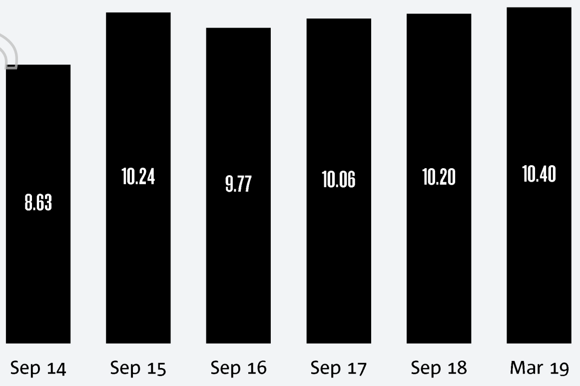


"While asset quality metrics have been impacted by higher arrears for Australian housing lending, loss rates for this portfolio remain low at 2bps. Collective provisions associated with forward looking adjustments for targeted sectors increased again over 1H19 and now stand at $614 million."

[5] Excluding $755 million of restructuring-related costs in 1H18, $344 million of customer-related remediation in income in 1H19 and $120 million of customer-related remediation costs in 1H19. Underlying profit represents cash earnings before credit impairment charges, income tax and distributions. Refer cash earnings note and reconciliation on page 6.

CAPITAL, FUNDING & LIQUIDITY

CET1 RATIO (%)



KEY RATIOS AS AT 31 MARCH 2019

- Group Common Equity Tier 1 (CET1) ratio of 10.40%, up 20bps from September 2018
- Well placed to exceed APRA's 'unquestionably strong' target of 10.5% by January 2020
- Leverage ratio (APRA basis) of 5.5%
- Liquidity coverage ratio (LCR) quarterly average of 130%
- Net Stable Funding Ratio (NSFR) of 112%

DIVISIONAL PERFORMANCE – CASH EARNINGS

	1H19 ($M)	% CHANGE 1H19 V 1H18	HIGHLIGHTS 1H19 V 1H18
Business & Private Banking	1,462	(1.3)	Earnings lower with higher investment spend and credit impairment charges, offsetting stronger revenue which continued to benefit from good SME lending growth
Consumer Banking & Wealth	638	(20.6)	A much lower result with above system housing lending growth offset by lower margins and higher credit impairment charges, combined with lower Wealth revenue
Corporate & Institutional Banking	781	0.4	A broadly stable result with good growth in non-Markets revenue offset by higher investment spend and credit impairment charges
New Zealand Banking (NZ$M)	532	7.7	A strong result with increased revenue benefitting from higher margins and strong growth in both housing and business lending

OVERVIEW[6]

The past six months has been a challenging period for NAB. The Royal Commission highlighted a gap between where we are today and where we need to be to meet customer and community expectations. The Commission forced us to confront broader issues of how we treat customers, and the accountability, governance and culture inside the bank. In February our CEO Andrew Thorburn resigned and our Chairman Ken Henry announced his intention to step down later this year, recognising change was necessary. A global search for a permanent CEO is well underway.

We are taking actions to address these broader issues and the Commission's recommendations. Of the 76 recommendations NAB supports 72, with 26 either completed or in the process of being actioned.

We are accelerating work to remediate customers who have been treated poorly. We have around 350 people dedicated to remediating customers and will soon have 500 as we bring greater focus and discipline to resolving issues and making sure they do not happen again. In 1H19 we have taken an additional $525 million (post tax) in charges in connection with increased provisions for customer-related remediation. Of these charges 91% are for Wealth related matters with the remainder for Banking. In combination with provisions raised in 2H18 which have not been utilised, our provisions for customer-related remediation as at 31 March 2019 total $1,102 million. Customer remediation and regulatory compliance investigations are continuing in 2H19 and beyond, with potential for additional costs, although amounts and timing remain uncertain.

The Board has considered accountability outcomes in areas where NAB has not met customer, shareholder and community expectations. As a result, prior period deferred remuneration has been forfeited for the majority of the FY18 Executive Leadership Team, potentially worth approximately $5.5 million[7] of previously earned variable reward from 2016-2018. This is in addition to forfeiture of all deferred and unvested variable reward by Mr Thorburn on resignation, potentially worth approximately $21 million[7]. The Board also recognises the need for accountability beyond the decision of Dr Henry to step down, and all continuing Directors will take a reduction in 2019 Directors' fees, equivalent to 20 per cent of their 2018 base fee.

Backing our customers to grow and helping them when they need it most is important to us. This has led to a number of changes including in rural and regional Australia where we have pledged to keep our 316 branches open until at least January 2021, and have stopped charging default interest to agricultural customers impacted by drought. We are also supporting our customers and the economy by remaining open for business, with home lending growing 1.1 times system over the six months to 31 March 2019 and we continue to lend $3 billion to small and medium business each month.

NAB's three year transformation program announced in November 2017 is now at the halfway mark and remains on track, despite higher than expected regulatory and compliance costs. Benefits of $1.5 billion increased investment over three years are emerging with 1H19 expenses (excluding customer-related remediation) 2% lower than 2H18. Cost savings of $122 million achieved in 1H19 bring total savings since September 2017 to $512 million. We continue to target cumulative cost savings of at least $1 billion by 30 September 2020, and FY19 and FY20 expenses to remain broadly flat excluding large notable expenses[3].

Our simplification agenda is critical to deliver better and faster outcomes for customers and our employees. Product numbers are lower again, down 75 in 1H19 to 420 compared with 600 at September 2017 as we move towards a simpler offering increasingly capable of digital origination. Better self-service capabilities for customers, including the rollout of 812 Smart ATMs, have seen over-the-counter transactions fall by 23% and call centre volumes reduce by 14% since September 2017. We have reduced IT applications by 8% and migrated 8% to the Cloud creating more flexible, reliable, lower cost technology platforms.

A key focus of our accelerated investment remains Best Business Bank, providing significant capability and innovation uplift in our already leading SME franchise. This is supporting stronger SME business lending, up 5% over the 12 months to 31 March 2019 and well ahead of major bank peers. Investments in new and emerging growth opportunities are also delivering encouraging results during 1H19, with UBank, our digital bank, adding 10% or 50,000 more customers and growing home loans 13%.

Repositioning of our MLC Wealth business under new leadership has good momentum, but the regulatory and operating environment remains challenging. Progress is being made to enable MLC to operate as a stand-alone business within the NAB Group as we continue preparations for a targeted public market exit during FY20 while keeping options open for a potential trade sale. In 1H19 MLC launched an enhanced MySuper product removing exit fees and providing a life cycle offering, and announced more competitive pricing for Wrap and Masterkey. Further initiatives are planned including modernising the super business.

Balance sheet strength continues to be a priority. The 16% reduction in the 1H19 dividend resets for a more challenging operating environment and provides greater flexibility to accommodate further regulatory change and additional earnings volatility, including further potential customer-related remediation. In conjunction with the decision to partially underwrite the 1H19 dividend reinvestment plan, we are now in a stronger capital position and well positioned to exceed APRA's 'Unquestionably Strong Capital' benchmark by January 2020.

As we look ahead, the operating environment remains challenging. Economic growth is slowing but forecast to remain above 2% in 2019, housing credit growth is slowing, regulatory change is high and customer and community expectations have increased. This means we must execute with greater urgency, discipline and accountability, and with customers squarely at the centre of everything we do, if we are to become the bank our shareholders, customers and employees can be truly proud of.

[6] Refer to key risks, qualifications and assumptions in relation to forward looking statements on page 7
[7] Based on an indicative share price of $25, and assuming full vesting of all hurdled rights, shares and cash awards, and excluding the value of any dividends on unvested shares

NAB'S ROLE IN THE COMMUNITY

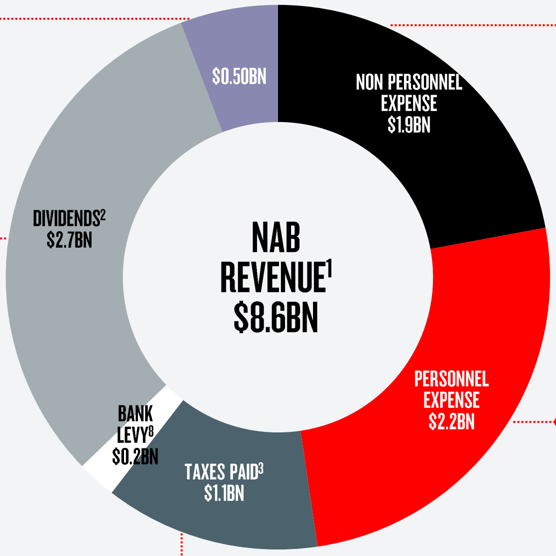
NAB REVENUE

- Supports all stakeholders and business partners
- Is shown after interest payments to 4.9 million Australian retail and business deposit customers who have deposited over $359 billion with us

CUSTOMER-RELATED REMEDIATION

SHAREHOLDERS (INC. SUPER FUNDS)

- Over 588,000 shareholders



SUPPLIERS & COMMUNITY

- 1,650+ contracted suppliers
- 16,800+ microfinance loans provided[5]
- Carbon neutral since 2010, 78% of Australian key office buildings[6] are Green Star Rated
- $2.1m in-kind value of volunteering to Australian charitable organisations

OUR PEOPLE

- Employ 33,790 people[7]
- Over 50% of our workforce directly engages with customers

GOVERNMENT

- Australia's fifth largest income tax payer[4]
- Signatory to the Voluntary Tax Transparency Code

Figures based on NAB's 1H19 cash earnings
1. Revenue shown net of $0.4bn of credit impairment charges and gross of $0.2bn of Bank Levy
2. Dividends paid in 1H19
3. Includes income tax, GST, FBT, payroll tax and other taxes borne by NAB in Australia that were paid during the six months ended 31 March 2019
4. Based on ATO's "Report of Entity Tax Information" for the 2016-17 income year released on 7 December 2018
5. To Australians, delivered in partnership with Good Shepherd Microfinance, Foresters Community Finance, Business Enterprise Centres Australia and the National NEIS Association
6. 'Key office buildings' are all NAB commercial tenancies over 4,000m^2
7. Represents full time equivalent employees as at 31 March 2019 for NAB Group
8. Bank levy paid in 1H19

ECONOMIC OUTLOOK

"The outlook for the Australian economy has softened over the past six months, consistent with global trends, while New Zealand's outlook has stabilised. In Australia, economic growth is forecast to be below trend in 2019 and 2020 with further weakness in the consumer and construction sectors. However, downside is expected to be limited by rising government spending and LNG exports, combined with growth in business investment. While Australia's labour market remains healthy, little further improvement is expected given the weaker growth outlook which, in combination with inflation below target, is likely to see the RBA cut rates a number of times this year."

GROUP PERFORMANCE RESULTS[8]

Cash earnings is a key financial performance measure used by NAB, the investment community and NAB's Australian peers with a similar business portfolio. NAB also uses cash earnings for its internal management reporting, as it better reflects what NAB considers to be the underlying performance of the Group. Cash earnings is not a statutory financial measure, is not presented in accordance with Australian Accounting Standards, and is not audited or reviewed in accordance with Australian Auditing Standards. 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 NAB for the half year ended 31 March 2019 is set out on pages 2 to 8 of the 2019 Half Year Results Announcement under the heading "Profit Reconciliation".

	Half Year to				
	Mar 19 $m	Sep 18 $m	Mar 18 $m	Mar 19 v Sep 18 %	Mar 19 v Mar 18 %
Net interest income[9]	6,776	6,717	6,750	0.9	0.4
Other operating income[9]	2,442	2,416	2,343	1.1	4.2
Customer-related remediation[10]	(344)	(249)	-	38.2	large
Net operating income	8,874	8,884	9,093	(0.1)	(2.4)
Operating expenses[11]	(4,055)	(4,137)	(3,989)	(2.0)	1.7
Restructuring-related costs[10]	-	-	(755)	-	large
Customer-related remediation[10]	(120)	(111)	-	8.1	large
Underlying profit	4,699	4,636	4,349	1.4	8.0
Credit impairment charge	(449)	(406)	(373)	10.6	20.4
Cash earnings before tax and distributions	4,250	4,230	3,976	0.5	6.9
Income tax expense	(1,244)	(1,236)	(1,168)	0.6	6.5
Cash earnings before distributions	3,006	2,994	2,808	0.4	7.1
Distributions	(52)	(51)	(49)	2.0	6.1
Cash earnings	2,954	2,943	2,759	0.4	7.1
Cash earnings (excluding restructuring-related costs and customer-related remediation)	*3,279*	*3,204*	*3,289*	*2.3*	*(0.3)*
Non-cash earnings items (after tax)	(50)	125	115	large	large
Net profit from continuing operations	2,904	3,068	2,874	(5.3)	1.0
Net loss after tax from discontinued operations[12]	(210)	(97)	(291)	large	(27.8)
Net profit attributable to owners of NAB	2,694	2,971	2,583	(9.3)	4.3
Represented by:					
Business and Private Banking	1,462	1,429	1,482	2.3	(1.3)
Consumer Banking and Wealth	638	735	804	(13.2)	(20.6)
Corporate and Institutional Banking	781	763	778	2.4	0.4
New Zealand Banking	503	470	452	7.0	11.3
Corporate Functions and Other[11]	(105)	(193)	(227)	(45.6)	(53.7)
Restructuring-related costs[10]	-	-	(530)	-	large
Customer-related remediation[10]	(325)	(261)	-	24.5	large
Cash earnings	2,954	2,943	2,759	0.4	7.1

SHAREHOLDER SUMMARY

	Half Year to				
	Mar 19	Sep 18	Mar 18	Mar 19 v Sep 18	Mar 19 v Mar 18
Group					
Dividend per share (cents)	83	99	99	(16)	(16)
Dividend payout ratio	77.4%	91.5%	96.9%	large	large
Statutory earnings per share (cents) – basic	95.9	107.3	93.9	(11.4)	2.0
Statutory earnings per share (cents) – diluted	92.1	103.4	91.1	(11.3)	1.0
Statutory earnings per share from continuing operations (cents) – basic	103.5	110.9	104.7	(7.4)	(1.2)
Statutory earnings per share from continuing operations (cents) – diluted	99.1	106.6	101.0	(7.5)	(1.9)
Cash earnings per share (cents) – basic	107.2	108.2	102.2	(1.0)	5.0
Cash earnings per share (cents) – diluted	102.5	104.1	98.8	(1.6)	3.7
Statutory return on equity	10.5%	11.9%	10.5%	(140 bps)	-
Cash return on equity (ROE)	11.7%	12.0%	11.4%	(30 bps)	30 bps
Group (excluding restructuring-related costs and customer-related remediation)[10]					
Dividend payout ratio	69.7%	84.0%	81.2%	large	large
Statutory earnings per share (cents) – basic	114.9	116.9	113.5	(2.0)	1.4
Statutory earnings per share (cents) – diluted	109.6	112.2	109.2	(2.6)	0.4
Statutory earnings per share from continuing operations (cents) – basic	115.3	120.5	124.3	(5.2)	(9.0)
Statutory earnings per share from continuing operations (cents) – diluted	109.9	115.5	119.2	(5.6)	(9.3)
Cash earnings per share (cents) – basic	119.0	117.8	121.9	1.2	(2.9)
Cash earnings per share (cents) – diluted	113.3	113.0	117.0	0.3	(3.7)
Statutory return on equity	12.6%	13.0%	12.6%	(40 bps)	-
Cash return on equity (ROE)	13.0%	13.1%	13.6%	(10 bps)	(60 bps)

[8] Information is presented on a continuing operations basis.
[9] Excluding customer-related remediation.
[10] Refer to NAB's 2019 Half Year Results Announcement Section 2 Large notable items for further information.
[11] Excluding restructuring-related costs and customer-related remediation.
[12] Refer to NAB's 2019 Half Year Results Announcement Note 14 Discontinued Operations for further detail.

FOR FURTHER INFORMATION

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DISCLAIMER – FORWARD LOOKING STATEMENTS

This Result Summary and the 2019 Half Year Results Announcement contain statements that are, or may be deemed to be, forward looking statements. These forward looking statements may be identified by the use of forward looking terminology, including the terms "believe", "estimate", "plan", "project", "anticipate", "expect", “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.

This Result Summary and the 2019 Half Year Results Announcement describe certain initiatives relating to the Group’s strategic agenda (“Program”), including certain forward looking statements. These statements are subject to a number of risks, assumptions and qualifications, including: (1) detailed business plans have not been developed for the entirety of the Program, and the full scope and cost of the Program may vary as plans are developed and third parties engaged; (2) the Group’s ability to execute and manage the Program in a sequenced, controlled and effective manner and in accordance with the relevant project and business plan (once developed); (3) the Group’s ability to execute productivity initiatives and realise operational synergies, cost savings and revenue benefits in accordance with the Program plan (including, in relation to CTI and ROE targets, the extension of improvements beyond the current Program plan); (4) the Group’s ability to meet its internal net FTE reduction targets; (5) the Group’s ability to recruit and retain FTE and contractors with the requisite skills and experience to deliver Program initiatives; (6) there being no significant change in the Group’s financial performance or operating environment, including the economic conditions in Australia and New Zealand, changes to financial markets and the Group’s ability to raise funding and the cost of such funding, increased competition, changes in interest rates and changes in customer behaviour; (7) there being no material change to law or regulation or changes to regulatory policy or interpretation, including relating to the capital and liquidity requirements of the Group; (8) for the purpose of calculating FTE cost savings and redundancy costs, the Group has assumed an average FTE cost based on Group-wide averages, and such costs are not calculated by reference to specific productivity initiatives or individual employee entitlements; and (9) NAB’s proposed divestment of its wealth management businesses (excluding JBWere and nabtrade) may have an impact on the timing, scope and cost of the Program, however the impact cannot be quantified at this time.

Further information on important factors that could cause actual results to differ materially from those projected in such statements is contained in the Group’s Luxembourg Transparency Law disclosures released to the ASX on 2 May 2019 and the Group’s Annual Financial Report for the 2018 financial year, which is available at www.nab.com.au.

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Section 1

Profit Reconciliation

Information about Cash Earnings and other Non-IFRS Measures

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

Non-IFRS Key Financial Performance Measures used by the Group

Certain financial measures detailed in this Results Announcement are not accounting measures within the scope of IFRS. Management review these financial metrics in order to measure the Group's overall financial performance and position and believe the presentation of these industry standard financial measures provide useful information to analysts and investors regarding the results of the Group's operations and allows ready comparison with other industry participants. The Group regularly reviews the non-IFRS measures included in its reporting documents to ensure that only relevant financial measures are incorporated. Further information in relation to these financial measures is set out below and in the Glossary.

Explanation and Definition of Cash Earnings

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

Cash earnings is defined as net profit attributable to owners of NAB from continuing operations, adjusted for the items NAB considers appropriate to better reflect the underlying performance of the Group. Cash earnings for the March 2019 half year has been adjusted for the following:

- distributions
- fair value and hedge ineffectiveness
- amortisation of acquired intangible assets
- MLC Wealth divestment transaction costs.

Reconciliation to Statutory Net Profit

Section 4 of the 2019 Half Year Results Announcement contains the Group's income statement, including statutory net profit. The statutory net profit for the period is the sum of both net profit / (loss) from continuing operations and discontinued operations. Further details are set out in *Note 14 Discontinued operations* on page 82. The Group's consolidated financial statements, prepared in accordance with the *Corporations Act 2001* (Cth) and applicable Australian Accounting Standards, and reviewed by the auditors in accordance with Australian Auditing Standards, are included in the *Financial report* section of the 2019 Half Year Results Announcement.

A reconciliation of cash earnings to statutory net profit attributable to owners of NAB (statutory net profit, less non-controlling interest in controlled entities) is set out on page 3, and full reconciliations between statutory net profit and cash earnings are included in this section on pages 5-7.

Page 4 contains a description of non-cash earnings items for the March 2019 half year.

Average Balances

Average balances, including average equity (adjusted), total average assets and average interest earning assets are based on daily statutory balances derived from internally generated trial balances from the Group's general ledger. The methodology used to obtain average balances is to take the average of the opening balance and the balance at the end of each day in the period. This methodology produces numbers that more accurately reflect seasonality, timing of accruals (such as dividends) and restructures (including discontinued operations), which would otherwise not be reflected in a simple average.

Group Results(1)

The Group Results and Review of Divisional Operations and Results are presented on a cash earnings basis unless otherwise stated.

	Half Year to				
	Mar 19 $m	Sep 18 $m	Mar 18 $m	Mar 19 v Sep 18 %	Mar 19 v Mar 18 %
Net interest income(2)	**6,734**	6,717	6,750	0.3	(0.2)
Other operating income(2)	**2,140**	2,167	2,343	(1.2)	(8.7)
Net operating income	**8,874**	8,884	9,093	(0.1)	(2.4)
Operating expenses(2)	**(4,175)**	(4,248)	(4,744)	(1.7)	(12.0)
Underlying profit	**4,699**	4,636	4,349	1.4	8.0
Credit impairment charge	**(449)**	(406)	(373)	10.6	20.4
Cash earnings before tax and distributions	**4,250**	4,230	3,976	0.5	6.9
Income tax expense	**(1,244)**	(1,236)	(1,168)	0.6	6.5
Cash earnings before distributions	**3,006**	2,994	2,808	0.4	7.1
Distributions	**(52)**	(51)	(49)	2.0	6.1
Cash earnings	**2,954**	2,943	2,759	0.4	7.1
Non-cash earnings items (after tax):					
Distributions	**52**	51	49	2.0	6.1
Fair value and hedge ineffectiveness	**(69)**	101	81	large	large
Amortisation of acquired intangible assets	**(14)**	(15)	(15)	(6.7)	(6.7)
MLC Wealth divestment transaction costs	**(19)**	(12)	-	58.3	large
Net profit from continuing operations	**2,904**	3,068	2,874	(5.3)	1.0
Net loss after tax from discontinued operations(2)	**(210)**	(97)	(291)	large	(27.8)
Net profit attributable to owners of NAB	**2,694**	2,971	2,583	(9.3)	4.3

(1) *Information is presented on a continuing operations basis.*
(2) *Includes large notable items. Refer to Section 2 Large notable items for further information.*

Non-cash Earnings Items

Distributions

Distributions relating to hybrid equity instruments are treated as an expense for cash earnings purposes and as a reduction in equity (dividend) for statutory reporting purposes. The distributions on other equity instruments are set out in Section 4, *Note 6 Dividends and Distributions*. The effect of this in the March 2019 half year is to reduce cash earnings by $52 million.

Fair Value and Hedge Ineffectiveness

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

In the March 2019 half year, there was a decrease in statutory profit of $82 million ($69 million after tax) from fair value and hedge ineffectiveness. The adoption of AASB 9 *Financial Instruments* from 1 April 2018 has significantly reduced the Group's volatility of statutory profit due to hedge accounted derivatives.

The decrease in the current period relates to mark-to-market losses on derivatives used to hedge the Group's long-term funding issuances, where hedge accounting is not applied.

Amortisation of Acquired Intangible Assets

The amortisation of acquired intangibles represents the amortisation of intangible assets arising from the acquisition of controlled entities and associates such as management agreements and contracts in force. In the March 2019 half year, there was a decrease in statutory profit of $16 million ($14 million after tax) due to the amortisation of acquired intangible assets.

MLC Wealth Divestment Transaction Costs

MLC Wealth divestment transaction costs represent costs incurred in preparation for the divestment of the Group's Advice, Superannuation & Investment Platforms and Asset Management businesses, which is expected to occur in the 2020 financial year. In the March 2019 half year, there was a decrease in statutory profit of $28 million ($19 million after tax) due to MLC Wealth divestment transaction costs.

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

Half Year ended 31 March 2019	Statutory net profit from continuing operations $m	Wealth adj.[1] $m	Distri-butions $m	Fair value and hedge ineffec. $m	Amortisation of acquired intangible assets $m	MLC Wealth divestment transaction costs $m	Cash earnings $m
Net interest income[2]	6,741	(5)	-	(2)	-	-	**6,734**
Other operating income[2]	2,428	(374)	-	79	7	-	**2,140**
Net operating income	9,169	(379)	-	77	7	-	**8,874**
Operating expenses[2]	(4,591)	379	-	-	9	28	**(4,175)**
Profit before credit impairment charge	4,578	-	-	77	16	28	**4,699**
Credit impairment (charge) / write-back	(454)	-	-	5	-	-	**(449)**
Profit before tax	4,124	-	-	82	16	28	**4,250**
Income tax expense	(1,219)	(1)	-	(13)	(2)	(9)	**(1,244)**
Net profit / (loss) from continuing operations before distributions and non-controlling interest	2,905	(1)	-	69	14	19	**3,006**
Net profit / (loss) attributable to non-controlling interest in controlled entities	(1)	1	-	-	-	-	**-**
Distributions	-	-	(52)	-	-	-	**(52)**
Net profit attributable to owners of NAB from continuing operations	**2,904**	**-**	**(52)**	**69**	**14**	**19**	**2,954**

(1) *In the Wealth cash earnings view, volume related expenses are reclassified from operating expenses and net interest income to other operating income.*
(2) *Includes large notable items. Refer to Section 2 Large notable items for further information.*

Reconciliation between Statutory Net Profit (after Tax) from Continuing Operations and Cash Earnings (continued)

Half Year ended 30 September 2018	Statutory net profit from continuing operations $m	Wealth adj.[(1)] $m	Distri-butions $m	Fair value and hedge ineffec. $m	Amortisation of acquired intangible assets $m	MLC Wealth divestment transaction costs $m	Cash earnings $m
Net interest income	6,739	(23)	-	1	-	-	**6,717**
Other operating income[(2)]	2,738	(430)	-	(147)	6	-	**2,167**
Net operating income	9,477	(453)	-	(146)	6	-	**8,884**
Operating expenses[(2)]	(4,726)	449	-	-	12	17	**(4,248)**
Profit / (loss) before credit impairment charge	4,751	(4)	-	(146)	18	17	**4,636**
Credit impairment (charge) / write-back	(409)	-	-	3	-	-	**(406)**
Profit / (loss) before tax	4,342	(4)	-	(143)	18	17	**4,230**
Income tax (expense) / benefit	(1,273)	3	-	42	(3)	(5)	**(1,236)**
Net profit / (loss) from continuing operations before distributions and non-controlling interest	3,069	(1)	-	(101)	15	12	**2,994**
Net profit / (loss) attributable to non-controlling interest in controlled entities	(1)	1	-	-	-	-	**-**
Distributions	-	-	(51)	-	-	-	**(51)**
Net profit attributable to owners of NAB from continuing operations	**3,068**	**-**	**(51)**	**(101)**	**15**	**12**	**2,943**

(1) *In the Wealth cash earnings view, volume related expenses are reclassified from operating expenses and net interest income to other operating income.*
(2) *Includes large notable items. Refer to Section 2 Large notable items for further information.*

Reconciliation between Statutory Net Profit (after Tax) from Continuing Operations and Cash Earnings (continued)

Half Year ended 31 March 2018	Statutory net profit from continuing operations $m	Wealth adj.[1] $m	Distri-butions $m	Fair value and hedge ineffec. $m	Amortisation of acquired intangible assets $m	Cash earnings $m
Net interest income	6,766	(19)	-	3	-	**6,750**
Other operating income	2,858	(413)	-	(109)	7	**2,343**
Net operating income	9,624	(432)	-	(106)	7	**9,093**
Operating expenses[2]	(5,184)	430	-	-	10	**(4,744)**
Profit / (loss) before credit impairment charge	4,440	(2)	-	(106)	17	**4,349**
Credit impairment (charge) / write-back	(382)	-	-	9	-	**(373)**
Profit / (loss) before tax	4,058	(2)	-	(97)	17	**3,976**
Income tax (expense) / benefit	(1,182)	-	-	16	(2)	**(1,168)**
Net profit / (loss) from continuing operations before distributions and non-controlling interest	2,876	(2)	-	(81)	15	**2,808**
Net profit / (loss) attributable to non-controlling interest in controlled entities	(2)	2	-	-	-	**-**
Distributions	-	-	(49)	-	-	**(49)**
Net profit attributable to owners of NAB from continuing operations	**2,874**	**-**	**(49)**	**(81)**	**15**	**2,759**

(1) *In the Wealth cash earnings view, volume related expenses are reclassified from operating expenses and net interest income to other operating income.*
(2) *Includes large notable items. Refer to Section 2 Large notable items for further information.*

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Section 2

Group Review

Group Performance Results(1)

	Half Year to				
	Mar 19 $m	Sep 18 $m	Mar 18 $m	Mar 19 v Sep 18 %	Mar 19 v Mar 18 %
Net interest income(2)	**6,776**	6,717	6,750	0.9	0.4
Other operating income(2)	**2,442**	2,416	2,343	1.1	4.2
Customer-related remediation(3)	**(344)**	(249)	-	38.2	large
Net operating income	**8,874**	8,884	9,093	(0.1)	(2.4)
Operating expenses(4)	**(4,055)**	(4,137)	(3,989)	(2.0)	1.7
Restructuring-related costs(3)	**-**	-	(755)	-	large
Customer-related remediation(3)	**(120)**	(111)	-	8.1	large
Underlying profit	**4,699**	4,636	4,349	1.4	8.0
Credit impairment charge	**(449)**	(406)	(373)	10.6	20.4
Cash earnings before tax and distributions	**4,250**	4,230	3,976	0.5	6.9
Income tax expense	**(1,244)**	(1,236)	(1,168)	0.6	6.5
Cash earnings before distributions	**3,006**	2,994	2,808	0.4	7.1
Distributions	**(52)**	(51)	(49)	2.0	6.1
Cash earnings	**2,954**	2,943	2,759	0.4	7.1
Cash earnings (excluding large notable items)	***3,279***	*3,204*	*3,289*	*2.3*	*(0.3)*
Non-cash earnings items (after tax):					
Distributions	**52**	51	49	2.0	6.1
Fair value and hedge ineffectiveness	**(69)**	101	81	large	large
Amortisation of acquired intangible assets	**(14)**	(15)	(15)	(6.7)	(6.7)
MLC Wealth divestment transaction costs	**(19)**	(12)	-	58.3	large
Net profit from continuing operations	**2,904**	3,068	2,874	(5.3)	1.0
Net loss after tax from discontinued operations	**(210)**	(97)	(291)	large	(27.8)
Net profit attributable to owners of NAB	**2,694**	2,971	2,583	(9.3)	4.3
Represented by:					
Business and Private Banking	**1,462**	1,429	1,482	2.3	(1.3)
Consumer Banking and Wealth	**638**	735	804	(13.2)	(20.6)
Corporate and Institutional Banking	**781**	763	778	2.4	0.4
New Zealand Banking	**503**	470	452	7.0	11.3
Corporate Functions and Other(4)	**(105)**	(193)	(227)	(45.6)	(53.7)
Restructuring-related costs(3)	**-**	-	(530)	-	large
Customer-related remediation(3)	**(325)**	(261)	-	24.5	large
Cash earnings	**2,954**	2,943	2,759	0.4	7.1

(1) *Information is presented on a continuing operations basis.*
(2) *Excluding customer-related remediation.*
(3) *Refer to Section 2 Large notable items for further information.*
(4) *Excluding restructuring-related costs and customer-related remediation.*

Group Performance Results (continued)

Large Notable Items

	Half Year to				
	Mar 19 $m	Sep 18 $m	Mar 18 $m	Mar 19 v Sep 18 %	Mar 19 v Mar 18 %
Net interest income					
Customer-related remediation	(42)	-	-	large	large
Other operating income					
Customer-related remediation	(302)	(249)	-	21.3	large
Net operating income	**(344)**	(249)	-	38.2	large
Operating expenses					
Customer-related remediation	(120)	(111)	-	8.1	large
Restructuring-related costs	-	-	(755)	-	large
Cash earnings before tax	**(464)**	(360)	(755)	28.9	(38.5)
Income tax expense	139	99	225	40.4	(38.2)
Cash earnings	**(325)**	(261)	(530)	24.5	(38.7)
Net loss after tax from discontinued operations	(200)	(53)	-	large	large
Net profit attributable to owners of NAB	**(525)**	(314)	(530)	67.2	(0.9)

Large Notable Items

Large notable items included in net profit attributable to owners of NAB are described below.

Customer-related remediation

In the March 2019 half year, the Group recognised increased costs for customer-related remediation matters which reduced cash earnings by $325 million and reduced earnings from discontinued operations by $200 million. These include:
- refunds and compensation to customers impacted by issues in NAB's Wealth business, including consumer credit insurance sales, adviser service fees charged by NAB Financial Planning, and the Wealth advice review
- costs for investigating adviser service fees charged by NAB Advice Partnerships
- banking-related matters, including matters where customers were incorrectly charged fees on certain fee-exempt transactions
- costs for implementing remediation processes.

The cash earnings impact in the September 2018 half year was $261 million and reduced earnings from discontinued operations by $53 million.

Restructuring-related costs

In the March 2018 half year, the Group recognised restructuring-related costs of $755 million (before tax) to deliver on the acceleration of its strategic agenda to enhance the customer experience and simplify its business. This comprises of $540 million of personnel, outplacement and project management costs, $146 million of software write-offs and $69 million of property rationalisation costs.

Group Performance Results (continued)

Group Performance Results (Reconciliation of Large Notable Items)

	Half Year to										
	Mar 19	Large Notable Items	Mar 19 ex Large Notable Items	Sep 18	Large Notable Items	Sep 18 ex Large Notable Items	Mar 18	Large Notable Items	Mar 18 ex Large Notable Items	Mar 19 v Sep 18 ex Large Notable Items	Mar 19 v Mar 18 ex Large Notable Items
	$m	$m	$m	$m	$m	$m	$m	$m	$m	%	%
Net interest income	**6,734**	**(42)**	**6,776**	6,717	-	6,717	6,750	-	6,750	0.9	0.4
Other operating income	**2,140**	**(302)**	**2,442**	2,167	(249)	2,416	2,343	-	2,343	1.1	4.2
Net operating income	**8,874**	**(344)**	**9,218**	8,884	(249)	9,133	9,093	-	9,093	0.9	1.4
Operating expenses	**(4,175)**	**(120)**	**(4,055)**	(4,248)	(111)	(4,137)	(4,744)	(755)	(3,989)	(2.0)	1.7
Underlying profit	**4,699**	**(464)**	**5,163**	4,636	(360)	4,996	4,349	(755)	5,104	3.3	1.2
Credit impairment charge	**(449)**	**-**	**(449)**	(406)	-	(406)	(373)	-	(373)	10.6	20.4
Cash earnings before tax and distributions	**4,250**	**(464)**	**4,714**	4,230	(360)	4,590	3,976	(755)	4,731	2.7	(0.4)
Income tax expense	**(1,244)**	**139**	**(1,383)**	(1,236)	99	(1,335)	(1,168)	225	(1,393)	3.6	(0.7)
Cash earnings before distributions	**3,006**	**(325)**	**3,331**	2,994	(261)	3,255	2,808	(530)	3,338	2.3	(0.2)
Distributions	**(52)**	**-**	**(52)**	(51)	-	(51)	(49)	-	(49)	2.0	6.1
Cash earnings	**2,954**	**(325)**	**3,279**	2,943	(261)	3,204	2,759	(530)	3,289	2.3	(0.3)

Group Performance Results (continued)

Shareholder Summary

	Half Year to			Mar 19 v	Mar 19 v
	Mar 19	**Sep 18**	**Mar 18**	**Sep 18**	**Mar 18**
Group					
Dividend per share (cents)	**83**	99	99	(16)	(16)
Dividend payout ratio	**77.4%**	91.5%	96.9%	large	large
Statutory earnings per share (cents) - basic	**95.9**	107.3	93.9	(11.4)	2.0
Statutory earnings per share (cents) - diluted	**92.1**	103.4	91.1	(11.3)	1.0
Statutory earnings per share from continuing operations (cents) - basic	**103.5**	110.9	104.7	(7.4)	(1.2)
Statutory earnings per share from continuing operations (cents) - diluted	**99.1**	106.6	101.0	(7.5)	(1.9)
Cash earnings per share (cents) - basic	**107.2**	108.2	102.2	(1.0)	5.0
Cash earnings per share (cents) - diluted	**102.5**	104.1	98.8	(1.6)	3.7
Statutory return on equity	**10.5%**	11.9%	10.5%	(140 bps)	-
Cash return on equity (ROE)	**11.7%**	12.0%	11.4%	(30 bps)	30 bps
Group (excluding large notable items)[(1)]					
Dividend payout ratio	**69.7%**	84.0%	81.2%	large	large
Statutory earnings per share (cents) - basic	**114.9**	116.9	113.5	(2.0)	1.4
Statutory earnings per share (cents) - diluted	**109.6**	112.2	109.2	(2.6)	0.4
Statutory earnings per share from continuing operations (cents) - basic	**115.3**	120.5	124.3	(5.2)	(9.0)
Statutory earnings per share from continuing operations (cents) - diluted	**109.9**	115.5	119.2	(5.6)	(9.3)
Cash earnings per share (cents) - basic	**119.0**	117.8	121.9	1.2	(2.9)
Cash earnings per share (cents) - diluted	**113.3**	113.0	117.0	0.3	(3.7)
Statutory return on equity	**12.6%**	13.0%	12.6%	(40 bps)	-
Cash return on equity (ROE)	**13.0%**	13.1%	13.6%	(10 bps)	(60 bps)

(1) *Refer to Section 2 Large notable items for further information.*

Group Performance Results (continued)

Key Performance Indicators

	Half Year to				
	Mar 19	**Sep 18**	**Mar 18**	**Mar 19 v Sep 18**	**Mar 19 v Mar 18**
Group(1)					
Cash earnings on average assets	**0.71%**	0.73%	0.69%	(2 bps)	2 bps
Cash earnings on average risk-weighted assets	**1.49%**	1.50%	1.45%	(1 bp)	4 bps
Cash earnings per average FTE ($'000)	**176**	175	163	0.9%	8.0%
Jaws	**1.6%**	8.2%	(22.5%)	(660 bps)	large
Cost to income (CTI) ratio	**47.0%**	47.8%	52.2%	(80 bps)	(520 bps)
Net interest margin	**1.79%**	1.84%	1.87%	(5 bps)	(8 bps)
Group (excluding large notable items)(2)					
Cash earnings on average assets	**0.79%**	0.79%	0.82%	-	(3 bps)
Cash earnings on average risk-weighted assets	**1.65%**	1.63%	1.73%	2 bps	(8 bps)
Cash earnings per average FTE ($'000)	**196**	190	195	3.1%	0.5%
Jaws	**2.9%**	(3.3%)	(2.9%)	620 bps	580 bps
Cost to income (CTI) ratio	**44.0%**	45.3%	43.9%	(130 bps)	10 bps
Net interest margin	**1.80%**	1.84%	1.87%	(4 bps)	(7 bps)
Capital					
Common Equity Tier 1 ratio	**10.40%**	10.20%	10.21%	20 bps	19 bps
Tier 1 capital ratio	**12.45%**	12.38%	12.40%	7 bps	5 bps
Total capital ratio	**14.00%**	14.12%	14.43%	(12 bps)	(43 bps)
Risk-weighted assets ($bn)	**403.2**	389.7	387.4	3.5%	4.1%
Volumes ($bn)					
Gross loans and acceptances(3)	**601.3**	585.6	571.2	2.7%	5.3%
Average interest earning assets	**754.3**	728.2	725.1	3.6%	4.0%
Total average assets	**829.1**	806.8	807.3	2.8%	2.7%
Total customer deposits	**421.7**	409.0	408.4	3.1%	3.3%
Asset quality					
90+ days past due and gross impaired assets to gross loans and acceptances	**0.79%**	0.71%	0.71%	8 bps	8 bps
Collective provision to credit risk-weighted assets	**0.94%**	0.92%	0.89%	2 bps	5 bps
Specific provision to gross impaired assets(4)	**45.8%**	44.4%	46.3%	140 bps	(50 bps)
Other					
Funds under management and administration (FUM/A) (spot) ($bn)(5)	**143.2**	144.7	139.5	(1.0%)	2.7%
Assets under management (AUM) (spot) ($bn)(5)	**202.9**	206.7	199.3	(1.9%)	1.8%
Full-time equivalent employees (FTE) (spot)	**33,790**	33,283	33,944	1.5%	(0.5%)
Full-time equivalent employees (FTE) (average)	**33,620**	33,618	33,904	-	(0.8%)

(1) *Information is presented on a continuing operations basis.*
(2) *Refer to Section 2 Large notable items for further information.*
(3) *Including loans and advances at fair value.*
(4) *Ratio excludes New Zealand Banking dairy exposures that were assessed as no loss based on security held (March 2019 $nil (NZ$nil), September 2018: $2 million (NZ$3 million), March 2018: $76 million (NZ$81 million)). Collective provisions are held against these loans.*
(5) *FUM/A and AUM are presented in two separate disclosures that represent all managed funds and assets from which the Group derives revenue. Certain items will be represented in both FUM/A and AUM meaning the two should not be summed.*

Review of Group Operations and Results[1]

Financial Analysis

March 2019 v March 2018

Net profit attributable to owners of NAB (statutory net profit) increased by $111 million or 4.3%. Excluding the impact of discontinued operations, net profit attributable to owners of NAB (statutory net profit) increased by $30 million or 1.0%. Discontinued operations reflect losses relating to customer-related remediation and additional costs associated with the life insurance business sale.

Cash earnings increased by $195 million or 7.1% including the impact of customer-related remediation of $325 million in the March 2019 half year and restructuring-related costs of $530 million in the March 2018 half year. Excluding these items, cash earnings decreased by $10 million or 0.3%.

Cash earnings on average risk-weighted assets increased by 4 basis points reflecting the impact of large notable items. Excluding these items, cash earnings on average risk-weighted assets decreased by 8 basis points due to a decrease in cash earnings and higher average risk-weighted assets.

Net interest income decreased by $16 million or 0.2%, including a decrease of $113 million which was offset by movements in economic hedges in other operating income and customer-related remediation of $42 million in the March 2019 half year. Excluding these movements, the underlying increase of $139 million or 2.1% was driven by growth in both housing and business lending volumes, combined with the impact of repricing in the housing and business lending portfolios, and lower deposit costs. These movements were partially offset by housing lending product mix due to changing customer preferences and competitive pressures, and higher short-term wholesale funding costs.

Other operating income decreased by $203 million or 8.7%, including an increase of $113 million which was offset by movements in economic hedges in net interest income and customer-related remediation of $302 million in the March 2019 half year. Excluding these movements, the underlying decrease of $14 million or 0.6% was mainly driven by a decrease in sales of customer risk management products and lower income in Wealth. This was partially offset by higher NAB risk management income and higher income from asset sales.

Operating expenses decreased by $569 million or 12.0%. Excluding restructuring-related costs of $755 million in the March 2018 half year and customer-related remediation of $120 million in the March 2019 half year, operating expenses increased by $66 million or 1.7% driven by continued investment in technology and associated amortisation charges, increased spend to strengthen the compliance and control environment, and the impact of annual salary increases. This was largely offset by productivity benefits achieved through continued simplification of the Group's operations and reduction in third party spend, combined with lower performance based compensation.

The **credit impairment charge** increased by $76 million or 20.4% driven by higher charges in Corporate and Institutional Banking mainly due to the impairment of a small number of larger exposures.

March 2019 v September 2018

Net profit attributable to owners of NAB (statutory net profit) decreased by $277 million or 9.3%. Excluding the impact of discontinued operations, net profit attributable to owners of NAB (statutory net profit) decreased by $164 million or 5.3%. Discontinued operations reflect losses relating to customer-related remediation and additional costs associated with the life insurance business sale.

Cash earnings increased by $11 million or 0.4% including an increase of $64 million in customer-related remediation. Excluding this item, cash earnings increased by $75 million or 2.3%.

Cash earnings on average risk-weighted assets decreased by 1 basis point reflecting the impact of large notable items. Excluding these items, cash earnings on average risk-weighted assets increased by 2 basis points due to an increase in cash earnings partially offset by higher average risk-weighted assets.

Net interest income increased by $17 million or 0.3%, including an increase of $10 million which was offset by movements in economic hedges in other operating income and customer-related remediation of $42 million in the March 2019 half year. Excluding these movements, the underlying increase of $49 million or 0.7% was driven by growth in both housing and business lending volumes, the impact of current period repricing in the housing lending portfolio and the full impact of prior period repricing in the business lending portfolio in Australia. These movements were partially offset by housing lending product mix due to changing customer preferences and competitive pressures.

Other operating income decreased by $27 million or 1.2%, including a decrease of $10 million which was offset by movements in economic hedges in net interest income and an increase of $53 million in customer-related remediation. Excluding these movements, the underlying increase of $36 million or 1.5% was largely due to higher NAB risk management income partially offset by lower Wealth income, lower income from asset sales and a decrease in sales of customer risk management products.

Operating expenses decreased by $73 million or 1.7%. Excluding an increase of customer-related remediation of $9 million, operating expenses decreased by $82 million or 2.0% driven by productivity benefits achieved through continued simplification of the Group's operations and reduction in third party spend, combined with lower performance based compensation. This was partially offset by continued investment in technology and associated amortisation charges, increased spend to strengthen the compliance and control environment, and the impact of annual salary increases.

(1) *Information is presented on a continuing operations basis.*

Review of Group Operations and Results (continued)

The **credit impairment charge** increased by $43 million or 10.6% driven by higher charges in Corporate and Institutional Banking mainly due to the impairment of a small number of larger exposures. This was partially offset by lower charges in Business and Private Banking due to low levels of newly impaired exposures combined with write-backs resulting from business turnarounds for a small number of larger exposures.

Net Interest Income[1]

	Half Year to				
	Mar 19	Sep 18	Mar 18	Mar 19 v Sep 18 %	Mar 19 v Mar 18 %
Net interest income ($m)[2]	**6,776**	6,717	6,750	0.9	0.4
Customer-related remediation ($m)[3]	**(42)**	-	-	large	large
Average interest earning assets ($bn)	**754.3**	728.2	725.1	3.6	4.0
Net interest margin (%)[4]	**1.79**	1.84	1.87	(5 bps)	(8 bps)

Net Interest Income - Contribution to Net Movement[1][2]

(1) Corporate Functions, Treasury & Other includes eliminations. Refer to page 49 for the definition of Corporate Functions.

March 2019 v March 2018

Net interest income excluding customer-related remediation increased by $26 million or 0.4%. This includes a decrease of $113 million which was offset by movements in economic hedges in other operating income. Excluding this movement, the underlying increase of $139 million or 2.1% was due to:

- Growth in housing and business lending volumes, reflecting the Group's focus on priority segments in Australia and New Zealand.
- The impact of repricing in the housing and business lending portfolio in Australia.
- Increased earnings on capital driven by higher levels of capital held and an improvement in the earnings rate.
- Lower deposit costs driven by both improved margins and favourable change in product mix.

The underlying increase was partially offset by:

- Housing lending product mix due to changing customer preferences (interest only to principal and interest lending) and competitive pressures, combined with regulatory changes on unsecured lending.
- Higher short-term wholesale funding costs, largely impacting the Australian housing lending portfolio.

March 2019 v September 2018

Net interest income excluding customer-related remediation increased by $59 million or 0.9%. This includes an increase of $10 million which was offset by movements in economic hedges in other operating income. Excluding this movement, the underlying increase of $49 million or 0.7% was due to:

- Growth in housing and business lending volumes, reflecting the Group's focus on priority segments in Australia and New Zealand.
- The impact of current period repricing in the housing lending portfolio and the full impact of prior period repricing in the business lending portfolio in Australia.
- Increased earnings on capital driven by higher levels of capital held and an improvement in the earnings rate.

The underlying increase was partially offset by:

- Housing lending product mix due to changing customer preferences (interest only to principal and interest lending) and competitive pressures, combined with regulatory changes on unsecured lending.
- Lower Markets and Treasury income.

Higher wholesale funding costs were offset by lower deposit costs.

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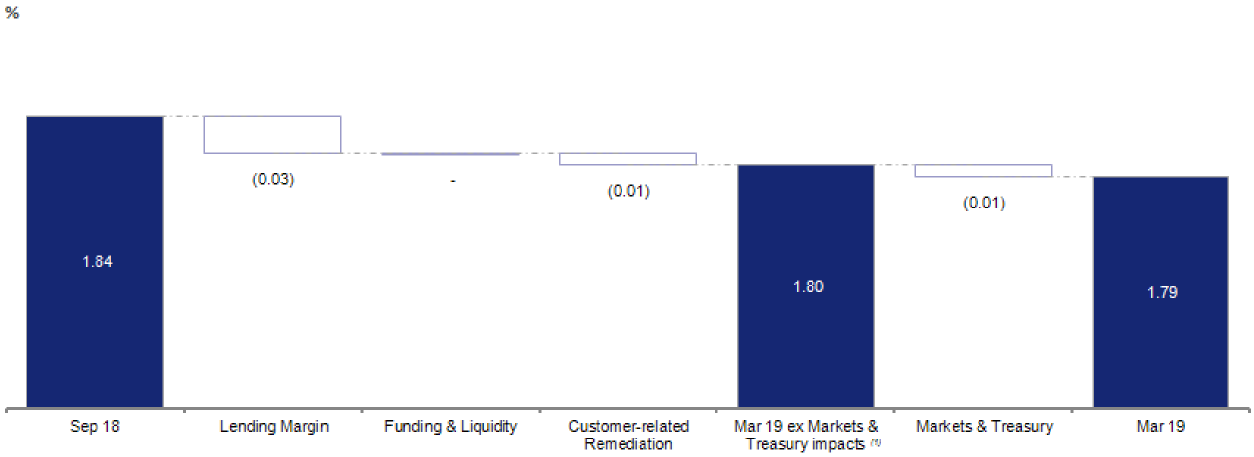
(1) *Information is presented on a continuing operations basis.*
(2) *Excluding customer-related remediation.*
(3) *Refer to Section 2 Large notable items for further information.*
(4) *Including customer-related remediation.*

Net Interest Margin[(1)(2)]

	Half Year to				
	Mar 19 %	Sep 18 %	Mar 18 %	Mar 19 v Sep 18	Mar 19 v Mar 18
Group net interest margin	**1.79**	1.84	1.87	(5 bps)	(8 bps)
Business and Private Banking	**2.94**	2.93	2.97	1 bp	(3 bps)
Consumer Banking and Wealth	**1.84**	1.94	2.06	(10 bps)	(22 bps)
Corporate and Institutional Banking	**0.73**	0.79	0.79	(6 bps)	(6 bps)
New Zealand Banking	**2.30**	2.29	2.24	1 bp	6 bps

Group Net Interest Margin Movement



(1) *Markets & Treasury includes Liquid assets and Marketable securities.*

March 2019 v March 2018

The Group's **net interest margin** decreased by 8 basis points due to:

- A decrease of 5 basis points in lending margin driven by housing lending product mix as a result of a change in customer preferences (interest only to principal and interest lending) and competitive pressures, combined with regulatory changes on unsecured lending. This was partially offset by repricing in the housing and business lending portfolio in Australia.
- Stable funding and liquidity costs driven by higher short-term wholesale funding costs offset by lower deposit costs.
- A decrease of 1 basis point due to customer-related remediation.
- An increase of 1 basis point due to increased earnings on capital driven by higher levels of capital held and an improvement in the earnings rate.
- A decrease of 3 basis points in Markets and Treasury due to lower net interest income from Treasury hedging activities offset in other operating income and an unfavourable change in asset mix. This decrease was partially offset by stronger customer risk management income.

March 2019 v September 2018

The Group's **net interest margin** decreased by 5 basis points due to:

- A decrease of 3 basis points in lending margin driven by housing lending product mix as a result of a change in customer preferences (interest only to principal and interest lending) and competitive pressures, combined with regulatory changes on unsecured lending. This was partially offset by repricing in the housing lending portfolio and the full impact of prior period repricing in the business lending portfolio in Australia.
- Stable funding and liquidity costs driven by higher wholesale funding costs offset by lower deposit costs.
- A decrease of 1 basis point due to customer-related remediation.
- A decrease of 1 basis point in Markets and Treasury mainly due to an unfavourable change in asset mix in Markets.

(1) *Information is presented on a continuing operations basis.*
(2) *Including customer-related remediation.*

Other Operating Income(1)

	Half Year to				
	Mar 19 $m	Sep 18 $m	Mar 18 $m	Mar 19 v Sep 18 %	Mar 19 v Mar 18 %
Fees and commissions	**1,075**	1,097	1,088	(2.0)	(1.2)
Trading income	**752**	656	610	14.6	23.3
Other(2)	**615**	663	645	(7.2)	(4.7)
Customer-related remediation(3)	**(302)**	(249)	-	21.3	large
Total other operating income	**2,140**	2,167	2,343	(1.2)	(8.7)

March 2019 v March 2018

Other operating income decreased by $203 million or 8.7%. Excluding customer-related remediation, other operating income increased by $99 million or 4.2%.

Fees and commissions decreased by $13 million or 1.2%. The decrease was largely driven by lower fee income from Consumer Banking and Wealth, and from an ongoing shift in customer behaviours towards digital transactions in Business and Private Banking.

Trading income increased by $142 million or 23.3%. This includes an increase of $113 million due to movements in economic hedges, offset in net interest income. The underlying increase of $29 million was mainly due to higher NAB risk management income, partially offset by lower sales of customer risk management products.

Other income decreased by $30 million or 4.7%. The decrease was mainly due to lower Wealth income as a result of a continued shift in business mix to lower margin products and repricing providing better customer outcomes, and lower income in Corporate and Institutional Banking. This was partially offset by higher income from asset sales.

March 2019 v September 2018

Other operating income decreased by $27 million or 1.2%. Excluding customer-related remediation, other operating income increased by $26 million or 1.1%.

Fees and commissions decreased by $22 million or 2.0%. The decrease was mainly due to lower fee income in Consumer Banking and Wealth, partially offset by higher fee income in New Zealand Banking and increased deal activity in Corporate and Institutional Banking.

Trading income increased by $96 million or 14.6%. This includes a decrease of $10 million due to movements in economic hedges, offset in net interest income. The underlying increase of $106 million was due to higher NAB risk management income.

Other income decreased by $48 million or 7.2%. The decrease was mainly due to lower Wealth income as a result of a continued shift in business mix to lower margin products and repricing providing better customer outcomes.

(1) *Information is presented on a continuing operations basis.*
(2) *Excluding customer-related remediation.*
(3) *Refer to Section 2 Large notable items for further information.*

Markets and Treasury Income[1]

	Half Year to				
	Mar 19 $m	Sep 18 $m	Mar 18 $m	Mar 19 v Sep 18 %	Mar 19 v Mar 18 %
Net interest income	**161**	157	213	2.5	(24.4)
Other operating income	**779**	705	663	10.5	17.5
Total Markets and Treasury income	**940**	862	876	9.0	7.3
Customer risk management[2][3]					
FX	**233**	249	243	(6.4)	(4.1)
Rates	**139**	140	153	(0.7)	(9.2)
Total Customer risk management income	**372**	389	396	(4.4)	(6.1)
NAB risk management[2][4]					
Markets	**260**	231	229	12.6	13.5
Treasury	**312**	241	253	29.5	23.3
Total NAB risk management income	**572**	472	482	21.2	18.7
Derivative valuation adjustment[5]	**(4)**	1	(2)	large	large
Total Markets and Treasury income	**940**	862	876	9.0	7.3
Average Markets traded market risk Value at Risk (VaR)[6]	**6.5**	8.2	8.3	(20.7)	(21.7)

March 2019 v March 2018

Markets and Treasury income increased by $64 million or 7.3% due to higher NAB risk management income.

Customer risk management income decreased by $24 million or 6.1%, driven primarily by lower interest rate risk management sales.

NAB risk management income increased by $90 million or 18.7% due to:

- Markets risk management income increased by $31 million or 13.5%.
- Treasury risk management income increased by $59 million or 23.3% mainly as a result of average credit spreads decreasing.

March 2019 v September 2018

Markets and Treasury income increased by $78 million or 9.0% due to higher NAB risk management income.

Customer risk management income decreased by $17 million or 4.4%, driven primarily by lower foreign exchange risk management sales.

NAB risk management income increased by $100 million or 21.2% mainly due to higher Treasury income as a result of average credit spreads decreasing.

(1) Information is presented on a continuing operations basis.
(2) Customer risk management comprises other operating income. NAB risk management comprises net interest income and other operating income and is defined as management of interest rate risk in the banking book, wholesale funding and liquidity requirements and trading market risk to support the Group's franchises.
(3) Reflects customer risk management in respect of Australian Banking (Consumer Banking and Wealth, Business and Private Banking, and Corporate and Institutional Banking) and New Zealand Banking. Comparative information has been restated in accordance with changes in the current period to include inception derivative valuation adjustments, previously included as part of Derivative valuation adjustment.
(4) Markets forms part of Corporate and Institutional Banking market revenue. Treasury forms part of Corporate Functions and Other revenue.
(5) Derivative valuation adjustments, which include credit valuation adjustments and funding valuations adjustments, are shown net of hedging costs or benefits. Comparative information has been restated in accordance with changes in the current period to exclude inception derivative valuation adjustments which are now netted against Customer risk management income.
(6) Excludes the impact of hedging activities related to derivative valuation adjustments.

Operating Expenses[1]

	Half Year to Mar 19 $m	Sep 18 $m	Mar 18 $m	Mar 19 v Sep 18 %	Mar 19 v Mar 18 %
Personnel expenses	**2,178**	2,199	2,648	(1.0)	(17.7)
Occupancy related expenses[2]	**271**	279	310	(2.9)	(12.6)
General expenses[2]	**1,726**	1,770	1,786	(2.5)	(3.4)
Total operating expenses	**4,175**	4,248	4,744	(1.7)	(12.0)

Operating Expenses (excluding large notable items)[3]

	Half Year to Mar 19 $m	Sep 18 $m	Mar 18 $m	Mar 19 v Sep 18 %	Mar 19 v Mar 18 %
Personnel expenses	**2,178**	2,199	2,221	(1.0)	(1.9)
Occupancy related expenses[2]	**271**	279	275	(2.9)	(1.5)
General expenses[2]	**1,606**	1,659	1,493	(3.2)	7.6
Total operating expenses	**4,055**	4,137	3,989	(2.0)	1.7

March 2019 v March 2018

Operating expenses decreased by $569 million or 12.0%. Excluding large notable items, operating expenses increased by $66 million or 1.7%.

Personnel expenses excluding restructuring-related costs decreased by $43 million or 1.9%. The decrease was driven by productivity benefits achieved through continued simplification of the Group's operations, combined with lower performance based compensation. This was largely offset by continued investment in technology, customer and data capabilities, increased spend to strengthen the compliance and control environment, and annual salary increases.

Occupancy related expenses excluding restructuring-related costs decreased by $4 million or 1.5%. The decrease was primarily driven by productivity benefits.

General expenses excluding restructuring-related costs and customer-related remediation increased by $113 million or 7.6%. The increase was driven by continued investment in technology and associated amortisation charges, and increased spend to strengthen the compliance and control environment. This was partially offset by productivity benefits achieved through reduction in third party spend.

March 2019 v September 2018

Operating expenses decreased by $73 million or 1.7%. Excluding large notable items, operating expenses decreased by $82 million or 2.0%.

Personnel expenses decreased by $21 million or 1.0%. The decrease was driven by productivity benefits achieved through continued simplification of the Group's operations, combined with lower performance based compensation. This was partially offset by continued investment in technology, customer and data capabilities, increased spend to strengthen the compliance and control environment, and annual salary increases.

Occupancy related expenses decreased by $8 million or 2.9% primarily driven by productivity benefits.

General expenses excluding customer-related remediation decreased by $53 million or 3.2%. The decrease was driven by productivity benefits achieved through reduction in third party spend and lower legal costs including costs associated with the Royal Commission. This was partially offset by continued investment in technology and associated amortisation charges.

(1) *Information is presented on a continuing operations basis.*
(2) *Comparative information has been restated in accordance with changes in presentation made in the current period, reflecting a reallocation of depreciation expenses between 'occupancy' and 'general' expenses.*
(3) *Refer to Section 2 Large notable items for further information.*

Investment Spend(1)

	Half Year to				
	Mar 19 $m	Sep 18 $m	Mar 18 $m	Mar 19 v Sep 18 %	Mar 19 v Mar 18 %
Infrastructure	**273**	278	264	(1.8)	3.4
Compliance and risk	**211**	267	189	(21.0)	11.6
Customer experience, efficiency and sustainable revenue	**231**	282	239	(18.1)	(3.3)
Total investment spend	**715**	827	692	(13.5)	3.3

Investment spend is expenditure on initiatives designed to enhance the customer experience, comply with legal and regulatory requirements, and improve capabilities and efficiencies in the Group's business processes. In November 2017, the Group announced an acceleration of its strategy and investment spend profile. Investment spend for the March 2019 half year was $715 million, an increase of $23 million or 3.3% compared to the March 2018 half year, and a decrease of $112 million or 13.5% compared to the September 2018 half year.

March 2019 v March 2018

Investment in **infrastructure** initiatives increased by $9 million or 3.4%. The increase was largely driven by ongoing simplification and technology refresh activity, investment in data infrastructure and technology to enable bankers to better serve customer needs.

Investment in **compliance and risk** initiatives increased by $22 million or 11.6%. The increase was largely driven by uplifting NAB's capability in relation to the compliance and control environment, including enhanced reporting in response to regulatory changes.

Investment in **customer experience, efficiency and sustainable revenue** initiatives decreased by $8 million or 3.3%. There is a continued focus on investing in ways to enhance and simplify the customer experience.

March 2019 v September 2018

Investment in **infrastructure** initiatives decreased by $5 million or 1.8%. The decrease was largely driven by timing with increased spend expected in the September 2019 half year.

Investment in **compliance and risk** initiatives has decreased by $56 million or 21.0%. The decrease was largely driven by timing of spend to meet regulatory and compliance obligations.

Investment in **customer experience, efficiency and sustainable revenue** initiatives decreased by $51 million or 18.1%. The decrease was largely driven by timing with increased spend expected in the September 2019 half year. The focus remains on investing in ways to enhance and simplify the customer experience.

(1) *Information is presented on a continuing operations basis.*

Taxation(1)

	Half Year to				
	Mar 19	Sep 18	Mar 18	Mar 19 v Sep 18	Mar 19 v Mar 18
Income tax expense ($m)	**1,244**	1,236	1,168	0.6%	6.5%
Effective tax rate (%)	**29.3**	29.2	29.4	10 bps	(10 bps)

March 2019 v March 2018

Cash earnings income tax expense increased by $76 million or 6.5%. The increase was mainly due to higher cash earnings before tax.

The **cash earnings effective tax rate** of 29.3% decreased by 10 basis points. The decrease was due to minor non-recurring items in both periods.

March 2019 v September 2018

Cash earnings income tax expense increased by $8 million or 0.6%. The increase was mainly due to higher cash earnings before tax.

The **cash earnings effective tax rate** of 29.3% increased by 10 basis points. The increase was due to a lower amount of foreign branch income not assessable in March 2019, and other non-recurring items in both periods.

(1) *Information is presented on a continuing operations basis.*

Lending(1)

	31 Mar 19 $m	30 Sep 18 $m	31 Mar 18 $m	Mar 19 v Sep 18 %	Mar 19 v Mar 18 %
	As at				
Housing					
Business and Private Banking	**89,999**	90,793	90,625	(0.9)	(0.7)
Consumer Banking and Wealth	**216,621**	212,157	206,994	2.1	4.7
Corporate and Institutional Banking	**133**	168	174	(20.8)	(23.6)
New Zealand Banking	**39,539**	36,422	35,965	8.6	9.9
Total housing	**346,292**	339,540	333,758	2.0	3.8
Non-housing					
Business and Private Banking	**111,178**	108,724	105,775	2.3	5.1
Consumer Banking and Wealth	**6,431**	6,643	6,893	(3.2)	(6.7)
Corporate and Institutional Banking	**95,311**	91,215	85,277	4.5	11.8
New Zealand Banking	**41,736**	39,208	39,173	6.4	6.5
Corporate Functions and Other	**365**	260	364	40.4	0.3
Total non-housing	**255,021**	246,050	237,482	3.6	7.4
Gross loans and advances including acceptances	**601,313**	585,590	571,240	2.7	5.3

March 2019 v March 2018

Lending (gross loans and advances including acceptances) increased by $30.1 billion or 5.3% due to growth in housing and business lending.

Housing lending increased by $12.5 billion or 3.8% mainly due to:

- An increase of $9.6 billion or 4.7% in Consumer Banking and Wealth largely due to growth in the broker channel.
- An increase of $3.6 billion or 9.9% in New Zealand Banking reflecting growth in both broker and proprietary channels.

Non-housing lending increased by $17.5 billion or 7.4% mainly due to:

- An increase of $5.4 billion or 5.1% in Business and Private Banking driven by leveraging its deep industry specialisations and strong market position.
- An increase of $10.0 billion or 11.8% in Corporate and Institutional Banking reflecting continued focus on growth segments.
- An increase of $2.6 billion or 6.5% in New Zealand Banking reflecting growth across key segments.

March 2019 v September 2018

Lending (gross loans and advances including acceptances) increased by $15.7 billion or 2.7% due to growth in housing and business lending.

Housing lending increased by $6.8 billion or 2.0% mainly due to:

- An increase of $4.5 billion or 2.1% in Consumer Banking and Wealth largely due to growth in the broker channel.
- An increase of $3.1 billion or 8.6% in New Zealand Banking reflecting growth in both proprietary and broker channels.

Non-housing lending increased by $9.0 billion or 3.6% mainly due to:

- An increase of $2.5 billion or 2.3% in Business and Private Banking driven by leveraging its deep industry specialisations and strong market position.
- An increase of $4.1 billion or 4.5% in Corporate and Institutional Banking reflecting continued focus on growth segments.
- An increase of $2.5 billion or 6.4% in New Zealand Banking reflecting growth across key segments.

(1) *Information is presented on a continuing operations basis.*

Goodwill and Other Intangible Assets[1]

Goodwill is flat compared to both 31 March 2018 and 30 September 2018.

Intangible assets are comprised of capitalised software and other intangible assets. Intangible assets increased by $264 million or 9.6% compared to the March 2018 half year. This increase was largely attributable to continued investment in software, partially offset by higher amortisation as software has been deployed.

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

- In Australia, further investment in enhancing the digital capabilities of the Australian franchise, enhancing technology resilience, transforming the customer experience, as well as regulatory compliance initiatives.
- In New Zealand, continued investment in capabilities to support the implementation of the Bank of New Zealand strategic plan, particularly its digitisation to enhance customer experience and support its productivity agenda as well as regulatory compliance initiatives.

The movement in capitalised software is as follows:

	Half Year ended		
	Mar 19 $m	**Sep 18 $m**	**Mar 18 $m**
Balance at beginning of period	**2,895**	2,713	2,706
Additions	**371**	469	350
Disposals and write-offs	**-**	(24)	(148)
Amortisation	**(296)**	(259)	(198)
Foreign currency translation adjustments	**12**	(4)	3
Capitalised software	**2,982**	2,895	2,713

(1) *Information is presented on a continuing operations basis.*

Customer Deposits(1)

	As at				
	31 Mar 19 $m	30 Sep 18 $m	31 Mar 18 $m	Mar 19 v Sep 18 %	Mar 19 v Mar 18 %
Business and Private Banking	**135,950**	132,487	132,698	2.6	2.5
Consumer Banking and Wealth	**123,870**	120,640	118,475	2.7	4.6
Corporate and Institutional Banking	**99,470**	97,981	89,617	1.5	11.0
New Zealand Banking	**57,225**	53,542	54,807	6.9	4.4
Corporate Functions and Other	**5,220**	4,324	12,807	20.7	(59.2)
Total customer deposits	**421,735**	408,974	408,404	3.1	3.3

March 2019 v March 2018

Customer deposits increased by $13.3 billion or 3.3%. This is as a result of the Group continuing to execute on its funding strategy, which includes growth in stable and higher quality customer deposits. This growth was due to:

- An increase of $3.3 billion or 2.5% in Business and Private Banking driven by an increase in term deposits of $3.4 billion and continued growth in non-interest bearing business transactional accounts of $1.6 billion. This was partially offset by a reduction in business saving deposits of $1.7 billion due to the shift from at call deposits to term deposits.
- An increase of $5.4 billion or 4.6% in Consumer Banking and Wealth from growth in at call deposits of $2.6 billion due to competitive pricing, combined with an increase in term deposits of $2.4 billion and growth in home loan offset accounts of $0.5 billion.
- An increase of $9.9 billion or 11.0% in Corporate and Institutional Banking, driven by growth in institutional term deposits of $8.1 billion combined with growth in domestic business at call deposits of $1.8 billion.
- An increase of $2.4 billion or 4.4% in New Zealand Banking mainly due to the appreciation of the New Zealand dollar of $1.0 billion, combined with strong growth in on-demand short-term deposits of $0.8 billion and non-interest bearing deposits of $0.5 billion due to growth in business transactional accounts.
- A decrease of $7.6 billion or 59.2% in Corporate Functions and Other due to a decrease in on-demand deposits in Treasury.

March 2019 v September 2018

Customer deposits increased by $12.8 billion or 3.1% due to:

- An increase of $3.5 billion or 2.6% in Business and Private Banking mainly driven by growth in term deposits.
- An increase of $3.2 billion or 2.7% in Consumer Banking and Wealth driven by an increase in term deposits of $2.4 billion combined with growth in at call deposits of $0.8 billion due to competitive pricing.
- An increase of $1.5 billion or 1.5% in Corporate and Institutional Banking driven by growth in institutional term deposits of $2.8 billion, partially offset by a decrease in business at call deposits of $1.4 billion due to seasonality.
- An increase of $3.7 billion or 6.9% in New Zealand Banking mainly due to appreciation of the New Zealand dollar of $2.5 billion, combined with strong growth in on-demand short-term deposits of $0.8 billion and non-interest bearing deposits of $0.2 billion due to growth in business transactional accounts.
- An increase of $0.9 billion or 20.7% in Corporate Functions and Other due to an increase in on-demand and term deposits in Treasury.

(1) *Information is presented on a continuing operations basis.*

Asset Quality[1]

Credit Impairment Charge

	Half Year to				
	Mar 19 $m	Sep 18 $m	Mar 18 $m	Mar 19 v Sep 18 %	Mar 19 v Mar 18 %
Specific credit impairment charge - new and increased	**409**	387	366	5.7	11.7
Specific credit impairment charge - write-backs	**(89)**	(99)	(94)	(10.1)	(5.3)
Specific credit impairment charge - recoveries	**(23)**	(28)	(45)	(17.9)	(48.9)
Specific credit impairment charge	**297**	260	227	14.2	30.8
Collective credit impairment charge	**152**	146	146	4.1	4.1
Total credit impairment charge	**449**	406	373	10.6	20.4

	Half Year to				
	Mar 19	Sep 18	Mar 18	Mar 19 v Sep 18	Mar 19 v Mar 18
Credit impairment charge to gross loans and acceptances (annualised)	**0.15%**	0.14%	0.13%	1 bp	2 bps
Net write-offs to gross loans and acceptances (annualised)[2]	**0.09%**	0.10%	0.07%	(1 bp)	2 bps

March 2019 v March 2018

Credit impairment charge increased by $76 million or 20.4% to $449 million.

Specific credit impairment charge increased by $70 million or 30.8%, mainly driven by higher charges in Corporate and Institutional Banking mainly due to the impairment of a small number of larger exposures.

Collective credit impairment charge increased by $6 million or 4.1%, driven by:
- Higher collective provision charges for the Australian retail portfolio.

The increase was partially offset by:
- Non-repeat of collective provision charges for mortgage model enhancements.
- A lower net level of collective provision forward looking adjustments (FLAs) raised for targeted sectors.

The Group ratio of **net write-offs to gross loans and acceptances** increased by 2 basis points to 0.09% due to a modest increase in the level of write-offs from a low base.

The 12 month rolling net write-off ratio for the total retail portfolio (0.10% of gross retail loans), which includes the housing portfolio (0.02% of gross housing loans), remains broadly stable.

March 2019 v September 2018

Credit impairment charge increased by $43 million or 10.6% to $449 million.

Specific credit impairment charge increased by $37 million or 14.2%, driven by higher charges in Corporate and Institutional Banking mainly due to the impairment of a small number of larger exposures. This was partially offset by lower charges in Business and Private Banking due to low levels of newly impaired exposures combined with write-backs resulting from business turnarounds for a small number of larger exposures.

Collective credit impairment charge increased by $6 million or 4.1%, driven by:
- Higher collective provision charges for the Australian retail portfolio.

The increase was partially offset by:
- Non-repeat of collective provision charges for mortgage model enhancements.
- A lower net level of collective provision FLAs raised for targeted sectors.

The Group ratio of **net write-offs to gross loans and acceptances** decreased by 1 basis point to 0.09% due to a reduction in the level of write-offs for the Group's business lending portfolio.

The 12 month rolling net write-off ratio for the total retail portfolio (0.10% of gross retail loans), which includes the housing portfolio (0.02% of gross housing loans), remains broadly stable.

(1) *Information is presented on a continuing operations basis.*
(2) *Net write-offs include net write-offs of fair value loans.*

Asset Quality (continued)

Provision for Credit Impairment

	As at				
	31 Mar 19 $m	30 Sep 18 $m	31 Mar 18 $m	Mar 19 v Sep 18 %	Mar 19 v Mar 18 %
Collective provision on loans at amortised cost	**3,015**	2,840	2,699	6.2	11.7
Collective provision on loans at fair value	**73**	80	92	(8.8)	(20.7)
Collective provision on derivatives at fair value	**161**	134	147	20.1	9.5
Total collective provision for credit impairment	**3,249**	3,054	2,938	6.4	10.6
Total specific provision for credit impairment	**717**	675	710	6.2	1.0
Total provision for credit impairment	**3,966**	3,729	3,648	6.4	8.7

	As at				
	31 Mar 19	30 Sep 18	31 Mar 18	Mar 19 v Sep 18	Mar 19 v Mar 18
Total provision to gross loans and acceptances	**0.66%**	0.64%	0.64%	2 bps	2 bps
Total provisions to net write-offs (annualised)(1)(2)	**766%**	746%	862%	large	large
Specific provision to gross impaired assets(3)	**45.8%**	44.4%	46.3%	140 bps	(50 bps)
Collective provision to credit risk-weighted assets	**0.94%**	0.92%	0.89%	2 bps	5 bps
Collective provision to gross loans and acceptances	**0.54%**	0.52%	0.51%	2 bps	3 bps

March 2019 v March 2018

Provisions for credit impairment increased by $318 million or 8.7% to $3,966 million.

Specific provisions increased by $7 million or 1.0% mainly due to the impairment of a small number of larger exposures, partially offset by write-backs resulting from business turnarounds for a small number of larger exposures.

Collective provisions increased by $311 million or 10.6%. This was mainly due to:
- Net increase in collective provision FLAs for targeted sectors including movements in agriculture, mortgage and commercial real estate portfolios.
- Collective provision increases for the Australian retail portfolio including mortgage model enhancements.

The **collective provision to credit risk-weighted assets** ratio increased by 5 basis points to 0.94% predominantly due to collective provision increases.

March 2019 v September 2018

Provisions for credit impairment increased by $237 million or 6.4% to $3,966 million.

Specific provisions increased by $42 million or 6.2% mainly due to the impairment of a small number of larger exposures, partially offset by write-backs resulting from business turnarounds for a small number of larger exposures.

Collective provisions increased by $195 million or 6.4%. This was mainly due to:
- Net increase in collective provision FLAs for targeted sectors including movements in agriculture, mortgage and commercial real estate portfolios.
- Collective provision increases for the Australian retail portfolio.

The **collective provision to credit risk-weighted assets** ratio increased by 2 basis points to 0.94% predominantly due to collective provision increases.

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(1) *March 2019 and March 2018 metrics refer to the half year ratio annualised; September 2018 metrics refers to the full year ratio.*
(2) *Net write-offs include net write-offs of fair value loans.*
(3) *Ratio excludes New Zealand Banking dairy exposures that were assessed as no loss based on security held (March 2019 $nil (NZ$nil), September 2018: $2 million (NZ$3 million), March 2018: $76 million (NZ$81 million)). Collective provisions are held against these loans.*

Asset Quality (continued)

90+ Days Past Due and Gross Impaired Assets

	As at				
	31 Mar 19 $m	30 Sep 18 $m	31 Mar 18 $m	Mar 19 v Sep 18 %	Mar 19 v Mar 18 %
90+ days past due (DPD) loans	**3,206**	2,648	2,427	21.1	32.1
Gross impaired assets[(1)]	**1,564**	1,521	1,609	2.8	(2.8)
90+ DPD and gross impaired assets	**4,770**	4,169	4,036	14.4	18.2

	As at				
	31 Mar 19	30 Sep 18	31 Mar 18	Mar 19 v Sep 18	Mar 19 v Mar 18
90+ DPD loans to gross loans and acceptances	**0.53%**	0.45%	0.43%	8 bps	10 bps
Gross impaired assets to gross loans and acceptances	**0.26%**	0.26%	0.28%	-	(2 bps)
90+ DPD and gross impaired assets to gross loans and acceptances	**0.79%**	0.71%	0.71%	8 bps	8 bps

March 2019 v March 2018

The Group ratio of **90+ DPD loans to gross loans and acceptances** increased by 10 basis points to 0.53%. This was primarily driven by the Australian mortgage portfolio with an increase in delinquencies across all states.

The Group ratio of **gross impaired assets to gross loans and acceptances** decreased by 2 basis points to 0.26%. The decrease was predominantly driven by:
- Business turnarounds for a small number of larger exposures across the Australian business lending portfolio.
- A reduction in the New Zealand dairy impaired portfolio during the September 2018 half year.

The decrease was partially offset by the impairment of a small number of larger exposures.

March 2019 v September 2018

The Group ratio of **90+ DPD loans to gross loans and acceptances** increased by 8 basis points to 0.53%. This was primarily driven by the Australian mortgage portfolio with an increase in delinquencies across all states.

The Group ratio of **gross impaired assets to gross loans and acceptances** remained stable at 0.26%. This was predominantly driven by the impairment of a small number of larger exposures, partially offset by business turnarounds for a small number of larger exposures across the Australian business lending portfolio.

(1) *Gross impaired assets include New Zealand Banking dairy exposures that were assessed as no loss based on security held (March 2019: $nil (NZ$nil), September 2018: $2 million (NZ$3 million), March 2018: $76 million (NZ$81 million)). Collective provisions are held against these loans.*

Capital Management and Funding

Balance Sheet Management Overview

The Group aims to maintain strong capital, funding and liquidity positions, in line with its ongoing commitment to balance sheet strength. This includes:

- Seeking to maintain a well-diversified wholesale funding portfolio which accesses funding across a variety of markets, currencies and product types.
- Continuing to monitor and assess these positions so that changes in market conditions and regulation can be accommodated.

Regulatory Reform

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

'Unquestionably Strong' and Basel III Revisions

- In December 2017, the Basel Committee on Banking Supervision finalised the Basel III capital framework. Australian Prudential Regulation Authority (APRA) subsequently commenced consultation on revisions to the domestic capital framework in February 2018 and reaffirmed its intention to strengthen banking system resilience by establishing 'unquestionably strong' capital ratios. APRA expects major Australian banks to achieve Common Equity Tier 1 (CET1) capital ratios of at least 10.5% by 1 January 2020 based on existing risk-weighted asset methodologies.
- APRA has also proposed a minimum Leverage Ratio requirement of 3.5% for internal ratings-based (IRB) ADIs and revised Leverage Ratio exposure measurement methodology from 1 January 2022. The Group's Leverage Ratio as at 31 March 2019 of 5.5% (under current methodology) is disclosed in further detail within the March 2019 Pillar 3 Report.
- APRA has finalised its prudential requirements for the standardised approach to counterparty credit risk, which are introduced in the new Prudential Standard APS 180 *Counterparty Credit Risk*. These requirements will take effect from 1 July 2019.

Total Loss-absorbing Capacity

- In November 2018, APRA released its consultation paper on the implementation of an Australian loss absorbing capacity regime. APRA has proposed an increase in total capital of between 4% and 5% of risk-weighted assets for domestic systemically important banks. Finalisation of requirements is expected in 2019 with implementation by 2023.

Reserve Bank of New Zealand (RBNZ) Capital Review

- In December 2018, the RBNZ proposed amendments to the amount of regulatory capital required of locally incorporated banks, including:
  - increases in risk-weighted assets for banks that use the IRB approach via IRB recalibration, increased scalars and the introduction of standardised output floors
  - an increase in the Tier 1 capital requirement to 16% of risk-weighted assets.
- The RBNZ is proposing various dates for implementation of the proposed changes, including increases in the Tier 1 capital requirement over a five year period.

Further detail on the regulatory changes impacting the Group is outlined in the March 2019 Pillar 3 Report.

Capital Management

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

The Group's capital ratio operating targets are regularly reviewed in the context of the external economic and regulatory outlook with the objective of maintaining balance sheet strength. The Group expects to achieve APRA's 'unquestionably strong' capital benchmark of 10.5% from 1 January 2020.

Pillar 3 Disclosures

Further disclosures with respect to capital adequacy and risk management are included in the March 2019 Pillar 3 Report as required by APRA Prudential Standard APS 330 *Public Disclosure.*

Capital Management and Funding (continued)

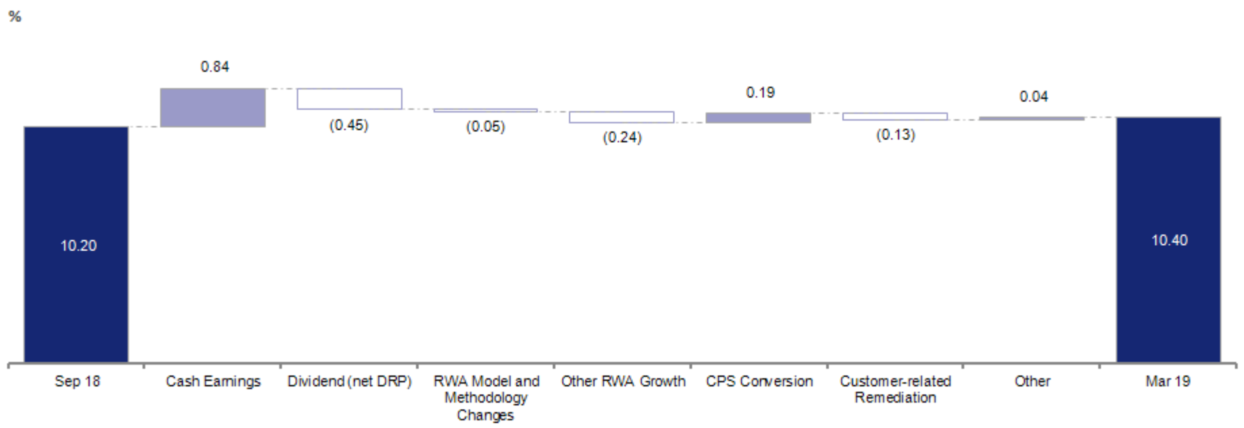
Capital Management (continued)

Capital Ratios

Capital ratios	As at 31 Mar 19 %	As at 30 Sep 18 %	As at 31 Mar 18 %	Mar 19 v Sep 18	Mar 19 v Mar 18
Common Equity Tier 1	**10.40**	**10.20**	**10.21**	20 bps	19 bps
Tier 1	**12.45**	**12.38**	**12.40**	7 bps	5 bps
Total capital	**14.00**	**14.12**	**14.43**	(12 bps)	(43 bps)

Risk-weighted assets (RWA)	As at 31 Mar 19 $m	As at 30 Sep 18 $m	As at 31 Mar 18 $m	Mar 19 v Sep 18 %	Mar 19 v Mar 18 %
Credit risk	**345,397**	331,381	329,882	4.2	4.7
Market risk	**9,190**	9,460	8,656	(2.9)	6.2
Operational risk	**40,945**	37,500	39,027	9.2	4.9
Interest rate risk in the banking book	**7,673**	11,343	9,850	(32.4)	(22.1)
Total risk-weighted assets	**403,205**	389,684	387,415	3.5	4.1

Movements in Common Equity Tier 1 Ratio



Capital Movements During the March 2019 half year

The Group's CET1 ratio was 10.40**%** at 31 March 2019. The key movements in capital over the March 2019 half year included:

- Cash earnings less the dividend net of Dividend Reinvestment Plan (DRP) participation resulting in an increase of 39 basis points.
- A net increase in risk-weighted assets which reduced the CET1 ratio by 29 basis points. Increases in credit risk, operational risk and market risk were partially offset by a reduction in interest rate risk in the banking book.
- Conversion of $750 million of NAB convertible preference shares (CPS) to ordinary shares resulting in an increase of 19 basis points.
- A customer-related remediation after tax provision of $525 million resulting in a decrease of 13 basis points.
- Sale of the holding in China Industrial International Trust resulting in an increase of 6 basis points.

Dividend and Dividend Reinvestment Plan

The Group periodically adjusts the DRP to reflect its capital position and outlook. The interim dividend for the half year ending 31 March 2019 has been reduced to 83 cents and the DRP discount is 1.5% with no participation limit. NAB has entered into an agreement to have the DRP on the interim dividend partially underwritten up to an amount of $1 billion over and above the expected participation in the DRP. Assuming a DRP participation rate of 35%, these initiatives will provide an expected increase in share capital of approximately $1.8 billion, which is equivalent to a 45 basis points increase in NAB's CET1 ratio.

Additional Tier 1 Capital Initiatives

On 17 December 2018, the Group redeemed the GBP400 million Trust Preferred Securities (TPS) issued by National Capital Trust I and guaranteed (on a limited basis) by NAB on 29 September 2003. The TPS were redeemed for cash at their par value plus accrued distribution.

On 20 March 2019, the Group issued $1,874 million of NAB Capital Notes 3, which will mandatorily convert into NAB Ordinary Shares on 19 June 2028, provided certain conditions are met. With written prior approval from APRA, NAB may elect to convert, redeem or resell NAB Capital Notes 3 on 17 June 2026, or on the occurrence of particular events, provided certain conditions are met.

Capital Management and Funding (continued)

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

Funding and Liquidity

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

Funding

The Group employs a range of metrics to set its risk appetite and measure balance sheet strength. The NSFR is a metric that measures the extent to which assets are funded with stable sources of funding in order to mitigate the risk of future funding stress. At 31 March 2019 the Group's NSFR was 112%, above the regulatory minimum of 100%.

Another key structural measure used is the Stable Funding Index (SFI), which is made up of the Customer Funding Index (CFI) and the Term Funding Index (TFI). The CFI represents the proportion of the Group's core assets that are funded by customer deposits. Similarly, the TFI represents the proportion of the Group's core assets that are funded by term wholesale funding with a remaining term to maturity of greater than 12 months. Over the March 2019 half year the SFI remained stable at 93% as an increase in the CFI was offset by a reduction in the TFI. The term funding portfolio with term to maturity of greater than 12 months has remained relatively stable over the March 2019 half year.

Group Funding Metrics

	As at		
	31 Mar 19	30 Sep 18	31 Mar 18
	%	%	%
Customer Funding Index	70	69	70
Term Funding Index	23	24	23
Stable Funding Index	**93**	93	93
Net Stable Funding Ratio	**112**	113	115

Customer Funding

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

The Monthly Banking Statistics published by APRA show that over the March 2019 half year, NAB's growth has been as follows:

- Australian domestic household deposits have grown by 2.8%.
- Business deposits (excluding deposits from financial corporations and households) have grown by 0.9%.
- Deposits from financial institutions have grown by 3.7%.

Term Wholesale Funding

Global funding conditions have been generally constructive however headline credit spreads exhibited a degree of volatility. Overall, term issuance spreads are largely unchanged when compared to the beginning of the March 2019 half year, however the disparity experienced between peak and trough was more pronounced than in prior periods with a material widening followed by a commensurate narrowing of issuance margins. Term funding markets will continue to be influenced by investor sentiment, macroeconomic conditions, monetary and fiscal policy settings as well as hedging costs in various derivative markets.

The Group maintains a well-diversified funding profile across issuance type, currency, investor location and tenor, and raised $16.4 billion during the March 2019 half year.

NAB raised $14.0 billion, including $8.8 billion senior unsecured and $5.2 billion of secured funding (comprised of covered bonds and residential mortgage backed securities (RMBS)). BNZ raised $2.4 billion during the March 2019 half year.

The weighted average maturity of term wholesale funding raised by the Group over the March 2019 half year was approximately 4.9 years to the first call date. The weighted average remaining maturity of the Group's term wholesale funding portfolio is 3.2 years.

Term Wholesale Funding by Deal Type

	As at		
	31 Mar 19	30 Sep 18	31 Mar 18
	%	%	%
Senior Public Offshore	32	47	44
Senior Public Domestic	28	25	16
Secured Public Offshore	22	4	-
Secured Public Domestic	10	12	26
Private Placements	8	12	14
Total	**100**	100	100

Term Wholesale Funding by Currency

	As at		
	31 Mar 19	30 Sep 18	31 Mar 18
	%	%	%
USD	35	26	35
AUD	34	38	44
EUR	17	22	12
GBP	-	3	3
JPY	9	5	-
Other	5	6	6
Total	**100**	100	100

Short-term Wholesale Funding

The Group maintained consistent access to international and domestic short-term wholesale funding markets during the March 2019 half year, noting certain periods of increased volatility.

Capital Management and Funding (continued)

In addition, repurchase agreements have been primarily utilised to support markets and trading activities. Repurchase agreements entered into are materially offset by reverse repurchase agreements with similar tenors and are not used to fund NAB's core activities.

Liquid Asset Portfolio

The Group maintains well-diversified liquid asset portfolios to support regulatory and internal requirements in the various regions in which it operates. The market value of total on balance sheet liquid assets held as at 31 March 2019 was $122 billion which includes $85 billion of high quality liquid assets (HQLA) and $27 billion of non-HQLA securities that are central bank repo-eligible.

In addition, the Group holds internal securitisation pools of RMBS as a source of contingent liquidity and to support the committed liquidity facility (CLF). The value (pre-applicable central bank haircut) of unencumbered internal RMBS held at 31 March 2019 was $61 billion.

Liquidity Coverage Ratio

The LCR is 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. Haircuts are applied to the market value of HQLA and CLF collateral.

Quarterly average regulatory liquid assets for March 2019 include a CLF of $55.9bn ($59.3bn for calendar year 2018). A detailed breakdown of quarterly average net cash outflows is provided in the Pillar 3 Report.

	Quarterly average		
	31 Mar 19	**30 Sep 18**	**31 Mar 18**
Total LCR liquid assets ($bn)	**140**	142	146
Net cash outflows ($bn)	**108**	110	115
Quarterly average LCR (%)	**130**	129	127

Credit Ratings

The Group closely monitors rating agency developments and regularly communicates with the major rating agencies. Entities in the Group are rated by S&P Global Ratings (S&P), Moody's Investors Service (Moody's) and Fitch Ratings (Fitch).

National Australia Bank Credit Ratings

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

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Section 3

Divisional Review

Divisional Performance Summary

Half Year ended 31 March 2019	Business and Private Banking $m	Consumer Banking and Wealth $m	Corporate and Institutional Banking $m	New Zealand Banking $m	Corporate Functions and Other[1] $m	Group cash earnings $m
Net interest income[2]	2,808	1,900	934	920	214	**6,776**
Other operating income[2][3]	521	708	804	269	140	**2,442**
Customer-related remediation[4]	-	-	-	-	(344)	**(344)**
Net operating income	3,329	2,608	1,738	1,189	10	**8,874**
Operating expenses[2]	(1,115)	(1,530)	(649)	(450)	(311)	**(4,055)**
Customer-related remediation[4]	-	-	-	-	(120)	**(120)**
Underlying profit / (loss)	2,214	1,078	1,089	739	(421)	**4,699**
Credit impairment charge	(119)	(173)	(43)	(41)	(73)	**(449)**
Cash earnings / (deficit) before tax and distributions	2,095	905	1,046	698	(494)	**4,250**
Income tax (expense) / benefit	(633)	(267)	(265)	(195)	116	**(1,244)**
Cash earnings / (deficit) before distributions	1,462	638	781	503	(378)	**3,006**
Distributions	-	-	-	-	(52)	**(52)**
Cash earnings / (deficit)	**1,462**	**638**	**781**	**503**	**(430)**	**2,954**
Cash earnings / (deficit) excluding customer-related remediation	**1,462**	**638**	**781**	**503**	**(105)**	**3,279**

Key balance sheet items ($bn)						Total
Gross loans and acceptances	201.2	223.1	95.4	81.3	0.3	**601.3**
Customer deposits	135.9	123.9	99.5	57.2	5.2	**421.7**

(1) *Corporate Functions and Other includes Group Eliminations.*
(2) *Excluding customer-related remediation.*
(3) *Consumer Banking and Wealth includes net investment income.*
(4) *Refer to Section 2 Large notable items for further information.*

Divisional Performance Summary (continued)

Half Year ended 30 September 2018	Business and Private Banking $m	Consumer Banking and Wealth $m	Corporate and Institutional Banking $m	New Zealand Banking $m	Corporate Functions and Other[1] $m	Group cash earnings $m
Net interest income	2,783	1,950	936	870	178	**6,717**
Other operating income[2][3]	536	771	714	257	138	**2,416**
Customer-related remediation[4]	-	-	-	-	(249)	**(249)**
Net operating income	3,319	2,721	1,650	1,127	67	**8,884**
Operating expenses[3]	(1,139)	(1,536)	(660)	(443)	(359)	**(4,137)**
Customer-related remediation[4]	-	-	-	-	(111)	**(111)**
Underlying profit / (loss)	2,180	1,185	990	684	(403)	**4,636**
Credit impairment (charge) / write-back	(133)	(138)	36	(32)	(139)	**(406)**
Cash earnings / (deficit) before tax and distributions	2,047	1,047	1,026	652	(542)	**4,230**
Income tax (expense) / benefit	(618)	(312)	(263)	(182)	139	**(1,236)**
Cash earnings / (deficit) before distributions	1,429	735	763	470	(403)	**2,994**
Distributions	-	-	-	-	(51)	**(51)**
Cash earnings / (deficit)	**1,429**	**735**	**763**	**470**	**(454)**	**2,943**
Cash earnings / (deficit) excluding customer-related remediation	**1,429**	**735**	**763**	**470**	**(193)**	**3,204**

Key balance sheet items ($bn)						Total
Gross loans and acceptances	199.5	218.8	91.4	75.6	0.3	**585.6**
Customer deposits	132.5	120.6	98.0	53.5	4.4	**409.0**

(1) *Corporate Functions and Other includes Group Eliminations.*
(2) *Consumer Banking and Wealth includes net investment income.*
(3) *Excluding customer-related remediation.*
(4) *Refer to Section 2 Large notable items for further information.*

Divisional Performance Summary (continued)

Half Year ended 31 March 2018	Business and Private Banking $m	Consumer Banking and Wealth $m	Corporate and Institutional Banking $m	New Zealand Banking $m	Corporate Functions and Other[(1)] $m	Group cash earnings $m
Net interest income	2,756	2,014	946	828	206	**6,750**
Other operating income[(2)]	532	770	737	263	41	**2,343**
Net operating income	3,288	2,784	1,683	1,091	247	**9,093**
Operating expenses[(3)]	(1,091)	(1,510)	(637)	(426)	(325)	**(3,989)**
Restructuring-related costs[(4)]	-	-	-	-	(755)	**(755)**
Underlying profit / (loss)	2,197	1,274	1,046	665	(833)	**4,349**
Credit impairment (charge) / write-back	(74)	(133)	7	(38)	(135)	**(373)**
Cash earnings / (deficit) before tax and distributions	2,123	1,141	1,053	627	(968)	**3,976**
Income tax (expense) / benefit	(641)	(337)	(275)	(175)	260	**(1,168)**
Cash earnings / (deficit) before distributions	1,482	804	778	452	(708)	**2,808**
Distributions	-	-	-	-	(49)	**(49)**
Cash earnings / (deficit)	**1,482**	**804**	**778**	**452**	**(757)**	**2,759**
Cash earnings / (deficit) excluding restructuring-related costs	**1,482**	**804**	**778**	**452**	**(227)**	**3,289**

Key balance sheet items ($bn)						Total
Gross loans and acceptances	196.4	213.9	85.5	75.1	0.3	**571.2**
Customer deposits	132.7	118.5	89.6	54.8	12.8	**408.4**

(1) *Corporate Functions and Other includes Group Eliminations.*
(2) *Consumer Banking and Wealth includes net investment income.*
(3) *Excluding restructuring-related costs.*
(4) *Refer to Section 2 Large notable items for further information.*

Business and Private Banking

Business and Private Banking focusses on serving the needs of three of NAB's priority customer segments – small businesses, medium businesses and investors. Customers are served through an integrated banking model locally led by managing partners through business banking centres and through the small business customer hubs. This includes specialists in Health, Agribusiness, Government, Education, Community and Franchising (GECF), Professional Services and Commercial Real Estate. The division also serves high net worth customers through Private Bank and JBWere.

	Half Year to				
	Mar 19 $m	**Sep 18 $m**	**Mar 18 $m**	**Mar 19 v Sep 18 %**	**Mar 19 v Mar 18 %**
Net interest income	**2,808**	2,783	2,756	0.9	1.9
Other operating income	**521**	536	532	(2.8)	(2.1)
Net operating income	**3,329**	3,319	3,288	0.3	1.2
Operating expenses	**(1,115)**	(1,139)	(1,091)	(2.1)	2.2
Underlying profit	**2,214**	2,180	2,197	1.6	0.8
Credit impairment charge	**(119)**	(133)	(74)	(10.5)	60.8
Cash earnings before tax	**2,095**	2,047	2,123	2.3	(1.3)
Income tax expense	**(633)**	(618)	(641)	2.4	(1.2)
Cash earnings	**1,462**	1,429	1,482	2.3	(1.3)
Volumes ($bn)					
Housing lending	**90.0**	90.8	90.6	(0.9)	(0.7)
Business lending	**107.8**	105.3	102.4	2.4	5.3
Other lending	**3.4**	3.4	3.4	-	-
Gross loans and acceptances	**201.2**	199.5	196.4	0.9	2.4
Average interest earning assets	**191.3**	189.4	185.9	1.0	2.9
Total assets	**201.5**	199.8	196.2	0.9	2.7
Customer deposits	**135.9**	132.5	132.7	2.6	2.4
Total risk-weighted assets	**119.3**	116.2	114.4	2.7	4.3
Performance Measures					
Cash earnings on average assets	**1.47%**	1.44%	1.53%	3 bps	(6 bps)
Cash earnings on average risk-weighted assets	**2.48%**	2.46%	2.64%	2 bps	(16 bps)
Net interest margin	**2.94%**	2.93%	2.97%	1 bp	(3 bps)
Cost to income ratio	**33.5%**	34.3%	33.2%	(80 bps)	30 bps

	Half Year to				
Asset Quality	**Mar 19**	**Sep 18**	**Mar 18**	**Mar 19 v Sep 18**	**Mar 19 v Mar 18**
90+ DPD and gross impaired assets to gross loans and acceptances	**0.83%**	0.78%	0.75%	5 bps	8 bps
Credit impairment charge to gross loans and acceptances (annualised)[1]	**0.12%**	0.13%	0.08%	(1 bp)	4 bps

(1) *Ratios represent half year ratio annualised.*

Business and Private Banking (continued)

Financial Analysis

March 2019 v March 2018

Cash earnings decreased by $20 million or 1.3% driven by higher credit impairment charges and higher operating expenses due to the continued investment in technology and associated amortisation charges, partially offset by higher revenue from balance sheet growth.

Key movements	Key drivers
Net interest income up $52m, 1.9%	• Average interest earning assets increased by $5.4 billion or 2.9% primarily due to growth in business lending as NAB continues to leverage its deep industry specialisations and strong market position. • Customer deposits increased by $3.2 billion or 2.4%, reflecting a continued focus on growing quality deposits. • Net interest margin decreased by 3 basis points due to a change in housing lending product mix as a result of customer preference and continued competitive pressures.
Other operating income down $11m, 2.1%	• Lower account fees driven by an ongoing shift in customer behaviours towards digital transactions.
Operating expenses up $24m, 2.2%	• Continued investment in technology with associated amortisation charges, customer capabilities to uplift the customer experience, combined with increased spend to strengthen the compliance and control environment, and annual salary increases. • Partially offset by productivity benefits achieved through continued simplification of the business and reduction in third party spend, combined with lower performance based compensation.
Credit impairment charge up $45m, 60.8%	• 90+ DPD and gross impaired assets to gross loans and acceptances increased 8 basis points driven by an increase in 90+ DPD assets largely as a result of mortgage delinquencies, partially offset by a reduction in impaired assets. • Collective provision charges increased due to growth in gross loans and acceptances and the increase in 90+ DPD. Specific charges reduced due to write-backs resulting from business turnarounds for a small number of larger exposures.
Risk-weighted assets up $4.9bn, 4.3%	• Increase in risk-weighted assets due to model and regulatory prescribed methodology changes and growth in gross loans and acceptances.

March 2019 v September 2018

Cash earnings increased by $33 million or 2.3% driven by an increase in revenue from balance sheet growth, combined with lower operating expenses due to productivity benefits achieved through continued simplification of the business and lower credit impairment charges.

Key movements	Key drivers
Net interest income up $25m, 0.9%	• Average interest earning assets increased by $1.9 billion or 1.0% due to growth in business lending as NAB continues to leverage its deep industry specialisations and strong market position. • Customer deposits increased by $3.4 billion or 2.6%, reflecting a continued focus on growing quality deposits. • Net interest margin increased by 1 basis point.
Other operating income down $15m, 2.8%	• Seasonally lower foreign exchange revenue. • Partially offset by higher lending fees.
Operating expenses down $24m, 2.1%	• Productivity benefits achieved through continued simplification of the business and reduction in third party spend, combined with lower performance based compensation. • Partially offset by continued investment in technology with associated amortisation charges, customer capabilities to uplift the customer experience, combined with increased spend to strengthen the compliance and control environment, and annual salary increases.
Credit impairment charge down $14m, 10.5%	• Specific charges decreased due to write-backs resulting from business turnarounds for a small number of larger exposures. Collective provision charges increased due to growth in gross loans and acceptances and the increase in 90+ DPD. • 90+ DPD and gross impaired assets to gross loans and acceptances increased by 5 basis points driven by an increase in 90+ DPD assets largely as a result of mortgage delinquencies, partially offset by a reduction in impaired assets.
Risk-weighted assets up $3.1bn, 2.7%	• Increase in risk-weighted assets due to model and regulatory prescribed methodology changes and growth in gross loans and acceptances.

Consumer Banking and Wealth

Consumer Banking and Wealth comprises the NAB and UBank consumer banking divisions and the Wealth divisions of Advice, Asset Management and Superannuation which provides customers with access to advisers, including mortgage brokers and a financial planning network of self-employed and employed advisers in Australia.

	Half Year to				
	Mar 19 $m	Sep 18 $m	Mar 18 $m	Mar 19 v Sep 18 %	Mar 19 v Mar 18 %
Net interest income	**1,900**	1,950	2,014	(2.6)	(5.7)
Net investment income	**433**	463	486	(6.5)	(10.9)
Other operating income	**275**	308	284	(10.7)	(3.2)
Net operating income	**2,608**	2,721	2,784	(4.2)	(6.3)
Operating expenses	**(1,530)**	(1,536)	(1,510)	(0.4)	1.3
Underlying profit	**1,078**	1,185	1,274	(9.0)	(15.4)
Credit impairment charge	**(173)**	(138)	(133)	25.4	30.1
Cash earnings before tax	**905**	1,047	1,141	(13.6)	(20.7)
Income tax expense	**(267)**	(312)	(337)	(14.4)	(20.8)
Cash earnings	**638**	735	804	(13.2)	(20.6)
Volumes ($bn)					
Housing lending	**216.6**	212.2	207.0	2.1	4.6
Other lending	**6.5**	6.6	6.9	(1.5)	(5.8)
Gross loans and acceptances	**223.1**	218.8	213.9	2.0	4.3
Average interest earning assets	**207.4**	200.9	196.0	3.2	5.8
Total assets	**232.5**	228.7	223.4	1.7	4.1
Customer deposits	**123.9**	120.6	118.5	2.7	4.6
Total risk-weighted assets	**81.1**	79.0	78.3	2.7	3.6
Performance Measures					
Cash earnings on average assets	**0.56%**	0.66%	0.74%	(10 bps)	(18 bps)
Cash earnings on average risk-weighted assets (Consumer Banking)	**1.40%**	1.62%	1.78%	(22 bps)	(38 bps)
Net interest margin (Consumer Banking)	**1.84%**	1.94%	2.06%	(10 bps)	(22 bps)
Cost to income ratio (Consumer Banking)	**56.0%**	54.0%	52.3%	200 bps	370 bps
Cost to income ratio (Wealth)	**71.1%**	67.7%	63.0%	340 bps	810 bps
Funds under management and administration (FUM/A) (spot) ($m)	**116,636**	119,145	116,090	(2.1)	0.5
Funds under management and administration (FUM/A) (average) ($m)	**114,356**	118,046	116,695	(3.1)	(2.0)
Assets under management (AUM) (spot) ($m)	**202,875**	206,704	199,309	(1.9)	1.8
Assets under management (AUM) (average) ($m)	**199,064**	203,349	199,422	(2.1)	(0.2)
Investment income to average FUM/A (bps) (Wealth)	**54**	56	59	(2 bps)	(5 bps)
Investment income to average AUM (bps) (Wealth)	**13**	13	14	-	(1 bp)

	Half Year to				
Asset Quality	Mar 19	Sep 18	Mar 18	Mar 19 v Sep 18	Mar 19 v Mar 18
90+ DPD and gross impaired assets to gross loans and acceptances	**0.98%**	0.84%	0.80%	14 bps	18 bps
Credit impairment charge to gross loans and acceptances (annualised)[1]	**0.16%**	0.13%	0.12%	3 bps	4 bps

(1) *Ratios represent half year ratio annualised.*

Consumer Banking and Wealth (continued)

Financial Analysis

March 2019 v March 2018

Cash earnings decreased by $166 million or 20.6% driven by lower revenue as a result of higher funding costs and lower margins benefiting customers in both housing lending and wealth portfolios, combined with increased credit impairment charges. This was partially offset by higher revenue from balance sheet growth and repricing benefits in the housing lending portfolio.

Key movements	Key drivers
Net interest income down $114m, 5.7%	• Average interest earning assets increased by $11.4 billion or 5.8% driven by growth in housing lending. • Customer deposits increased by $5.4 billion or 4.6% with growth across key products. • Net interest margin decreased by 22 basis points driven by higher funding costs, lower housing lending margins due to competitive pressures and a change in customer preferences from interest only to principal and interest lending, combined with regulatory changes on unsecured lending, partially offset by repricing.
Net investment income down $53m, 10.9%	• Continued shift in business mix to lower margin products and repricing providing better customer outcomes. • Revenue decline from lower average FUM/A (decrease of $2.3bn or 2.0%) and AUM (decrease of $0.4bn or 0.2%).
Other operating income down $9m, 3.2%	• Lower fees reflecting slower market growth. • Increase in card scheme charges as a result of increased transactions.
Operating expenses up $20m, 1.3%	• Continued investment in technology with associated depreciation and amortisation charges, increased spend to strengthen the compliance and control environment and annual salary increases. • Partially offset by productivity benefits achieved through continued simplification of the business and reduction in third party spend, combined with lower performance based compensation.
Credit impairment charge up $40m, 30.1%	• Higher collective provisions due to an increase in mortgage delinquency rates and declining house prices. • 90+ DPD and gross impaired assets to gross loans and acceptances increased 18 basis points to 0.98% reflecting an increase in mortgage delinquencies.
Risk-weighted assets up $2.8bn, 3.6%	• Increase due to growth in housing lending volume.

March 2019 v September 2018

Cash earnings decreased by $97 million or 13.2% largely driven by lower revenue as a result of lower margins benefiting customers in housing lending, unsecured lending and wealth portfolios, combined with higher credit impairment charges.

Key movements	Key drivers
Net interest income down $50m, 2.6%	• Average interest earning assets increased by $6.5 billion or 3.2% driven by growth in housing lending. • Customer deposits increased by $3.3 billion or 2.7% with growth across key products. • Net interest margin declined by 10 basis points driven by higher funding costs, lower housing lending margins driven by competitive pressures and a change in customer preferences from interest only to principal and interest lending, combined with regulatory changes on unsecured lending, partially offset by repricing.
Net investment income down $30m, 6.5%	• Continued shift in business mix to lower margin products and repricing providing better customer outcomes. • Revenue decline from lower average FUM/A (decrease of $3.7bn or 3.1%) and AUM (decrease of $4.3bn or 2.1%).
Other operating income down $33m, 10.7%	• Lower fees reflecting slower market growth, combined with seasonality in the housing lending portfolio. • Seasonally lower foreign exchange revenue. • Increase in card scheme charges as a result of increased transactions and timing of loyalty costs.
Operating expenses down $6m, 0.4%	• Productivity benefits achieved through continued simplification of the business and reduction in third party spend, combined with lower performance based compensation.
Credit impairment charge up $35m, 25.4%	• Higher collective provisions due to an increase in mortgage delinquency rates and declining house prices. • 90+ DPD and gross impaired assets to gross loans and acceptances increased 14 basis points over the half year to 0.98%, reflecting an increase in mortgage delinquencies.
Risk-weighted assets up $2.1bn, 2.7%	• Increase due to growth in housing lending volume.

Consumer Banking and Wealth (continued)

Consumer Banking

	Half Year to				
	Mar 19 $m	Sep 18 $m	Mar 18 $m	Mar 19 v Sep 18 %	Mar 19 v Mar 18 %
Net interest income	**1,900**	1,950	2,014	(2.6)	(5.7)
Other operating income	**252**	285	262	(11.6)	(3.8)
Net operating income	**2,152**	2,235	2,276	(3.7)	(5.4)
Operating expenses	**(1,206)**	(1,207)	(1,190)	(0.1)	1.3
Underlying profit	**946**	1,028	1,086	(8.0)	(12.9)
Credit impairment charge	**(173)**	(138)	(133)	25.4	30.1
Cash earnings before tax	**773**	890	953	(13.1)	(18.9)
Income tax expense	**(231)**	(269)	(285)	(14.1)	(18.9)
Cash earnings	**542**	621	668	(12.7)	(18.9)

Wealth

	Half Year to				
	Mar 19 $m	Sep 18 $m	Mar 18 $m	Mar 19 v Sep 18 %	Mar 19 v Mar 18 %
Net investment income	**433**	463	486	(6.5)	(10.9)
Other operating income	**23**	23	22	-	4.5
Net operating income	**456**	486	508	(6.2)	(10.2)
Operating expenses	**(324)**	(329)	(320)	(1.5)	1.3
Cash earnings before tax	**132**	157	188	(15.9)	(29.8)
Income tax expense	**(36)**	(43)	(52)	(16.3)	(30.8)
Cash earnings	**96**	114	136	(15.8)	(29.4)

Corporate and Institutional Banking

Corporate and Institutional Banking provides a range of lending and transactional products and services related to financial and debt capital markets, specialised capital, custody and alternative investments. The division serves its customers in Australia and globally, including branches in the US, UK and Asia, with specialised industry relationships and product teams.

	Half Year to				
	Mar 19 $m	Sep 18 $m	Mar 18 $m	Mar 19 v Sep 18 %	Mar 19 v Mar 18 %
Net interest income	**934**	936	946	(0.2)	(1.3)
Other operating income	**804**	714	737	12.6	9.1
Net operating income	**1,738**	1,650	1,683	5.3	3.3
Operating expenses	**(649)**	(660)	(637)	(1.7)	1.9
Underlying profit	**1,089**	990	1,046	10.0	4.1
Credit impairment (charge) / write-back	**(43)**	36	7	large	large
Cash earnings before tax	**1,046**	1,026	1,053	1.9	(0.7)
Income tax expense	**(265)**	(263)	(275)	0.8	(3.6)
Cash earnings	**781**	763	778	2.4	0.4
Net operating income					
Lending and deposits income	**1,113**	1,045	1,048	6.5	6.2
Markets income (ex derivative valuation adjustments)	**416**	395	416	5.3	-
Derivative valuation adjustments[(1)]	**(4)**	1	(3)	large	33.3
Other income	**213**	209	222	1.9	(4.1)
Total net operating income	**1,738**	1,650	1,683	5.3	3.3
Volumes ($bn)					
Corporate Finance	**34.0**	30.8	26.9	10.4	26.4
Business lending	**61.0**	60.1	58.1	1.5	5.0
Other lending	**0.4**	0.5	0.5	(20.0)	(20.0)
Gross loans and acceptances	**95.4**	91.4	85.5	4.4	11.6
Average interest earning assets	**256.2**	236.0	239.2	8.6	7.1
Total assets	**273.0**	263.8	250.1	3.5	9.2
Customer deposits	**99.5**	98.0	89.6	1.5	11.0
Total risk-weighted assets	**119.1**	112.3	114.8	6.1	3.7
Performance Measures					
Cash earnings on average assets	**0.56%**	0.58%	0.58%	(2 bps)	(2 bps)
Cash earnings on average risk-weighted assets	**1.34%**	1.32%	1.36%	2 bps	(2 bps)
Net interest margin	**0.73%**	0.79%	0.79%	(6 bps)	(6 bps)
Net interest margin (ex markets)	**1.70%**	1.69%	1.64%	1 bp	6 bps
Cost to income ratio	**37.3%**	40.0%	37.8%	(270 bps)	(50 bps)

	Half Year to				
Asset Quality	Mar 19	Sep 18	Mar 18	Mar 19 v Sep 18	Mar 19 v Mar 18
90+ DPD and gross impaired assets to gross loans and acceptances	**0.48%**	0.39%	0.39%	9 bps	9 bps
Credit impairment charge to gross loans and acceptances (annualised)[(2)]	**0.09%**	(0.08%)	(0.02%)	17 bps	11 bps

(1) *Derivative valuation adjustments, which include credit valuation adjustments and funding valuation adjustments, are shown net of hedging costs or benefits. Comparative information has been restated in accordance with changes in presentation made in the current period.*
(2) *Ratios represent half year ratio annualised.*

Corporate and Institutional Banking (continued)

Financial Analysis

March 2019 v March 2018

Cash earnings increased by $3 million or 0.4% driven by increased revenue reflecting improved margins (ex Markets) together with growth in gross loans and acceptances and customer deposits, partially offset by lower sales of customer risk management products. Operating expenses have increased reflecting continued investment in technology and increased spend to strengthen the compliance and control environment. Credit impairment charges have increased relating to the impairment of a small number of larger exposures.

Key movements	Key drivers
Net interest income down $12m, 1.3%	• Includes a decrease of $111 million due to movements of economic hedges offset in other operating income. • Underlying increase of $99 million reflects higher net interest margin (ex Markets) together with increased gross loans and acceptances and increased customer deposits. • Net interest margin (ex Markets) increased by 6 basis points to 1.70% benefitting from continued focus on portfolio returns together with lower funding costs. • Gross loans and acceptances increased by $9.9 billion or 11.6% reflecting continued focus on growth segments. • Customer deposits increased by $9.9 billion or 11.0% reflecting increased institutional term deposits.
Other operating income up $67m, 9.1%	• Includes an increase of $111 million due to movements of economic hedges offset in net interest income. • Underlying decrease of $44 million due to lower sales of customer risk management products.
Operating expenses up $12m, 1.9%	• Continued investment in technology combined with increased spend to strengthen the compliance and control environment, and annual salary increases. • Partially offset by productivity benefits achieved through continued simplification of the business and reduction in third party spend, combined with lower performance based compensation.
Credit impairment charge up $50m	• Increased charges relating to the impairment of a small number of larger exposures.
Risk-weighted assets up $4.3bn, 3.7%	• Increased risk-weighted assets due to model and regulatory prescribed methodology changes of $3.8 billion together with growth in gross loans and acceptances, partially offset by continued returns focussed portfolio management.

March 2019 v September 2018

Cash earnings increased by $18 million or 2.4% driven by increased revenue reflecting growth in gross loans and acceptances and customer deposits together with increased deal activity in Corporate Finance. Operating expenses have decreased reflecting productivity benefits from continued simplification of the Group's operations and reduction in third party spend. Credit impairment charges have increased relating to the impairment of a small number of larger exposures.

Key movements	Key drivers
Net interest income down $2m, 0.2%	• Includes a decrease of $65 million due to movements of economic hedges offset in other operating income. • Underlying increase of $63 million reflects increased gross loans and acceptances and increased customer deposits together with higher Markets income. • Gross loans and acceptances increased by $4.0 billion or 4.4% reflecting continued focus on growth segments. • Customer deposits increased by $1.5 billion or 1.5% reflecting increased institutional term deposits.
Other operating income up $90m, 12.6%	• Includes an increase of $65 million due to movements of economic hedges offset in net interest income. • Underlying increase of $25 million due to increased deal activity in Corporate Finance.
Operating expenses down $11m, 1.7%	• Productivity benefits achieved through continued simplification of the business and reduction in third party spend, combined with lower performance based compensation. • Partially offset by continued investment in technology together with increased spend to strengthen the compliance and control environment, and annual salary increases.
Credit impairment charge up $79m	• Increased charges relating to the impairment of a small number of larger exposures versus a small number of write-backs in the prior period.
Risk-weighted assets up $6.8bn, 6.1%	• Increased risk-weighted assets due to model and regulatory prescribed methodology changes of $3.8 billion together with growth in gross loans and acceptances, partially offset by continued returns focussed portfolio management.

New Zealand Banking

New Zealand Banking comprises the Consumer Banking, Wealth, Business, Agribusiness, Corporate and Insurance franchises and Markets Sales operations in New Zealand, operating under the 'Bank of New Zealand' brand. It excludes Bank of New Zealand's Markets Trading operations.

Results presented in local currency. See page 48 for results in Australian dollars and page 99 for foreign exchange rates.

	Half Year to				
	Mar 19 $m	**Sep 18 $m**	**Mar 18 $m**	**Mar 19 v Sep 18 %**	**Mar 19 v Mar 18 %**
Net interest income	**973**	943	905	3.2	7.5
Other operating income	**285**	279	287	2.2	(0.7)
Net operating income	**1,258**	1,222	1,192	2.9	5.5
Operating expenses	**(475)**	(481)	(465)	(1.2)	2.2
Underlying profit	**783**	741	727	5.7	7.7
Credit impairment charge	**(44)**	(35)	(41)	25.7	7.3
Cash earnings before tax	**739**	706	686	4.7	7.7
Income tax expense	**(207)**	(196)	(192)	5.6	7.8
Cash earnings	**532**	510	494	4.3	7.7
Volumes ($bn)					
Housing lending	**41.3**	39.8	38.2	3.8	8.1
Business lending	**42.2**	41.5	40.3	1.7	4.7
Other lending	**1.4**	1.3	1.3	7.7	7.7
Gross loans and acceptances	**84.9**	82.6	79.8	2.8	6.4
Average interest earning assets	**85.0**	82.3	80.9	3.3	5.1
Total assets	**88.7**	86.4	84.0	2.7	5.6
Customer deposits	**59.7**	58.5	58.2	2.1	2.6
Total risk-weighted assets	**62.4**	61.2	59.0	2.0	5.8
Performance Measures					
Cash earnings on average assets	**1.22%**	1.20%	1.19%	2 bps	3 bps
Cash earnings on average risk-weighted assets	**1.72%**	1.69%	1.71%	3 bps	1 bp
Net interest margin	**2.30%**	2.29%	2.24%	1 bp	6 bps
Cost to income ratio	**37.8%**	39.4%	39.0%	(160 bps)	(120 bps)
FTEs (spot)	**4,537**	4,655	4,676	(118)	(139)

	Half Year to				
Asset Quality	**Mar 19**	**Sep 18**	**Mar 18**	**Mar 19 v Sep 18**	**Mar 19 v Mar 18**
90+ DPD and gross impaired assets to gross loans and acceptances[(1)]	**0.52%**	0.46%	0.62%	6 bps	(10 bps)
Credit impairment charge to gross loans and acceptances (annualised)[(2)]	**0.10%**	0.08%	0.10%	2 bps	-

	As at		
Market share[(3)]	**31 Mar 19**	**30 Sep 18**	**31 Mar 18**
Housing lending	**15.9%**	15.7%	15.6%
Agribusiness	**22.0%**	22.3%	22.5%
Business lending	**23.6%**	23.8%	23.5%
Retail deposits	**18.1%**	18.1%	18.5%

	As at		
Distribution	**31 Mar 19**	**30 Sep 18**	**31 Mar 18**
Number of retail branches	**153**	153	155
Number of ATMs	**642**	633	618
Number of internet banking customers (no. '000s)	**753**	731	712

(1) *Gross impaired assets include New Zealand Banking dairy exposures that were assessed as no loss based on security held (March 2019: $nil, September 2018: $3 million, March 2018: $81 million). Collective provisions are held against these loans.*
(2) *Ratios represent half year ratio annualised.*
(3) *Source: RBNZ.*

New Zealand Banking (continued)

Financial Analysis

March 2019 v March 2018

Cash earnings increased by $38 million or 7.7% driven by higher revenue, partially offset by higher expenses and credit impairment charges.

Key movements	Key drivers
Net interest income up $68m, 7.5%	• Average interest earning assets increased by $4.1 billion or 5.1% due to growth in housing and business lending. • Customer deposits increased by $1.5 billion or 2.6% with growth mainly in demand deposits. • Net interest margin increased by 6 basis points due to improved funding mix, partially offset by lower lending margins.
Other operating income down $2m, 0.7%	• Reduction and removal of certain customer fees, partially offset by increased line fee income.
Operating expenses up $10m, 2.2%	• Continued investment in digital capabilities to enhance frontline efficiency and customer experience and increased spend to strengthen the compliance and control environment, partially offset by productivity benefits. • Depreciation and amortisation charges associated with investment in priority segments and digital capabilities.
Credit impairment charge up $3m, 7.3%	• 90+DPD and gross impaired assets to gross loans and acceptances decreased by 10 basis points mainly due to a decrease in gross impaired assets relating to dairy exposures.
Total risk-weighted assets up $3.4bn, 5.8%	• Growth in gross loans and acceptances.

March 2019 v September 2018

Cash earnings increased by $22 million or 4.3% driven by improved revenue and expenses, partially offset by higher credit impairment charges.

Key movements	Key drivers
Net interest income up $30m, 3.2%	• Average interest earning assets increased by $2.7 billion or 3.3% driven by growth in both housing and business lending. Housing growth outperformed system for both the September 2018 and March 2019 half year periods. • Customer deposits increased by $1.2 billion or 2.1%. • Net interest margin increased by 1 basis point mainly due to improved funding mix, partially offset by lower housing margins.
Other operating income up $6m, 2.2%	• Increased line fee income and revenue from cards.
Operating expenses down $6m, 1.2%	• Productivity benefits from process simplification and continued cost discipline. • Partially offset by depreciation and amortisation charges associated with investment in priority segments and digital capabilities, and increased spend to strengthen the compliance and control environment.
Credit impairment charge up $9m, 25.7%	• Credit impairment charge to gross loans and acceptances increased by 2 basis points, mainly due to consumer lending. • 90+DPD and gross impaired assets to gross loans and acceptances increased by 6 basis points mainly due to an increase in gross impaired assets relating to a large single name dairy exposure.
Total risk-weighted assets up $1.2bn, 2.0%	• Growth in gross loans and acceptances.

New Zealand Banking (continued)

Results presented in Australian dollars. See page 46 for results in local currency.

	Half Year to				
	Mar 19 $m	**Sep 18 $m**	**Mar 18 $m**	**Mar 19 v Sep 18 %**	**Mar 19 v Mar 18 %**
Net interest income	**920**	870	828	5.7	11.1
Other operating income	**269**	257	263	4.7	2.3
Net operating income	**1,189**	1,127	1,091	5.5	9.0
Operating expenses	**(450)**	(443)	(426)	1.6	5.6
Underlying profit	**739**	684	665	8.0	11.1
Credit impairment charge	**(41)**	(32)	(38)	28.1	7.9
Cash earnings before tax	**698**	652	627	7.1	11.3
Income tax expense	**(195)**	(182)	(175)	7.1	11.4
Cash earnings	**503**	470	452	7.0	11.3

Impact of foreign exchange rate movements

Favourable / (unfavourable) 31 March 2019	**Half Year since Sep 18 $m**	**Mar 19 v Sep 18 Ex FX %**	**Year since Mar 18 $m**	**Mar 19 v Mar 18 Ex FX %**
Net interest income	**23**	3.1	**29**	7.6
Other operating income	**6**	2.3	**9**	(1.1)
Operating expenses	**(12)**	(1.1)	**(15)**	2.1
Credit impairment charge	**-**	28.1	**(1)**	5.3
Income tax expense	**(4)**	4.9	**(6)**	8.0
Cash earnings	**13**	4.3	**16**	7.7

Corporate Functions and Other

The Group's 'Corporate Functions and Other' business includes functions that support all businesses including Treasury, Technology and Operations, Support Units and Eliminations. Treasury acts as the central vehicle for movements of capital and structural funding to support the Group's operations, together with capital, balance sheet management and the liquid asset portfolio.

	Half Year to				
	Mar 19 $m	Sep 18 $m	Mar 18 $m	Mar 19 v Sep 18 %	Mar 19 v Mar 18 %
Net operating income[(1)]	**354**	316	247	12.0	43.3
Customer-related remediation[(2)]	**(344)**	(249)	-	38.2	large
Net operating income	**10**	67	247	(85.1)	(96.0)
Operating expenses[(3)]	**(311)**	(359)	(325)	(13.4)	(4.3)
Restructuring-related costs[(2)]	**-**	-	(755)	-	large
Customer-related remediation[(2)]	**(120)**	(111)	-	8.1	large
Underlying loss	**(421)**	(403)	(833)	4.5	(49.5)
Credit impairment charge	**(73)**	(139)	(135)	(47.5)	(45.9)
Cash deficit before tax and distributions	**(494)**	(542)	(968)	(8.9)	(49.0)
Income tax benefit	**116**	139	260	(16.5)	(55.4)
Cash deficit before distributions	**(378)**	(403)	(708)	(6.2)	(46.6)
Distributions	**(52)**	(51)	(49)	2.0	6.1
Cash deficit	**(430)**	(454)	(757)	(5.3)	(43.2)
Cash deficit (excluding large notable items)	**(105)**	(193)	(227)	(45.6)	(53.7)

March 2019 v March 2018

Cash deficit decreased by $327 million mainly driven by restructuring-related costs in the March 2018 half year, offset by customer-related remediation in the March 2019 half year. Cash deficit (excluding large notable items) decreased by $122 million mainly due to higher income from funding and risk management activities, gains from asset sales and non-recurring items in the prior period, and lower level of collective provisions.

Key movements	Key drivers
Net operating income down $237m, 96.0%	• Includes customer-related remediation of $344 million. • Underlying increase of $107 million reflects higher income from funding and risk management activities, gains from asset sales in the current period and non-recurring items in the prior period.
Operating expenses down $649m, 60.1%	• Includes restructuring-related costs of $755 million in the March 2018 half year and customer-related remediation of $120 million in the March 2019 half year. • Underlying decrease of $14 million reflects costs associated with the sale of the Private Wealth business in Asia in the prior period.
Credit impairment charge down $62m, 45.9%	• Lower level of collective provisions due to non-repeat of mortgage model enhancements and a lower net level of collective provision FLAs raised for targeted sectors.
Distributions are up $3m, 6.1%	• Distributions have remained relatively stable.

March 2019 v September 2018

Cash deficit decreased by $24 million including customer-related remediation. Cash deficit (excluding large notable items) decreased by $88 million mainly due to higher income from funding and risk management activities, lower legal costs, including costs associated with the Royal Commission and lower level of collective provisions.

Key movements	Key drivers
Net operating income down $57m, 85.1%	• Includes an increase of customer-related remediation of $95 million. • Underlying increase of $38 million reflects higher income from funding and risk management activities.
Operating expenses down $39m, 8.3%	• Includes an increase in customer-related remediation of $9 million. • Underlying decrease of $48 million reflects lower legal costs, including costs associated with the Royal Commission.
Credit impairment charge down $66m, 47.5%	• Lower level of collective provisions due to non-repeat of mortgage model enhancements and a lower net level of collective provision FLAs raised for targeted sectors.
Distributions are up $1m, 2.0%	• Distributions have remained relatively stable.

(1) *Excluding customer-related remediation.*
(2) *Refer to Section 2 Large notable items for further information.*
(3) *Excluding restructuring-related costs and customer-related remediation.*

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Section 4

Financial Report

Report of the Directors

The Directors of National Australia Bank Limited (NAB) (ABN 12 004 044 937) present their report, together with the financial statements of NAB and its controlled entities (the Group) for the half year ended 31 March 2019.

Directors

Directors who held office during or since the end of the March 2019 half year are:

Dr Kenneth R Henry
Chairman from December 2015 and Director since November 2011

Philip W Chronican
Director since May 2016 and Group Chief Executive Officer since March 2019

Andrew G Thorburn
Managing Director and Group Chief Executive Officer from August 2014 to February 2019

David H Armstrong
Director since August 2014

Peeyush K Gupta
Director since November 2014

Anne J Loveridge
Director since December 2015

Geraldine C McBride
Director since March 2014

Douglas A McKay
Director since February 2016

Ann C Sherry
Director since November 2017

Anthony KT Yuen
Director since March 2010

Rounding of Amounts

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

Significant Changes in the State of Affairs

A number of changes to the composition of the NAB Board were announced during the 2019 half year, namely:

- Mr Andrew Thorburn resigned as Managing Director and Group Chief Executive Officer and ceased employment with the Group on 28 February 2019.
- Mr Philip Chronican, Director, commenced in the role of interim Group Chief Executive Officer on 1 March 2019 and will return to his role as an independent Non-Executive Director on the Board once a permanent Group Chief Executive Officer is appointed.
- Dr Kenneth Henry, Non-Executive Director and Chairman of the Board, has announced his intention to resign from the Board once a permanent Group Chief Executive Officer is appointed.
- Mr Philip Chronican has been appointed Chairman-elect by the Board and will take the Chairman role later in the year, when Dr Henry retires.

Review of Group Operations[1]

The Group's purpose is to back the bold who move Australia forward and achieve its vision to be Australia's leading bank, trusted by customers for exceptional service.

This is underpinned by four aspirational objectives:

1. Net Promoter Score (NPS)[2] positive and number one NPS[2][3] of major Australian banks for the Group's priority segments.
2. Cost to income ratio towards 35%.
3. Number 1 ROE of major Australian banks.
4. Top quartile employee engagement.

The Group plans to achieve these objectives by being the best business bank; becoming simpler and faster for its customers and its people; focussing on new and emerging growth opportunities; and developing great leaders, talent and culture.

The March 2019 half year results reflect a solid underlying result in a challenging environment, due to:

- Lower revenue driven by an ongoing shift in customer behaviours towards digital transactions, and in the Wealth business due to a continued shift in business mix to lower margin products and repricing providing better customer outcomes. This was offset by growth in housing and business lending volumes.
- Expenses were well managed as the divisions continue to invest in technology to uplift capabilities to improve the customer experience and strengthen the compliance and control environment.
- Higher credit impairment charges mainly due to the impairment of a small number of larger exposures.

Business and Private Banking results reflect higher revenue from business lending volume growth as the division continues to leverage its deep industry specialisations and strong market position, partially offset by higher operating expenses as the division continues to invest in technology.

Consumer Banking and Wealth results reflect lower revenue as a result of higher funding costs and lower margins benefiting customers in both housing lending and Wealth portfolios, combined with increased credit impairment charges. This was partially offset by higher

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(1) *Refer to key risks, qualifications and assumptions in relation to forward looking statements on page 7 of NAB's 2019 Half Year Results Summary.*
(2) *Net Promoter® and NPS® are registered trademarks and Net Promoter Score and Net Promoter System are trademarks of Bain & Company, Satmetrix Systems and Fred Reichheld.*
(3) *Priority Segments Net Promoter Score (NPS) is a simple average of the NPS scores of four priority segments: Home Owners, Investors, Small Business ($0.1m-<$5m) and Medium Business ($5m-<$50m). The Priority Segments NPS data is based on six months moving averages from Roy Morgan Research and DBM BFSM Research.*

Report of the Directors (continued)

revenue from balance sheet growth and repricing benefits in the housing lending portfolio.

Corporate and Institutional Banking results reflect increased revenue as a result of higher net interest margin (ex Markets) together with balance sheet growth. This was partially offset by increased operating expenses reflecting continued investment in technology, and increased credit impairment charges relating to the impairment of a small number of larger exposures.

New Zealand Banking results reflect strong revenue growth driven by growth in housing, business lending and customer deposits, supported by continued investment in digital capabilities to enhance frontline efficiency and customer experience.

Review of Group Results

Net profit attributable to owners of NAB (statutory net profit) increased by $111 million or 4.3% compared to the March 2018 half year. Net profit from continuing operations increased by $29 million or 1.0% compared to the March 2018 half year largely due to the impact of restructuring-related costs in the March 2018 half year. This was partially offset by customer-related remediation in the March 2019 half year, unfavourable movements in fair value and hedge ineffectiveness and higher credit impairment charges.

Net interest income decreased by $25 million or 0.4%. Excluding the impact of customer-related remediation of $42 million in the March 2019 half year, net interest income increased by $17 million driven by growth in housing and business lending volumes, partially offset by lower net interest margin.

Other income decreased by $430 million or 15.0%. Excluding customer-related remediation of $302 million in the March 2019 half year, other income decreased by $128 million driven by unfavourable movements in fair value and hedge ineffectiveness, a decrease in sales of customer risk management products and lower Wealth fee income. This was partially offset by higher NAB risk management income.

Operating expenses decreased by $593 million or 11.4%. Excluding restructuring-related costs of $755 million in the March 2018 half year and customer-related remediation of $120 million in the March 2019 half year, operating expenses increased by $42 million driven by continued investment in technology and associated amortisation charges, increased spend to strengthen the compliance and control environment, and the impact of annual salary increases. This was partially offset by productivity benefits achieved through continued simplification of the Group's operations and reduction in third party spend.

Credit impairment charge increased by $72 million or 18.8% driven by higher charges in Corporate and Institutional Banking mainly due to the impairment of a small number of larger exposures.

Discontinued operations in the March 2019 half year reflect losses of $210 million relating to customer-related remediation and additional costs associated with the life insurance business sale.

Total assets increased by $20,433 million or 2.5% compared to 30 September 2018. The increase was mainly due to growth in loans and advances (net of other financial assets and due from customers on acceptances) of $15,815 million or 2.7%. This reflects growth in non-housing lending driven by the Group's focus on priority segments, combined with continued momentum in housing lending. The net increases in cash and liquid assets, due from other banks and trading instruments of $6,521 million or 4.1% reflect the Group's management of liquidity during the period.

Total liabilities increased by $19,054 million or 2.5% compared to 30 September 2018. The increase was mainly due to growth in deposits and other borrowings of $15,547 million or 3.1% to support the Group's lending and liquidity portfolios. The increase in other financial liabilities and bonds, notes and subordinated debt of $3,013 million or 1.8% was due to foreign exchange movements and growth in long-term funding to support the Group's asset growth. Total equity increased by $1,379 million or 2.6% compared to 30 September 2018 mainly due to increases in contributed equity following the conversion of preference shares and higher reserves, mainly the foreign currency translation reserve.

The Group has improved its balance sheet strength, increasing its CET1 ratio by 19 basis points to 10.4% compared to the March 2018 half year.

Response to the Royal Commission

On 1 February 2019, the Final Report by the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry was issued. The Royal Commission was much more than the 76 recommendations contained in the Final Report, it was a wake-up call and has forced the Group to confront broader issues of how to treat customers, and the accountability, governance and culture inside NAB.

NAB agreed with 72 of the recommendations and will work with the Government and regulators on giving effect to the intent of the remaining 4.

Action is underway on 26 recommendations identified through NAB's internal reform program (Self-Assessment) bringing greater rigour, discipline and a stronger focus on customers.

Ahead of the release of the final Royal Commission report, the following changes were made at NAB which include:
- announcing that NAB will not charge default interest to agricultural customers impacted by drought
- announcing a Board Customer Committee to better oversee NAB's processes and to ensure fair product and service outcomes and to evaluate customer feedback and complaints
- abolished grandfathered commissions for NAB Financial Planning employed advisers.

Report of the Directors (continued)

NAB has announced that 316 rural and regional branches will remain open until at least January 2021, abolished the 'introducer' program, effective 1 October 2019 and extended protections of the Code of Banking Practice to small businesses with less than $5 million in total borrowings, up from less than $3 million.

The Group is focussed on putting things right where customers have been treated poorly and, where appropriate, is acting to remediate customers as quickly as possible.

Corporate Governance

The Board has considered accountability outcomes in areas where the Group has not met customer and community expectations. As previously announced:

- Former Group Chief Executive Officer Mr Andrew Thorburn resigned from the Group and forfeited all of his deferred equity.
- Chairman Dr Kenneth Henry announced his intention to resign from the Board after a permanent Group Chief Executive Officer is appointed.

While Non-Executive Directors do not receive variable remuneration, the Board accepts that it is appropriate for all other Directors to share some accountability for these matters. As a consequence, the other Directors who served on the Board in the 2018 financial year have each agreed to a reduction of their fees during the current financial year equivalent to 20% of the base NAB Directors' fees they received in the prior year. Any new Directors joining the Board will not be impacted by this fee reduction.

The Board has also reviewed 2018 and prior financial year remuneration outcomes for past and current Executives. As a result, a number of forfeitures of prior period deferred remuneration have occurred.

The Board has received the relevant assurances required under Recommendation 4.2 of the ASX Corporate Governance Principles and Recommendations jointly from the Group Chief Executive Officer and the Group Chief Financial Officer in respect to the half year financial report for the period ended 31 March 2019.

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

Auditor's Independence Declaration

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

Directors' Signatures

Signed in accordance with the resolution of the Directors:

Dr Kenneth R Henry
Chairman

Mr Philip W Chronican
Group Chief Executive Officer

2 May 2019

Building a better working world

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

As lead auditor for the review of the half-year financial report of National Australia Bank Limited for the half-year ended 31 March 2019, I declare to the best of my knowledge and belief, there have been:

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

b) no contraventions of any applicable code of professional conduct in relation to the review.

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

Ernst & Young

Ernst & Young

Sarah Lowe
Partner
Melbourne

2 May 2019

Consolidated Financial Statements

Income Statement[1]

		Half Year to		
		Mar 19	**Sep 18**	**Mar 18**
	Note	**$m**	**$m**	**$m**
Interest income		**14,981**	14,450	14,093
Interest expense		**(8,240)**	(7,711)	(7,327)
Net interest income		**6,741**	6,739	6,766
Other income	3	**2,428**	2,738	2,858
Operating expenses	4	**(4,591)**	(4,726)	(5,184)
Credit impairment charge	8	**(454)**	(409)	(382)
Profit before income tax		**4,124**	4,342	4,058
Income tax expense	5	**(1,219)**	(1,273)	(1,182)
Net profit for the period from continuing operations		**2,905**	3,069	2,876
Net loss after tax for the period from discontinued operations	14	**(210)**	(97)	(291)
Net profit for the period		**2,695**	2,972	2,585
Profit attributable to non-controlling interests		**1**	1	2
Net profit attributable to owners of NAB		**2,694**	2,971	2,583

	cents	**cents**	**cents**
Basic earnings per share	**95.9**	107.3	93.9
Diluted earnings per share	**92.1**	103.4	91.1
Basic earnings per share from continuing operations	**103.5**	110.9	104.7
Diluted earnings per share from continuing operations	**99.1**	106.6	101.0

(1) *Information is presented on a continuing operations basis.*

Consolidated Financial Statements (continued)

Statement of Comprehensive Income[1]

	Note	Mar 19 $m	Sep 18 $m	Mar 18 $m
		Half Year to		
Net profit for the period from continuing operations		**2,905**	3,069	2,876
Other comprehensive income				
Items that will not be reclassified to profit or loss				
Actuarial gains on defined benefit superannuation plans		**-**	7	-
Fair value changes on financial liabilities designated at fair value attributable to the Group's own credit risk		**120**	47	19
Currency adjustments on translation of other contributed equity		**-**	(5)	46
Equity instruments at fair value through other comprehensive income reserve:				
Revaluation gains / (losses)		**7**	(7)	26
Tax on items transferred directly to equity		**(29)**	(12)	(6)
Total items that will not be reclassified to profit or loss		**98**	30	85
Items that will be reclassified subsequently to profit or loss				
Cash flow hedge reserve:				
Gains / (losses) on cash flow hedging instruments		**91**	25	(51)
Cost of hedging reserve		**(189)**	(76)	-
Foreign currency translation reserve:				
Currency adjustments on translation of foreign operations, net of hedging		**335**	(175)	190
Transfer to the income statement on disposal of foreign operations		**-**	(62)	-
Debt instruments at fair value through other comprehensive income reserve:				
Revaluation gains / (losses)		**39**	(48)	(40)
Gains from sale transferred to the income statement		**(1)**	(7)	(2)
Change in loss allowance on debt instruments		**(1)**	-	5
Tax on items transferred directly to equity		**1**	37	1
Total items that will be reclassified subsequently to profit or loss		**275**	(306)	103
Other comprehensive income for the period, net of income tax		**373**	(276)	188
Total comprehensive income for the period from continuing operations		**3,278**	2,793	3,064
Net loss for the period from discontinued operations	14	**(210)**	(97)	(291)
Total comprehensive income for the period		**3,068**	2,696	2,773
Attributable to non-controlling interests		**1**	1	2
Total comprehensive income attributable to owners of NAB		**3,067**	2,695	2,771

(1) *Information is presented on a continuing operations basis.*

Consolidated Financial Statements (continued)

Balance Sheet

		As at		
	Note	31 Mar 19 $m	30 Sep 18 $m	31 Mar 18 $m
Assets				
Cash and liquid assets		**54,044**	50,188	44,232
Due from other banks		**27,418**	30,568	40,309
Trading instruments		**84,043**	78,228	77,687
Debt instruments		**42,873**	42,056	40,969
Other financial assets		**8,827**	10,041	13,173
Hedging derivatives		**3,055**	3,840	5,135
Loans and advances		**585,730**	567,981	550,262
Due from customers on acceptances		**3,096**	3,816	5,288
Property, plant and equipment		**1,133**	1,199	1,245
Goodwill and other intangible assets		**5,872**	5,787	5,607
Deferred tax assets		**2,232**	2,083	2,070
Other assets[1]		**8,620**	10,723	10,091
Total assets		**826,943**	806,510	796,068
Liabilities				
Due to other banks		**36,960**	38,192	35,914
Trading instruments		**23,287**	22,422	26,503
Other financial liabilities		**32,973**	30,437	29,986
Hedging derivatives		**2,985**	2,547	553
Deposits and other borrowings	10	**518,692**	503,145	502,690
Current tax liabilities		**229**	103	44
Provisions		**2,568**	2,196	2,050
Bonds, notes and subordinated debt		**140,699**	140,222	132,341
Other debt issues		**6,509**	6,158	6,159
Other liabilities		**7,950**	8,376	7,427
Total liabilities		**772,852**	753,798	743,667
Net assets		**54,091**	52,712	52,401
Equity				
Contributed equity	11	**36,850**	35,982	35,702
Reserves	11	**458**	46	331
Retained profits		**16,776**	16,673	16,357
Total equity (parent entity interest)		**54,084**	52,701	52,390
Non-controlling interest in controlled entities		**7**	11	11
Total equity		**54,091**	52,712	52,401

(1) *Includes cash collateral placed with third parties, accrued interest receivable, other debt instruments at amortised cost, equity instruments at fair value through other comprehensive income and investments in associates.*

Consolidated Financial Statements (continued)

Condensed Cash Flow Statement

	Half Year to		
	Mar 19 $m	**Sep 18 $m**	**Mar 18 $m**
Cash flows from operating activities			
Interest received	**14,938**	14,481	13,859
Interest paid	**(8,114)**	(7,492)	(7,286)
Dividends received	**10**	34	15
Income tax paid	**(1,185)**	(1,183)	(1,451)
Other cash flows from operating activities before changes in operating assets and liabilities	**(4,292)**	6,357	(1,135)
Changes in operating assets and liabilities	**4,644**	(20,294)	(5,101)
Net cash provided by / (used in) operating activities[(1)]	**6,001**	(8,097)	(1,099)
Cash flows from investing activities			
Movement in debt instruments			
Purchases	**(13,139)**	(12,251)	(9,767)
Proceeds from disposal and maturity	**12,990**	10,951	11,277
Proceeds from divestments and other debt and equity instruments	**284**	17	(149)
Purchase of property, plant, equipment and software	**(455)**	(608)	(443)
Proceeds from sale of property, plant, equipment and software, net of costs	**3**	30	(11)
Net cash provided by / (used in) investing activities	**(317)**	(1,861)	907
Cash flows from financing activities			
Repayments of bonds, notes and subordinated debt	**(19,062)**	(10,004)	(12,947)
Proceeds from issue of bonds, notes and subordinated debt, net of costs	**17,315**	16,039	16,100
Repayments of other contributed equity	**(722)**	-	-
Proceeds from other debt issues, net of costs	**1,858**	-	-
Repayments of other debt issues	**(764)**	(7)	(34)
Dividends and distributions paid (excluding dividend reinvestment plan)	**(1,771)**	(2,452)	(1,769)
Net cash provided by / (used in) financing activities	**(3,146)**	3,576	1,350
Net increase / (decrease) in cash and cash equivalents	**2,538**	(6,382)	1,158
Cash and cash equivalents at beginning of period	**37,946**	43,062	39,800
Effects of exchange rate changes on balance of cash held in foreign currencies	**870**	1,266	2,104
Cash and cash equivalents at end of period	**41,354**	37,946	43,062

(1) *The half year to 31 March 2018 includes cash outflows related to the Group's discontinued operations, being $618 million related to CYBG and $33 million related to the Group's life insurance business.*

Consolidated Financial Statements (continued)

Statement of Changes in Equity

	Contributed equity[1] $m	Reserves[1] $m	Retained profits $m	Total $m	Non-controlling interest in controlled entities $m	Total equity $m
Balance at 1 October 2017	34,627	237	16,442	51,306	11	**51,317**
Net profit for the period from continuing operations	-	-	2,874	2,874	2	**2,876**
Net loss for the period from discontinued operations	-	-	(291)	(291)	-	**(291)**
Other comprehensive income for the period from continuing operations	-	174	14	188	-	**188**
Total comprehensive income for the period	-	174	2,597	2,771	2	**2,773**
Transactions with owners, recorded directly in equity:						
Contributions by and distributions to owners						
Issue of ordinary shares	914	-	-	914	-	**914**
Transfer from / (to) retained profits	-	1	(1)	-	-	**-**
Transfer from equity-based compensation reserve	161	(161)	-	-	-	**-**
Equity-based compensation	-	80	-	80	-	**80**
Dividends paid	-	-	(2,632)	(2,632)	(2)	**(2,634)**
Distributions on other equity instruments	-	-	(49)	(49)	-	**(49)**
Balance at 31 March 2018	**35,702**	**331**	**16,357**	**52,390**	**11**	**52,401**
Net profit for the period from continuing operations	-	-	3,068	3,068	1	**3,069**
Net loss for the period from discontinued operations	-	-	(97)	(97)	-	**(97)**
Other comprehensive income for the period from continuing operations	-	(317)	41	(276)	-	**(276)**
Total comprehensive income for the period	-	(317)	3,012	2,695	1	**2,696**
Transactions with owners, recorded directly in equity:						
Contributions by and distributions to owners						
Issue of ordinary shares	268	-	-	268	-	**268**
Transfer from / (to) retained profits	-	(22)	22	-	-	**-**
Transfer from equity-based compensation reserve	12	(12)	-	-	-	**-**
Equity-based compensation	-	66	-	66	-	**66**
Dividends paid	-	-	(2,667)	(2,667)	(2)	**(2,669)**
Distributions on other equity instruments	-	-	(51)	(51)	-	**(51)**
Changes in ownership interests[2]						
Movement of non-controlling interest in controlled entities	-	-	-	-	1	**1**
Balance at 30 September 2018	**35,982**	**46**	**16,673**	**52,701**	**11**	**52,712**
Net profit for the period from continuing operations	-	-	2,904	2,904	1	**2,905**
Net loss for the period from discontinued operations	-	-	(210)	(210)	-	**(210)**
Other comprehensive income for the period from continuing operations	-	290	83	373	-	**373**
Total comprehensive income for the period	-	290	2,777	3,067	1	**3,068**
Transactions with owners, recorded directly in equity:						
Contributions by and distributions to owners						
Issue of ordinary shares	957	-	-	957	-	**957**
Conversion of preference shares	750	-	-	750	-	**750**
Transfer from / (to) retained profits	-	(83)	83	-	-	**-**
Transfer from equity-based compensation reserve	136	(136)	-	-	-	**-**
Equity-based compensation	-	54	-	54	-	**54**
Dividends paid	-	-	(2,674)	(2,674)	(2)	**(2,676)**
Distributions on other equity instruments	-	-	(52)	(52)	-	**(52)**
Redemption of Trust Preferred Securities	(975)	287	(31)	(719)	-	**(719)**
Changes in ownership interests[2]						
Movement of non-controlling interest in controlled entities	-	-	-	-	(3)	**(3)**
Balance at 31 March 2019	**36,850**	**458**	**16,776**	**54,084**	**7**	**54,091**

(1) *Refer to Note 11 Contributed equity and reserves.*
(2) *Changes in ownership interests in controlled entities that does not result in a loss of control.*

Notes to the Consolidated Financial Statements

1. Basis of Preparation

This interim financial report for the half year reporting period ended 31 March 2019 has been prepared in accordance with the Australian Securities Exchange (ASX) Listing Rules, the *Corporations Act 2001* (Cth) and AASB 134 *Interim Financial Reporting*.

This report has been prepared under the historical cost convention, as modified by the application of fair value measurements required or allowed by relevant accounting standards.

This interim financial report does not contain all disclosures of the type normally found within an annual financial report and therefore cannot be expected to provide as full an understanding of the financial position and financial performance of the Group as that given by the annual financial report. This report should be read in conjunction with the Group's 2018 Annual Financial Report and any public announcements made up until the date of this interim financial report.

The accounting policies applied in this interim financial report are consistent with those applied in the Group's 2018 Annual Financial Report except for the adoption of AASB 15 *Revenue from Contracts with Customers*. AASB 15 supersedes AASB 111 *Construction Contracts* and AASB 118 *Revenue*, including related interpretations, and it applies to all revenue from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under AASB 15, revenue is recognised at an amount that reflects consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. The Group adopted AASB 15 using the modified retrospective method, which recognises the cumulative effect of adoption through opening retained earnings on 1 October 2018. No material changes arose from the adoption of AASB 15.

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

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

Critical accounting assumptions and estimates

The preparation of this interim financial report requires the use of critical accounting estimates, judgements and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. No significant changes in the areas of estimates, judgements and assumptions have occurred in the 31 March 2019 half year reporting period compared to those applied in the 2018 Annual Financial Report.

Currency of presentation

All amounts are expressed in Australian dollars unless otherwise stated.

Notes to the Consolidated Financial Statements (continued)

2. Segment Information[(1)]

The Group's business consists of the following reportable segments: Business and Private Banking; Consumer Banking and Wealth; Corporate and Institutional Banking; and New Zealand Banking. In addition, information on Corporate Functions and Other is included in this note to reconcile to Group information.

The Group evaluates reportable segments' performance on the basis of cash earnings. Cash earnings is a non-IFRS key financial performance measure used by NAB, the investment community and NAB's major Australian bank peers with similar business portfolios. Cash earnings is defined as net profit attributable to owners of NAB from continuing operations, adjusted for items the Group considers appropriate to better reflect the underlying performance of the Group. Cash earnings for the half year ended March 2019 has been adjusted for distributions, fair value and hedge ineffectiveness, amortisation of acquired intangible assets and MLC Wealth divestment transaction costs. Cash earnings does not purport to represent the cash flows, funding or liquidity position of the Group, nor any amount represented on a cash flow statement.

Major customers

Revenues from no one single customer amount to greater than 10% of the Group's revenues.

Reportable segments

	Half Year ended 31 March 2019					
Segment information	**Business and Private Banking $m**	**Consumer Banking and Wealth $m**	**Corporate and Institutional Banking $m**	**New Zealand Banking $m**	**Corporate Functions and Other[(2)] $m**	**Total $m**
Net interest income[(3)]	2,808	1,900	934	920	172	6,734
Other operating income[(3)]	521	708	804	269	(162)	2,140
Net operating income	3,329	2,608	1,738	1,189	10	8,874
Operating expenses[(3)]	(1,115)	(1,530)	(649)	(450)	(431)	(4,175)
Underlying profit / (loss)	2,214	1,078	1,089	739	(421)	4,699
Credit impairment charge	(119)	(173)	(43)	(41)	(73)	(449)
Cash earnings / (deficit) before tax and distributions	2,095	905	1,046	698	(494)	4,250
Income tax (expense) / benefit	(633)	(267)	(265)	(195)	116	(1,244)
Cash earnings / (deficit) before distributions	1,462	638	781	503	(378)	3,006
Distributions	-	-	-	-	(52)	(52)
Cash earnings / (deficit)	1,462	638	781	503	(430)	2,954
Fair value and hedge ineffectiveness	(1)	3	(47)	7	(31)	(69)
Other non-cash earning items	-	(13)	-	-	32	19
Net profit / (loss) for the year from continuing operations	1,461	628	734	510	(429)	2,904
Net loss attributable to discontinued operations	-	-	-	-	(210)	(210)
Net profit / (loss) attributable to the owners of NAB	1,461	628	734	510	(639)	2,694
Reportable segment assets	201,486	232,527	273,049	84,945	34,936	826,943

(1) *Information is presented on a continuing operations basis.*
(2) *Corporate Functions and Other includes Group Eliminations.*
(3) *Includes large notable items. Refer to Section 2 Large notable items for further information.*

Notes to the Consolidated Financial Statements (continued)

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

Reportable segments (continued)

	Half Year ended 30 September 2018					
Segment information	**Business and Private Banking $m**	**Consumer Banking and Wealth $m**	**Corporate and Institutional Banking $m**	**New Zealand Banking $m**	**Corporate Functions and Other[(2)] $m**	**Total $m**
Net interest income	2,783	1,950	936	870	178	6,717
Other operating income[(3)]	536	771	714	257	(111)	2,167
Net operating income	3,319	2,721	1,650	1,127	67	8,884
Operating expenses[(3)]	(1,139)	(1,536)	(660)	(443)	(470)	(4,248)
Underlying profit / (loss)	2,180	1,185	990	684	(403)	4,636
Credit impairment (charge) / write-back	(133)	(138)	36	(32)	(139)	(406)
Cash earnings / (deficit) before tax and distributions	2,047	1,047	1,026	652	(542)	4,230
Income tax (expense) / benefit	(618)	(312)	(263)	(182)	139	(1,236)
Cash earnings / (deficit) before distributions	1,429	735	763	470	(403)	2,994
Distributions	-	-	-	-	(51)	(51)
Cash earnings / (deficit)	1,429	735	763	470	(454)	2,943
Fair value and hedge ineffectiveness	(3)	2	(2)	(2)	106	101
Other non-cash earning items	-	(15)	-	-	39	24
Net profit / (loss) for the year from continuing operations	1,426	722	761	468	(309)	3,068
Net loss attributable to discontinued operations	-	-	-	-	(97)	(97)
Net profit / (loss) attributable to the owners of NAB	1,426	722	761	468	(406)	2,971
Reportable segment assets	199,750	228,705	263,752	79,130	35,173	806,510

	Half Year ended 31 March 2018					
Segment information	**Business and Private Banking $m**	**Consumer Banking and Wealth $m**	**Corporate and Institutional Banking $m**	**New Zealand Banking $m**	**Corporate Functions and Other[(2)] $m**	**Total $m**
Net interest income	2,756	2,014	946	828	206	6,750
Other operating income	532	770	737	263	41	2,343
Net operating income	3,288	2,784	1,683	1,091	247	9,093
Operating expenses[(3)]	(1,091)	(1,510)	(637)	(426)	(1,080)	(4,744)
Underlying profit / (loss)	2,197	1,274	1,046	665	(833)	4,349
Credit impairment (charge) / write-back	(74)	(133)	7	(38)	(135)	(373)
Cash earnings / (deficit) before tax and distributions	2,123	1,141	1,053	627	(968)	3,976
Income tax (expense) / benefit	(641)	(337)	(275)	(175)	260	(1,168)
Cash earnings / (deficit) before distributions	1,482	804	778	452	(708)	2,808
Distributions	-	-	-	-	(49)	(49)
Cash earnings / (deficit)	1,482	804	778	452	(757)	2,759
Fair value and hedge ineffectiveness	(3)	25	15	-	44	81
Other non-cash earning items	-	(15)	-	-	49	34
Net profit / (loss) for the year from continuing operations	1,479	814	793	452	(664)	2,874
Net loss attributable to discontinued operations	-	-	-	-	(291)	(291)
Net profit / (loss) attributable to the owners of NAB	1,479	814	793	452	(955)	2,583
Reportable segment assets	196,180	223,416	250,117	79,048	47,307	796,068

(1) *Information is presented on a continuing operations basis.*
(2) *Corporate Functions and Other includes Group Eliminations.*
(3) *Includes large notable items. Refer to Section 2 Large notable items for further information.*

Notes to the Consolidated Financial Statements (continued)

3. Other Income[1]

	Half Year to		
	Mar 19	Sep 18	Mar 18
	$m	$m	$m
Gains less losses on financial instruments at fair value			
Trading instruments	**1,207**	651	92
Hedge ineffectiveness[2]	**(5)**	94	463
Financial instruments designated at fair value	**(527)**	62	163
Total gains less losses on financial instruments at fair value	**675**	807	718
Other operating income			
Dividend revenue	**10**	23	15
Banking fees[3]	**536**	510	498
Money transfer fees	**282**	289	284
Fees and commissions[3][4]	**692**	816	1,100
Investment management fees	**146**	158	154
Other income	**87**	135	89
Total other operating income	**1,753**	1,931	2,140
Total other income	**2,428**	2,738	2,858

Customer-related remediation

On 18 April 2019, the Group announced increased costs for customer-related remediation matters. These additional costs relate to refunds and compensation to customers impacted by issues in NAB's Wealth business, including adviser service fees charged by NAB Financial Planning, the Wealth advice review, and banking-related matters, including matters where customers were incorrectly charged fees on certain fee-exempt transactions.

Customer-related remediation of $302 million was recognised as a reduction in fees and commissions in the March 2019 half year. In the September 2018 half year, customer-related remediation of $249 million was recognised as a reduction in fees and commissions.

(1) *Information is presented on a continuing operations basis.*
(2) *Represents hedge ineffectiveness of designated hedging relationships.*
(3) *March 2018 comparative has been restated to reclassify some banking fees to fees and commissions.*
(4) *Includes customer-related remediation.*

Notes to the Consolidated Financial Statements (continued)

4. Operating Expenses[1]

	Half Year to		
	Mar 19 $m	**Sep 18 $m**	**Mar 18 $m**
Personnel expenses			
Salaries and related on-costs	**1,722**	1,673	1,672
Superannuation costs-defined contribution plans	**136**	132	134
Performance-based compensation	**256**	301	321
Other expenses[2]	**139**	151	577
Total personnel expenses	**2,253**	2,257	2,704
Occupancy-related expenses			
Operating lease rental expense	**225**	226	225
Other expenses[2]	**46**	51	82
Total occupancy-related expenses	**271**	277	307
General expenses			
Fees and commission expense	**270**	308	304
Depreciation of property, plant and equipment	**149**	151	153
Amortisation of intangible assets	**305**	268	208
Advertising and marketing	**96**	123	103
Charge to provide for operational risk event losses[3]	**240**	202	93
Communications, postage and stationery	**91**	102	104
Computer equipment and software	**361**	326	331
Data communication and processing charges	**40**	33	42
Professional fees[2]	**296**	379	420
Impairment losses recognised[2]	**-**	24	150
Other expenses[2]	**219**	276	265
Total general expenses	**2,067**	2,192	2,173
Total operating expenses	**4,591**	4,726	5,184

Customer-related remediation

On 18 April 2019, the Group announced increased costs for customer-related remediation matters including costs to investigate matters and costs for implementing remediation processes. Customer-related remediation of $120 million was recognised as a charge to provide for operational risk event losses in the March 2019 half year.

In the September 2018 half year, customer-related remediation of $111 million was recognised as a charge to provide for operational risk event losses.

Restructuring

In the March 2018 half year, the Group recognised restructuring-related costs of $755 million, which comprises $540 million of personnel, outplacement and project management costs, $146 million of software write-offs and $69 million of property rationalisation costs.

The restructuring-related costs are reflected in other operating expenses as:
- $427 million of personnel expenses
- $35 million of occupancy-related expenses
- $146 million of impairment losses recognised
- $125 million of professional fees
- $22 million of other expenses.

(1) *Information is presented on a continuing operations basis.*
(2) *Includes restructuring-related costs.*
(3) *Includes customer-related remediation.*

Notes to the Consolidated Financial Statements (continued)

5. Income Tax Expense[(1)]

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

	Half Year to		
	Mar 19 $m	**Sep 18 $m**	**Mar 18 $m**
Profit before income tax	**4,124**	4,342	4,058
Prima facie income tax expense at 30%	**1,237**	1,303	1,217
Tax effect of permanent differences			
Assessable foreign income	**2**	4	3
Foreign tax rate differences	**(28)**	(18)	(20)
Foreign branch income not assessable	**(27)**	(30)	(31)
Over provision in prior years	**-**	-	(3)
Offshore banking unit income	**(29)**	(29)	(33)
Restatement of deferred tax balances for tax rate changes	**1**	(8)	8
Non-deductible hybrid distributions	**36**	36	36
Losses not tax effected	**-**	4	-
Other	**27**	11	5
Total income tax expense	**1,219**	1,273	1,182
Effective tax rate (%)	**29.6%**	29.3%	29.1%

(1) *Information is presented on a continuing operations basis.*

Notes to the Consolidated Financial Statements (continued)

6. Dividends and Distributions

The Group has recognised the following dividends on ordinary shares:

	Half Year to					
	Mar 19		Sep 18		Mar 18	
Dividends on ordinary shares	**Amount per share cents**	**Total amount $m**	**Amount per share cents**	**Total amount $m**	**Amount per share cents**	**Total amount $m**
Dividend (in respect of prior periods)	**99**	**2,707**	99	2,696	99	2,659
Deduct: Bonus shares in lieu of dividend	**n/a**	**(33)**	n/a	(29)	n/a	(27)
Dividends paid by NAB	**n/a**	**2,674**	n/a	2,667	n/a	2,632
Add: Dividends paid to non-controlling interest in controlled entities	**n/a**	**2**	n/a	2	n/a	2
Total dividend paid	**n/a**	**2,676**	n/a	2,669	n/a	2,634

Franked dividends paid during the period were fully franked at a tax rate of 30% (2018: 30%).

Interim dividend

On 2 May 2019, the Directors determined the following dividend:

	Amount per share cents	**Franked amount per share %**	**Total amount $m**
Interim dividend determined in respect of the year ended 30 September 2019	83	100	**2,333**

The 2019 interim dividend is payable on 3 July 2019. The discount applied to the Dividend Reinvestment Plan is 1.5%, with no participation limit. The financial effect of the interim dividend has not been brought to account in the financial statements for the half year ended 31 March 2019 and will be recognised in subsequent financial reports.

	Half Year to					
	Mar 19		Sep 18		Mar 18	
Distributions on other equity instruments	**Amount per security(1) $**	**Total amount $m**	**Amount per security(1) $**	**Total amount $m**	**Amount per security(1) $**	**Total amount $m**
National Income Securities	**1.61**	**32**	1.53	30	1.49	30
Trust Preferred Securities(2)	**50.42**	**20**	50.15	21	49.08	19
Total distributions on other equity instruments		**52**		51		49

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

Dividend and distribution plans

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

The last date for receipt of election notices for the Dividend Reinvestment Plan and the Bonus Share Plan is 15 May 2019 at 5pm (Australian Eastern Standard time).

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

Notes to the Consolidated Financial Statements (continued)

7. Loans and Advances including Acceptances

	As at		
	31 Mar 19 $m	30 Sep 18 $m	31 Mar 18 $m
Housing loans	**346,292**	339,540	333,758
Other term lending	**218,647**	209,594	199,856
Asset and lease financing	**12,633**	12,428	11,989
Overdrafts	**6,182**	5,821	5,853
Credit card outstandings	**7,235**	7,294	7,538
Other	**6,920**	6,822	6,620
Fair value adjustment	**308**	275	338
Gross loans and advances	**598,217**	581,774	565,952
Acceptances	**3,096**	3,816	5,288
Gross loans and advances including acceptances	**601,313**	585,590	571,240
Represented by:			
Loans and advances at fair value[(1)]	**8,388**	9,845	11,966
Loans and advances at amortised cost	**589,829**	571,929	553,986
Acceptances	**3,096**	3,816	5,288
Gross loans and advances including acceptances	**601,313**	585,590	571,240
Unearned income and deferred net fee income	**(368)**	(435)	(316)
Provision for credit impairment	**(3,731)**	(3,513)	(3,408)
Net loans and advances including acceptances	**597,214**	581,642	567,516
Securitised loans and loans supporting covered bonds[(2)]	**38,139**	33,541	34,847

By product and geographic location	Australia $m	New Zealand $m	Other International $m	Total Group $m
As at 31 March 2019				
Housing loans	306,661	39,539	92	**346,292**
Other term lending	164,867	38,849	14,931	**218,647**
Asset and lease financing	12,144	1	488	**12,633**
Overdrafts	3,794	2,356	32	**6,182**
Credit card outstandings	6,121	1,114	-	**7,235**
Other	5,150	472	1,298	**6,920**
Fair value adjustment	283	26	(1)	**308**
Gross loans and advances	499,020	82,357	16,840	**598,217**
Acceptances	3,096	-	-	**3,096**
Gross loans and advances including acceptances	502,116	82,357	16,840	**601,313**
Represented by:				
Loans and advances at fair value	6,127	2,261	-	**8,388**
Loans and advances at amortised cost	492,893	80,096	16,840	**589,829**
Acceptances	3,096	-	-	**3,096**
Gross loans and advances including acceptances	502,116	82,357	16,840	**601,313**

(1) *On the balance sheet, this amount is included within other financial assets at fair value. This amount is included in the product and geographical analysis below.*

(2) *Loans supporting securitisation and covered bonds are included within the balance of net loans and advances including acceptances.*

Notes to the Consolidated Financial Statements (continued)

7. Loans and Advances including Acceptances (continued)

By product and geographic location	Australia $m	New Zealand $m	Other International $m	Total Group $m
As at 30 September 2018				
Housing loans	303,007	36,422	111	**339,540**
Other term lending	161,338	36,381	11,875	**209,594**
Asset and lease financing	11,938	4	486	**12,428**
Overdrafts	3,666	2,124	31	**5,821**
Credit card outstandings	6,232	1,062	-	**7,294**
Other	4,789	455	1,578	**6,822**
Fair value adjustment	250	25	-	**275**
Gross loans and advances	491,220	76,473	14,081	**581,774**
Acceptances	3,816	-	-	**3,816**
Gross loans and advances including acceptances	495,036	76,473	14,081	**585,590**
Represented by:				
Loans and advances at fair value	7,259	2,586	-	**9,845**
Loans and advances at amortised cost	483,961	73,887	14,081	**571,929**
Acceptances	3,816	-	-	**3,816**
Gross loans and advances including acceptances	495,036	76,473	14,081	**585,590**

By product and geographic location	Australia $m	New Zealand $m	Other International $m	Total Group $m
As at 31 March 2018				
Housing loans	297,668	35,965	125	**333,758**
Other term lending	153,034	36,298	10,524	**199,856**
Asset and lease financing	11,515	7	467	**11,989**
Overdrafts	3,773	2,039	41	**5,853**
Credit card outstandings	6,427	1,111	-	**7,538**
Other	4,569	500	1,551	**6,620**
Fair value adjustment	296	42	-	**338**
Gross loans and advances	477,282	75,962	12,708	**565,952**
Acceptances	5,288	-	-	**5,288**
Gross loans and advances including acceptances	482,570	75,962	12,708	**571,240**
Represented by:				
Loans and advances at fair value	8,668	3,298	-	**11,966**
Loans and advances at amortised cost	468,614	72,664	12,708	**553,986**
Acceptances	5,288	-	-	**5,288**
Gross loans and advances including acceptances	482,570	75,962	12,708	**571,240**

Notes to the Consolidated Financial Statements (continued)

8. Provision for Credit Impairment on Loans at Amortised Cost

	Half Year to		
	Mar 2019	Sep 2018	Mar 2018
	$m	$m	$m
New and increased provisions (net of collective provision releases)	**566**	536	521
Write-backs of specific provisions	**(89)**	(99)	(94)
Recoveries of specific provisions	**(23)**	(28)	(45)
Total charge to the income statement	**454**	409	382

Movement in provision for credit impairment on loans at amortised cost

	Stage 1	Stage 2	Stage 3		
	12-mth expected credit losses (ECL)	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Lifetime ECL credit impaired	
	Collective provision	Collective provision	Collective provision	Specific provision	Total
	$m	$m	$m	$m	$m
Balance at 1 October 2017	313	1,819	403	689	**3,224**
Changes due to financial assets recognised in the opening balance that have:					
Transferred to 12-mth ECL - collective provision	194	(178)	(16)	-	**-**
Transferred to Lifetime ECL not credit impaired - collective provision	(42)	109	(67)	-	**-**
Transfer to Lifetime ECL credit impaired - collective provision	(2)	(48)	50	-	**-**
Transfer to Lifetime ECL credit impaired - specific provision	(1)	(22)	(101)	124	**-**
New and increased provisions (net of collective provision releases)	(128)	291	114	244	**521**
Write-backs of specific provisions	-	-	-	(94)	**(94)**
Write-offs from specific provisions	-	-	-	(256)	**(256)**
Foreign currency translation and other adjustments	2	7	2	2	**13**
Balance at 31 March 2018	**336**	**1,978**	**385**	**709**	**3,408**
Changes due to financial assets recognised in the opening balance that have:					
Transferred to 12-mth ECL - collective provision	213	(202)	(11)	-	**-**
Transferred to Lifetime ECL not credit impaired - collective provision	(38)	90	(52)	-	**-**
Transfer to Lifetime ECL credit impaired - collective provision	(2)	(46)	48	-	**-**
Transfer to Lifetime ECL credit impaired - specific provision	(1)	(22)	(80)	103	**-**
New and increased provisions (net of collective provision releases)	(184)	335	103	282	**536**
Write-backs of specific provisions	-	-	-	(99)	**(99)**
Write-offs from specific provisions	-	-	-	(317)	**(317)**
Foreign currency translation and other adjustments	-	(8)	(2)	(5)	**(15)**
Balance at 30 September 2018	**324**	**2,125**	**391**	**673**	**3,513**
Changes due to financial assets recognised in the opening balance that have:					
Transferred to 12-mth ECL - collective provision	243	(235)	(8)	-	**-**
Transferred to Lifetime ECL not credit impaired - collective provision	(37)	87	(50)	-	**-**
Transfer to Lifetime ECL credit impaired - collective provision	(1)	(58)	59	-	**-**
Transfer to Lifetime ECL credit impaired - specific provision	(1)	(55)	(86)	142	**-**
New and increased provisions (net of collective provision releases)	(175)	312	159	270	**566**
Write-backs of specific provisions	-	-	-	(89)	**(89)**
Write-offs from specific provisions	-	-	-	(281)	**(281)**
Foreign currency translation and other adjustments	3	16	2	1	**22**
Balance at 31 March 2019	**356**	**2,192**	**467**	**716**	**3,731**

Notes to the Consolidated Financial Statements (continued)

9. Asset Quality

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

	As at		
	31 Mar 19	**30 Sep 18**	**31 Mar 18**
Summary of total impaired assets	**$m**	**$m**	**$m**
Impaired assets	**1,540**	1,433	1,560
Restructured loans	**24**	88	49
Gross impaired assets[(1)(2)]	**1,564**	1,521	1,609
Specific provisions for credit impairment	**(717)**	(675)	(710)
Net impaired assets	**847**	846	899

	Australia	**New Zealand**	**Other International**	**Total Group**
Movement in gross impaired assets	**$m**	**$m**	**$m**	**$m**
Balance as at 1 October 2017	1,213	437	74	**1,724**
New[(3)]	314	155	-	**469**
Written-off	(72)	(14)	(5)	**(91)**
Returned to performing or repaid	(260)	(230)	(14)	**(504)**
Foreign currency translation adjustments	-	8	3	**11**
Balance as at 31 March 2018	1,195	356	58	**1,609**
New[(3)]	325	76	-	**401**
Written-off	(101)	(26)	(9)	**(136)**
Returned to performing, repaid or no longer impaired	(189)	(150)	(6)	**(345)**
Foreign currency translation adjustments	-	(9)	1	**(8)**
Balance as at 30 September 2018	1,230	247	44	**1,521**
New[(3)]	439	97	-	**536**
Written-off	(86)	(20)	(1)	**(107)**
Returned to performing, repaid or no longer impaired	(356)	(36)	(6)	**(398)**
Foreign currency translation adjustments	-	12	-	**12**
Balance as at 31 March 2019	1,227	300	37	**1,564**

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

	As at		
	31 Mar 19	**30 Sep 18**	**31 Mar 18**
90+ days past due loans - by geographic location	**$m**	**$m**	**$m**
Australia	**3,062**	2,527	2,296
New Zealand	**125**	104	113
Other International	**19**	17	18
90+ days past due loans	**3,206**	2,648	2,427

(1) *Gross impaired assets include New Zealand Banking dairy exposures that were assessed as no loss based on security held (March 2019: $nil (NZ$nil), September 2018: $2 million (NZ$3 million), March 2018: $76 million (NZ$81 million)). Collective provisions are held against these loans.*

(2) *Gross impaired assets include $7 million (September 2018: $16 million, March 2018: $19 million) of gross impaired other financial assets at fair value.*

(3) *New gross impaired assets during the March 2019 half year include $nil (NZ$nil), (September 2018 half year include $2 million (NZ$3 million), (March 2018 half year $43 million (NZ$47 million)) of New Zealand Banking dairy exposures that were assessed as no loss based on security held. Collective provisions are held against these loans.*

Notes to the Consolidated Financial Statements (continued)

10. Deposits and Other Borrowings

	As at		
	31 Mar 19 $m	30 Sep 18 $m	31 Mar 18 $m
Term deposits	**172,347**	163,166	158,146
On-demand and short-term deposits	**197,501**	195,040	200,951
Certificates of deposit	**43,877**	43,962	46,867
Deposits not bearing interest[1]	**51,886**	50,767	49,306
Total deposits	**465,611**	452,935	455,270
Borrowings	**25,920**	27,021	27,919
Securities sold under agreements to repurchase	**32,465**	27,732	24,063
Fair value adjustment	**7**	2	(3)
Total deposits and other borrowings	**524,003**	507,690	507,249
Represented by:			
Total deposits and other borrowings at fair value	**5,311**	4,545	4,559
Total deposits and other borrowings at amortised cost	**518,692**	503,145	502,690
Total deposits and other borrowings	**524,003**	507,690	507,249

By product and geographic location	Australia $m	New Zealand $m	Other International $m	Total Group $m
As at 31 March 2019				
Term deposits	131,647	32,883	7,817	**172,347**
On-demand and short-term deposits	170,934	20,250	6,317	**197,501**
Certificates of deposit	33,316	1,561	9,000	**43,877**
Deposits not bearing interest[1]	46,121	5,758	7	**51,886**
Total deposits	382,018	60,452	23,141	**465,611**
Borrowings	22,236	3,128	556	**25,920**
Securities sold under agreements to repurchase	2,689	-	29,776	**32,465**
Fair value adjustment	-	7	-	**7**
Total deposits and other borrowings	406,943	63,587	53,473	**524,003**
Represented by:				
Total deposits and other borrowings at fair value	-	5,311	-	**5,311**
Total deposits and other borrowings at amortised cost	406,943	58,276	53,473	**518,692**
Total deposits and other borrowings	406,943	63,587	53,473	**524,003**

By product and geographic location	Australia $m	New Zealand $m	Other International $m	Total Group $m
As at 30 September 2018				
Term deposits	124,096	31,002	8,068	**163,166**
On-demand and short-term deposits	171,446	18,443	5,151	**195,040**
Certificates of deposit	33,953	1,646	8,363	**43,962**
Deposits not bearing interest[1]	45,463	5,294	10	**50,767**
Total deposits	374,958	56,385	21,592	**452,935**
Borrowings	24,322	1,704	995	**27,021**
Securities sold under agreements to repurchase	1,909	-	25,823	**27,732**
Fair value adjustment	-	2	-	**2**
Total deposits and other borrowings	401,189	58,091	48,410	**507,690**
Represented by:				
Total deposits and other borrowings at fair value	-	4,545	-	**4,545**
Total deposits and other borrowings at amortised cost	401,189	53,546	48,410	**503,145**
Total deposits and other borrowings	401,189	58,091	48,410	**507,690**

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

Notes to the Consolidated Financial Statements (continued)

10. Deposits and Other Borrowings (continued)

By product and geographic location	Australia $m	New Zealand $m	Other International $m	Total Group $m
As at 31 March 2018				
Term deposits	119,139	31,676	7,331	**158,146**
On-demand and short-term deposits	168,397	18,920	13,634	**200,951**
Certificates of deposit	36,848	1,849	8,170	**46,867**
Deposits not bearing interest[1]	44,117	5,179	10	**49,306**
Total deposits	368,501	57,624	29,145	**455,270**
Borrowings	25,697	1,635	587	**27,919**
Securities sold under agreements to repurchase	888	-	23,175	**24,063**
Fair value adjustment	-	(3)	-	**(3)**
Total deposits and other borrowings	395,086	59,256	52,907	**507,249**
Represented by:				
Total deposits and other borrowings at fair value	-	4,559	-	**4,559**
Total deposits and other borrowings at amortised cost	395,086	54,697	52,907	**502,690**
Total deposits and other borrowings	395,086	59,256	52,907	**507,249**

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

Notes to the Consolidated Financial Statements (continued)

11. Contributed Equity and Reserves

	As at		
Contributed equity	**31 Mar 19 $m**	**30 Sep 18 $m**	**31 Mar 18 $m**
Issued and paid-up ordinary share capital			
Ordinary shares, fully paid	**34,905**	33,062	32,782
Other contributed equity			
National Income Securities	**1,945**	1,945	1,945
Trust Preferred Securities	**-**	975	975
Total contributed equity	**36,850**	35,982	35,702

	Half Year to		
Movement in issued and paid-up ordinary share capital	**Mar 19 $m**	**Sep 18 $m**	**Mar 18 $m**
Balance at beginning of period	**33,062**	32,782	31,707
Shares issued:			
Dividend reinvestment plan	**957**	268	914
Conversion of preference shares	**750**	-	-
Transfer from equity-based compensation reserve	**136**	12	161
Balance at end of period	**34,905**	33,062	32,782

	As at		
Reserves	**31 Mar 19 $m**	**30 Sep 18 $m**	**31 Mar 18 $m**
Foreign currency translation reserve	**283**	(343)	(109)
Asset revaluation reserve	**82**	82	83
Cash flow hedge reserve	**74**	10	(6)
Cost of hedging reserve	**(191)**	(53)	-
Equity-based compensation reserve	**160**	243	191
Debt instruments at fair value through other comprehensive income reserve	**47**	22	61
Equity instruments at fair value through other comprehensive income reserve	**3**	85	111
Total reserves	**458**	46	331

Notes to the Consolidated Financial Statements (continued)

12. Fair Value of Financial Instruments

(a) Fair value hierarchy

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

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

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

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

  The Group's exposure to fair value measurements based in full or in part on unobservable inputs 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 31 March 2019 attributable to reasonably possible alternatives would not have a material effect.

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

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

	As at 31 March 2019		As at 30 September 2018		As at 31 March 2018	
	Carrying Value $m	Fair Value $m	Carrying Value $m	Fair Value $m	Carrying Value $m	Fair Value $m
Financial assets						
Loans and advances	**585,730**	**586,672**	567,981	568,456	550,262	550,615
Financial liabilities						
Deposits and other borrowings	**518,692**	**519,377**	503,145	503,428	502,690	502,934
Bonds, notes and subordinated debt	**140,699**	**143,081**	140,222	141,874	132,341	133,459
Other debt issues	**6,509**	**6,691**	6,158	6,263	6,159	6,269

Notes to the Consolidated Financial Statements (continued)

12. Fair Value of Financial Instruments (continued)

(c) Fair value measurements recognised on the balance sheet

	Fair value measurement as at 31 March 2019			
	Level 1 $m	**Level 2 $m**	**Level 3 $m**	**Total $m**
Financial assets				
Trading instruments	35,442	48,512	89	84,043
Debt instruments	4,607	37,751	515	42,873
Other financial assets	-	8,827	-	8,827
Hedging derivatives	-	3,055	-	3,055
Investments relating to life insurance business	-	98	-	98
Equity instruments[1]	-	-	85	85
Total financial assets measured at fair value	**40,049**	**98,243**	**689**	**138,981**
Financial liabilities				
Trading instruments	-	23,226	61	23,287
Other financial liabilities	1,295	31,678	-	32,973
Hedging derivatives	-	2,985	-	2,985
Total financial liabilities measured at fair value	**1,295**	**57,889**	**61**	**59,245**

	Fair value measurement as at 30 September 2018			
	Level 1 $m	**Level 2 $m**	**Level 3 $m**	**Total $m**
Financial assets				
Trading instruments	29,752	48,234	242	78,228
Debt instruments	4,012	37,593	451	42,056
Other financial assets	-	10,041	-	10,041
Hedging derivatives	-	3,840	-	3,840
Investments relating to life insurance business	-	98	-	98
Equity instruments[1]	-	224	84	308
Total financial assets measured at fair value	**33,764**	**100,030**	**777**	**134,571**
Financial liabilities				
Trading instruments	-	22,197	225	22,422
Other financial liabilities	697	29,740	-	30,437
Hedging derivatives	-	2,547	-	2,547
Total financial liabilities measured at fair value	**697**	**54,484**	**225**	**55,406**

	Fair value measurement as at 31 March 2018			
	Level 1 $m	**Level 2 $m**	**Level 3 $m**	**Total $m**
Financial assets				
Trading instruments	26,887	50,703	97	77,687
Debt instruments	3,315	37,092	562	40,969
Other financial assets	-	13,173	-	13,173
Hedging derivatives	-	5,135	-	5,135
Investments relating to life insurance business	-	80	-	80
Equity instruments[1]	-	231	63	294
Total financial assets measured at fair value	**30,202**	**106,414**	**722**	**137,338**
Financial liabilities				
Trading instruments	2	26,423	78	26,503
Other financial liabilities	506	29,480	-	29,986
Hedging derivatives	-	553	-	553
Total financial liabilities measured at fair value	**508**	**56,456**	**78**	**57,042**

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

Notes to the Consolidated Financial Statements (continued)

12. Fair Value of Financial Instruments (continued)

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

There were no material transfers between Level 1 and Level 2 during the period for the Group.

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

	Half Year to 31 March 2019			
	Assets			Liabilities
	Trading instruments $m	Debt instruments $m	Equity instruments[1]	Trading instruments $m
Balance at the beginning of period	242	451	84	225
Gains / (losses) on assets and (gains) / losses on liabilities recognised:				
In profit or loss	(155)	3	-	(164)
In other comprehensive income	-	1	(4)	(1)
Purchases and issues	-	313	9	-
Sales and settlements	-	(62)	(8)	-
Transfers into Level 3	1	-	4	-
Transfers out of Level 3	-	(191)	-	-
Foreign currency translation adjustments	1	-	-	1
Balance at the end of period	89	515	85	61
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	(155)	3	-	(164)
- In other comprehensive income	-	1	(4)	(1)

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

Notes to the Consolidated Financial Statements (continued)

13. Contingent Liabilities

(i) General

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

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

Overall, the number and scale of regulatory investigations, reviews and litigation involving Australian financial institutions has increased significantly over the current and preceding financial year. These investigations and reviews have resulted in customer remediation programs which are expected to continue beyond the 2019 financial year. Some of these investigations and reviews may result in enforcement proceedings.

The Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry (Royal Commission), which concluded with the issue of the Final Report on 1 February 2019, has also brought greater focus to a range of culture and compliance matters, including responsible lending. The Final Report made 76 recommendations and NAB announced on 15 March 2019 that it supported 72 of these recommendations and would work with government and regulators on giving effect to the intent of the remaining recommendations. The Final Report also contained a number of referrals of potential misconduct to the relevant regulatory authorities to consider whether further action should be taken.

There are contingent liabilities in respect of all the above matters. Where appropriate, provisions have been made. The aggregate potential liability of the Group in relation to these matters cannot be accurately assessed.

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

(ii) Legal proceedings

Bank Bill Swap Reference Rate US class action

In August 2016, a class action complaint was filed in the United States District Court for the Southern District of New York regarding alleged conduct relating to the Bank Bill Swap Reference Rate (BBSW). The complaint named a number of defendants, including NAB and various other Australian and international banks, and refers to earlier proceedings brought by ASIC in relation to BBSW. The relevant ASIC proceedings against NAB were resolved in November 2017 pursuant to a court-approved settlement. The US class action was dismissed against NAB in November 2018 on jurisdictional grounds. However the plaintiffs were given leave to file a new complaint against NAB. A new complaint was filed in April 2019. The potential outcome and total costs associated with the US class action remain uncertain.

UK conduct issues – potential action and contingent asset

RGL Management Limited (a claims management company) has threatened to bring a claim against CYBG and NAB on behalf of customers of CYBG (a group action). NAB received a letter before action from solicitors acting for RGL Management in December 2017. The letter makes allegations against NAB and CYBG in relation to the sale of fixed rate tailored business loans to customers of CYBG during the period from 2001 to 2012. The claim has not been clearly articulated and the claimants have not been clearly identified. The potential outcome and total costs associated with any proceedings which may arise remain uncertain.

In prior periods the Group suffered losses in relation to certain UK customer-related remediation matters. NAB is in the process of making insurance claims in relation to these losses. Components of the insurance claims are treated by NAB as a contingent asset. The outcome of such claims remains uncertain.

(iii) Regulatory activity, compliance investigations and associated proceedings

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

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

When significant AML or CTF compliance issues are identified, they are notified to the Australian Transaction Reports and Analysis Centre (AUSTRAC) or equivalent foreign regulators. Investigation and remediation activities are currently occurring in relation to a number of identified issues, including certain weaknesses with the implementation of 'Know Your Customer' requirements, other financial crime risks, as well as systems and process issues that impacted transaction monitoring and reporting in some specific areas. NAB continues to keep AUSTRAC (and where applicable, relevant foreign regulators) informed of its progress in resolving these issues, and will continue to cooperate with, and respond to queries from, such regulators.

As this work progresses, further issues may be identified and additional strengthening may be required. The potential outcome and total costs associated with the investigation and remediation process for specific issues

Notes to the Consolidated Financial Statements (continued)

13. Contingent Liabilities (continued)

identified to date, and for any issues identified in the future, remain uncertain.

Adviser service fees and fee disclosure statements (FDS)

ASIC is conducting an industry-wide investigation into financial advice fees paid by customers pursuant to ongoing service arrangements with financial advice firms, including entities within the Group. Under the service arrangements, customers generally pay an adviser service fee to receive a review of their financial circumstances together with a range of other services. In some instances, customers did not receive the agreed services. NAB is in the process of identifying impacted customers.

NAB has agreed with ASIC a review methodology for customers with financial advisers operating in the NAB Financial Planning business. NAB is committed to progressing this review and, where appropriate, remediating those customers as soon as possible. Some customer cohorts have already been remediated. Where customer compensation is able to be reliably estimated, provisions have been taken.

NAB has also commenced identifying cohorts of potentially impacted customers associated with the Group's advice partnerships (self-employed advisers) and JBWere. NAB is still liaising with ASIC on the review methodology for these cohorts. Provisions have been taken to cover expected costs to undertake the review, but at this stage do not include any allowance for customer remediation. Key variables contributing to uncertainty about customer remediation amounts include 'no evidence' rates and recovery rates from advisers. The total ongoing advice fees received by the Group's advice partnerships within the period 2009-2018 are estimated to be approximately $1.3 billion. The potential outcome and total costs associated with the adviser service fees matter remain uncertain.

On 12 October 2018, ASIC announced that it would be conducting an industry-wide review of compliance with requirements for Fee Disclosure Statements and Renewal Notices in the financial advice sector. NAB is assessing its compliance with the FDS regime. NAB has ceased charging ongoing fees for all customers of NAB Financial Planning employed advisers and will remediate these customers for fees paid on and after 1 June 2018. The potential outcome and total costs associated with this matter remain uncertain.

Banking matters

NAB is currently investigating a number of banking-related matters, including matters where customers may not have been provided notice of increases to loan repayments within the timeframe required by the National Credit Code, and matters where customers were incorrectly charged certain periodical payment fees. The potential outcome and total costs associated with these matters remain uncertain.

Consumer Credit Insurance (CCI)

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

In response to this request, NAB conducted an internal audit on the sale of CCI products. The audit findings identified potential issues with sales of these products across certain NAB channels.

NAB is currently in the process of designing and implementing a remediation methodology for CCI customers who are potentially impacted. Where customer compensation is able to be reliably estimated, provisions have been taken. The outcome and total costs associated with this matter remain uncertain.

On 27 September 2018, plaintiff law firm *Slater & Gordon* filed a class action in the Federal Court, alleging that NAB and MLC Limited engaged in unconscionable conduct in contravention of the *Australian Securities and Investments Commission Act 2001* (Cth) in connection with the sale of a particular CCI product (being NAB Credit Card Cover). The hearing is scheduled to occur on 23 September 2019. The potential outcome and total costs associated with this matter remain uncertain.

Contingent tax risk

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

NAB continues to respond to any notices and requests for information it receives from relevant tax authorities.

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

Life Events cover

In 2013, a new insurance feature was introduced for members in the Plum Superannuation Fund that permitted members to increase their Death and Total and Permanent Disability insurance cover amount if certain "Life Events" occur for them, without having to undergo a medical assessment. Following an internal investigation, it was

Notes to the Consolidated Financial Statements (continued)

13. Contingent Liabilities (continued)

determined that PFS Nominees Pty Ltd, the trustee of the Plum Superannuation Fund, had failed to disclose this feature to some superannuation fund members (it was disclosed to new members in product disclosure statements, however it was not disclosed to existing members at the time it was introduced). Existing members impacted by this issue have now been informed about the Life Events insurance feature.

NAB has developed a remediation methodology and is in the process of re-validating the impacted members before implementing the remediation. The outcome and total costs associated with this matter remain uncertain, and will depend on whether impacted members actually had an eligible Life Event occur, and made a claim, within the period covered by the remediation.

NZ Ministry of Business, Innovation and Employment compliance audit

The Labour Inspectorate of the New Zealand Ministry of Business, Innovation and Employment (MBIE) is currently undertaking a program of compliance audits of a number of New Zealand organisations in respect of the *New Zealand Holidays Act 2003* (the Holidays Act).

BNZ requested early participation in this program in May 2016 and received the Labour Inspectorate's report, which set out its findings regarding BNZ's compliance with the Holidays Act, in January 2017. The findings indicated that BNZ has not complied with certain requirements of the Holidays Act, including in respect of annual and public holiday payments to certain employees. BNZ has worked with MBIE to review its compliance with the Holidays Act and is in the process of completing remediation as agreed with MBIE. In addition, the legislative interpretation of the definition of "discretionary payments" under the Holidays Act is not yet certain and, once it has been definitively determined, any potential implications for BNZ will need to be considered.

Plan service fees (PSF)

The Group has finalised the payment of refunds to customers who were charged PSF, including refunds to customers who did not have a plan adviser attached to their superannuation account and customers who left an employer and were transferred to the personal division of the relevant corporate superannuation product.

On 6 September 2018, ASIC also commenced Federal Court proceedings against two Group entities - NULIS Nominees (Australia) Limited (NULIS) and MLC Nominees Pty Ltd (MLCN) - in relation to PSF. ASIC is seeking declarations that a number of provisions of the *Australian Securities and Investments Commission Act 2001* (Cth), *Corporations Act 2001* (Cth) and the *Superannuation Industry (Supervision) Act 1993* (Cth) have been contravened. The potential outcome and total costs associated with these proceedings remain uncertain.

Royal Commission

The Final Report of the Royal Commission states that the Commissioner will make two referrals to APRA of the conduct by NULIS and MLCN which may have amounted to misconduct. Both of these referrals relate to conduct of NULIS and MLCN which may have given rise to a potential conflict of interest namely:

- Grandfathered commissions: the Commissioner found that NULIS "may have breached its duty to act in the best interests of the affected members" in relation to the maintenance of grandfathered commissions at the time of the successor fund transfer on 1 July 2016.
- MySuper: the Commissioner found that NULIS might have contravened the 'best interests' covenant set out in section 52(2)(c) of the *Superannuation Industry (Supervision) Act 1993* (Cth) in relation to the speed with which it effected transfers of accrued default amounts to MySuper.

In addition, the Commissioner communicated with ASIC in relation to possible breaches of section 1041G of the *Corporations Act 2001* (Cth) arising from fees for no service conduct. The Commissioner informed ASIC that in his opinion, multiple entities may have breached section 1041G and invited ASIC to consider whether criminal or other legal proceedings should be instituted. It is not clear whether any Group members are entities that have been referred to ASIC. The Final Report also identified other potential issues, including breach reporting under section 912D of the *Corporations Act 2001* (Cth) in respect of which ASIC is conducting an industry-wide review. The potential outcome and total costs associated with any proceedings which may arise out of these matters remain uncertain.

Wealth advice review

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

Notes to the Consolidated Financial Statements (continued)

13. Contingent Liabilities (continued)

(iv) Contractual commitments

MLC Limited life insurance transaction

In connection with the sale of 80% of MLC Limited (MLCL) to Nippon Life Insurance Company (Nippon Life) in October 2016, NAB gave certain covenants, warranties and indemnities in favour of Nippon Life. The parties also entered into long-term agreements for the distribution of life insurance products and continued use of the MLC brand. In addition, NAB agreed to take certain actions to establish MLCL as a standalone entity, including by providing transitional services as well as support for data migration activities and the development of technology systems (Transition Work).

NAB is currently in discussions with MLCL and Nippon Life to resolve a number of disputes arising from the above arrangements. The outcome of these discussions and any associated costs (including total costs to complete outstanding Transition Work), remain uncertain.

Notes to the Consolidated Financial Statements (continued)

14. Discontinued Operations

The results set out below relate to the discontinued operations of the Group's life insurance business sale to Nippon Life and the UK Banking operations related to the CYBG demerger which occurred in the 2016 financial year. During the March 2019 half year, a net loss of $210 million was recognised in discontinued operations relating to customer-related remediation and additional costs associated with the life insurance business sale. Refer to *Note 13 Contingent liabilities* for further information.

Analysis of loss for the half year from discontinued operations

	Half Year to		
	Mar 19	Sep 18	Mar 18
Total discontinued operations	**$m**	**$m**	**$m**
Net loss from life insurance business discontinued operation	**(210)**	(97)	-
Net loss from CYBG discontinued operation	**-**	-	(291)
Net loss from discontinued operations	**(210)**	(97)	(291)

Notes to the Consolidated Financial Statements (continued)

15. Events Subsequent to Reporting Date

There are no items, transactions or events of a material or unusual nature that have arisen in the interval between 31 March 2019 and the date of this report that, in the opinion of the Directors, have significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in future years.

Directors' Declaration

The Directors of National Australia Bank Limited declare that, in the Directors' opinion:

a) as at the date of this declaration, there are reasonable grounds to believe that NAB will be able to pay its debts as and when they become due and payable; and

b) the consolidated financial statements and the notes to the consolidated financial statements are in accordance with the *Corporations Act 2001* (Cth), including:

i. section 304, which requires that the half year financial report comply with Accounting Standards made by the Australian Accounting Standards Board for the purposes of the *Corporations Act 2001* (Cth) and any further requirements in the *Corporations Regulations 2001*; and
ii. section 305, which requires that the financial statements and notes give a true and fair view of the financial position of the Group as at 31 March 2019, and of the performance of the Group for the six months ended 31 March 2019.

Dated this 2nd day of May, 2019 and signed in accordance with a resolution of the Directors.

Dr Kenneth R Henry
Chairman

Mr Philip W Chronican

Group Chief Executive Officer

Independent Review Report

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

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of National Australia Bank Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated balance sheet as at 31 March 2019, the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated condensed cash flow statement for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of the Group is not in accordance with the *Corporations Act 2001*, including:

a. giving a true and fair view of the consolidated financial position of the Group as at 31 March 2019 and of its consolidated financial performance for the half-year ended on that date; and

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

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's consolidated financial position as at 31 March 2019 and its consolidated financial performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independent Review Report (continued)

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Ernst & Young

Sarah Lowe
Partner
Melbourne

2 May 2019

Section 5

Supplementary Information

1. Australian Banking and Wealth

	Half Year to				
Net interest income	**Mar 19 $m**	**Sep 18 $m**	**Mar 18 $m**	**Mar 19 v Sep 18 %**	**Mar 19 v Mar 18 %**
Housing lending	**1,597**	1,663	1,787	(4.0)	(10.6)
Business lending	**1,906**	1,825	1,763	4.4	8.1
Other banking products	**430**	464	474	(7.3)	(9.3)
Deposits	**1,733**	1,696	1,637	2.2	5.9
NAB risk management	**(23)**	21	55	large	large
Total net interest income	**5,643**	5,669	5,716	(0.5)	(1.3)
Other operating income					
Housing lending	**112**	126	119	(11.1)	(5.9)
Business lending	**369**	336	365	9.8	1.1
Other banking products	**425**	454	448	(6.4)	(5.1)
Deposits	**28**	27	30	3.7	(6.7)
Customer risk management	**301**	321	330	(6.2)	(8.8)
NAB risk management	**278**	211	173	31.8	60.7
Wealth income	**514**	543	569	(5.3)	(9.7)
Total other operating income	**2,027**	2,018	2,034	0.4	(0.3)
Credit impairment charge					
Specific credit impairment charge	**271**	230	210	17.8	29.0
Collective credit impairment charge / (write-back)	**64**	5	(10)	large	large
Total credit impairment charge	**335**	235	200	42.6	67.5
Housing lending	**88**	47	47	87.2	87.2
Business lending	**103**	55	28	87.3	large
Other banking products	**144**	133	125	8.3	15.2
Total credit impairment charge	**335**	235	200	42.6	67.5
Net interest margin					
Housing lending net interest margin	**1.16%**	1.22%	1.34%	(6 bps)	(18 bps)
Business lending net interest margin	**1.92%**	1.90%	1.90%	2 bps	2 bps
Volumes ($bn)					
Housing lending	**306.8**	303.1	297.8	1.2	3.0
Business lending	**202.9**	196.3	187.4	3.4	8.3
Other lending	**10.0**	10.3	10.5	(2.9)	(4.8)
Gross loans and acceptances	**519.7**	509.7	495.7	2.0	4.8
Customer deposits	**359.3**	351.1	340.8	2.3	5.4

	As at		
Market share	**31 Mar 19**	**30 Sep 18**	**31 Mar 18**
Business lending(1)	**20.9%**	20.9%	21.1%
Business lending(2)	**20.1%**	20.1%	20.1%
Business deposits(1)	**19.9%**	19.6%	19.1%
Housing lending(1)	**15.5%**	15.4%	15.4%
Household deposits(1)	**14.2%**	14.1%	14.2%

	As at		
Distribution	**31 Mar 19**	**30 Sep 18**	**31 Mar 18**
Number of branches and business banking centres	**713**	719	774
Number of ATMs(3)	**926**	2,695	2,869
Number of internet banking customers (million)	**4.43**	4.28	4.07

(1) *Source: APRA Monthly Banking Statistics.*
(2) *Source: RBA Financial System.*
(3) *Prior periods include RediATMs of 1,773 as at 30 September 2018 and 1,671 as at 31 March 2018 that are no longer part of the NAB ATM network.*

1. Australian Banking and Wealth (continued)

Funds Under Management and Administration (FUM/A) and Assets Under Management (AUM)[(1)]

Movement in FUM/A ($m)[(2)]	As at Mar 18	Inflows	Outflows	Netflows	Other[(3)]	As at Mar 19	Mar 19 v Mar 18 %
Retail	59,206	5,450	(8,918)	(3,468)	3,186	**58,924**	(0.5)
Offsale Products	8,473	236	(1,285)	(1,049)	521	**7,945**	(6.2)
Business & Corporate Superannuation	48,411	5,474	(6,313)	(839)	2,195	**49,767**	2.8
JBWere	23,440	5,856	(3,038)	2,818	336	**26,594**	13.5
Total	139,530	17,016	(19,554)	(2,538)	6,238	**143,230**	2.7
Movement in AUM ($m)[(4)]							
Portfolio Management	141,483	10,837	(16,966)	(6,129)	8,482	**143,836**	1.7
Investment Management	57,826	21,289	(22,212)	(923)	2,136	**59,039**	2.1
Total	199,309	32,126	(39,178)	(7,052)	10,618	**202,875**	1.8

Movement in FUM/A ($m)[(2)]	As at Sep 18	Inflows	Outflows	Netflows	Other[(3)]	As at Mar 19	Mar 19 v Sep 18 %
Retail	60,698	2,316	(4,240)	(1,924)	150	**58,924**	(2.9)
Offsale Products	8,419	101	(615)	(514)	40	**7,945**	(5.6)
Business & Corporate Superannuation	50,028	2,510	(2,869)	(359)	98	**49,767**	(0.5)
JBWere	25,538	2,277	(1,022)	1,255	(199)	**26,594**	4.1
Total	144,683	7,204	(8,746)	(1,542)	89	**143,230**	(1.0)
Movement in AUM ($m)[(4)]							
Portfolio Management	146,720	4,903	(8,623)	(3,720)	836	**143,836**	(2.0)
Investment Management	59,984	10,360	(12,033)	(1,673)	728	**59,039**	(1.6)
Total	206,704	15,263	(20,656)	(5,393)	1,564	**202,875**	(1.9)

(1) *FUM/A and AUM are presented in two separate disclosures that represent all managed funds and assets from which the Group derives revenue. Certain items will be represented in both FUM/A and AUM meaning the two should not be summed.*
(2) *FUM/A represents the market value of funds administered by the Group.*
(3) *Includes investment earnings and other client transactions including distributions.*
(4) *AUM represents the market value of funds for which the Group acts as funds adviser or investment manager.*

2. Average Balance Sheet and Related Interest[(1)]

Average Assets and Interest Income

	Half Year ended Mar 19			Half Year ended Sep 18			Half Year ended Mar 18		
	Average balance $m	Interest $m	Average rate %	Average balance $m	Interest $m	Average rate %	Average balance $m	Interest $m	Average rate %
Average interest earning assets									
Due from other banks									
Australia	13,385	86	1.3	16,705	112	1.3	11,911	79	1.3
New Zealand	3,750	39	2.1	4,650	43	1.8	4,562	36	1.6
Other International	16,320	139	1.7	19,075	155	1.6	28,370	209	1.5
Total due from other banks	33,455	264	1.6	40,430	310	1.5	44,843	324	1.4
Marketable debt securities									
Australia	79,760	1,091	2.7	76,644	894	2.3	76,265	1,017	2.7
New Zealand	7,352	79	2.2	5,644	61	2.2	5,519	57	2.1
Other International	11,406	64	1.1	10,855	61	1.1	11,337	56	1.0
Total marketable debt securities	98,518	1,234	2.5	93,143	1,016	2.2	93,121	1,130	2.4
Loans and advances - housing									
Australia	276,292	5,846	4.2	271,724	5,825	4.3	267,426	5,788	4.3
New Zealand	36,569	850	4.7	34,317	811	4.7	33,047	790	4.8
Other International	107	2	3.7	130	3	4.6	658	12	3.7
Total loans and advances - housing	312,968	6,698	4.3	306,171	6,639	4.3	301,131	6,590	4.4
Loans and advances - non-housing									
Australia	193,192	4,843	5.0	187,582	4,755	5.1	183,985	4,503	4.9
New Zealand	41,774	1,002	4.8	39,709	952	4.8	39,006	932	4.8
Other International	14,987	261	3.5	13,107	196	3.0	12,159	158	2.6
Total loans and advances - non-housing	249,953	6,106	4.9	240,398	5,903	4.9	235,150	5,593	4.8
Other interest earning assets									
Australia	9,784	109	n/a	2,194	114	n/a	4,496	130	n/a
New Zealand	492	20	n/a	461	8	n/a	461	18	n/a
Other International	49,091	550	n/a	45,449	460	n/a	45,858	308	n/a
Total other interest earning assets	59,367	679	n/a	48,104	582	n/a	50,815	456	n/a
Total average interest earning assets and interest income by:									
Australia	572,413	11,975	4.2	554,849	11,700	4.2	544,083	11,517	4.2
New Zealand	89,937	1,990	4.4	84,781	1,875	4.4	82,595	1,833	4.5
Other International	91,911	1,016	2.2	88,616	875	2.0	98,382	743	1.5
Total average interest earning assets and interest income	754,261	14,981	4.0	728,246	14,450	4.0	725,060	14,093	3.9

(1) *Information is presented on a continuing operations basis.*

2. Average Balance Sheet and Related Interest (continued)

Average Assets

	Half Year ended		
	Mar 19 $m	Sep 18 $m	Mar 18 $m
Average non-interest earning assets			
Investments relating to life insurance business			
New Zealand	**90**	89	80
Total investments relating to life insurance business	**90**	89	80
Other assets	**78,374**	81,888	85,371
Total average non-interest earning assets	**78,464**	81,977	85,451
Provision for credit impairment			
Australia	**(2,958)**	(2,744)	(2,626)
New Zealand	**(568)**	(552)	(509)
Other International	**(50)**	(82)	(63)
Total provision for credit impairment	**(3,576)**	(3,378)	(3,198)
Total average assets	**829,149**	806,845	807,313

2. Average Balance Sheet and Related Interest (continued)

Average Liabilities and Interest Expense

	Half Year ended Mar 19			Half Year ended Sep 18			Half Year ended Mar 18		
	Average balance $m	Interest $m	Average rate %	Average balance $m	Interest $m	Average rate %	Average balance $m	Interest $m	Average rate %
Average interest bearing liabilities									
Due to other banks									
Australia	**20,495**	**168**	**1.6**	24,537	182	1.5	25,978	199	1.5
New Zealand	**2,655**	**10**	**0.8**	2,553	13	1.0	2,055	8	0.8
Other International	**14,987**	**168**	**2.2**	13,759	111	1.6	17,438	92	1.1
Total due to other banks	**38,137**	**346**	**1.8**	40,849	306	1.5	45,471	299	1.3
On-demand and short-term deposits									
Australia	**170,921**	**1,087**	**1.3**	170,792	1,100	1.3	168,731	1,067	1.3
New Zealand	**20,177**	**88**	**0.9**	18,992	79	0.8	18,507	75	0.8
Other International	**4,702**	**43**	**1.8**	6,932	56	1.6	14,660	88	1.2
Total on-demand and short-term deposits	**195,800**	**1,218**	**1.2**	196,716	1,235	1.3	201,898	1,230	1.2
Certificates of deposit									
Australia	**33,029**	**353**	**2.1**	35,599	368	2.1	36,141	339	1.9
New Zealand	**1,585**	**15**	**1.9**	2,084	21	2.0	1,359	13	1.9
Other International	**10,758**	**87**	**1.6**	8,820	71	1.6	10,545	78	1.5
Total certificates of deposit	**45,372**	**455**	**2.0**	46,503	460	2.0	48,045	430	1.8
Term deposits									
Australia	**130,428**	**1,699**	**2.6**	120,700	1,550	2.6	120,276	1,492	2.5
New Zealand	**32,424**	**547**	**3.4**	31,212	532	3.4	30,756	529	3.4
Other International	**7,792**	**91**	**2.3**	8,288	92	2.2	7,691	66	1.7
Total term deposits	**170,644**	**2,337**	**2.7**	160,200	2,174	2.7	158,723	2,087	2.6
Other borrowings									
Australia	**22,230**	**332**	**3.0**	25,305	328	2.6	24,418	236	1.9
New Zealand	**2,429**	**32**	**2.6**	2,123	27	2.5	1,911	18	1.9
Other International	**33,425**	**490**	**2.9**	28,134	358	2.5	27,061	242	1.8
Total other borrowings	**58,084**	**854**	**2.9**	55,562	713	2.6	53,390	496	1.9
Bonds, notes and subordinated debt									
Australia	**126,356**	**1,914**	**3.0**	118,337	1,862	3.1	112,570	1,665	3.0
New Zealand	**20,622**	**284**	**2.8**	19,268	260	2.7	19,292	286	3.0
Other International	**20,049**	**275**	**2.8**	20,219	259	2.6	18,251	226	2.5
Total bonds, notes and subordinated debt	**167,027**	**2,473**	**3.0**	157,824	2,381	3.0	150,113	2,177	2.9
Other interest bearing liabilities									
Australia	**8,340**	**546**	**n/a**	6,647	387	n/a	5,963	581	n/a
Other International	**42**	**11**	**n/a**	277	55	n/a	857	27	n/a
Total other interest bearing liabilities	**8,382**	**557**	**n/a**	6,924	442	n/a	6,820	608	n/a
Total average interest bearing liabilities and interest expense by:									
Australia	**511,799**	**6,099**	**2.4**	501,917	5,777	2.3	494,077	5,579	2.3
New Zealand	**79,892**	**976**	**2.5**	76,232	932	2.4	73,880	929	2.5
Other International	**91,755**	**1,165**	**2.5**	86,429	1,002	2.3	96,503	819	1.7
Total average interest bearing liabilities and interest expense	**683,446**	**8,240**	**2.4**	664,578	7,711	2.3	664,460	7,327	2.2

2. Average Balance Sheet and Related Interest (continued)

Average Liabilities and Equity

	Half Year ended		
	Mar 19 $m	Sep 18 $m	Mar 18 $m
Average non-interest bearing liabilities			
Deposits not bearing interest			
Australia[1]	**46,002**	44,784	43,665
New Zealand	**5,561**	5,166	4,854
Other International	**6**	9	11
Total deposits not bearing interest	**51,569**	49,959	48,530
Other liabilities	**41,224**	40,476	42,812
Total average non-interest bearing liabilities	**92,793**	90,435	91,342
Total average liabilities	**776,239**	755,013	755,802
Average equity			
Total equity (parent entity interest)	**52,900**	51,821	51,500
Non-controlling interest in controlled entities	**10**	11	11
Total average equity	**52,910**	51,832	51,511
Total average liabilities and equity	**829,149**	806,845	807,313

(1) *Includes $28,980 million (September 2018: $28,356 million, March 2018: $27,911 million) of mortgage offset accounts.*

3. Net Interest Margins and Spreads[(1)(2)]

	Half Year to				
	Mar 19	Sep 18	Mar 18	Mar 19 v	Mar 19 v
Group	**%**	**%**	**%**	**Sep 18**	**Mar 18**
Net interest spread	**1.57**	1.64	1.69	(7 bps)	(12 bps)
Benefit of net free liabilities, provisions and equity	**0.22**	0.21	0.18	1 bp	4 bps
Net interest margin - statutory basis	**1.79**	1.85	1.87	(6 bps)	(8 bps)

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

4. Capital Adequacy

The tables below show the APRA Basel III capital adequacy calculation. The first table below is a reconciliation from total equity per the Group's balance sheet to capital for regulatory purposes, including Common Equity Tier 1 capital, Tier 1 capital and Total capital. Capital for regulatory purposes is based on the Level 2 regulatory group which comprises National Australia Bank Limited and the entities it controls, excluding superannuation and funds management entities, insurance entities and securitisation special purpose vehicles to which assets have been transferred in accordance with the requirements for regulatory capital relief.

	As at		
	31 Mar 19	**30 Sep 18**	**31 Mar 18**
	$m	**$m**	**$m**
Contributed equity	**36,850**	35,982	35,702
Reserves	**458**	46	331
Retained profits	**16,776**	16,673	16,357
Non-controlling interest in controlled entities	**7**	11	11
Total equity per consolidated balance sheet	**54,091**	52,712	52,401
Additional Tier 1 capital classified as equity before application of Basel III transitional arrangements	**(1,945)**	(2,920)	(2,919)
Non-controlling interest in controlled entities	**(7)**	(11)	(11)
Deconsolidation of entities outside the Level 2 regulatory group	**(243)**	(292)	(272)
Common Equity Tier 1 capital before regulatory adjustments	**51,896**	49,489	49,199
Goodwill and other intangible assets, net of tax	**(2,883)**	(2,873)	(2,877)
Investment in non-consolidated controlled entities (adjusted for goodwill and other intangible assets)	**(422)**	(421)	(459)
Deferred tax assets in excess of deferred tax liabilities	**(1,966)**	(1,746)	(1,875)
Capitalised expenses and deferred fee income	**(787)**	(741)	(596)
Software	**(2,982)**	(2,895)	(2,713)
Defined benefit superannuation plan asset, net of tax	**(32)**	(34)	(30)
Change in own creditworthiness	**18**	135	183
Cash flow hedge reserve	**(74)**	(10)	6
Equity exposures	**(765)**	(988)	(1,016)
Expected loss in excess of eligible provisions	**-**	(87)	(183)
Other	**(68)**	(70)	(84)
Common Equity Tier 1 capital	**41,935**	39,759	39,555
Transitional Additional Tier 1 capital instruments	**1,817**	2,422	2,422
Basel III eligible Additional Tier 1 capital instruments	**6,433**	6,073	6,073
Regulatory adjustments to Additional Tier 1 capital	**-**	-	(2)
Additional Tier 1 capital	**8,250**	8,495	8,493
Tier 1 capital	**50,185**	48,254	48,048
Standardised approach general reserve for credit losses	**45**	66	59
IRB approach surplus provisions on non-defaulted exposures	**134**	-	-
Transitional Tier 2 capital instruments	**496**	1,119	2,249
Basel III eligible Tier 2 capital instruments	**5,232**	5,227	5,198
Eligible Tier 2 capital for non-controlling interest	**447**	426	453
Regulatory adjustments to Tier 2 capital	**(94)**	(84)	(108)
Tier 2 capital	**6,260**	6,754	7,851
Total capital	**56,445**	55,008	55,899
Risk-weighted assets			
Credit risk	**345,397**	331,381	329,882
Market risk	**9,190**	9,460	8,656
Operational risk	**40,945**	37,500	39,027
Interest rate risk in the banking book	**7,673**	11,343	9,850
Total risk-weighted assets	**403,205**	389,684	387,415
Risk-based regulatory capital ratios			
Common Equity Tier 1	**10.40%**	10.20%	10.21%
Tier 1	**12.45%**	12.38%	12.40%
Total capital	**14.00%**	14.12%	14.43%

4. Capital Adequacy (continued)

	Risk-weighted assets as at 31 Mar 19 $m	30 Sep 18 $m	31 Mar 18 $m
Credit risk[1]			
Subject to the internal ratings-based approach			
Corporate (including Small and Medium Enterprises (SME))[2]	**124,352**	116,709	115,478
Sovereign	**1,351**	1,293	1,291
Bank	**10,444**	10,042	10,751
Residential mortgage	**105,979**	103,868	102,448
Qualifying revolving retail	**3,822**	3,993	4,124
Retail SME	**6,575**	6,531	6,573
Other retail	**3,334**	3,419	3,517
Total internal ratings-based approach	**255,857**	245,855	244,182
Specialised lending	**59,506**	60,444	59,899
Subject to standardised approach			
Residential mortgage	**1,645**	1,558	1,623
Corporate	**4,733**	4,670	4,436
Other	**483**	493	513
Total standardised approach	**6,861**	6,721	6,572
Other			
Securitisation exposures	**4,739**	4,598	4,313
Credit value adjustment	**9,061**	7,670	8,958
Central counterparty default fund contribution guarantee	**823**	1,138	1,029
Other[3]	**8,550**	4,955	4,929
Total other	**23,173**	18,361	19,229
Total credit risk	**345,397**	331,381	329,882
Market risk	**9,190**	9,460	8,656
Operational risk	**40,945**	37,500	39,027
Interest rate risk in the banking book[4]	**7,673**	11,343	9,850
Total risk-weighted assets	**403,205**	389,684	387,415

(1) Assets that are not subject to specific risk-weights incorporate a scaling factor of 1.06 in accordance with APS 113 Capital Adequacy: Internal Ratings-based Approach to Credit Risk.
(2) Corporate (including SME) consists of corporations, partnerships or proprietorships not elsewhere classified and includes non-banking entities held by banks.
(3) Other includes non-lending assets and risk-weighted assets overlay adjustments for regulatory prescribed methodology requirements. The increase from September 2018 to March 2019 is largely driven by higher risk-weighted assets overlay adjustments reflecting a change in the recognition of certain off-balance sheet facilities.
(4) The decrease from September 2018 to March 2019 is largely due to a change in rate shock methodology.

5. Earnings Per Share

	Half Year to					
		Basic			Diluted	
Earnings per share	**Mar 19**	**Sep 18**	**Mar 18**	**Mar 19**	**Sep 18**	**Mar 18**
Earnings ($m)						
Net profit attributable to owners of NAB	**2,694**	2,971	2,583	**2,694**	2,971	2,583
Distributions on other equity instruments	**(52)**	(51)	(49)	**(52)**	(51)	(49)
Potential dilutive adjustments (after tax)						
Interest expense on convertible notes	**-**	-	-	**67**	66	62
Interest expense on convertible preference shares	**-**	-	-	**60**	63	59
Adjusted earnings	**2,642**	2,920	2,534	**2,769**	3,049	2,655
Add: Net loss after tax for the period from discontinued operations	**210**	97	291	**210**	97	291
Adjusted earnings from continuing operations	**2,852**	3,017	2,825	**2,979**	3,146	2,946
Weighted average number of ordinary shares (millions)						
Weighted average number of ordinary shares (net of treasury shares)	**2,756**	2,720	2,699	**2,756**	2,720	2,699
Potential dilutive weighted average number of ordinary shares						
Convertible notes	**-**	-	-	**119**	104	97
Convertible preference shares	**-**	-	-	**126**	118	111
Share based payments	**-**	-	-	**6**	8	9
Total weighted average number of ordinary shares	**2,756**	2,720	2,699	**3,007**	2,950	2,916
Earnings per share (cents) attributable to owners of NAB	**95.9**	107.3	93.9	**92.1**	103.4	91.1
Earnings per share (cents) from continuing operations	**103.5**	110.9	104.7	**99.1**	106.6	101.0

	Half Year to					
		Basic			Diluted	
Cash earnings per share	**Mar 19**	**Sep 18**	**Mar 18**	**Mar 19**	**Sep 18**	**Mar 18**
Earnings ($m)						
Cash earnings[(1)]	**2,954**	2,943	2,759	**2,954**	2,943	2,759
Potential dilutive adjustments (after tax)						
Interest expense on convertible notes	**-**	-	-	**67**	66	62
Interest expense on convertible preference shares	**-**	-	-	**60**	63	59
Adjusted cash earnings	**2,954**	2,943	2,759	**3,081**	3,072	2,880
Weighted average number of ordinary shares (millions)						
Weighted average number of ordinary shares (net of treasury shares)	**2,756**	2,720	2,699	**2,756**	2,720	2,699
Potential dilutive weighted average number of ordinary shares						
Convertible notes	**-**	-	-	**119**	104	97
Convertible preference shares	**-**	-	-	**126**	118	111
Share based payments	**-**	-	-	**6**	8	9
Total weighted average number of ordinary shares	**2,756**	2,720	2,699	**3,007**	2,950	2,916
Earnings per share (cents) attributable to owners of NAB	**107.2**	108.2	102.2	**102.5**	104.1	98.8

6. Net Tangible Assets

	As at		
	31 Mar 19	**30 Sep 18**	**31 Mar 18**
Net tangible assets per ordinary share ($)[(2)]	**16.46**	16.09	16.11

[(1)] *Refer to Section 1 Profit reconciliation for reconciliation of cash earnings to net profit attributable to owners of NAB.*
[(2)] *Represents net assets excluding intangible assets, non-controlling interests, preference shares and other equity instruments divided by ordinary shares on issue at the end of the period.*

7. Asset Funding[1]

Core assets	31 Mar 19 $m	30 Sep 18 $m	31 Mar 18 $m	Mar 19 v Sep 18 %	Mar 19 v Mar 18 %
Loans and advances at amortised cost	**589,829**	571,929	553,986	3.1	6.5
Loans and advances at fair value	**8,388**	9,845	11,966	(14.8)	(29.9)
Acceptances	**3,096**	3,816	5,288	(18.9)	(41.5)
Other debt instruments at amortised cost	**383**	374	396	2.4	(3.3)
Total core assets	**601,696**	585,964	571,636	2.7	5.3
Funding and equity					
Customer deposits	**421,735**	408,974	408,404	3.1	3.3
Term wholesale funding	**171,405**	168,718	159,595	1.6	7.4
Certificates of deposit	**43,877**	43,962	46,867	(0.2)	(6.4)
Securities sold under agreements to repurchase	**32,465**	27,732	24,063	17.1	34.9
Due to other banks[2]	**36,960**	38,192	35,914	(3.2)	2.9
Other short-term liabilities	**31,332**	33,521	35,161	(6.5)	(10.9)
Total equity excluding preference shares and other contributed equity	**52,146**	49,793	49,482	4.7	5.4
Total funding liabilities and equity	**789,920**	770,892	759,486	2.5	4.0
Other liabilities					
Trading instruments	**23,287**	22,422	26,503	3.9	(12.1)
Hedging derivatives	**2,985**	2,547	553	17.2	large
Other liabilities	**10,751**	10,649	9,526	1.0	12.9
Total liabilities and equity	**826,943**	806,510	796,068	2.5	3.9

Funded Balance Sheet

Funding sources[3]	31 Mar 19 $m	30 Sep 18 $m	31 Mar 18 $m	Mar 19 v Sep 18 %	Mar 19 v Mar 18 %
Stable customer deposits[4]	**383,463**	370,723	368,992	3.4	3.9
Term funding greater than 12 months	**141,581**	140,882	133,556	0.5	6.0
Equity	**52,146**	49,793	49,482	4.7	5.4
Total stable funding	**577,190**	561,398	552,030	2.8	4.6
Short-term wholesale funding	**98,842**	102,801	103,299	(3.9)	(4.3)
Term funding less than 12 months	**29,824**	27,836	26,039	7.1	14.5
Other deposits[5]	**38,272**	38,251	39,412	0.1	(2.9)
Total funding	**744,128**	730,286	720,780	1.9	3.2
Funded assets					
Liquid assets[6][7]	**122,247**	125,854	121,737	(2.9)	0.4
Other short-term assets[7][8]	**20,386**	14,393	18,383	41.6	10.9
Total short-term assets	**142,633**	140,247	140,120	1.7	1.8
Business and other lending[9]	**250,123**	241,240	232,837	3.7	7.4
Housing lending	**346,292**	339,540	333,758	2.0	3.8
Other assets[10]	**5,080**	9,259	14,065	(45.1)	(63.9)
Total long-term assets	**601,495**	590,039	580,660	1.9	3.6
Total funded assets	**744,128**	730,286	720,780	1.9	3.2

(1) *Information is presented on a continuing operations basis.*
(2) *Includes repurchase agreements due to other banks.*
(3) *Excludes repurchase agreements, trading and hedging derivatives, and any accruals, receivables and payables that do not provide net funding.*
(4) *Includes operational deposits, non-financial corporate deposits and retail / SME deposits. Excludes certain offshore deposits.*
(5) *Includes non-operational financial institution deposits and certain offshore deposits.*
(6) *Market value of liquid assets including HQLA and non HQLA securities that are central bank repo-eligible.*
(7) *Comparative information has been restated in accordance with changes in presentation made in the current period, reflecting a reallocation between liquid assets and other short-term assets.*
(8) *Includes trade finance loans.*
(9) *Excludes trade finance loans.*
(10) *Includes net derivatives, goodwill, property, plant and equipment and net of accruals, receivables and payables.*

8. Number of Ordinary Shares

	Half Year to		
	Mar 19 No. '000	**Sep 18 No. '000**	**Mar 18 No. '000**
Ordinary shares, fully paid			
Balance at beginning of period	**2,734,119**	2,722,926	2,685,469
Shares issued:			
Conversion of convertible preference shares	**30,185**	-	-
Dividend reinvestment plan	**40,639**	9,927	30,876
Bonus share plan	**1,383**	1,094	890
Share based payments	**4,985**	158	5,687
Paying up of partly paid shares	**4**	14	4
Total ordinary shares, fully paid	**2,811,315**	2,734,119	2,722,926
Ordinary shares, partly paid to 25 cents			
Balance at beginning of period	**25**	39	43
Paying up of partly paid shares	**(4)**	(14)	(4)
Total ordinary shares, partly paid to 25 cents	**21**	25	39
Total ordinary shares (including treasury shares)	**2,811,336**	2,734,144	2,722,965
Less: Treasury shares	**(7,840)**	(7,800)	(8,319)
Total ordinary shares (excluding treasury shares)	**2,803,496**	2,726,344	2,714,646

9. Exchange Rates

	Income statement - average Half Year to			Balance sheet - spot As at		
One Australian dollar equals	**Mar 19**	**Sep 18**	**Mar 18**	**31 Mar 19**	**30 Sep 18**	**31 Mar 18**
British pounds	**0.5524**	0.5585	0.5721	**0.5424**	0.5519	0.5476
Euros	**0.6279**	0.6317	0.6463	**0.6313**	0.6202	0.6241
United States dollars	**0.7150**	0.7441	0.7775	**0.7092**	0.7218	0.7684
New Zealand dollars	**1.0585**	1.0840	1.0924	**1.0440**	1.0920	1.0627

10. ASX Appendix 4D

Cross reference index	**Page**
Results for Announcement to the Market (4D Item 2)	Inside front cover
Dividends (4D Item 5)	67
Dividend dates (4D Item 5)	Inside front cover
Dividend reinvestment plan (4D Item 6)	67
Net tangible assets per ordinary share (4D Item 3)	97
Details of entities over which control has been gained or lost (4D Item 4)	n/a
The Group has not gained or lost control over any material entities during the half year ended 31 March 2019.	
Details of associates and joint venture entities (4D item 7)	n/a
The Group held no material investments in associates or joint venture entities as at 31 March 2019.	

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Section 6

Glossary of Terms

Glossary of Terms

Terms	Description
12-months expected credit losses (ECL)	The portion of lifetime expected credit losses that represent the expected losses arising from default events that could occur within 12 months of the reporting date.
90+ days past due (DPD) and gross impaired assets to GLAs	Loans and advances 90+ DPD but not impaired and impaired assets expressed as a percentage of Gross loans and acceptances. Calculated as the sum of 'Loans and advances past due but not impaired (past due over 90 days)' and 'Gross impaired assets' divided by Gross loans and acceptances.
90+DPD assets	90+DPD assets consist of well-secured assets that are more than 90 days past due and portfolio-managed facilities that are not well secured and between 90 and 180 days past due.
AASB	Australian Accounting Standards Board.
ADI	Authorised Deposit-taking Institution.
APRA	Australian Prudential Regulation Authority.
APS	Prudential Standards issued by APRA applicable to ADIs.
ASIC	Australian Securities and Investments Commission.
Assets under management (AUM)	Represents the market value of funds for which the Group acts as funds adviser or investment manager.
ASX	Australian Securities Exchange Limited.
Average equity (adjusted)	Average equity (adjusted) is adjusted to exclude non-controlling interests and other equity instruments, when calculated on a statutory basis. When calculated on a cash earnings basis, average equity (adjusted) is further adjusted for Treasury shares.
Average interest earning assets	The average balance of assets held by the Group over the period that generate interest income.
Basel III	Basel III is a global regulatory framework designed to increase the resilience of banks and banking systems and is effective for ADIs from 1 January 2013.
BNZ	Bank of New Zealand.
Business lending	Lending to non-retail customers including overdrafts, asset and lease financing, term lending, bill acceptances, foreign currency loans, international and trade finance, securitisation and specialised finance.
Cash earnings	Refer to page 2, Section 1 - Profit reconciliation for information about, and the definition of, cash earnings.
Cash earnings on average risk-weighted assets	Calculated as cash earnings (annualised) divided by average risk-weighted assets. Average risk-weighted assets are calculated as the average of the current and previous two quarters' risk-weighted assets.
Cash earnings per share - basic	Calculated as cash earnings divided by the weighted average number of ordinary shares (net of treasury shares).
Cash earnings per share - diluted	Calculated as cash earnings adjusted for interest expense on dilutive potential ordinary shares. This adjusted cash earnings is divided by the weighted average number of ordinary shares (net of treasury shares), adjusted to include dilutive potential ordinary shares.
Cash return on equity (ROE)	Cash earnings after tax expressed as a percentage of average equity (adjusted), calculated on a cash earnings basis. See 'Information about Cash Earnings and other Non-IFRS Measures' on page 2 for more information in relation to cash earnings.
CLF	Committed Liquidity Facility.
Common Equity Tier 1 (CET1) capital	The highest quality component of capital. It is subordinated to all other elements of funding, absorbs losses as and when they occur, has full flexibility of dividend payments and has no maturity date. It is predominately comprised of paid-up ordinary share capital, retained profits plus certain other items as defined in APS 111 *Capital Adequacy: Measurement of Capital.*
Common Equity Tier 1 ratio	CET1 capital divided by RWA.
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)	Cost to income ratio (CTI) represents operating expenses as a percentage of operating revenue.
Customer deposits	The sum of interest bearing, non-interest bearing and term deposits (including retail and corporate deposits).
Customer Funding Index (CFI)	Customer deposits (excluding certain short dated institutional deposits used to fund liquid assets) divided by core assets.
Customer risk management	Activities to assist customers to manage their financial risks (predominantly foreign exchange and interest rate risks).
CYBG	CYBG PLC.
Dilutive potential ordinary share	A financial instrument or other contract that may entitle its holder to ordinary shares and which would have the effect of decreasing earnings per share. For the Group these include convertible preference shares, convertible notes, and shares issued under employee incentive schemes.
Discontinued operations	Discontinued operations are a component of the Group that either has been disposed of, or is classified as held for sale, and represents a separate major line of business or geographical area of operations, which is part of a single co-ordinated plan for disposal.
Distributions	Payments to holders of other equity instrument issues such as National Income Securities and Trust Preferred Securities.
Dividend payout ratio	Dividends paid on ordinary shares divided by cash earnings per share.
Earnings per share (EPS) - basic	Calculated as net profit attributable to ordinary equity holders of the parent (statutory basis) or cash earnings (cash earnings basis) divided by the weighted average number of ordinary shares.
Earnings per share (EPS) - diluted	Calculated as net profit attributable to ordinary equity holders of the parent (statutory basis) or cash earnings (cash earnings basis) divided by the weighted average number of ordinary shares, after adjusting both earnings and the weighted average number of ordinary shares for the impact of dilutive potential ordinary shares.
Effective tax rate	Income tax expense divided by profit before income tax expense.
Fair value	The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at measurement date.
Fair value and hedge ineffectiveness	Represents volatility from the Group's assets and liabilities designated at fair value, hedge accounting ineffectiveness from designated accounting hedge relationships, or from economic hedges where hedge accounting has not been applied.
Forward looking adjustment (FLA)	The portion of expected credit losses that is derived from the forward looking outlook for targeted sectors.
Full-time equivalent employees (FTEs)	Includes all full-time employees, 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.
Funds under management and administration (FUM/A)	Represents the market value of funds administered by the Group.

Glossary of Terms (continued)

Terms	Description
General reserve for credit losses (GRCL)	An estimate of the reasonable and prudent expected credit losses over the remaining life of the portfolio of non-defaulted assets, as set out under APS 220 *Credit Quality*. The GRCL is calculated as a collective provision for credit impairment, excluding securitisation exposures and provision on default no loss assets. Where the GRCL (regulatory reserve) is greater than the accounting provision, the difference is covered with an additional top-up, created through an appropriation of retained profits to a non-distributable reserve.
Gross loans and acceptances (GLAs)	The total loans, advances and acceptances, including unearned and deferred fee income, excluding associated provisions for expected credit losses. Calculated as the sum of 'Acceptances', 'Loans at fair value', and 'Total gross loans and advances'.
Group	NAB and its controlled entities.
High quality liquid assets (HQLA)	Consists primarily of cash, deposits with central banks, Australian semi-government and Commonwealth government securities and securities issued by foreign sovereigns as defined in APS 210 *Liquidity*.
Housing lending	Mortgages secured by residential properties as collateral.
IFRS	International Financial Reporting Standards.
Impaired assets	Consist of: - Retail loans (excluding unsecured portfolio managed facilities) which are contractually 90 days past due with security insufficient to cover principal and arrears of interest revenue; - Non-retail loans which are contractually past due and / or there is sufficient doubt about the ultimate collectability of principal and interest; and - Impaired off-balance sheet credit exposures where current circumstances indicate that losses may be incurred. Unsecured portfolio managed facilities are also classified as impaired assets when they become 180 days past due (if not written off).
Internal ratings-based (IRB)	IRB approach refers to the processes employed by the Group to estimate credit risk. This is achieved through the use of internally developed models to assess the potential credit losses using the outputs from the probability of default, loss given default and exposure at default models.
Jaws	The difference between the percentage growth in revenue on the preceding period and the percentage growth in the expenses on the preceding period, calculated on a cash earnings basis.
Leverage Ratio	Tier 1 capital divided by exposures as defined by APS 110 *Capital Adequacy*. It is a simple, non-risk based supplementary measure to supplement the RWA based capital requirements. Exposures include on-balance sheet exposures, derivative exposures, securities financing transaction exposures and other off-balance sheet exposures.
Lifetime expected credit losses (ECL)	The expected credit losses that result from all possible default events over the expected life of a financial instrument.
Liquidity Coverage Ratio (LCR)	A metric that measures the adequacy of HQLA available to meet net cash outflows over a 30-day period during a severe liquidity stress scenario.
Marketable debt securities	Comprises trading securities and debt instruments.
NAB	National Australia Bank Limited ABN 12 004 044 937.
NAB risk management	Management of interest rate risk in the banking book, wholesale funding and liquidity requirements and trading market risk to support the Group's franchises.
Net interest margin (NIM)	Net interest income derived on a cash earnings basis expressed as a percentage of average interest earning assets.
Net Stable Funding Ratio (NSFR)	NSFR is a measure announced as part of the Basel III liquidity reforms that came into force on 1 January 2018. The ratio establishes a minimum acceptable amount of stable funding (the portion of those types and amounts of equity and liability financing expected to be reliable sources of funds) based on the liquidity characteristics of an ADI's assets and activities over a one-year horizon.
Other banking products	Personal lending, credit cards (consumer and commercial), investment securities and margin lending.
RBA	Reserve Bank of Australia.
RBNZ	Reserve Bank of New Zealand.
Regulatory specific provisions	In line with APRA's July 2017 guidance "*Provisions for regulatory purposes and AASB 9 Financial Instruments*", regulatory specific provisions include collective provisions for facilities in Stage 2 with identified deterioration (that do not meet the two exception clauses per the APRA guidance), and Stage 3 in default. All other facilities are classified as GRCL.
Restructuring-related costs	Consist of personnel, occupancy, software impairment and other general charges recognised as part of acceleration of the Group's strategy announced in November 2017.
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.
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.
Stable Funding Index (SFI)	Term Funding Index (TFI) plus Customer Funding Index (CFI).
Statutory return on equity	Statutory earnings after tax expressed as a percentage of Average equity (adjusted), calculated on a statutory basis.
Term Funding Index (TFI)	Term wholesale funding (with a remaining maturity to first call date greater than 12 months) divided by core assets.
Tier 1 capital	Tier 1 capital comprises Common Equity Tier 1 (CET1) capital and instruments that meet the criteria for inclusion as Additional Tier 1 capital set out in APS 111 *Capital Adequacy: Measurement of Capital.*
Tier 1 capital ratio	Tier 1 capital divided by risk-weighted assets.
Tier 2 capital	Tier 2 capital includes other components of capital that, to varying degrees, fall short of the quality of Tier 1 capital but nonetheless contribute to the overall strength of an ADI and its capacity to absorb losses.
Total average assets	The average balance of assets held by the Group over the period, adjusted for disposed operations. Disposed operations include any operations that will not form part of the continuing Group. These include operations sold and those which have been announced to the market that have yet to reach completion. Refer to 'Average balances' on page 2, Section 1 - Profit reconciliation for further information in relation to the calculation on average balances.
Total capital	The sum of Tier 1 capital and Tier 2 capital.
Total capital ratio	Total capital divided by risk-weighted assets.
Treasury shares	Shares issued to meet the requirements of employee incentive schemes which have not yet been distributed.

Glossary of Terms (continued)

Terms	Description
Underlying profit / loss	Underlying profit / loss is a performance measure used by NAB. It represents cash earnings / deficit before various items, including income tax expense and the credit impairment charge as presented in the table on page 3. It is not a statutory financial measure and is not presented in accordance with Australian Accounting Standards.
Weighted average number of ordinary shares	The number of ordinary shares outstanding at the beginning of the period, adjusted by the number of ordinary shares bought back or issued during the period multiplied by a time-weighting factor. The time-weighting factor is the number of days that the shares are outstanding as a proportion of the total number of days in the period.